IMPROVING PUBLIC TRANSPORT RESEARCH –

MONITORING KICKSTART SCHEMES (UG589)

Final Report

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0. EXECUTIVE SUMMARY

0.1 Aims and Objectives

This study was commissioned jointly by the Department for Transport (DfT) and the Scottish Executive to assess the impacts of the Kickstart scheme in England and of the Bus Route Development Grant (BRDG) programme in Scotland. This included both the performance of individual schemes and the proposal development and implementation processes.

0.2 What is Kickstart / BRDG ?

Kickstart was intended to provide: enhanced commercial bus services in terms of quality and service frequency which could not be justified on commercial grounds; to push marginal supported services into the commercial arena and to encourage the development of new services to meet needs. The initial phase of Kickstart in 2003 was incorporated within the Bus Challenge programme, and there was an emphasis on social inclusion issues. Nevertheless, it was clear that schemes funded under Kickstart should represent partnership working between local authorities and bus operators and should aim to be either commercially viable at the end of Kickstart funding, or alternatively to have a guarantee of local authority revenue support, if required, at the end of the Kickstart funding period.

In 2005 Kickstart was aimed at projects which "have a clear prospect of becoming commercially viable, or otherwise fully self-sustaining with a guarantee of local authority support". Modal shift and patronage increase were the twin aims of the scheme. In Scotland the BRDG scheme was established to "improve access to public transport, encourage modal shift and reduce congestion". Again, there was an emphasis on projects able to achieve commercial viability, but this was not prescriptive and allowed schemes to be developed which would require local authority support at the end of BRDG funding.

Kickstart and BRDG have been used to bring forward and implement a series of schemes (97 in total, since increased to 105 with new BRDG schemes awarded in October 2006) with the aims of:

- Establishing commercial viability or sustainability
- Increasing patronage
- Raising the quality of service offer
- Encouraging modal shift
- Reducing congestion, and
- Addressing social inclusion issues

These schemes have been able directly to improve the transport offer to the travelling public and the community in the project areas and are widely acknowledged by both local authorities and bus operators to be schemes which

would not have been developed without the impetus provided by Kickstart funding. The 97 schemes analysed within this study have provided substantial benefit to at a cost of £43.7 million, on an annual basis comfortably under 2% of the total public subsidy to the bus industry.

0.3 What is Kickstart's role ?

Kickstart has been successful in uplifting marginal commercial services to new levels of revenue and patronage, and in establishing their long term viability. The vast majority of schemes funded in 2003 will be commercially viable or sustainable at the end of Kickstart funding. We anticipate a similar pattern with those schemes funded in 2005 in England and Scotland; indeed, there is evidence to suggest that the 2005 schemes will be even more successful in leaving a commercially viable legacy as the elements of partnership working and commercial viability were defined more explicitly and understood more comprehensively by partners in 2005.

Kickstart has also enabled a number of supported services to be injected with financial support which will allow their patronage and revenue to grow bringing them close to commercial viability at the end of Kickstart funding. Owing to the marginal nature of these services local authorities have pledged continuing support for these services after Kickstart to assist them to reach commercial maturity eventually.

Kickstart has acted as a catalyst to develop a new style of partnership working between local authorities and bus operators. This development has been welcomed on both sides. Local authorities acknowledge the need to appreciate the commercial realities of the bus market and the importance of entrepreneurial flair; bus operators have appreciated the use of bus services as an aid to address social inclusion and accessibility issues. The success of Kickstart lies in the fact that it is able to generate commercial success and stimulate successful bus services whilst addressing key social and accessibility issues.

0.4 What has Kickstart achieved ?

In summary, what has Kickstart achieved:

1. Growth in patronage on marginal or new services of on average over 20% in the first year of operation and over 10% in year two for the 2003 Kickstart round. This in an overall market that is still declining.
2. Modal shift at a level comparable with Quality Bus Partnership achievements on key corridor schemes. Modest modal shift has been achieved in less promising territory.
3. Benefits to users in terms of frequency enhancements and more accessible vehicles.
4. Value for public money with the median level of revenue support per passenger across the 2003 schemes in year one being £0.12 and £0.76 per new passenger. This compares well with standard supported services and will fall over the life of each scheme.

5. Stimulation of genuine partnership working whereby operators consider social needs and LTAs take account of commercial requirements in both cases leading to greater understanding.
6. Encouragement of entrepreneurial flair in LTA thinking.
7. Added value through the delivery of further service enhancements over and above those specified in the bids as patronage grows.
8. Added value through stimulating the development of Kickstart style schemes by LTAs in cooperation with operators.
9. Added value through the levering of additional investment / support from bus operators and others.
10. The schemes are likely to leave a positive legacy, reflected in the desire of both LTAs and operators to see the scheme continue.
11. Clearly offers a better return than subsidy that supports the status quo or in the case of BSOG simply encourages bus kilometres.
12. Where support can take reduce the requirement for revenue support by pushing marginal services into commercial performance, that support is released to support other services.

0.5 What is Kickstart's future potential ?

The performance of Kickstart has been very good to date. In the future we believe that Kickstart / BRDG has the potential to reach out to a wider potential bus market and to secure greater gains and reach a new level of success. This will be achieved by focusing on specific target market segments and by building upon the local authority / bus operator partnerships already established. In particular we believe that Kickstart / BRDG should be focused on the following markets:

- Marginal commercial services
- New and innovative services
- New services targeting new developments
- Contested markets
- Areas introducing local road user charging.
- Rural markets
- Community transport and social enterprise services – run on business like lines

0.6 Recommendations

In particular we recommend that:

- Kickstart / BRDG are continued with a new bidding round. Our understanding is that BRDG remains active. Kickstart would need a new round, preferably in 2007 in order to build upon and exploit the enthusiasm and partnership working that has developed to date. However, the Comprehensive Spending Review may delay such a round which would risk losing some of the momentum of the scheme.
- The budget for England be doubled to around £56 million for the next round, given the scope for Kickstart to function and develop different

markets. The budget for Scotland to be continued at current levels or with some uplift.

- This fund is targeted at specific markets (as identified above)
- A consistent and transparent evaluation framework is adopted
- A flexible 2-4 year funding cycle is allowed
- Project commercial viability / sustainability is to be essential
- Full patronage and financial appraisals to be contained within bids for funding and a requirement for basic monitoring data to be reported in a common format to allow a straightforward assessment of the schemes performance.

1. INTRODUCTION

1.1 Context

This report is based on work commissioned jointly by the Department for Transport and the Scottish Executive to assess the performance of the Kickstart and Bus Route Development Grant schemes.

1.2 Kickstart and Bus Route Development Grant Schemes

Kickstart began life as part of the Urban and Rural Bus Challenge Schemes in 2003. The objectives were to increase bus patronage and develop bus services as an alternative to car use, with an additional aim of achieving commercial viability by the end of the Kickstart funding period (DfT 2003a, b). Kickstart has since been expanded with amended objectives and has superseded the Challenge schemes. The latest Kickstart funding round in 2005 was aimed at "projects which have a clear prospect of becoming commercially viable, or otherwise fully self-sustaining with a guarantee of local authority subsidy or other sources of funding, after a finite period of Kickstart support" (DfT 2005a). Commercial viability lies at the heart of the Kickstart initiative.

The Bus Route Development Grant (BRDG) scheme administered by the Scottish Executive (SE) operates on similar principles to Kickstart. The general purpose of the grant is to "improve access to public transport, encourage modal shift and reduce congestion" (SE 2006a). As with Kickstart there is an emphasis on projects that can achieve commercial viability but this is not prescriptive in that "subsidised services and subsidised elements of services will also be considered for funding where growth can be demonstrated or where other benefits such as improved accessibility or bus networks can be achieved, and where the transport authority agrees to maintain the existing level of subsidy during the specified period of service or until commercial viability is achieved." (SE 2006a). Both Kickstart and BRDG provide support for up to three years.

The first round of Kickstart schemes in 2003 saw funding amounting to £7.83 million awarded to 18 pilot schemes. A further 43 schemes were allocated funding of £20 million in the second round in 2005. The initial 27 BRDG awards totalling £12.2 million were made in March 2005. This was followed by £3.7 million funding in a second round of nine schemes later in 2005 and in October 2006 by the announcement of a further eight schemes totalling £7.5 million.

Thus, 2006 offers the earliest opportunity to examine the performance of both the services provided in relation to the objectives and of the process by which the schemes are administered. For the 2003 Kickstart awards and to a lesser extent for some of the BRDG schemes and 2005 Kickstart awards it is also possible to examine the impacts and outputs.

1.3 Context: Bus Subsidy and Patronage Trends

Buses play a central role in delivering objectives relating to transport because the bus is flexible, having the ability to carry large numbers of people along main urban corridors and to reach outlying suburbs, estates and rural areas, while providing local connections to other modes of transport. In addition, it is economical in its use of road space, and is relatively cheap as it does not require the high capital costs of light rail systems (DETR 1999). The key Public Service Agreement target (PSA 3) relating to buses is to increase the use of bus (and light rail) by more than 12% in England from the year 2000 with growth in every region (DfT, 2006a).

In recent years bus operators have faced significant pressures including: increasing staff and fuel costs (CPT, 2006), increasing car ownership levels, congestion, and lower density developments. Levels of bus use across Britain fell from a high of 93 billion passenger kilometres in 1953 (41% of all trips) to a low of 43 billion passenger kilometres (6% of all trips) in 1995 (DfT et al. 2005). In the period 1994/5 to 2004/5 bus passenger journeys in England increased by 7%. However, this is largely the result of a dramatic 54.3% increase in London, while outside of the capital the number of trips continued to fall by 13.6% overall with the largest decreases in the Passenger Transport Executive areas (DfT et al, 2005). These trends have resulted in some 44.2% of all bus journeys in England now taking place in London. In Scotland, bus passenger journeys fell by 9.4% from 1994/5 to 2004/5, although patronage has been increasing steadily since 1998/99.

Subsidy to the bus industry declined rapidly in the years following deregulation and privatisation. However, since 1997/8 Government spending on support to bus services has increased to a total of nearly £2 billion in 2004/5 (DfT 2005b). This is a similar amount in real terms to pre-deregulation subsidy levels. The key indicator of level of supply of bus services at national level is bus kilometres. Bus kilometres increased rapidly in the wake of privatisation and deregulation through the late 1980s and 1990s, reaching a peak in 1999/00 in England (excluding London) and in 2002/3 in Scotland. From 1999/00 there has been a year on year fall in commercial bus kilometres in England (excluding London) totalling 15.5% by 2004/5. This has been partially offset by an increase in supported kilometres over the same period of 27.8%, such that the fall in total bus kilometres was 9.5% (DfT 2005c). The pattern in Scotland is relatively stable with variations in both commercial and subsidised mileage year on year but no consistent trend. In essence, total kilometres are broadly stable as is the proportion of commercial mileage.

In order to gain some insight into why subsidy levels are increasing while not delivering corresponding increases in supply and patronage (outside London), it is necessary to look at how subsidy is applied. In Britain, subsidy is administered both by national Government and by local authorities (Local Transport Authorities as well as district councils). To place Kickstart in context the main sources of subsidy are summarised here.

(i) National Government provides operators with the Bus Service Operators Grant (BSOG) – formerly known as Fuel Duty Rebate: This is paid directly to bus operators according to how much fuel they use, refunding 80% of the duty paid on ultra low sulphur diesel, rising to a 100% rebate on cleaner fuels, which does give some incentive to operators to switch. Since 2002 a range of community transport services are entitled to receive the grant (DfT 2006a). This form of subsidy is paid direct to the operator, based on fuel consumption and is not related to delivery or use of services.

(ii) Government provides money to local authorities through the general Annual Settlement Grant in order for councils to subsidise bus services. Transport for London (TfL) directly funds London bus services through a process of competitive tendering whilst outside the capital Local Transport Authorities (LTA) financially support socially necessary services. These services are put out to tender by the LTA and then delivered by the successful bus operators.

(iii) User subsidies are paid through the concessionary fares scheme for the carriage of elderly and disabled people (administered by the unitary authority or district council) and through statutory schools transport provision (administered via the Local Education Authority). Payments are made to the bus companies rather than to users on the principle that operators are no worse off and no better off than they would be in the absence of the scheme. The concessionary fare schemes are administered locally to a nationally determined minimum standard. Free local bus travel for older and disabled people was introduced on April 2006 in England. Free national travel will be introduced from April 2008 following the introduction of schemes in Wales in 2002 and Scotland in 2006.

Since 1997, a number of additional targeted funding sources have been introduced:

(iv) Rural Bus Subsidy Grant (RBSG) introduced in 1998/9 provides for additional bus services to rural communities previously not well served. In 2004 the scope was broadened to cover a wider range of service types including demand responsive transport (DfT 2005d). The grant is distributed to English local authorities with allocations based on numbers living in rural areas; decisions on which services to support are made by the local authority (Atkins 2005). The total RBSG allocation for 2006/7 is £54.3 million. The Rural Public Passenger Transport Grant plays a similar role in Scotland.

(v) Rural Bus Challenge (RBC) (1998/9-2003), Urban Bus Challenge (UBC) (2001-2003) in England and the Rural Community Transport Initiative in Scotland annually awarded funds to local authorities to support novel and innovative services in rural areas and deprived urban areas respectively via a competitive tendering process.

(vi) The ‘Kickstart’ programme was introduced in 2003. This is different from the more conventional bus subsidies described above as the primary aim is to support schemes in achieving commercial viability or sustainability by the end of

subsidy period. The Bus Route Development Grant in Scotland operates on similar principles and was introduced in 2005. It is the performance of these schemes which this study aimed to evaluate.

To place Kickstart and BRDG support in context, the mainstream sources of support are BSOG (£430 million 2004/5), public transport support (£939 million 2004/5) and concessionary fares reimbursement (£595 million 2004/5), £1964 million in total. In the same year Kickstart support amounted to £20 million and BRDG £15.9 million amounting to less than 2% of the total support to bus service in that year.

Such a complex system has been subject to numerous studies by the Department for Transport; the Commission for Integrated Transport and the Audit Office and Audit Commission that have aimed to help develop a more efficient and effective means of supporting bus services (DfT 2002, CfIT 2002 and National Audit Office and Audit Commission 2005). This report focuses on the Kickstart and BRDG schemes that seek to transform the bus market rather than maintain the status quo.

1.4 Structure of Report

This report brings together findings from all the phases of the study including the literature review, stakeholder consultation with those awarded projects in 2003, stakeholder consultation covering the later competitions and the development and application of an analytical framework.

The report is structured as follows. Chapter 2 examines the evidence from the literature on this type of bus support initiative. Chapter 3 outlines the development and implementation of the methodology adopted. The findings from the study are covered in a series of four chapters. Chapter 4 examines issues relating to scheme process and implementation including marketing. Chapter 5 deals with the key issue of patronage. Chapter 6 presents evidence on the broader impacts of the schemes. Chapter 7 explores issues arising with respect to the bus market and the Kickstart philosophy. An interpretative framework for these results is discussed in Appendix 4 to this report. Chapter 8 contains conclusions and recommendations.

2. REVIEW OF EVIDENCE

2.1 Overview

At an early stage of the project the research team conducted a review of the available literature on the performance of subsidy schemes. This chapter reviews innovative funding schemes in the UK and elsewhere. The review focuses on scheme objectives, the achievement in relation to these objectives, and evaluation measures. The types of support examined fall into four main groups:

1. Non-competitive funds allocated according to area type: although such funding is not innovative in nature, there may be lessons to be learnt from the implementation process.
2. Competitive funds allocated according to scheme objectives
3. Payment by results in terms of patronage
4. Time limited payments designed to make services commercially viable.

Non-competitive funds are included here in part because of the paucity of evidence on more innovative schemes but also because lessons can be learned on implementation and monitoring from such schemes. We also draw on evidence from the aviation sector.

2.2 Non-Competitive Funds

Two similar forms of additional support for rural bus service provision were introduced in the late 1990s the Rural Bus Subsidy Grant in England and the Rural Public Transport Passenger Grant in Scotland. Each of these schemes has been evaluated to assess the impact of the support.

Steer Davies Gleave, (SDG) (2003) carried out an assessment of the RBSG and Table 1 shows their findings with respect to costs per bus mile and costs per passenger carried for the supported services. The data was derived from Local Authority returns and the authors note some caveats as to whether these have all been completed on a comparable basis (incomplete data has also limited their analysis to 77% of services for 1999/2000 and 70% for 2000/2001). The skewed distribution of costs per bus mile and per passenger is clear from the level of the median relative to the mean value in each case.

Withdrawn services account for 10 to 14% of the total (SDG, 2003), the higher costs of these services suggest that local authorities have clearly taken steps to redirect expenditure away from the least cost effective services.

Interviews with local authorities which formed part of the SDG study indicated that the RBSG represented a significant increase in funding for rural services in some cases. Many authorities saw RBSG as a means of meeting the needs of smaller communities which could not be helped previously. RBSG was used to focus more on social inclusion than on mode choice.

Table 1: Cost Per Mile and Cost per Passenger (£)

	Cost per mile		Cost per passenger	
Service type and year	Mean	Median	Median	Mean
1999/2000 New	1.26	0.99	3.54	2.02
1999/2000 Continued	1.23	0.91	3.32	1.77
1999/2000 Withdrawn	1.90	1.25	15.00	4.57
2000/2001 New	1.74	1.19	4.83	2.08
2000/2001 Continued	1.24	0.93	2.83	1.59
2000/2001 Withdrawn	n.a.	1.25	8.37	3.41
Overall	1.87	0.97	3.50	1.75

Adapted from: SDG 2003

Interestingly, some authorities were trying to "create and introduce routes that would have the chance of being as sustainable as possible in the long term" (SDG, 2003). This was normally done by diverting inter-urban services to provide links to rural areas. This type of service was found to be amongst the most successful, possibly as a result of the offer of a choice of destination.

The ring-fenced nature of the support was clearly important in securing the aims. However, doubts were expressed on the provision of additional funds for rural service provision at a time when financial constraints were leading to service withdrawals elsewhere. Bus operators in all areas were considered to have benefited from the additional funding.

Almost a third of the responding authorities considered that RBSG had not had any effect on their other transport policies. Others thought that it had had a positive effect on other policies including contributions to social inclusion, travel choice, prompting expenditure on public transport infrastructure and service maintenance and bus network improvement.

The report concluded that RBSG had contributed to social inclusion and by providing new services, especially to smaller villages, has provided an option to make journeys by bus that did not previously exist. The support also helped in developing better relationships between bus operators and local authorities and through raising awareness of the role of such services with elected members.

Initial problems related to the rapid implementation of many experimental services owing to the manner of the introduction of the funding stream. This has led to service withdrawals because of costly and, therefore, inappropriate services. The use of conventional indicators is seen as problematic by some authorities as services through thinly populated areas are not going to carry large numbers of passengers but may play a critical role in social inclusion and indeed quality of life. These are aspects that remain hard to quantify.

The Rural Public Passenger Transport Grant (RPPT) in Scotland was similar in focus save for an emphasis on deep rural areas. The evaluation by SDG (2001) of the scheme covered two years of funding and examined the extent to which the RPPT had achieved its objectives including:

- To improve transport accessibility in rural areas;
- To reduce social exclusion from transport services;
- To improve connections in remote rural areas.

The report examined six case study areas in which the scheme generated 11,000 bus miles per week, of which 14% were in remote rural areas, 45% in rural areas, and 41% in peri-urban areas (SDG, 2001). Table 2 shows the findings in terms of cost per bus mile and subsidy per passenger trip.

Table 2: Rural Public Passenger Transport Grant: Case Study Areas Costs per Bus Mile and per Passenger (£)

Area and type	Cost per mile	Subsidy per passenger
Remote: new Add-on Total	2.40 0.69 1.31	22.2 2.7
Rural: new Add-on Total	0.52 0.48 0.49	1.1 1.1
Peri-urban: new Add-on total	0.43 0.90 0.51	1.0 3.9

Adapted from: SDG 2001

Cost per trip varied widely and it was very high for new services in remote rural areas, where dead mileage was necessarily high as "local" operators did not exist. The study found that the unconventional services, demand responsive transport for example, offered good value per potential social needs trip.

The services appear to be meeting accessibility needs particularly for those in very remote areas where 53% of passengers on the new services could not have made the journey in any other way. Taking the services overall the proportions of passengers with no alternative mode are 36% in remote rural areas, 26% in rural areas and 23% peri-urban areas (SDG 2001). The use of the services for a range of purposes again suggests effective targeting of needs.

Passengers were asked about the degree of inconvenience which would be suffered if the service they were using was withdrawn. "Of those using the new services introduced in very remote rural areas, 80% said they would suffer major inconvenience; the figure was 66% for those using new rural services and 50% for those on new peri-urban services" SDG 2001. This provides further evidence that the services are perceived by users to be meeting previously unmet needs.

In summary, over 400 new services were provided for rural communities by 2004 (Cameron 2005). The services promoted social inclusion especially in rural and remote rural areas although costs per trip were high; services supported by the RPPT scheme provided significant benefits to the people who did use them, especially in remote rural areas; the services generally met the

accessibility needs of their target markets, especially for those people who have very limited alternative travel options; there were also potentially useful modal shift benefits.

Some key points drawn from the recommendations made in the SDG report are:

- Need to assess the most cost effective means of provision especially in remote rural areas and to assess needs especially those of young people who formed a small minority of users.
- Broadening of qualifying definitions to include peri-urban areas with funds allocated through competition. In such areas social inclusion and modal shift objectives would be pertinent.
- Need for promotion of services
- Need to improve monitoring and provide the resource to do so.
- Need for clear objectives and assessment.

The English and Scottish schemes appear to be broadly comparable in objectives, implementation and some outcomes. The costs of service provision are similar, though in Scotland costs per bus mile appear to be lower (in fact lower than average operating costs in Scotland) for all except the remote rural services. Subsidy per trip too is broadly similar, again with the exception of the remote rural areas in Scotland.

These schemes appear to be meeting their objectives. They also seem to be effective in promoting greater partnership working between bus operators and local authorities. However, there are some recognised problems relating to the speed with which the initial RBSG scheme was implemented which perhaps did not allow adequate time to consider the best use of funds. There was also a perceived lack of coordination with the conventional support mechanism for socially necessary services. With budgets under pressure cuts could be made in support to urban services at the same time that additional funds were allocated to rural services.

2.3 Competitive Funds

Forms of support involving open competition were introduced in England and Scotland in the late 1990s. These were the Rural and Urban Bus Challenges in England and the Rural Community Transport Initiative in Scotland. The two rural schemes have been evaluated (SDG, 2001 and 2003) and these reviews are examined here.

The Rural Bus Challenge (RBC) was an annual competition introduced in 1998/99 aiming to stimulate innovation in the provision and promotion of rural public transport. The competition was intended to ensure that the best ideas secured funding. An Urban Bus Challenge fund was set up to improve public transport in deprived urban areas in 2001 (DTLR, 2001). Both schemes ran until 2003.

The evaluation suggests that the greatest benefits were: inclusion of capital funding enabling the purchase of accessible vehicles; increased travel opportunities contributing to social inclusion; opportunities to try out different types of service such as demand responsive transport; developing innovative operation, branding and marketing of services (SDG, 2003). Passenger numbers varied and again the validity of cost per mile indicators was queried.

Difficulties identified by local authorities included:

- Problems in obtaining vehicles of suitable capacity and quality within a reasonable timeframe and the need to accommodate vehicle cost increases.
- Equity – where funds were available in one area but not in a neighbouring area.
- Focus on innovation had a number of impacts:
    - Technological difficulties
    - What is really innovative?
    - Should the focus be on needs rather than innovation per se.
- Costs of bidding and the need for a degree of game playing.
- The strongest criticism of the scheme related to the lack of feedback on unsuccessful bids.

In Scotland the Rural Community Transport Initiative (RCTI) was introduced in 1998. As with the English bus challenge schemes the funding is competitive and decisions made at national level. However, it is quite different in that the competition was open to community transport groups and other community organisations and the funds are directly allocated to them rather than through the local authority (SDG, 2001).

The evaluation examined the extent to which the RCTI had achieved its main aim "to fund community transport measures which will be of particular help in the more remote areas of Scotland, particularly where there are no scheduled bus services or where the services are very limited". Again the approach taken was case study based. Given the nature of the scheme the funds were allocated to unconventional forms of transport including: group hire minibus schemes, dial a bus schemes, minibus scheme with hired vehicle, community ferry, car schemes, vehicle coordination and community transport development officers. Given the range of scheme types and the fact that some schemes involve capital costs comparison is difficult.

Numbers using the case study schemes range from just under 1,500 to almost 12,500 passengers per year. The survey results indicated that overall some 74% of journeys would not have been made without the schemes. The three most important reasons for using the schemes included shopping, medical reasons, and going to social leisure clubs/visiting friends and relatives. Overall, the "RCTI delivered significant benefits to users, especially projects targeted towards individuals" (SDG, 2001).

Key points of relevance here:

- The recommendation was for the scheme to continue with a 3 year rolling programme proposed to enhance stability and that the allocation should continue to be based on competition.
- A local authority role could encourage integration of schemes into the transport offer.
- Priority should be given to schemes targeting individual needs and funding provided for assessment of needs.
- Encourage areas without support to apply
- Monitoring should include basic data on passenger trips and mileage.
- A good practice guide would be useful.

Although both schemes are competitive they are markedly different in implementation, scope and the nature of the services provided. Nevertheless a key success of both is in providing a service for journeys that could not otherwise be made.

2.4 Payment by Results: Passengers

Performance based contracts have been developed in a number of countries; however payments tend to be related to elements of service delivery rather than outcomes in terms of patronage (Hensher and Wallis 2005). A good example is Transport for London where the majority of contracts have now been re-tendered under the new Quality Incentive Contract regime, which targets reliability through bonus/penalty payments (London Assembly 2006). This review focuses on those with an incentive to increase patronage, where the main examples of implementation come from New Zealand, Norway and Australia.

New Zealand

In 2000, Transfund - the New Zealand central government organisation providing public transport funds (since restructured as Land Transport NZ) - introduced a new form of central government funding for passenger transport. The new Government elected in 1999 wished to increase funding with the aim of growing patronage (Wallis and Gale 2001). The new funding scheme was designed to "move from a system of funding service to one that provided assistance to regional councils for passenger number increases" (Transfund 2001). It was therefore a very major shift in the major source of funds over time from a basis on service provision to a form based on delivery in terms of usage (Transfund 2001). The key aims of the scheme were to:

- "Ensure that funding for passenger transport services goes where it is most needed (eg where there is road congestion";
- Reward regional councils whose passenger transport strategies attract more passengers;
- Provide the opportunity to fund new passenger transport services"

(Wallis and Gale 2001)

The scheme commenced with a transition phase 2001/01 to 2003 during which "base" funding levels to areas were protected and would not fall. There were two elements of the funding:

- A base payment for carrying base patronage (levels taken from 1999/00)
- Payments for increases in patronage.

The patronage related payments were variable rates per passenger based on the external benefits of improving the public transport system. In this case "external" benefits were defined to include:

- Impacts of reduced car use upon travel times, fuel costs, accidents and environmental impacts
- Impacts on users of other modes through safety improvements
- Benefits of increased service provision to existing users (Mohring effect, Mohring, 1972).

The initial payment rates per additional passenger boarding are shown in Table 3.

Table 3 Transfund Variable Payment Rates by Region: $[1] per Additional Passenger Boarding[a]

Period	Region			
	Auckland	Wellington	Canterbury	Others
Hybrid rates (vary with trip length)				
Peak[b]	1.45+0.21xD[c]	1.05+0.17xD	0.30+0.09xD	0.20+0.08xD
Offpeak	0.15+0.06xD	0.15+0.06xD	0.15+0.06xD	0.15+0.06xD
Simplified rates[d] (averaged trip lengths)				
Peak	3.00	2.90	1.00	0.90
Offpeak	0.70	0.70	0.70	0.70
All periods[e] (flat rate)	-	-	-	0.85

Notes:
[a] Rates apply to 2000/2001 and 2001/2002. Rates will also be reviewed annually. All figures exclude Goods and Service Tax.
[b] Peak rates apply to any period of four hours on weekdays (period chosen by each regional council).
[c] D=trip distance (kms).
[d] Based on hybrid rates by applying average trip length in each centre.
[e] Weighted average of peak and off-peak rates, which may be used in 'other' regions (to avoid the need for records of patronage by peak v off-peak).
Source: Wallis and Gale 2001)

The main reason for variation in rates is the variation in congestion levels. Councils could chose whether to use the "Hybrid Rate" based on a per passenger boarding and a per passenger kilometre component or a "Simplified Rate" derived from the former but based on the average passenger trip distance in each region. Regions outside the major cities were also given the option to use a flat rate over all time periods. The rates were revised and increased in

[1] NZD($)1.00~GBP(£)0.35. Exchange rate from www.xe.com dated 26 April 2006.

2003 (Transfund 2003). At this point the main areas were advised to use hybrid rates. The payments for additional growth were limited to three years. As the rate of funding is 75% for additional passengers and 48% for the core funding, there is a clear incentive to continuous growth (Transfund 2003).

The initial rates for patronage funding were compared with the existing rates of support by Wallis and Gale (2001) who found support of around nine cents per passenger kilometre for supported bus services and around one cent for commercial bus services (concessionary fares) in Wellington. Under the Patronage Funding scheme rates were 40 cents per passenger kilometre in the peak and eight cents in the off-peak where the average trip length was 4.6 kilometres. Wallis and Gale concluded that the rates would be sufficient to call forth additional services in the peak where there was suppressed demand but that this was less likely elsewhere and that for off-peak periods there would be an increase in service levels.

Early results reported by Wallis and Gale (2001) suggested growth rates of between 2% and 10%, with innovative services performing well. Later evidence reported in Wallis (2005) shows patronage increases over a two year period of 16% in Auckland, 7% in Wellington and 40% in Christchurch. However, the authors note that patronage was growing in most areas prior to the introduction of the scheme and suggest that more of the growth may be attributed to the Kickstart element of funding (discussed later) than the patronage funding element.

Norway and Sweden

In both Norway and Australia modelling work has been undertaken to identify the forms of subsidy that should deliver socially optimal outcomes (Johansen et al, 2001; Larsen, 2001; Calquist 2001 and Hensher and Houghton 2004). The results tend to favour two part support with a base payment related to service delivery and or a minimum level of service and incentive payments above this relating to patronage and other elements of delivery. The patronage payment is designed to address issues relating to user benefits and externalities as in the New Zealand example discussed above. The systems implemented in Olso and Hordaland have been documented in English and are discussed here.

For Oslo model results suggested that support based on revenue kilometres would be sufficient. As such a contract would lead to uncertainties if implemented in one go, the City Council moved instead to a system of a basic level of support with the opportunity to gain performance related bonus payments. Initially, in 1998, 93% of the support was the base amount and 7% was available for bonus payments (Johansen et al, 2001). Bonus payments in 1999 were related to additional peak departures, additional seat kilometres, additional passengers and an allowance for marketing/start up costs. In order to obtain the maximum available bonus the operator had to increase peak departures by 0.5%, seat kilometres by 0.4% and patronage by 3.3%, these targets were met in year one with the exception of patronage which increased by 2.7% (Johansen et al, 2001). In 2000 the proportion of funds relating to the

bonus payment increased and became more focussed on patronage growth (Johansen et al, 2001). The authors make some criticisms of the regime:

- Lack of a quality indicator or index
- Bonus payments but no penalties
- No long run contract, too dependent on negotiation (regulatory capture)
- The model suggested under provision in the off-peak and the bonus structure does not address this.

In Hordaland, Norway it appears that the patronage related element of the model devised was dropped from the final contracts which were based on the operational indicators vehicle; kilometres, hours and peak vehicle hour (Carlquist 2001). Nevertheless, Berge et al (2005) conclude that the new contracts have increased patronage by encouraging service quality improvements and enhancements to service levels.

The Norwegian model has since been developed further for use on Norwegian intercity railways (Fearnley et al 2004) where payments are based on: number of passengers; number of train kilometres; seat kilometres and a penalty per cancelled train within a financial constraint. The implementation of this strategy appears to have been successful and the intention is to increase the patronage incentive element of the incentive payments to reflect objectives to increase patronage (Fearnley 2005).

Hagen and Longva (2005) indicate that passenger incentives were included in bus contracts in Oppland in Norway and Halland in Sweden but no evidence is provided on the impacts of these contracts. Examples are also available in the Netherlands, but without evidence on the impact of the patronage incentive Van de Velde and Pruijmboom (2005).

Australia

The Melbourne train and tram franchise was also intended to incentivise patronage growth and was successful in this respect with the greater growth on the tram network which was probably attributable to improvements in the tram fleet (Stanley and Hensher 2005). Although the franchises ran into significant problems these appear to be largely related to the cost base (Stanley and Hensher 2005).

There are further examples from Australia of patronage based payments for bus services (Wallis 2005) in both Perth and Adelaide. In both cases area based contracts are in force and additional payments are based on additional bus kilometres and patronage. The patronage payments are based on boardings in Perth and boardings and trip length in Adelaide. Wallis (2005) gives patronage growth figures of 8% over three years in Adelaide compared to declining patronage in earlier years and 26% over four years in Perth. He concludes that key influences on this success are:

- The combination of a service based payment and a patronage payment incentivises enhancement while limiting risk;

- Partnership approach to developing services – but with government making the final decisions.
- Large area based contracts over long time periods (10 to 14 years).

Hensher and Houghton (2005) experiment with various designs for New South Wales and conclude that schemes have to balance the need for simplicity and transparency with the objectives of performance and value for money. They suggest a set of five principles in design:

1. Within the geographical contract area define minimum service levels (Vehicle kilometres) for the peak, off-peak and weekends.
2. Use patronage incentive payments to stimulate operators to design services to promote growth within the constraints imposed by (1.)
3. Benchmark support for the minimum service level.
4. Passenger incentive payments are paid on passengers carried over and above those that would be carried on the minimum service level provision. The authors emphasise the need for adequate funding to incentivise growth – they estimate a per passenger subsidy of $2 to $4 for New South Wales.
5. Survey perhaps every two years to identify switchers from car and make a one off incentive payment associated with new ex-car users.

Hensher and Houghton (2005) and Wallis (2005) are in agreement on the key features of schemes. Wallis and Gale (2001) also suggest that the New Zealand scheme should be extended to commercial services – given that main corridors are usually served by commercial services and it is here that considerable gains in terms of congestion avoidance could be gained. However, if applied via area contracts that include all services, this would no longer be a problem.

United Kingdom

In the UK the Commission for Integrated Transport (CfIT) has supported work on bus subsidy and three different studies by Colin Buchanan and Partners, TAS Partnership and LEK Consulting all produced recommendations broadly supportive of a payment per passenger subsidy to replace Fuel Duty Rebate now known as the Bus Service Operators Grant (BSOG) in order to further incentivise operators to grow patronage (CfIT 2002). These studies were investigating the redistribution of support from BSOG to other means of support rather than additional funding. If BSOG funding were reallocated to a per passenger payment demand (in England outside London) could increase by 4.7%, with 20% to 40% of these passengers transferring from car (FaberMaunsell, 2002). CfIT (2002) recommended the replacement of Fuel Duty Rebate (now BSOG) with an Incentive Payment per Passenger boarding (IPP) regime subject to additional support for adversely affected routes.

Patronage Incentives: Conclusion

It is clear that funding regimes that include patronage incentives have been successful in New Zealand and Australia and have been recommended for implementation both in specific contexts and as generic funding schemes.

2.5 Moving to Commercial Viability

New Zealand

In New Zealand it was recognised that the patronage funding scheme would not grow the market quickly as payments were only triggered after patronage had been generated, also imposing risks on the operator. In order to achieve patronage growth more quickly, a short term scheme designed to cover the transition period before the patronage funding impacts emerged. The Kick-start (New Zealand scheme hyphenated) scheme criteria were to:

- "Provide upfront funding for initiatives to accelerate patronage growth
- Enable regional councils to access funding quickly and simply
- Meet Transfund's requirements to evaluate expenditure and achieve value for money
- Be consistent with the longer term patronage funding scheme".

Wallis and Gale, 2001.

Note that this scheme was always intended to be short term and was aimed at patronage growth rather than commerciality. The Kick-start funding was based on meeting a percentage of the net cost of approved new services and initiatives (funds could be spent in a variety of ways designed to increase patronage for example; marketing and capital expenditure to a ceiling as well as bus service provision):

- 80% of costs incurred in year 1;
- 60% of costs incurred in year 2;
- 40% of costs incurred in year 3.

The decreasing rate of support was intended to incentivise operators to grow patronage. Wallis (2005) implies that the Kick-start funding was indeed effective in growing patronage in the early years of patronage funding. Whilst Souter et al (2004) attribute growth in patronage of 27% over 20 months in Auckland to Kick-start funding which enabled capacity increases to occur. It is interesting to note that Transfund also provided funds for "commercial trials" targeted at growing patronage on already commercial services and this amounted to 27% of the funds allocated to Kick-start and commercial trials in 2003/4 (Transfund, 2003).

UK

Work on the development of the bus network in Plymouth appears to be an early implementation of the principles inherent in the Kickstart approach. Bentley and Lynch (2001) report that 17 routes had been helped to commercial operation through the use of "seed corn" funding securing annual savings in subsidy support of nearly £180,000. The authors note the benefits from recycling savings into the network to allow further extensions. They also note that this was a lengthy exercise, with services taking on average five and a half years to become commercial "Subsidising bus routes can be a bit like turning round a supertanker – time consuming, but ultimately successful" Bentley and Lynch 2001.

The Stagecoach Group (2002) proposed a new funding scheme for the UK based on Transfund's successful experience. The proposal was for additional public funding to be made available for up to three years. The aim was to pump-prime bus improvement projects that are not commercially viable in the short term but which could be developed into commercially sustainable services over a period of time. At the end of funding period, the enhanced service would be expected to operate without public support.

The principle of Stagecoach's proposal followed the successful experience in New Zealand and a Stagecoach a pilot project in Perth, Scotland to test whether similar results could be achieved in the UK.

Stagecoach selected a poorly performing, low-frequency bus route which had a profile of aged owner-occupiers with high car dependency, where normal planning based on experience would not justify significant investment. Perth and Kinross Council introduced a bus priority scheme on the route and new bus shelters. Stagecoach made significant changes to the service offer: doubling frequency and introducing low floor buses; simplifying the fare structure and reducing many fares as a result of the simplification. Importantly a wide range of marketing activities were linked to these changes (Souter et al 2004). Reported results included:

- Passenger growth of 56% on the service for the first two years, predicted to total 63% after three years
- Modal shift from private car to bus (not quantified);
- Break-even point forecast for year four, Table 4 shows the financial impact in the first two years.

Table 4 Route Profitability – Pilot Project in Perth Scotland (£, 000)

Year	Total Revenue	Total Costs	Marketing Costs	Total Profit Pre-finance	Finance Charge*	Total Profit Post Finance
2001 actual	342	341	0	1	0	1
2002 actual	462	492	66	-95	25	-120
2003 projected	546	553	11	-18	25	-43
*This represents a return on capital of 8% on additional capital required for the project						

Source: Souter et al 2004.

Based on their experience Souter et al conclude that there is considerable latent demand amongst non-users who are prepared to change modes. They estimate that up to 40% of the UK population have a suitable profile for conversion to bus use and that around 10% of Stagecoach routes meet the necessary criteria. They also note that no bus operator would take on the risk of rolling out a three year programme due to the impact on profits.

Based on the case study of the Perth pilot project, Stagecoach estimated that a total fund of £140 million would cover the three year project period across the UK which could

- "Boost annual patronage numbers by 2% per annum across the whole network;
- Deliver the Government's ten-year 10% bus passenger growth target speedily;
- Save some 169 million car journeys per annum and approximately 228,000 t of CO_2 noxious emissions per annum, making a significant contribution to the Government's environmental targets;
- Deliver an additional £200 million of investment in new Euro III standard buses;
- Create approximately 5,500 jobs;
- Facilitate social inclusion in public transport."

Souter et al 2004.

As the service should become self-supporting at the end of the funding period, the benefits would continue. The scheme as envisaged by Souter et al would be operator led with local authority endorsement of proposals which would go from operator to the Department for Transport directly. The bus operator would bear a degree of risk in that if patronage and revenues failed to increase as forecast the operator would bear the loss. Overall Souter et al suggest that if rolled out across the UK Kickstart could "transform the existing pattern of bus use across the country into one of organic growth".

Experience with Kickstart style funding is limited, but what there is suggests that it is highly effective in growing patronage and revenues.

Experience in the air sector

It is possible to draw a parallel of sorts between the Kickstart style of approach and two recent aspects of air transport development:

- Discounting of fees by smaller regional airports to attempt to attract (usually) low cost carriers and the related issue of direct support from local or regional authorities to achieve the same aim and to achieve economic regeneration and inflow of tourist visitors.
- Support to develop specific routes.

Examples of airports using discounts or exemptions to attract airlines include: Prestwick securing a position as an early Ryanair base by offering a five year exemption from aeronautical charges (Pagliari 2005) and Luton using discounts to attract easyjet (Francis et al 2004). This type of offer was commercially driven by airports with excess capacity seeking to attract new users and to increase non-aeronautical revenue to compensate for lower fees. Whilst this has proved a successful strategy for some the relatively "foot loose" nature of low cost airline operation (outside their major bases and even to a degree there) puts the smaller airports at a competitive disadvantage.

Perhaps of more relevance to this research are the examples of the use of public subsidy or support mechanisms. The most notorious example is probably the Charleroi – Ryanair experience where the agreement between the publicly owned airport and operator was deemed to contravene European Commission rules on state aid (Barrett 2004). This was again aimed at developing the airport and the region.

A different type of support is that aimed at developing services between specific origin-destination pairs. The Scottish Executive's Interim Route Development Fund introduced in 2002 aims to support services that will improve business links and generate additional inbound tourist trips (Pagliari, 2005). Assessment by Pagliari (2005) of the first seventeen routes to receive support found that eight had ceased to operate (five of these due to the collapse of one airline, the other three due to withdrawals by small operators). Of the nine remaining services, seven improved links to Europe (five of these operated by Ryanair) and two provided international links to Dubai and Newark respectively and all are operated by established airlines. Pagliari concludes that support may be more useful through funding promotional activities and marketing rather than through discounting of charges.

2.6 Conclusions

Recent trends in the bus market have seen a decline in commercial bus kilometres offered, which has been in part offset by increases in supported mileage. Whilst overall subsidy has risen provision in terms of total bus kilometres has recently declined. It is therefore timely to examine innovatory methods of subsidy provision that seek to improve the commercial viability of services.

This review has examined the available evidence on the performance of innovative support mechanisms for bus services to encourage improved performance in terms of patronage and profitability. There are surprisingly few schemes that have sought to incentivise such outcomes and the evidence on their performance is limited.

The evidence suggests that well designed schemes with clear incentives to operators have performed well, for example, patronage funding in New Zealand. However, where objectives are not clearly defined or do not relate obviously to outcomes, for example "innovation", the results may be adversely affected.

Key issues of relevance to this study included the following:

1. The use of conventional indicators such as cost per mile and cost per passenger carried to assess service performance is common even where the aims may be related to social inclusion or improving accessibility in rural areas. This sometimes reflects a lack of monitoring and hence data.

2. A recommendation made in several studies is for funds to be allocated to allow adequate scheme monitoring. This is balanced by recommendations

for simplified processes, for example the simplified rates in New Zealand or a bi-annual survey of modal switch (Hensher and Houghton, 2005). Where payments are linked to patronage, the key indicator is very clear and easy to monitor.

3. Similarly, marketing plays a critical role in many successful schemes and should be a legitimate use of support funds.

4. Ensuring comparability when assessing the success of schemes is difficult given the varying nature of those supported even within the same funding stream. Identifying indicators that are fit for purpose, available and comparable across schemes is a challenge.

5. The need for stability in funding support is clear. This is in order to provide a stable framework in which to plan rather than merely a guarantee of support levels. Indeed rolling programmes and decreasing support over time are specified in many of the patronage schemes reviewed.

6. There is wide support in the literature which is supported by albeit limited evidence from New Zealand and Australia that patronage funding as part of an overall support package is successful. However, it is also clear that to be successful such support has to be set at a relatively high level in order to call forth new services and that this funding will normally be additional to existing funding.

7. There is some UK evidence of the application of Kickstart style approaches to make services commercial using different sources of funding these include: Rural Bus Support Grant (SDG 2003), the local service tendering budget (Bentley and Lynch 2001) and commercial experiment (Souter et al, 2004).

8. There are some clear differences between the Stagecoach scheme as proposed and the Kickstart scheme as implemented in England. A key issue is the definition of a “non-commercially viable project”. A bus operator might see this as an investment in a commercial but not very profitable route. Conversely, a local authority might focus on marginally non-commercial or new routes. Where non-commercial investments can deliver significant patronage growth, albeit on commercial routes, it seems they should be able to apply for Kickstart support and support for commercial services formed part of the Transfund scheme. Issues relating to effective targeting of support should be explored with local authorities and operators in the consultation phase.

9. Kickstart funding should ideally contribute to a situation where the profit margin to the operator is maintained and a higher level of service frequency, quality and / or choice is offered to the potential user whereby passenger growth is achieved, which may result in a favourable modal shift and contribute to environmental and social objectives.

10. The combined use of pump-priming Kick-start funding and patronage funding in New Zealand seems to offer a promising method of incentivising operators and local authorities to invest and grow the market. Alternatives would include a base payment level and an incentive payment as in Australia and Norway. However, the compatibility with the legal and regulatory framework in the UK would require careful examination if such a comprehensive approach were to be considered.

3. METHODOLOGY

3.1 Overview

The study consisted of several phases as follows:

- The review of existing evidence as summarised in Chapter 2.
- The collation and acquisition of data on funded schemes.
- The development of an appraisal framework for analysis.
- The development and implementation of a process for two phases of stakeholder consultation.

The development of the methodology for the different elements of the research and their interconnections are examined below.

3.2 Data

The research proposal included a set of candidate indicators related to objectives as shown in Table 5. The final column in the table indicates the availability of these indicators for the initial 18 Kickstart schemes (on a scale of 1 to 5, where 1 is “never available” and 5 is “always available”). It may be seen that the data available was limited.

As can be seen from Table 5 data on operational outcomes in terms of vehicles and infrastructure is the most easily available. In essence either the proposed changes have happened or they have not. However, outturn improvements in service levels in terms of aspects such as changes in journey times and punctuality are not normally monitored.

With respect to the 2003 Kickstart schemes, data on changes in patronage, whilst not always collected by Local Authorities was made available in most cases. Revenue and particularly cost data are difficult or impossible to obtain. Finally data on contributions to social inclusion and accessibility improvements were only available in a small number of cases. Some data have also been collected, where available, on the 2005 Kickstart and BRDG schemes.

Table 5: Objectives and Indicators

Objective	Candidate Indicators	Availability
Operational Outcomes		
Improvements to vehicle accessibility	Changes in vehicle types towards more easily accessible vehicles.	5
Improvements to service frequency	For existing services: timetable comparison	5
Improvements to service speeds	For existing services: comparison of scheduled journey times; monitoring of actual journey times before and after	1
Improvement to punctuality	For existing services: monitored change in services running to time and cancellations	1
Effective bus priority measures	Before and after surveys of bus journey times in the affected area.	2
Changes in patronage and revenue		
Increasing bus patronage	Existing services: change in passenger numbers. New services: number of passengers on new service; any reductions on alternative services.	4 4
Achieving modal shift from car to bus	Number of passengers previously using car to make the same journey. Number of passenger making a new journey who would otherwise have used car.	2 2
Financial Impact		
Commercial viability	Revenue: cost ratio; changes in revenue and cost during the life of the scheme; post funding viability.	1/2
Diverse social objectives		
Contribution to social inclusion	Number passengers with no alternative mode of transport Indices of multiple deprivation (IMD)	2
Increasing accessibility	New areas served: population. Accessibility indicators (access to health, shopping, education, employment, leisure)	2 1
Value for public money	Patronage/support Patronage increase/support	4 4

3.3 Data Sources

The main sources of data readily available were the Kickstart proposal documents and the annual progress reports submitted to the Department for Transport. Although some information could be extracted from these sources for both quantitative and qualitative analysis, most of these progress reports contained little monitoring data. Additional data was therefore gathered during the consultation phase from Local Authorities and bus operators.

Proposals

The data contained in the Kickstart proposals, for example, on target patronage and revenue was not always entered in a consistent manner. In most cases

this was the total anticipated patronage but in some cases it was the anticipated growth in patronage and this was not always clear. In more than one case, the base patronage data and forecast patronage data were not reconcilable with the outturn data by an order of magnitude. We note that the Kickstart pro-forma does not require the base level of patronage to be supplied for existing services where the proposal is for enhancement.

Much of the operational data obtained was on a financial or calendar year basis. This had to be adjusted to a project year basis to enable comparison across schemes and maximise the usefulness of a limited dataset. In addition, some extrapolation has been undertaken using average growth rates to make whole year comparison possible.

Local Authority Monitoring

Monitoring reports or other information sources based on surveys of passengers, and in some cases non-users, were available from a small number of authorities. In Devon this involved 210 on-bus interviews and 603 telephone interviews from a random sample, the being surveys undertaken in February 2006 (Devon County Council, 2006). In Oxfordshire 318 on-bus questionnaires were obtained in May 2005 (Oxford Brookes, 2005). Two surveys were conducted relating to the Thanet Loop service the first of which obtained 321 on-bus responses and 70 responses from households (Walters, 2005) and the second involved on-bus interviews with 803 passengers (Babtie Group, 2005).

Local Authorities do not tend to hold or request comprehensive or consistent data sets on Kickstart schemes. Where Local Authorities do hold data they are often reluctant to provide it to a third party and so referred us to the operator. Bus operators are understandably keen that any data they might provide should remain strictly confidential on the grounds that:

- Competitors could gain information on commercial decisions and cost data.
- Local Authorities could use such information in tender negotiations.

Some are additionally concerned that such information may be revealed under the Freedom of Information Act. We note that in some cases even patronage data is regarded as commercially confidential by operators. However, some bus operators and groupings were very helpful in providing us with data relating to Kickstart schemes.

Progress Reports to the DfT/SE

There is a clear difference in philosophy in the reporting requirements between the Kickstart and BRDG schemes. Essentially for Kickstart reports “there are no fixed rules” (DfT, 2006b). Reports are expected to contain information on patronage, cost per passenger and marketing activities. There is no requirement to provide quantified data in a particular form. This has tended to result in descriptive reports with little or no quantified data. To date this guidance has been applied to Challenge schemes but not yet to Kickstart (Hankin, 2006).

In contrast the Scottish Executive requires a detailed breakdown of costs, revenue and patronage on a quarterly basis to be submitted on the grant claim form (SE 2006b). This should provide the Scottish Executive with a good base from which to assess performance in terms of patronage. The form also asks what proportion of the passenger growth has come from modal shift and improved accessibility. This will be difficult to estimate and would require detailed monitoring activity. We have not yet seen any evidence of this.

Data Sources: Conclusions
In general, data on the 2003 Kickstart projects is patchy and inconsistent. It is particularly poor for key indicators on the main purposes of the projects, such as service quality, transport policy impacts and financial viability. The pattern appears similar for the 2005 Kickstart schemes. Given the requirements of the grant claim forms the data on patronage should be better for the BRDG schemes. However, to date we have found the format of data provided often prohibits useful analysis.

Due to the constraints on data availability, results are reported so as to preserve confidentiality:

- in aggregate, or by scheme type and / or
- in terms of indices or percentage changes to ensure that schemes cannot be identified.

For the 2005 Kickstart and the BRDG schemes a further limitation is the short period of time for which most schemes have been operating, thus any data can only begin to indicate likely trends in patronage.

We have identified a series of case studies that illustrate good practice and certain key issues arising from this research. These appear in the text at appropriate points in the report.

3.4 Development of an Appraisal Framework

In this section we outline the development and nature of an analytical tool capable of handling data on the full range of objectives that appear in Kickstart proposals. We then consider what is practicable given the data constraints discussed in section 3.3.

Assessment Framework
The analytical tool was developed in a spreadsheet model. The summary information presented includes:

- Basic information about the project. This covers project title, Local Authority, operator appointed, area type (rural or urban), funding requested and awarded, service launch date, service type (new or enhanced) and finally, period of data analysis.
- Performance against objectives and longer term viability

- Performance indicators related to both specific project and overall Kickstart objectives. These include operational outcomes, patronage, modal shift, financial performance, diverse social objectives and value for public money. These aspects may be assessed in terms of money, quantitative or qualitative data as available.
- There is also a short section on the implementation process.

Underlying the summary pages are sheets intended to contain data in four weekly or monthly time periods on patronage, revenue and costs. This framework is difficult to populate given the data constraints.

Indicator Estimation
The calculation of the indicators is not straightforward. This section is intended to act as a health warning for the results reported later. Key issues are as follows:

Annualising data: Even with respect to the 2003 Kickstart schemes few have been running for long enough to supply annual patronage data for more than one year and some have not yet been in operation for a full year. Given the small number of schemes overall, where part year data is available we have sought to make use of it in our analysis. We have taken the average growth rate for the months for which data is available and extrapolated that rate forward for the remainder of the year. This process was applied to schemes with more than six months data for the year in question. For the 2003 Kickstart schemes, full year one data was available for 14 schemes and for year two from three schemes. Sufficient data was available to extrapolate year one data for three further schemes and year two data for six further schemes.

Deriving baseline data: Establishing the baseline for enhanced schemes is crucial to any analysis. Ideally this would be based on “year 0” data for the year immediately prior to the Kickstart/BRDG implementation. However, there were some difficulties with this approach. Firstly, some year 0 data provided by operators was incomplete and extrapolation was necessary. Secondly, in other cases no year 0 data was available. In these cases, where possible, the year 0 patronage was inferred from the progress report, or a figure indicated in bid documents was applied although these are likely to be outdated. The lack of a requirement to state existing patronage on services that are bidding for enhancement may contribute both to this problem and the inconsistency issue in discussed below. Thirdly in some cases the forecast patronage figure related to the enhanced element of the service, but the reported patronage figures related to the service as a whole rendering any comparison meaningless. Finally, for some enhanced services establishing a baseline for comparison is not straightforward, as sometimes there was no clear equivalent service. Whilst such a scheme could be viewed as new, again this can be difficult where the forecasts have been expressed in terms of growth. In such cases the comparison may be made by comparing the scheme performance with the services that previously provided parts of the enhanced service rather than this particular service. This example illustrates some of the difficulties in defining services as enhanced or new.

With respect to the 2003 Kickstart round, 12 schemes were defined as enhanced services for which baseline data was required. This was available in full for six schemes. In three cases the baseline data were derived from the bid document. In one case incomplete baseline data was annualised by using average growth rate for the baseline year. One scheme had no equivalent baseline year data so the scheme was assessed against the set of routes that together provided parts of the scheme. In the remaining case the baseline data was inferred from the annual progress report.

Patronage and revenue forecasts: There is a surprising lack of clarity and consistency in the patronage and revenue forecasts contained within the proposals. Clearly, some proposals report the total expected patronage and revenue for each scheme year. Others appear to be recording the expected growth in patronage and revenue. In a few cases the figures are difficult to reconcile with outcomes and one proposal appears to contain no forecast. Of the 17 operational schemes analysed in the 2003 Kickstart round, six clearly provided data in the form of totals and two as additional patronage and revenue. The remaining schemes have been interpreted as follows: five are assumed to have provided totals and two additional patronage and revenue. One scheme has no forecast and the figures for one scheme are not reconcilable with the outcomes. In addition, two schemes had actual baseline year figures higher than the forecast for year one of scheme operation.

It was additionally assumed that all forecast growth figures were with reference to the base year.

In the case of patronage outturns for most of the 2003 services we have data that enables annual estimates to be made. There are two exceptions where information from the annual progress reports to the Department was used.

A Simplified Approach

Given the combination of data constraints and confidentiality issues a simplified approach was adopted for the analysis of the 2003 Kickstart schemes. We have included data on the 2005 Kickstart and BRDG schemes in our assessment where available, but note that many of the data problems discussed earlier in this chapter apply equally to this data. It is possible that better data may become available at a later stage for the 2005 round of Kickstart and BRDG but we are not sanguine about this.

It is likely that the availability and quality of data for scheme monitoring and appraisal will continue to be a problem for a number of reasons including:

- Confidentiality of commercial data.
- Differing strategies of Local Authorities with respect to the monitoring of schemes.
- Proportionality of effort, especially with respect to identifying for example: the true uplift for which the Kickstart schemes is responsible; broader impacts on social objectives, modal shift and others.
- Lack of a requirement to provide monitoring data in a particular form.

We therefore consider that a simpler approach to appraisal may be advisable. In this report we have focused the quantitative analysis on patronage and scheme costs as follows:

- Patronage growth against a base year for enhanced schemes
- Patronage growth against target for all schemes
- Patronage growth year on year (after year 1) for all schemes
- Support per passenger
- Support per additional passenger.

These are measures that may be derived from passenger numbers and a measure of support provided. Thus the data requirements are light. Moreover, Local Authorities have commonly used measures of support per passenger in the assessment of tendered services (Bristow et al 1992).

It is worth going back to the principles put forward by Mackie and Nash in their 1982 paper on efficiency and performance indicators in the bus industry which they stated should be:

- Clearly related to objectives
- Unambiguous with respect to interpretation
- Distinguish between endogenous and exogenous factors
- Be related to overall performance.

The indicators above clearly satisfy three of the four conditions. However, in this case the measures of performance will clearly be influenced by factors outwith the control of the bus company operating the service. As we are not interested in internal company productivity this is perhaps less important. However, we should consider external effects on performance as we progress.

3.5 Development of the Stakeholder Consultation

Face-to-face interviews were conducted during May to July 2006 with representatives of the 18 Kickstart pilot projects. These interviews with local authorities, Passenger Transport Executives (PTEs) and service operators lasted approximately 90 minutes each and were guided by a semi-structured questionnaire, which was circulated to consultees in advance of the meetings. Pilot interviews were conducted with representatives of two of the projects in order to test the suitability of the questionnaire and the average amount of time required per interview. The interviews provided an insight into the performance of the services and the extent to which they are meeting their objectives. They also enabled the team to obtain information regarding any problems and issues that had arisen in implementing the services and how these had been addressed by the partners. Finally, the interviews enabled the project team to obtain data on scheme monitoring in order to populate the database, for reporting in the Interim Progress Report and this Final Report.

During these consultation interviews, information was also collected with regard to some of the 2005 Kickstart projects which was fed into later analysis.

The initial topic guide covered the following issues identified within the project brief, project proposal and at the project inception meeting:

- Modal shift
- Accessibility
- Social inclusion
- Regeneration
- Viability
- Sustainability
- Vehicle types / characteristics
- Service characteristics
- Abstraction
- 3rd party objections
- Steering group set up
- Operator / local authority relationship
- Operator risk taking
- State aid
- Tendering
- Other legal and regulatory issues
- Origin of the schemes
- Fit between local authority / operator and 2003 / 2005 Kickstart objectives
- Marketing and promotion
- Monitoring and assessment
- Bid process &delivery process
- Overall assessment of impacts
- Alterations to the schemes
- Deviations from the proposal
- Views on Kickstart & possible Kickstart continuation

An amended version of the topic guide utilised for the 2003 Kickstart pilot schemes was used in September – October 2006 to obtain data and information relating to a sample of 27 Kickstart projects funded in 2005 in England, and to 22 Bus Route Development Grant (BRDG) projects funded in 2005 in Scotland. All other local authorities awarded funding in 2005 were invited to contribute to this consultation process.

The topic guide was amended to concentrate more on the processes and issues given that the availability of quantitative data was likely to be scarcer than for the 2003 Kickstart pilot schemes. Specific areas of interest were the extent to which local authorities and / or operators developed their own "Kickstart–style" schemes, and also any "added value" provided within funded schemes by local authorities and / or operators *over and above what was in the original bid submission* to the DfT or the Scottish Executive. These issues had been highlighted in a discussion with the client.

The study team used the East of England as a case study to explore in detail the issues underlying the 2005 project submissions and awards. We took the

opportunity to talk to the majority of the local authorities in the region, regardless of whether they were successful in obtaining funding, and also to establish why those who did not bid did not do so.

In summary all the BRDG and Kickstart schemes were covered in the analysis as follows:

- All 2003 Kickstart schemes (18) were consulted face to face (both local authority and operator).
- 21 out of 43 2005 Kickstart schemes were consulted face to face (both local authority) and operator.
- Six further 2005 Kickstart schemes were interviewed by telephone.
- 16 remaining 2005 Kickstart schemes were invited to respond by email (four of these responded).
- Four authorities who were either unsuccessful Kickstart applicants or did not bid for funding were consulted face to face.
- 20 of the 32 BRDG schemes of 2005 were consulted face to face (both local authority and operator).
- Two further BRDG schemes were discussed by telephone.
- 10 remaining BRDG schemes were invited by email to contribute.

The original proposal envisaged face to face interviews covering only 28 schemes with the remainder being undertaken by phone. We have carried out face to face interviews on 59 schemes, and with four authorities without schemes, telephone interviews on seven schemes and used email for the remaining 27.

Copies of the topic guides may be found in appendix 1, details of the authorities and operators consulted in appendix 2 and a scheme typology in appendix 3.

3.6 Conclusions on the Methodology

The methodology evolved during the study as it became apparent that there would be less quantitative date available than originally anticipated. This led us to adopt a simpler approach to the quantitative appraisal focussing on patronage. This may be advantageous in having limited data requirements and clear indicators. However, there are also risks in that these indicators will be vulnerable to external influences and as with any limited indicator set they cannot cover the whole set of scheme objectives.

An enhancement to the stakeholder consultation was an increase in the number of Kickstart and BRDG schemes that were covered through face to face interview. This increased the evidence base on which our qualitative assessment is based.

4. PROCESS AND IMPLEMENTATION

4.1 Introduction

In this chapter we address issues uncovered in the stakeholder analysis on the process and implementation of Kickstart and BRDG. Specifically:

- Process (4.2)
- Implementation process (4.3)
- Viability / Continuation strategy (4.4)
- Marketing and market research (4.5)

The chapter's conclusions are in section 4.6.

4.2 Process

Originator of Proposal
In the majority of cases in 2003, the local authority / PTE could be said to be the originator of the proposal, although there are exceptions including one operator who tended to develop proposals ahead of formal discussion with the Local Authority. Generally in 2003 local authorities and PTEs took account of Local Transport Plan and other policy and network objectives in deciding which bids should be prepared and put forward to DfT.

Within England, local authorities took full account of their Local Transport Plans and other policy and network objectives in deciding which bids should be taken forward. Within Scotland, local authorities tried to ensure that all bids submitted to the Scottish Executive were fully in line with their policy objectives as stated in their Local Transport Strategies There is a recognition in some areas of Scotland that the first "wave" of BRDG submissions were very "local authority-led", subject to the qualification above, whereas operators were given a greater freedom to develop their own schemes in later phases of BRDG submissions, although these also had to tie in with local authority policies and objectives.

Comprehensive Consultation
In the 2003 Kickstart competition most operators tended to wait to be consulted by the local authority, or used the various operator forums, etc in order to put forward their suggestions. In the 2003 round the consultation process was less formalised, as local authorities tended to view Kickstart, as indeed it was presented, as part of the Urban and Rural Bus Challenge process, and there was perhaps a failure to realise the distinct qualitative shift in Kickstart which required detailed and close partnership working with an operator. This led to the fact that some of the 2003 schemes were formulated without a formal comprehensive consultation of all local operators about participation within Kickstart.

By the time of the 2005 cycle of Kickstart bids local authorities and PTEs were much more likely to consult with *ALL* local operators to ensure that each had had an opportunity to express their desire to be involved with a Kickstart bid and

/ or to put forward their suggestions for a Kickstart service. Case study 1, however, demonstrates that this did not always happen.

There are certainly differing views on what "consultation" actually means – local authorities tend to take the view that this means allowing each operator the opportunity to bring forward their own scheme; some operators consider it to mean keeping them informed at all times about the likely impacts of potentially competitive schemes put forward. This has led to conflict in certain areas as demonstrated in the following case studies.

Case Study 1 - Post Award Tendering

- A proposal was developed in full co-operation between the local authority and the operator, for a new service to penetrate a new residential estate
- Following award of funding, the local authority was concerned that they had not circulated an open invitation to all operators to submit ideas for Kickstart bids
- As a result, the authority decided to go out to competitive tender
- The tenders received in response were higher than the funding award
- The authority is of the opinion that the pace of development means that a service is not yet required on the estate
- The operator is of the view that this is an opportunity lost
- The service is not operational and it is expected that a further tender round will be required in the future, for a reduced level of service or a shorter operating period

Case Study 2 – Claim of Abstraction

- Abstraction claim raised with LTA and later with DfT by operator in a given area who felt that he was "the predominant" operator and now subject to a competitive 2005 kickstart award
- Claim from the operator that there was little or no consultation between LTA and operator
- Operator felt that he should have been consulted "in detail" about any plans to bid for a competitive service which might abstract patronage
- Claim that LTA did not take account of potential adverse impact of scheme on other services as laid out in DfT guidelines
- The LTA sees itself as an "honest broker"; not sure that this feeling is shared by all operators
- LTA does not believe there is "serious" interference with other operator services

In Scotland we did not uncover major problems with the consultation undertaken by local authorities prior to the submission of BRDG bids. The view of Strathclyde Partnership for Transport (SPT) was that they had to ensure that competitive BRDG bids did not arise (meaning either bids competitive with existing services, or services which would be competitive themselves if all funded by the Scottish Executive). This naturally made it difficult for operators within the SPT area to come forward with bids which would be supported by SPT, if their network is subject to on-route competition. We discuss the impacts of Kickstart and BRDG within contested markets in Chapter 7.

Bid Preparation

2003 Kickstart bids were generally prepared in house by the local authority, although there are some examples of external consultants being used to develop the bid. The level of resources devoted to the Kickstart bid within individual authorities depended upon the size of the transport team involved, the importance assigned by the Council to the Bus Challenge / Kickstart schemes, and the importance assigned to the Kickstart programme embedded within the Urban and Rural Bus Challenge programmes. The level of financial resources available within the local authority was also a determinant in the decision whether or not to prepare the bid in-house.

The 2005 Kickstart bids were again mostly prepared in house by the local authority, although there were still some examples of external consultants being used to develop the bid. Local authorities felt they could keep better control of the bidding process by developing the bid in-house, but this depended upon the level of resources available internally, and they felt that the short timescales for bid preparation militated against the use of in-house resources in many cases. In a number of cases local authorities used “in-house” consultants employed on “call off” contracts to undertake the bid preparation work. Often they acknowledged that these consultants did not necessarily have the appropriate skills and that a competitive bidding process to appoint consultants would have ensured the proper skills mix. Elsewhere, a consultee noted that their only successful bid had been prepared by external consultants, with in-house bids rejected.

In Scotland most local authorities prepared bids in conjunction with the bus operator and employed consultants to put together the bid document. The level of operator input varied greatly from area to area – some provided most of the material within the bid document; some merely commented on bid drafts. The use of the new BRDG pro-forma for later phases of BRDG funding has simplified the process for local authorities who now intend to undertake the process in house, although there are still uncertainties over whether supporting bid documentation is required in addition to the pro-forma. In the SPT area there is a two-stage bidding process – operators submit bids to SPT utilising the Scottish Executive pro-forma; SPT scrutinises and completes these pro-formas, adding them as annexes to the SPT pro-forma which forms the substantive part of SPT bids for BRDG funding to the Scottish Executive.

In England the revised pro-forma is widely acknowledged to have simplified the bidding process, but there is again uncertainty over whether additional supporting documentation needs to accompany the bid. There is some confusion over the use of baseline / Year 0 figures within the pro-forma, and some operators / local authorities have stated that it is "difficult to make a convincing and effective case" within the confines of the pro-forma.

Tendering Process

In practice a preferred operator was selected prior to the bid preparation process. This preferred operator contributed to the bid, and then worked with the local authority to develop and implement the Kickstart services after a successful award. In a limited number of cases the local authority felt obliged to hold a full tendering process – either pre- or post- award. This could mean that the operator who originated an idea did not become the preferred operator, or that an operator who worked closely with the local council to prepare the bid did not go on to reap the benefits of a successful award.

This anomalous position was brought about by the fear of some authorities that the Kickstart programme was not in accordance with the 1985 Transport Act, EU legislation, or competition legislation. A significant number of other local authorities in 2003 and 2005 were worried that they were being pushed into a "grey area", "beyond existing legislation" by being required to enter into a bidding process with one preferred operator. Although DfT sought to address this fear by providing a legal commentary for the 2005 Kickstart programme, which is reported on elsewhere, a number of local authorities felt that even then, they were being required to "take a leap into the dark" and that the operator "was being forced to take all the risk". Although no challenges from unsuccessful operators were forthcoming following the 2003 Kickstart award process, a limited number did occur after the 2005 awards (see case study 2), although these related more to the level of consultation relating to rival (and potentially competitive) bids.

Within Scotland the revised Guidelines issued by the Scottish Executive (2006a) made it plain that tendering would not be a requirement, although as mentioned above the procedure adopted by SPT was felt to be "stifling BRDG" by some consultees. There did not appear to be a major issue with the notion of working with one bus operator once the revised guidelines had been issued.

Timescale

There was a general perception that the timescale between the announcement of the Kickstart programme and the submission date was too short to allow:

- Development of cogent, coherent proposal
- Full consultation with all potential service operators / operator partners
- Detailed consultation with potential stakeholders
- Undertaking of the bid preparation in house or a competitive bidding process to obtain properly qualified consultants to prepare the bid
- Coordination of capital expenditure within other funding schemes

Within Scotland there was some confusion over the initial and subsequent timescales for bid submission. Some local authorities are concerned that if they do not submit bids as soon as possible, the funding pot may become exhausted. This leads, therefore, to the use of consultants to overcome any internal resourcing problems, or a lower quality bid than the authority would ideally have liked to have submitted. There is some confusion over the use of the pro-forma for bids in Scotland – generally whether it is a replacement for, or an accompaniment to, a free-form bid document.

4.3 Implementation Process

Partnership
The majority of Kickstart projects have been implemented by a two-way partnership between a local authority / PTE and a bus operator. A small number of projects have been implemented by more complex partnerships, involving three or more parties comprising local authorities, PTE, operators and local transport partnerships.

Case Study 3 - Partnership Working

- A large award in the 2005 funding round
- Five services were rapidly implemented in three phases over a 7-month period
- Concern regarding abstraction on a specific section of one of the funded routes was addressed by joint working and sharing of the funding between the Kickstart operator and another operator
- Resulting service has an integrated timetable and provides an enhanced hourly service

The intended operator of the service was already known to the local authority as the bid was prepared in full co-operation by the partners. As a result, the local authority was able to meet with the operator, following confirmation of the award of funding, to agree the way forward. In a few instances the tendering process introduced by the local authority at this stage has made the issue less transparent and has delayed the start of service.

Within England a sizeable minority of local authorities see Kickstart as either a) a way to improve the performance of their tendered network by allowing marginal services to be mainstreamed into the commercial network, or b) as a way to reduce expenditure on their supported network. A number of authorities have stated that they would like to reduce the size of their network support through future phases of Kickstart funding, and use the savings to establish their own Kickstart-style schemes, targeted at areas of particular social and economic exclusion. This approach would seem to link a best value approach with the Kickstart objectives.

In Scotland there was a recognition of the desire by the Scottish Executive to attract bids either for existing commercial services, which were not performing

to their potential, or for (partially tendered) services which would definitely be commercial at the end of the three year period. The Scottish Executive relaxed these criteria to allow a fuller geographic coverage within later phases of BRDG funding. This means that in Scotland the vast majority of schemes are fully commercial services which are being lifted to a new level of viability through BRDG funding. In England, although most services funded in 2005 fall into this category, there are still some services which are likely to require local authority funding at the end of the Kickstart funding period – this is a reflection of the more liberal criteria applied by DfT to the funding of Kickstart schemes.

By 2005 most authorities and operators had grasped and embraced the new partnership relationship, although in a minority of cases the local authority has acted to bring the Kickstart schemes more closely into their network of supported services by imposing a very detailed contractual relationship.

Overall, projects have been implemented on a partnership basis, with the partners taking responsibility for specific activities. For those projects involving the procurement of new vehicles, the operator has purchased the vehicles and invoiced the authority in arrears. The local authority has taken responsibility for implementing any capital or highway works. Marketing and publicity activities for the service have been within the realm of the operators to a large extent, generally with a funding stream identified within the Kickstart / BRDG bid document. In some cases the individual marketing undertaken by operators for their Kickstart / BRDG schemes (far) exceeds what was put forward within the bid.

Market research and consultation is an area which is still neglected to a certain extent within the 2005 Kickstart and BRDG awards and the issue of where responsibility lies for undertaking such activities remains unresolved. The provision of simple monitoring guidelines by DfT and Scottish Executive might help to ensure that data is collected on a comprehensive and consistent fashion in order to be able to draw conclusions about the impacts of an individual scheme and of any given scheme in comparison with other funded schemes.

For the majority of projects, the implementation process has begun well with all partners being fully engaged and involved to deliver the service. In some cases, however, changes to the local management of the bus company coupled with an adverse financial situation have brought the implementation of certain schemes into doubt. Elsewhere, as the projects have progressed and services have been operational for some time, the project-specific meetings have reduced and often ceased. Discussions of Kickstart projects have tended to take place at more general operational meetings between authorities and operators, often taking the form of verbal progress reports unless there are particular issues to be resolved. Services in 2005 have generally been implemented within a shorter time frame than those funded in 2003.

Timescales for Implementation

The factor most likely to influence the timescale for implementation is the purchase of new vehicles. In England where the award of 2003 and 2005 Kickstart funding has led to a significant demand for new vehicles, there is no doubt that Kickstart has generated a significant demand for new buses which has stimulated business amongst bus manufacturers. If an operator has sufficient resources and an existing annual vehicle replacement programme, it is possible for vehicles allocated for Kickstart / BRDG schemes to be safeguarded for speedy deployment following award. For smaller operators without an existing (major) fleet replacement programme, this is not something they can afford to undertake in advance of award, and this entails necessarily a post-award delay before implementation can take place.

Many of the operators raised concerns regarding the implementation of capital and highway works by local authority partners. The actual works to be implemented are not specified within the bid and a notional timescale for undertaking the works is not required in the submission. Operators expressed concerns that authorities are not obliged to undertake the capital works, when they, as the operator, are required to commit to operating the service and in many cases, purchasing the vehicles. From the operators' perspective, the commitment required from them far outweighs the commitment required from the authority.

Case Study 4 – LTA Failure to provide timeous capital works

- Proposal for an enhanced frequency town service developed in co-operation between the operator and the local authority
- Peak Vehicle Requirement of the enhanced service was determined based on infrastructure works which the authority was committing to deliver
- Immediately prior to submission of the bid, the authority informed the operator that they would not be in a position to commit all of the capital funding required for the infrastructure works
- The bid was submitted and funding was awarded, but a a greater commercial risk to the operator than would be the case had the capital funding been secured in advance

Linking into LTP / Local Transport Strategy Process

Operators expressed concerns regarding the difficulty of linking into the Local Transport Plan process in order to secure the timescale for delivering capital and highway works. For many projects, the capital works have been implemented on an ongoing basis throughout the Kickstart project period rather than being prioritised for the early stages of the project. This means that it is difficult to hold a 'big bang' launch of a new or improved service, when the key capital and highway improvements are incomplete. In some cases it may be that the local authority does not have sufficient finance available to undertake the full set of infrastructure works required; in other cases the local authority may not have sufficient staff resources to plan and manage the infrastructure

works, as the LTP implementation programme will have been set in advance. Given the higher level of partnership working between operators and local authorities, this is a reduced concern within the 2005 schemes, but does still exist.

Risk-Taking

The degree of risk-taking differed between projects. Many of the operators purchased new vehicles rather than cascading existing vehicles from their fleet – a practice which is higher risk among the smaller operators than among the larger group operators. A number of the operators stressed that without Kickstart / BRDG funding, the risks associated with putting new low-floor vehicles on a service would be too great. They stated that the additional funding available through Kickstart enabled operators to take more calculated risks (which their managers would approve and support) in order to increase patronage. This applies equally to the revenue risk associated with frequency enhancements.

Certain authorities indicated that in the future, they would submit Kickstart bids which were intended to bring borderline commercial services to commercial viability, whilst at the same time reducing the pressures on their supported service budget. Other authorities, however, were of the opinion that they could not take the risk of having a non-commercial Kickstart bid making demands on already stretched revenue budgets, and would therefore only submit bids which they were confident would be commercially viable by the end of the funding period.

Vehicle Acquisition and Retention

As many vehicles operating on Kickstart services have been funded through Kickstart, a number of authorities have sought to secure the deployment of those vehicles during the Kickstart period and their retention thereafter. Some authorities have prepared brief contracts specifying the requirements for the deployment of new vehicles. The contracts differ between projects, but tend to include reference to the number of years for which the vehicles should be deployed on the Kickstart service, as well as the frequency of service to be operated. Some contracts also specify the number of years after the end of the Kickstart period that the vehicles should be deployed either on the Kickstart service or in the local area in general. Within the BRDG programme the major emphasis has been on revenue funding, although there are some examples of capital funding for new vehicles and vehicle depreciation over a shorter timescale is now allowed within BRDG submissions.

In some areas, especially the PTE areas, the contracts between local authorities and bus operators are in effect a tendered service contract with the operator required to provide a service to contract for a fixed three year period at a fixed level of support, and for a two year period thereafter *without any financial support*.

Supply of Monitoring Data

The supply of patronage and revenue data by Kickstart service operators differs from authority to authority. Certain authorities request data from operators on a monthly basis, in the same way as they would request data for supported bus service contracts. Other authorities have adopted a more 'hands-off' approach, treating the service more like a local commercial service. These authorities would contact the operator on an intermittent basis to request an overview of the performance of the service, rather than detailed data. In certain cases where data was not supplied on a regular basis, the consultation interviews revealed that the operator and authority had quite different views with regard to the performance and likely future commercial viability of the service. Generally data is requested from operators to meet the reporting requirement to DfT / Scottish Executive.

State Aid Issues

Within Scotland an issue has arisen over the desire by the Scottish Executive to ensure that state aid regulations are not infringed by the provision of BRDG funding to certain routes. This has led to a request from the Scottish Executive to local authorities / bus operators to provide monitoring data for the whole of a particular BRDG route, and not just for that portion of route for which BRDG funding has been secured. This is to ensure that public funding is not being provided to more than one section of any given route. This has led to some confidentiality issues between local authorities and operators, and we are aware that in one case the bus operator is now addressing the issue directly with the Scottish Executive, as they did not want to provide any commercial data relating to non-BRDG secured network operations to the local authority. This has implications for future BRDG submissions and successful implementation in conjunction with the policy of "clawback" as it is perceived by a number of operators in Scotland.

"Clawback"

If a BRDG service in Scotland performs in excess of its predicted patronage / revenue the level of support from the Scottish Executive is reduced correspondingly. This is designed to allow the redeployment of those financial resources to achieve a temporal and geographic extension of the BRDG scheme. However, it has led to frustration among certain bus operators who feel that the "clawback" rule was not made sufficiently evident at the time of bid submission, although the BRDG Guidelines state that: "in any year, the grant will be restricted to the level of the deficit incurred". The operators also fear that if the "clawback" principle is applied to the whole of a given BRDG route, not just to that part to which BRDG funding has been explicitly applied, then the financial viability of the BRDG route may be jeopardised, and this will in turn affect their willingness to bid for future BRDG funding.

Revenue / Capital Funding

Some uncertainty existed in 2005 as to whether a Kickstart bid should properly contain capital and revenue elements or just the latter. Most partners took the line that revenue was desirable to provide financial support for the service operation and that new and / or upgraded vehicles should be funded by a

mixture of capital support from the operator and the Kickstart programme. Infrastructure and highways works were generally considered to be best funded out of the LTP programme. Although some uncertainly existed over whether these could also be funded through the Kickstart programme itself, some authorities took a conscious decision not to bid for capital funding of this kind, and were surprised to find other authorities had secured such capital funding under the programme.

In Scotland generally BRDG funding was used for revenue support, and new vehicles were only purchased through capital funding support in a minority of cases.

LTP / Bus Strategy

When determining which bids to take forward each authority took account of its LTP and other local and regional transport strategies. Those Kickstart proposals which best matched the authorities' own priorities stood the best chance of being developed into a full scale proposal for funding. Inevitably this meant that some schemes, although worthy in their own right and addressing the Kickstart objectives, did not meet the local policy objectives set by the authority and were not taken forward to be developed into full proposals. This led to disgruntlement amongst certain bus operators as they felt they were powerless to influence which schemes an authority decided to take forward.

In some cases, the operators felt that they were in a better position to determine the merits of a particular scheme with regard to the Kickstart programme than the authority. However, given that Kickstart has been generally perceived as a local authority / PTE-led process identifying local and regional transport planning priorities, it is inevitable that some schemes proposed by bus operators linking patronage growth with improved commercial performance might not fit in with these priorities. In the context of partnership working common or complementary objectives are necessary. In Scotland, the Scottish Executive has tentatively suggested that operator-led schemes might be considered within the future; this would go some way to meeting the aspiration of SPT which would like to see the establishment of a two-tier BRDG scheme allowing: operator-led commercial schemes and local authority-led tendered schemes.

4.4 Viability / Continuation strategy

Each of the 2003 schemes produced a continuation strategy to provide for their continuation after the end of Kickstart funding. In nearly all cases the 2003 scheme or elements of it will survive after the end of Kickstart funding. It is difficult to generalise because of the multiplicity of service types funded under the 2003 programme; by 2005 the schemes had become very much more homogenous as local authorities and bus operators came to understand better the principles behind Kickstart. Based on the consultation undertaken with regard to the 2003 schemes:

- one has already become commercial and will remain so

- one started in October 2006
- six are very likely to become commercial (all or most of scheme)
- seven are likely to become partly commercial (with some local authority support)
- one is likely to be reformulated and refocused in order to continue
- The future operation of the remaining two schemes is uncertain because of the current uncertainties surrounding the intentions of the bus operator.

The commitment by the local authority to provide support if necessary after the funding ends is of key importance to many of the 2003 Kickstart schemes in order to ensure their long term viability. This is particularly the case for the more rural of the schemes and for those involving community transport operations.

In nearly all cases in Scotland it is anticipated that the BRDG schemes will be able to run commercially without a further funding requirement, although we are aware of two schemes which will definitely require revenue support at the end of BRDG funding.

Revenue growth is the key determinant of commercial viability at the end of the Kickstart period of funding. A number of the 2005 Kickstart schemes in England will be compromised in terms of their commercial viability through the new free concessionary fares scheme introduced throughout the country in April 2006.

Case Study 5 – Concessionary fares and future revenue support

- Kickstart funding was secured for a new inter-urban service
- The financial element of the bid was calculated prior to the introduction of the new concessionary fares legislation
- This new service is being treated as though it is an existing service, with all passengers being subject to the generation factor applied to other established services
- The service is performing well in terms of patronage but is unlikely to meet its revenue targets as many of the passengers using the service are concessionary travellers
- The local authority would be less likely to support this service in the future should it fall short of commercial viability, as there is another Kickstart service in the area which meets the authority's social inclusion objectives and is expected to require ongoing support after Kickstart

4.5 Marketing and Market Research

The degree of marketing and promotion differed considerably between projects, although it figured far more highly than in 2005 Kickstart schemes. With regard to conventional bus services, a new timetable leaflet was produced to publicise

the new service / service enhancements. The responsibility seemed to default to the operators, in line with practice in relation to commercial bus services. The approach adopted also differed between projects (and operators), with certain operators including free travel tickets on the service as part of the leaflet.

Within the big groupings there is a difference of philosophy: one major grouping rolls out its "standard" marketing throughout the whole group including the BRDG / Kickstart schemes; a rival grouping customises its marketing to the specific requirements of each BRDG / Kickstart service.

Many of the projects organised a door-to-door leaflet drop to properties along the route of the service immediately prior to start of the service / service enhancements. Some projects adopted an area-specific approach to marketing and promotion, producing a different timetable leaflet for different sections of the route, including residential areas and employment locations. The leaflets were also delivered door-to-door along the relevant sections of the route.

One of the larger operators adopted its companywide 'Telemarketing' approach to its Kickstart services. This approach involves telephoning householders living along the route of the service to ask whether or not they use the service. Those who do are thanked for doing so and asked their opinions of the service. Those who do not use the service are encouraged to do so by the provision of free travel tickets to be used within a specific period of time. The non-user group is contacted again a few weeks later to ask whether they used the tickets and their opinion of the service. This personalised approach to encouraging non-users to travel by bus is one which is being trialled by this operator across the country, although the results from the Kickstart services were not available at the time of writing this report.

Case Study 6 – Marketing & Promotion

- Independent bus operator adopted a settlement-specific approach to marketing of the new service
- Leaflets produced for individual sections of the route, including door-to-door leaflet drops
- Utilised Kickstart funds to employ a marketing officer on a temporary basis to consult with employers on the industrial estate, to discuss issues such as tax breaks for encouraging employees to travel on the service
- Free travel for a month for employees who completed a travel diary
- Consultation demonstrated that original timetable was not meeting the shift requirements of the industrial estate and the timetable was amended accordingly

Many of the projects organised a launch event to promote the services. Launch events were particularly favoured for completely new services, with activities including competitions, distribution of free promotional items and press

coverage of the event. The smaller scale projects, particularly those which did not involve new vehicles, did not opt for launch events as they did not consider the changes to be significant enough to warrant such publicity.

One trend which was noted with regard to all projects was the comparative lack of marketing and promotion of the services following the initial launch and / or start of the service. We hope that the BRDG and 2005 Kickstart schemes will undertake secondary and tertiary phases of marketing and promotion in later years, although this was not a feature of the 2003 schemes. In general funding has been obtained in a number of the Kickstart 2005 schemes for a marketing and promotional campaign. The operator is generally expected to fund anything over and above this funding obtained. In Scotland some schemes have obtained a marketing budget through BRDG, but again the operator will pick up the expected higher costs associated with this function.

One innovative promotional element of a Kickstart schemes was a series of television adverts which achieved a good response and which were specifically targeted at the target markets for the Kickstart services.

Very little market research has been undertaken to assess the views of users (and non-users) with regard to the new / enhanced 2005 Kickstart and BRDG services. This is not surprising given the short time that most have been operating, although it is surprising and disturbing that market research and consultation (monitoring and evaluation) tends to fall between the demarcated lines of responsibility for local authorities and bus operators. This was the case with marketing and promotion to a large extent in 2003, but that has now been clarified and addressed.

4.6 Conclusions

The process has operated more smoothly in the second round of Kickstart and the later BRDG submissions. This is in part due to the clearer guidance and use of pro-formas, and also partly as a result of the learning process. Nevertheless, there are remaining concerns regarding timescales for submission, compliance with legislation and, within Scotland, a distinct difference in approach within the SPT area.

The implementation process and the level of partnership working have been smoother in these later rounds and the timetable for implementation more rapid. However, there are remaining concerns over the timing of local authority investments and contractual issues. There are also emerging issues on risk-taking, state aid and “clawback”. The competitive challenge of the Kickstart / BRDG schemes encourages entrepreneurial flair this could be lost if Kickstart were subsumed into the LTP process. A widening of the criteria to allow operator-led schemes could provide a further incentive in future funding phases.

5. PATRONAGE GROWTH

5.1 Introduction

In this chapter we focus on the analysis of the available data with respect to patronage growth in absolute terms and relative to the targets set in the bid documentation. A discussion of the external influences on patronage concludes the chapter.

5.2 Patronage Growth: 2003 Kickstart Schemes

In the case of enhanced services first year operating data may be compared with either that for the previous year or the base year data provided in the proposal. Table 6 compares patronage for the first full year of scheme operation with that of the previous year expressed as percentage annual growth. This may be compared with the negative rate of growth of -2.3% for bus service patronage in England outside London between 2003/4 and 2004/5 (DfT 2005c). The reference decline in patronage represents a continuation of trend over the past 10 years, in the face of which arguably any growth in patronage represents success.

Table 6: Percentage Annual Change in Patronage: Year One and Two of Scheme Operation.

Change in patronage	Year 1: number of services	Year 2: number of services
Fall in demand	1	2
Growth 0% to <10%	4	3
Growth 10% to <20%	2	2
Growth 20% to <40%	4	1
Growth over 40%	1	1

In year one all the schemes bar one are showing growth in patronage and five schemes are growing at rates greater than 20%. In a declining market this is impressive.

The year 2 figures include all 2003 schemes for which we have data for two years of operation (or data that may reasonably be extrapolated to give two years). This includes one new service and eight enhanced services. We have included all services for which we have data though we note that falling in patronage is in some cases influenced by external factors such as major road works affecting service reliability over a period of time.

The trend apparent from Table 6 is that of a falling average growth rate from a year one level of 21.0% to 11.8% in year two. If we take the estimates for a matched set of 8 schemes the averages are similar at 24.61% and 9.9% respectively. Nevertheless, two schemes achieved a higher rate of growth in year two than in year one. The greatest improvement would be expected in the

year one launch period when changes impacting on journey time, opportunities and quality are implemented and any marketing activity will be most intensive. Overall most of services for which we have data appear to be doing very well in achieving strong growth over time.

The patronage figures are discussed in more detail by service type below, however, it must be noted that the very small sample sizes in some categories mean that the averages must be treated with caution.

The average rate of growth for urban services in year one is 24.7% falling to 15.6% in year two. The equivalent figures for rural services are 10.0% and 7.0%. If we look at the small number of services, eight, for which we have year one and year two data the picture is similar for urban services albeit with a higher first year growth rate of 33.3% falling to 15.6% in year two and for rural 10.0% in year one falling to 0.4% in year two. The higher rates of growth in urban schemes are to be expected as the catchment population is likely to be larger and the network effects greater, overall the potential for growth is likely to be higher than in dispersed rural populations with generally higher car ownership levels.

Schemes with infrastructure investment showed higher rates of growth at 24.7% than those without at 10.0%. This, too, is to be expected as schemes with infrastructure tend to be the larger schemes and usually in urban areas. However the pattern is by no means clear cut with some schemes with no infrastructure investment performing very well and some with such investment performing well below average.

Most schemes involved service frequency enhancements and we note that the few that did not are amongst the services to experience patronage losses. On the whole schemes that stuck to their existing operational area performed better than those that extended their geographical coverage. However, two that did extend their area experienced very high levels of patronage growth. In this context the distinction between an enhanced service and a new one becomes increasingly blurred.

Interpreting figures on patronage growth is not straightforward. There clearly is a wide range, with some schemes growing at an annual rate of over 20% and at the other end of the spectrum a small number showing negative growth. It is to be expected that some services would have greater potential for growth than others and, in some cases, a large growth rate from a very low base represents only a small number of new passengers.

5.3 Patronage Growth Performance Against Targets: 2003 Kickstart

We now move on to examine patronage growth against the targets set in the proposals. Table 7 indicates whether the target growth has been achieved.

Table 7 Patronage Growth Compared to Target Patronage Growth

Growth against target	Year 1: number of schemes	Year 2: number of schemes
Below target	4	2
Above target by <10%	4	1
Above target by 10% to <50%	3	3
Above target by 50 to <100%	3	1
Over 100% above target	2	2

Of the 16 schemes shown in Table 7, 12 have met or exceeded their year one patronage target, in some cases dramatically and six out of eight schemes met or exceeded their year two target.

5.4 Performance of the 2005 Kickstart and BRDG Schemes.

A limited amount of data has been made available on a number of the Kickstart 2005 schemes and BRDG schemes. This data suffers both from the shortness of the operating period to date and many of the problems of consistency in reporting highlighted with respect to the 2003 Kickstart schemes in sections 3.3 and 3.4.

With respect to the 2005 Kickstart limited data is available on a very small number of schemes (three) all are on line to exceed their first year patronage targets and are achieving high growth rates. Where problems have emerged these are largely related to the bid and implementation process or external factors such as the implementation of free concessionary fares.

There is slightly more data available for the BRDG schemes, perhaps reflecting the need to produce this type of data for the grant claim form. For nine schemes it is possible, albeit on the basis of part year data, to examine patronage growth – all are achieving some patronage growth (in some cases very high rates) and seven are on line to exceed their first year target growth.

In both cases this is again set against an overall declining market -1.24% England outside London and -0.4% Scotland (DfT et al 2006). There are of course some areas where patronage growth is occurring across networks. It seems that promoters of the later schemes have learnt from the experience of the 2003 Kickstart.

5.5 Other Influences on Patronage

Changes in patronage will be affected by many factors other than the Kickstart scheme. The impact of such effects cannot be isolated here. These include underlying changes in bus use occurring anyway and the impact of any local factors, such as fares increases, changes to frequencies on other routes affecting the attractiveness of local bus systems as a whole, demand

management measures and road works. At a national level changes have included:

- Increases in bus operating costs of 7.4% in 2004 and 8.2% in 2005 (CPT, 2006). These increases are running at more than twice the level of Retail Price Index increases over the same period (ONS, 2006). With respect to services re-tendered in 2005, ATCO (2005) note average price increases of 8.7% in the English counties, 11.9% in the unitaries and 13.9% in the PTE areas.
- Bus fares have been increasing above the rate of inflation in England outside London for the last ten years and are now around 22% higher in real terms than in 1995/6 (DfT 2005c). Over the same time period fares in London remained constant.
- Policies such as the extension of concessionary fares from half fares to zero fares in England will clearly have some effect though it is difficult to foresee what. We note that the allocation method has left some authorities facing potential cuts to supported services. See case study 5 in section 4.4.

The cost increases in tendered services will have put pressure on Local Authority budgets for supported services. At a national level the increases in costs have clearly not yet been reflected in fares increases. However, there have been significant fare increases in some areas. Indeed a number of schemes have been subject to fare increases of up to 30 to 40% over a year. Even assuming an aggregate short run fare elasticity of -0.4 (Balcombe et al, 2004) such an increase would be expected to reduce demand by 12 to 16% (all other things being equal). In such circumstances if patronage on a Kickstart scheme were to decline by less than that on comparable service that had experienced the same price increase, then that would be an indicator of the positive influence of the project.

Ideally, to evaluate changes in patronage the Kickstart service should be matched with a comparable local service that did not receive any change in order to identify the net patronage impacts of the Kickstart project itself. Given the difficulties in obtaining data on the Kickstart projects themselves, it is unlikely that such matched pair information would be easy to obtain.

6. BROADER SCHEME IMPACTS

6.1 Introduction

In this chapter the broader range of impacts of the Kickstart / BRDG schemes are examined. These include:

- Modal shift (6.2)
- Diverse social objectives including social inclusion and accessibility (6.3)
- Benefits to users (6.4)
- Added value (6.5)
- Value for public money (6.6)
- Overall performance (6.7).

6.2 Modal Shift

Modal shift is a more difficult aim set for the Kickstart / BRDG programme, as many of the schemes are located in "traditional" bus operating territory with high indices of social and economic deprivation and low car ownership, where the opportunities and scope for modal shift are limited. Patronage growth in these areas through the Kickstart initiative tends to come from increased trip making by existing and "traditional" bus passengers, and from new trip opportunities opening up, such as "short hops". We might expect any modal shift to be seen in those schemes which operate within commuting corridors where the new bus offering allows modal transfer to a high quality and frequent bus service. Modal shift was not always an explicit objective of schemes, nor were targets given. The varying nature of the operating conditions will make such an objective more appropriate for some schemes than others. In all, only four schemes provided specific data on modal shift. These are Devon Culm Valley Connect (Devon County Council, 2006), Kent Thanet Loop (Walters, 2005 and Babtie 2005), Oxfordshire Abingdon-Witney Link (OBU, 2005) and the St Helens – Liverpool John Lennon Airport "Airlink" Service.

The Culm Valley Connect service provides for commuting trips into Exeter and the proposal stated "to provide an alternative to the car for journeys to work in Exeter" as a key objective. The service saw major service enhancements including a doubling of frequency on existing elements and extensions into new areas. 36% of passengers reported that they had previously used a car or motorcycle to make the journey. Just over half (51%) had used a different bus or coach service and 9% had not previously made the journey at all (Devon County Council, 2006).

The Thanet Loop aimed at improving the network, increasing patronage and access in a relatively deprived area. Modal shift was not a stated aim. The service now offered includes peak frequencies of less than 10 minutes for some elements of the service. A survey of users (Walters 2005) found that 16.5% had not used the bus before the improvements. Of these, a quarter had not made the journey before. Of those that had made the journey before, just over half

had switched from the car – i.e. 6.2% of users of the improved service had switched from the car (Walters, 2005). This survey report also indicates that just over a quarter (27.6%) could have made their journey by car (as a driver or passenger). A survey in December 2004 found that of those passengers interviewed who had previously made the same journey just under 2% has previously travelled by car (2.6% including taxi journeys) (Babtie 2005). The difference in modal shift could be due to the timing of the surveys with the Babtie surveys covering two days in mid-December 0900-1700 and the Walters surveys covering weekdays and weekends and running from 0700-1900 (extended to 2100 on one occasion). Thus the Walters study may have picked up modal switch for commuting trips (before 0900 and after 1700) and evening and weekend social trips that would not arise in the Babtie survey. Though in reality the proportions of work trips picked up are very similar and the most obvious difference in journey types is education where in May more journeys are for this purpose than in December when some college and school terms may have ended.

Case Study 7 – Modal shift along a commuting corridor

- Increase in frequency from every 30 minutes to every 15 minutes
- Amalgamation of existing services
- Increase in vehicles from 3 to 8
- 4 vehicles paid for by Kickstart / 4 by operator
- Not a particularly affluent commuting corridor
- Some potential for modal shift
- Service into major town / urban centre
- Performing well, in excess of predictions, but only marginally commercial
- LTA has maintained existing level of revenue support
- Doubts over post funding viability despite major publicity and promotion campaigns
- Operator wants to ensure that future phases of Kickstart bring all elements under operator control
- Good partnership working

The Abingdon-Witney Link had an objective to "reduce dependency on travel by car". A survey found that "rather more than half the users did not make the journey before the service was introduced. Amongst those that did, 1 in 3 previously travelled as a car passenger and 1 in 10 as a car driver" (OBU, 2005). The report also finds that currently "on weekdays about 1 in 8 passengers use the X15 even though they have the sole use of a car", which shows that the bus is apparently saving car trips being made by users who have a choice. Moreover, it also notes that "a half of passengers have a car in their household but do not drive – this applies particularly to students using the service", which indicates that without the bus these too may well have been a car passenger.

The St Helens – Liverpool John Lennon Airport "Airlink" Service was largely aimed at improving access and regeneration of commercial and district centres served. Frequencies were enhanced from 30 to 20 minutes. Merseytravel monitoring suggests that modal switch from car of around 8% has occurred.

The level of modal shift varies, with those schemes where it was an explicit aim delivering a shift of 36% from car in the case of Culm Valley Connect and in the case of the new Abingdon – Witney link carrying around 15% of passengers who would otherwise be using car. These figures are very impressive. Even services where modal shift was not an aim have achieved shifts of 2% to 8%.

Despite the fact that high levels of modal shift have been forecast in some places, there appears to be little in the way of robust monitoring planned in either Scotland or England to assess the actual level of modal shift which is likely to take place. Bids for BRDG funding explicitly require an estimation of the number of modal shift trips likely to take place.

It is necessary to remember that the services that attract Kickstart support are necessarily less successful existing services or new but too risky for a commercial operator to carry the entire risk. They are therefore not likely to be on major commuting corridors where the potential for mode shift is greatest. Even in the case of quality bus corridors, where the potential for modal shift is probably greatest the evidence is limited and suggests a range of modal shift between 2% and 23% (Bristow et al 2002). There is an additional issue here of "indirect" modal shift, where change arises not through the like for like transfer of a specific journey but through:

- "A new willingness to consider bus for new journeys, for example, following a change of job or home location
- A tendency for existing bus users to be more satisfied and stay with the bus rather than seek an alternative mode."

Bristow et al 2001

More recent evidence as QBPs start to rollout into the less attractive corridors suggests a low level of direct modal shift of around 1% but with around 20% of "new" journeys and over 30% "car available" (Davison and Knowles 2006).

These arguments apply equally to Kickstart and BRDG schemes. However these impacts are very hard to measure and continue to occur over a long period of time. It is interesting in this regard to note that some schemes are intended to serve new housing developments and may therefore capture those moving in while they are considering their options and so reduce levels of car dependency. By allowing bus services to be operated before the critical mass is there to justify a commercial service (which might never occur if residents are by then captured to car) the benefits in terms of reduced car use may be high. In the context of the scale of planned housing developments particularly in the south of England this is a critical issue.

Even though the direct modal shift from car to bus may be low. Diversion from car creates benefits as the externalities of bus use tend to be lower and there is a decongestion effect. DfT guidance (2006e) indicates that the external costs of car use should be taken into account in rail scheme appraisal in a range of circumstances, this would also seem appropriate here. The existing guidance contains explicit values. Where congestion is a problem decongestion benefits dominate and the value of a car kilometre removed can be as high as £2. Where there is little congestion benefits per car kilometre are much lower from 1.47 pence on rural other roads to 6.86 pence on other roads in conurbations.

Overall, on specific corridors where modal shift was a key scheme objective, the limited evidence suggests that the levels of modal shift achieved are as good as that achieved by high performing QBP corridors. Even in less promising territory some modal shift has been achieved. The introduction of effective monitoring across schemes could reveal the impacts to be significant. It is of course more difficult to objectively measure indirect modal shift.

6.3 Diverse Social Objectives

Social Inclusion

Social inclusion and the provision of bus services in areas of high social and economic deprivation were not the major determinant in the development of the 2003 and 2005 Kickstart schemes. This issue did, however, lie behind much of the decision-making when particular schemes were chosen to be worked up into full proposals, as it was anticipated that those schemes which "ticked the most inclusion boxes" would be most likely to be funded. It was also recognised that the Kickstart programme allowed the opportunity to develop and sustain high quality bus services in areas of multiple deprivation.

In England and Scotland local authorities have taken the opportunity to pursue their accessibility agendas by agreeing to target certain Kickstart and BRDG funding into areas of high social and economic exclusion. Local authorities in England have been more likely to provide a pledge to support services at the end of the three year Kickstart funding period if the services benefit areas of high deprivation. In the case of the service cited above which is suffering from poor revenue generation as a result of high levels of concessionary travel and what is perceived as a high generation factor imposed within the reimbursement, the local authority has stated that it is far more likely to fund its other 2005 Kickstart scheme at the end of the funding cycle, if continued funding is required for either or both, as it serves areas of far greater deprivation despite having a lower performance in terms of passengers carried.

Despite being the most popular objective of schemes, there is little objective evidence of a reduction in social exclusion, save that in the reports discussed above with respect to those who had no choice of mode or other way of making the journey as reflected in the quotes below:

"60% surveyed passengers had no alternative mode of transport before the service was introduced" (Devon-Bus Service Survey 2006);

"24.5% of new bus users did not make their journey at all prior to the service was introduced" (Walters 2005);

"About half of passengers never make use of any other means of transport for the journey they were making when surveyed" (Oxfordshire-OBU Study 2005);

"Over 40% of users would not make their journey without the service" (Oxfordshire-OBU Study 2005).

As with measuring modal shift, there was only limited evidence available to determine if schemes had successfully met the diverse social objectives they had set themselves.

Accessibility to vehicles
Every scheme from the 2003 Kickstart programme utilised vehicles that would allow access to the greatest number of potential passengers – generally low floor vehicles. Obviously such an element is very important given the profiles of the typical bus user – elderly people, parents with children (and pushchairs) and shoppers (with shopping bags) – and this is reflected where data is available. Thus, in the Kent example, some 35.6% of existing users and 17.3% of new users noted that the easy access/low floor aspect was very influential in them choosing to use the bus (Walters, 2005). Whilst for the Oxfordshire service some "one in ten users of the service has difficulty walking" (OBU, 2005).

Accessibility to facilities
With respect to the new Oxfordshire service, OBU (2005) reports that "over 40% of users would not make their journey without the service" and that "4 out of 10 students said they would not make their journey in the absence of the service". It also notes that "for more than half of the passengers the trip being made is essential in that it would still be made even if the service was not operating". This would apparently indicate a high degree of dependence on the new service.

In the Devon case some "60% of surveyed passengers had no alternative mode of transport before the service was introduced" (Devon County Council, 2005), while for the Kent service "24.5% of new bus users did not make their journey at all prior to the service was introduced" and a third of bus users stated that the bus was their only travel option for that trip (Walters, 2005).

One key way of improving access to facilities is through enhancing frequency. Here, Walters (2005) reports that in Kent the high frequency of the new service is the "most influential" reason for increased use amongst existing bus users.

6.4 Benefits to Existing / New Users

Benefits thus far have been assessed in terms of changes in patronage, in line with the key objective of Kickstart / BRDG. However, there are clearly benefits to existing users. Even in the absence of information on the nature of journeys

made in terms of journey purpose, length and timing we can still make some informed speculation on the probable extent of such benefits.

Frequency enhancements

The most frequent type of service upgrade in the 2003 Kickstart round was the introduction of new/newer vehicles closely followed by frequency enhancement. Changes to frequency were often substantial usually involving increases from 25% to 100% in service frequency.

The Department for Transport and the Scottish Executive guidance on the value of time for bus users includes walk and wait time (discussed later) but does not value changes in headway (DfT 2006c and Scottish Executive 2006c). Changes in service frequency will have a value to users as they are likely to be able to travel closer to their desired departure time and thus experience reduced schedule delay. A meta-analysis by Wardman (2004) estimates the value of headway as a proportion of the value of in-vehicle time for bus. The values are distance related and for a two mile journey are 0.85 for business travellers and 0.69 for other journey purposes. Thus for an example where the frequency is enhanced from 30 minutes to 15 minutes, the 15 minute change will be valued at something less than the equivalent in-vehicle time. Explicitly:

Value of a 15 minute headway change to a business user = (20.22 * 0.85) / 4 = £4.30

Value of a 15 minute headway change to a commuter = (5.04 * 0.69) / 4 = £0.87

Value of a 15 minute headway change to a “other” user = (4.46 * 0.69) / 4 = £0.77

If these values are weighted to reflect weekday occupancy (where most enhancements have been introduced) it suggest an average saving per user of £0.85 (the smallest frequency enhancement is 5 minutes which would be valued at £0.28).

The average length of a bus journey in 2005 was 4.1 miles (DfT 2006d). Whilst values of headway decline with journey length, at 10 miles they would still be 0.62 for business and 0.50 for non-business trips (Wardman 2004). If the relationship were linear between these points (which assumption probably overestimates the rate of decline) the proportions for an average journey length would be 0.82 and 0.64 respectively. This would reduce the values reported above to: £4.15, £0.81 and £0.71 respectively, which yields an average weighted value of £0.79 for a 15 minute reduction in headway on a 4 mile journey.

The frequency enhancements would also be expected to reduce wait time, valued at 2.5 times the value of in-vehicle time. However, given that the frequencies are usually not high enough to induce random arrivals one would expect planned arrivals, so the impact on wait time may not be that great – assuming the service runs to time.

In terms of Kickstart revenue support the average cost per passenger is £0.93 and the median only £0.12 (see section 4.13). Thus where frequency enhancements form part of the service offer this benefit alone will go a long way to offsetting the total costs.

Journey time savings
Reductions in running time are very rare in Kickstart (one example in the 2003 round) as they tend to require substantial investment in bus priority measures. Operators are perhaps more concerned to achieve reliability targets than to reduce running times. Where such reductions do occur they should be valued using the standard TAG values of time (DfT 2006c).

Walk time
A number of enhanced services have extended their geographic coverage which may have shortened walk times for some existing users.

Reliability
Values of improved reliability do not appear in The Department for Transport's Transport Analysis Guidance (webTAG) or Scottish Executive's Scottish Transport Analysis Guidance (STAG). Whilst reliability is seen to be important to users and reflected in PSA targets for road and rail there is no explicit target for bus operation. There is an agreed target with CPT operators to achieve 99.5% timetabled mileage (DfT 2006a). However, there is no target to improve on-time running. Reliability attracted the lowest satisfaction ratings in the 2005/6 bus passenger satisfaction survey (except in non-metropolitan areas where bus stop information was rated worse) and is consistently bottom or near bottom over time (DfT 2006d).

There is consensus on the importance of reliability but less evidence on the value of reliability to bus users. Bates et al (2001) suggest a ratio to in-vehicle time of between 1.3 (indicated for car) and 2. Clearly choice of departure time can mitigate the expected impacts of unreliability, but bus users have less scope to make such adjustment than car users. If Kickstart schemes do deliver a change in reliability this is clearly of benefit to passengers new and existing and should be monitored.

Low floor vehicles / vehicle quality
Clearly existing users will benefit from enhanced comfort and accessibility. The evidence on values to such attributes is limited.

User Benefits: Monitoring Implications
It appears that Kickstart schemes are likely to deliver most benefits to users in terms of frequency enhancements and reliability gains. The implications for monitoring data would be:

- Total patronage (from which new patronage could be isolated) together with precise data on the change in frequency could be used to estimate the benefits to enhanced services.

- Scheme reliability could be monitored pre and post implementation in terms of minutes early or late to establish reliability benefits.

This would however, depend on reaching agreement on appropriate values for these impacts.

6.5 Added Value

Many of the Kickstart and BRDG schemes contain elements of added value where the operator puts more into the scheme, generally as a result of higher than anticipated patronage levels. These include:

- Additional vehicles to provide additional working
- Frequency increases
- Extensions to the time period of operation
- Geographic route extensions

Generally the operator is willing to bear the cost as they also benefit from the increased patronage; in Scotland some operators were planning to approach the Scottish Executive to request use of some of the BRDG funding (that portion which is likely to be "clawed back" as a result of higher than expected passenger growth) to be diverted to support some of these service enhancements. We understand, however, that the Scottish Executive is unlikely to be sympathetic to this proposal, as it would prefer to redeploy unspent funds to spread the benefits of BRDG more widely.

A number of Kickstart schemes included capital funding (50% or higher) for the purchase of new vehicles to operate the service. Kickstart funding has been seen as a key part of the annual vehicle replacement programme of certain companies.

Additional effects include an example of an unsuccessful bid being converted into an "independent" Kickstart scheme. Also there is an instance of a competitive response from another operator, where short run gains to passengers may be lost if the services prove to be unsustainable.

6.6 Value for Public Money

It is possible to identify several possible indicators of value for public money. As some schemes have a range of sources of support and others involve capital investment by the operator and any capital investment is usually front-loaded it is important that the criteria are clearly defined to enable comparison on a consistent basis between schemes within and across time periods.

Here we need to define the indicators of support for schemes before moving on the estimate the support per passenger and per passenger trip.

1. Kickstart / BRDG revenue support only

In this case we include only the revenue support element – for two reasons. Firstly, this would form the normal basis on which services would be compared for continuing support by Local Authorities for continuing funding. Secondly it allows some limited comparison with information on subsidy per passenger on supported services.

2. Kickstart support both capital and revenue:
The totals are extracted from the award letters. The distribution of revenue support over time is taken from the initial proposal (or where there have been changes in the amount actually drawn down from that evidence where available). The capital costs have been assessed as planned in the proposal and smoothed over the life of the project (this should assist in making like for like comparisons and may avoid a pattern of a high cost per passenger in year one, rapidly falling in year two as a result of capital costs loaded into year one).

3. Total investment and support for the service
Here all sources of support including capital investment by the operator are taken into account.

4. Total revenue support for the service
This includes all sources of revenue support for the service mentioned in the proposal.

We then go to on estimate Kickstart support per passenger, Kickstart support per additional passenger generated, total support per passenger, and total support per additional passenger generated.

If we look firstly at the Kickstart revenue support alone we find that average support in year one was £0.98 (17 schemes) and in year two was £0.24 (nine schemes). The year one sample average is skewed by an outlier that does not appear in the year two data, the median for year one is £0.33.

We can then consider the performance of the schemes against their implied targets. The targets have been estimated by dividing the planned Kickstart revenue support for a specific year by the forecast patronage for that year. This was not possible for one scheme where no forecasts were available. For the remaining 16 we find that 12 are performing above target in year one, and one is right on target and three are performing worse than expected. In year two, six schemes continue to outperform their target, one improves performance dramatically but is still off target and one that was on target drifts very slightly below target.

The inclusion of smoothed capital support reveals an almost identical pattern, except that the scheme that was precisely on target solely in terms of revenue support, now exceeds its target.

We therefore move on to include cost per additional passenger firstly in terms of revenue support only where the average in year one is £1.44. All the additional passengers are attributed to the Kickstart funding. This is a crude assumption

and does not allow for the impact of external factors or indeed fare increases. However, it does provide a useful base for comparing across schemes in terms of value for money.

Table 8 shows cost per passenger and cost per additional passenger for different service type. The average and median are given as the distribution of costs is skewed. If the DRT schemes are netted out the average passenger support is halved and the average cost per additional passenger falls to £1.00. Of the 13 schemes for which it is possible to estimate cost per additional passenger, 10 are performing above target, two below target and one has lost passenger numbers and has to be excluded.

If we split the sample into enhanced and new services we find that the cost per passenger is considerably higher for new services. This is to be expected as the support to enhanced services is spread across existing and new passengers. However, the enhanced services also have a lower average cost per additional passenger at £0.86 than the new services at £2.71.

Table 8 Kickstart Revenue Support Year 1 (£)

Service type	Cost per passenger (17 schemes)		Cost per additional passenger (12 schemes)	
	Average	Median	Average	Median
All services	0.93	0.12	1.44	0.76
Enhanced	0.18	0.10	0.86	0.57
New	-	-	2.71	1.81
Urban	0.92	0.11	1.35	0.53
Rural	0.94	1.09	1.71	1.64

A crude calculation based on the total public support for local bus services of £1899 million in 2003/4 (including local authority support, concessionary fares and Bus Service Operators Grant) and total bus journeys of 4564 million (DfT 2005c) yields a support per journey figure of £0.42 per journey. Support per journey has increased by over 50% over the past ten years, from a level of £0.27 pence in 1994/5. The largest increase in payments has been in local authority support which in part reflects the recent decline in commercially run mileage. Of course the distribution of this support is far from even, whilst all travellers benefit from BSOG only those travelling on specific services benefit directly from Local Authority support and only those in target groups benefit directly from concessionary fares support.

The National Audit Office (NAO) and the Audit Commission (AC) (2005) examined Local Authority subsidy stating that “Local authorities’ subsidy costs per passenger journey on subsidised local bus services vary significantly – overall subsidy costs varied between unitary authorities, from 50 pence per passenger journey to £3.20, and also between counties, from 85 pence per journey to £1.61 – and within authorities subsidy costs differ by route, with some routes scarcely requiring subsidy to others receiving subsidy of up to £53.34 per journey”.

Cost recovery rates for supported services in general are 48.4% in the English shire counties and 26.9% in the Passenger Transport Executive areas (TAS, 2005).

The costs in terms of Kickstart revenue support per passenger compare well with the figures in the NAO and AC report, with 12 schemes averaging at or below £0.50, four between £1 and £2 and non exceeding £10 in year one. For year two of the schemes for which data is available no scheme averages over £1. With any Kickstart capital support added in (and loaded into year one rather than smoothed eight schemes average less than £0.50, another three were below £1, four lie between £1 and £5, one below £10 and the highest is below £25.

6.7 Overall Performance

Even though it is still early days for many schemes and there is a dearth of objective data that is consistent and comparable it is possible to draw some conclusions on performance.

- Overall in most cases increases in patronage have been achieved and are often above target.
- Schemes funded in the later rounds appear to be doing even better, perhaps as a result of the learning process.
- Financial performance is more susceptible to external effects
- The evidence on modal shift is sparse but where available schemes are performing creditably.
- The related issue of indirect modal shift should not be ignored even though it is difficult to monitor. This may be particularly important in the context of new housing development where Kickstart/BRDG enables the bus to get in earlier.

Overall the schemes appear to be successful in achieving objectives. It is likely that the "legacy" will be a positive one, leaving Local Authorities with more successful bus services that do not require additional funding from stretched budgets – in contrast to the Challenge legacy.

It is possible that user and non-user benefits may exceed costs for some services even whilst in receipt of subsidy.

7. THE BUS MARKET AND KICKSTART PHILOSOPHY

7.1 Introduction

This chapter addresses emerging issues with respect to role of Kickstart / BRDG in different types of bus market. The Kickstart philosophy is also examined.

7.2 The Bus Market

Competitive markets
Whilst conducting the consultation we have become aware that the Kickstart / BRDG philosophy impacts differently according to the nature of the bus market and according to the characteristics of the bus network and network performance within a given area. Kickstart and BRDG funding can be seen to be applied most cleanly and efficiently in those areas where the market is not contested and where support for a particular service is not likely to be seen by an operator as public support for a competitor or competitive service (this was also the case with respect to early QBP schemes – Bristow et al 2001). In those areas in England and Scotland where there is a highly contested market the operations of Kickstart / BRDG are rather different and have been subject to a number of challenges.

One example here concerns a Passenger Transport Executive in England where objections were received from an operator post 2005 Kickstart award on the basis that the newly funded service would abstract passengers from an existing network. The PTE was firmly of the opinion that sufficient ”consultation” had been carried out with the operator who lodged the objection; the operator maintains that there had been nothing but initial soundings and that he should have been given the opportunity to comment on any detailed funding proposal which affected his bus service network *in any way*.

In Scotland the SPT does not consider that the BRDG scheme is appropriate for “a vibrant market” and feels that it has “distorted” the market, effectively cutting out the tendering process and making the larger operators stronger. SPT has been very careful, in the opinion of some consulted “over-cautious”, in attempting to remove any element of potential competition from BRDG submissions. This puts a severe limit on potential BRDG schemes possible in Strathclyde which is a highly competitive bus market. The proposal put forward by SPT for funding have generally been rather marginal, and in one case the service has already been withdrawn. This has meant that there have been no major challenges to the schemes funded, although there were many legal challenges to schemes mooted originally, but it does mean that the potential for BRDG in Strathclyde has not yet been realised.

In discussion with the Scottish Executive they have indicated their willingness to fund competitive operations under BRDG on a “like for like” basis if they provide a similar level of service quality and quantity. This could provide a way to

promote BRDG within the SPT area, although the issue of service withdrawal by one of the operators needs to be addressed. Similarly potential charges of collusion against the operators and / or local authority would need to be evaluated in advance.

One LA has posited the idea of a two-tier Kickstart funding programme allowing LAs to enhance their tendered network whilst simultaneously allowing commercial operators to uplift and enhance their commercial services, including competitive ones. Assuming grant funding were given on a like for like to basis to a competing operator *who applied for it* there seems no reason why the on-route competition which already occurs on parts of BRDG routes in Scotland could be not permitted to spread more widely into contested markets.

Abstraction / Reverse Abstraction

It is too early to state whether some fears of abstraction by Kickstart schemes voiced by operators will be realised. Conversely we have received no further information about the issue of "reverse abstraction" cited in relation to one 2003 Kickstart scheme where the quality improvements on one service had led to patronage increases on adjoining routes within the network.

Geographical Markets

There appear to be two major geographical divides which will affect the future content and structure of Kickstart and BRDG: within Scotland the contested and unstable market in the SPT area is not considered by SPT to be "appropriate for the BRDG programme", although it appears to be working successfully throughout the East and North of Scotland. In England there appears to be a major divide between the generally declining bus markets in the North and Midlands, and the more buoyant bus markets in the South which have the potential to grow still further if advantage can be taken of the many new housing schemes to be constructed within the South of England. This will provide an opportunity taken to provide Kickstart-style schemes to "capture" new residents to the local bus market.

7.3 Philosophy of Kickstart

Attitudes of partners

There is a distinct split between those partners who view Kickstart as a means to "grow the market" and those who see it as a way to bolster their supported network of services, or from the operator perspective as a means of "paying the bills for 3 years". In other words, motivations of partners were not always complementary. There are major differences between the attitudes of the major bus groupings, and indeed even between the regional companies within one of the bus groupings. We suspect that those Kickstart schemes with the best prospects for long term sustainability are those where both the local authority and the bus operator have enthusiastically embraced the notion of partnership working and genuinely see Kickstart as a way to grow the bus market, to improve the level of quality and offer of service and to make sustainable investment in commercial services which otherwise could not be financially justifiable.

As discussed above, modal shift is only likely to occur in significant numbers, except for “short hop trips” as a diversion from walking / cycling, in those areas which offer Kickstart schemes along a commuting corridor, or where there are other external factors in play, such as car or road space limitation measures, etc. Traditional bus operating territory allows the opportunity to grow the market for existing and potential new “traditional” bus passengers, and may reduce diversion of travel to the private car. The growth in patronage and the modal shift would seem to validate the twin overarching aims of the Kickstart programme.

A rural Kickstart scheme is more difficult to construct with a viable and sustainable financial base, as there is less likelihood of being able to demonstrate sustainability beyond the end of Kickstart funding without local authority or other financial support. Partners recognise that DfT is aware of this problem, as the guidelines make plain that a convincing sustainable case may be made for Kickstart schemes even if they still have significant elements of local authority support at the end of the funding period. Many local authorities are, however, concerned that the evaluation phase will favour those (urban) schemes which demonstrate a better return per passenger rather than those rural schemes which can never demonstrate the levels of return per passenger expected in urban areas owing to the far lower passenger base encountered in rural areas. An explicit recognition of the desirability of rural Kickstart schemes in any future funding programme could allay these concerns. The more liberal DfT guidelines already allowed for local authorities to put forward Kickstart schemes where they pledged continuance support; the Scottish Executive relaxed their guidelines to allow a greater geographic coverage of Scotland which has entered some tendered services into the BRDG mix.

There is no consistent philosophy amongst local authorities in the number of bids to put forward for funding. Some select the one or two strongest bids (and / or those which conform most closely to their LTP aims and other stated transport strategies) and put these forward for funding, regardless of the operators concerned. Others try and put forward schemes which cover all major operator groupings in their area, while others, especially in the metropolitan areas, try and put forward a spread of schemes which covers as many of their District authorities as possible. An increasing number of authorities, and virtually all in Scotland, refuse to put forward bids which will not be commercial as they do not wish to increase the pressure on their finite resources for supported service funding at the end of the Kickstart / BRDG period. Scottish authorities are required to prioritise bids within their proposal package.

Most successful bids lie in the mid range of funding. Some partners are mindful that “stocking fillers” are always likely to be funded as well, and either submit complementary small bids, or concentrate exclusively on small bids. Partners are aware that a limited number of “showstopper” bids (say £1m or over) are funded within each cycle, and if a suitable scheme can be found will devote a high level of resources to preparing a high cost bid, which will demonstrate widescale benefits.

Wider adoption of the idea

Some operators and local authorities who have embraced the concept of Kickstart have gone on to develop their own 'Kickstart-style' schemes. Local authorities have adopted the role of DfT in providing support to a commercial operator for up to three years, based on the assumption that the service will be commercially viable at the end of the funding period.

Case Study 8 – Local Kickstart Initiative 1

- An unsuccessful bid where the partners went ahead independently and implemented key parts of the scheme and have raised service quality and the levels of ridership
- There was not sufficient revenue funding available, however, to implement in one stage all the frequency and geographic enhancements contained within the bid
- In this case, even though no Kickstart funding was given, the partnership working engendered between the operator and the local authority led to the development of a successful Kickstart scheme in line with the philosophy

Case Study 9 – Local Kickstart Initiative 2

- The Council was successful in winning funding for all but one of the schemes submitted
- The scheme which was not funded was the subject of a subsequent bid for City Growth Funding
- The funding bid was successful and the service enhancements were implemented in October 2006

In another example the operator and local authority took advantage of the partnership working they have developed through Kickstart to revamp massively a market town service in the style of Kickstart – this saw a Monday to Saturday improvement in frequency to hourly from three per day – and the service is now performing very well in terms of patronage and is likely to become fully viable. That same operator carried out a Kickstart-style revamp of a major urban service in advance of Kickstart which saw a major patronage increase and achievement of commercial viability.

8. CONCLUSIONS AND RECOMMENDATIONS

8.1 Introduction

This chapter is intended to draw out the main conclusions of the study and provide recommendations for the Kickstart / BRDG schemes and also for further research. The reader may also be interested in a discussion of broader issues and policy implications beyond the scope of the brief that is developed in Appendix 4.

Overall the schemes are a success in generating patronage and meeting other objectives set – so far as it is possible to judge on the data available. This is a particularly good result for two reasons: firstly the by definition "marginal" nature of the services supported, and secondly these achievements have been produced from a very limited total amount of annual public support - less than 2% of the total subsidy budget.

Owing to data restrictions we cannot offer firm conclusions derived from a Cost Benefit Analysis. However, based on the evidence in this report we do conclude that the schemes are succeeding in growing the market and deserve not only continuation but expansion. Kickstart has proved to be a particularly effective scheme to further the policy objective to expand the quality and coverage of bus services.

This chapter covers the key achievements of the Kickstart / BRDG schemes to date, key issues arising and proposed solutions, the identification of areas of opportunity for Kickstart / BRDG and recommendations for the future and finally areas where further research is indicated.

8.2 Kickstart / BRDG Achievements

Key successes include:

1. Growth in patronage on marginal or new services in an overall market that is still declining.
2. Modal shift at a level comparable with Quality Bus Partnership achievements on key corridor schemes. Modest modal shift has been achieved in less promising territory.
3. Benefits to users in terms of frequency enhancements and more accessible vehicles.
4. Stimulation of genuine partnership working whereby operators consider social needs and LTAs take account of commercial requirements in both cases leading to greater understanding.
5. Encouragement of entrepreneurial flair in LTA thinking.
6. Added value through the delivery of further service enhancements over and above those specified in the bids as patronage grows.
7. Added value through stimulating the development of Kickstart style schemes by LTAs in cooperation with operators.

8. Added value through the levering of additional investment / support from bus operators and others.
9. The schemes are likely to leave a positive legacy, reflected in the desire of both LTAs and operators to see the scheme continue.
10. Offers a better return than subsidy that supports the status quo or in the case of BSOG simply encourages bus kilometres.
11. Reduce the requirement for revenue support by lifting marginal services into commercial performance, and releasing revenue for support to other services.

8.3 Issues Arising

A number of issues have been discussed in this report where changes could make the schemes operate more effectively. These largely fall into two areas: the detailed planning and monitoring of schemes and the broader policy context.

8.3.1 Detailed Planning Issues

The clarity of the bid documentation could be enhanced especially with respect to the provision of data in a consistent format. The different needs of enhanced and new services should be recognised here. Proposals for service enhancements should include base patronage data and explicitly state changes in frequency levels and other aspects of the service offered.

Consideration should be given to changes in the timescales to allow promoters more time to prepare schemes. It is clear that bidders would appreciate feedback, especially on unsuccessful bids. This issue should be considered. It might be possible to provide generic feedback.

Monitoring requirements should be specified in detail and include, at a minimum, the number of passenger trips carried per annum. As many of the benefits to passengers arise from changes to frequency or reliability changes the latter should be monitored. Modal shift can achieve reductions in externalities and some monitoring through passenger surveys should be carried out and reported.

Greater facilitation within the schemes of marketing and promotion measures, perhaps through an expectation that funds will be sought for this purpose.

Clearer guidance on state aid and competition rules would be useful in offsetting concerns. A clear and definitive interpretation by Central Government would be helpful.

There is a need to ensure the LTA commitments, for example to infrastructure funding are equivalent in their binding nature to those made by operators. There is potential in the QBP model. A key issue is the LTP / LTS process and links to it.

8.3.2 Broader Policy Issues

Kickstart / BRDG has shown the potential to be part of a solution to break the vicious cycle of patronage decline in the bus industry.

A key success of Kickstart / BRDG to date has been a deepening of existing partnership working, the development of new partnerships and innovative ways of working. A key message from the recent proposals for bus services is that of the importance of partnership working (DfT 2006f).

The operation of Kickstart / BRDG in competed markets is constrained by concerns with competition law. Whilst direct on route competition is uncommon, routes will often share sections with those of competitors and this may be sufficient to raise doubts. The type of service the schemes are aimed at would not be sufficiently strong commercially to justify conventional voluntary Quality Bus Partnership working – but if Kickstart / BRDG were applied such partnerships could evolve. The new proposals include a broadening of the application of the competition test (schedule 10) of the Transport Act 2000 to voluntary Quality Bus partnerships (DfT 2006f). Multi – operator schemes within Kickstart / BRDG could be protected by such coverage if proposed in such a form. This would be an interesting challenge to extend successful partnership working to embrace more than one operator.

Kickstart / BRDG support could be targeted to encourage the early introduction of bus services into new housing developments. This is an opportunity to reduce car dependency. This could particularly link into the sustainable communities developments. An exploration of the scope to integrate such bus service provision within planning permissions or the S106 process for new housing developments is indicated.

There is clearly an interest amongst some operators for operator led schemes. This idea is worthy of consideration.

It is encouraging to note, in the light of the literature review and the performance of the Kickstart /BRDG schemes that serious consideration is being given to the refocusing of subsidy in ways that could provide a direct incentive to patronage growth as part of the Government review of bus operations (DfT 2006f).

8.4 Recommendations

Kickstart / BRDG schemes have clearly delivered in terms of scheme performance and in the enhancement and development of partnership working between operators and LTAs. There is clearly scope for the further development of services under these schemes in a number of different markets, some of which were discussed in section 8.3 above. These include:

i. The current schemes have largely been targeted at the margins of existing networks. Commercial mileage has declined from a level of 85% of total bus mileage in England (outside London) and Scotland in 1996/7

to 78% in England (outside London) and 84% in Scotland in 2005/6 (DfT 2006d) with the largest falls occurring in the PTE areas. It would not therefore be unreasonable to assume 5 to 10% of the total market to be "marginal".

ii. Whilst directly competed services are relatively rare, those that are contestable or share elements of common running are more prevalent. These markets could be targeted through Voluntary Kickstart QBP arrangements. This would allow Kickstart to enter into denser urban markets.

iii. New services may provide better or new links between existing attractions and destinations. Such services are inherently more risky than service enhancements and may take longer to build patronage.

iv. Where new developments are not served by public transport from the beginning, the habit of car dependency is unlikely to be cut. Individuals are more likely to change their travel behaviour when changing home or job locations. New developments give easy access to people who are by definition changing their journey origins and / or destinations. Commercial operators are unlikely to enter such markets until a critical mass of population is attained at which stage it is likely to be too late as car dependent patterns will have emerged. Kickstart gives a critical opportunity to support the early entry of services into new developments to provide travel choices from the beginning. Given the scale of new housing developments planned, especially in the South East of England, this type of market could be specifically targeted.

v. The introduction of local road user charging will clearly require enhanced public transport provision (DfT 2006f). The incentive to build patronage within the Kickstart / BRDG schemes clearly has a role to play in such contexts.

vi. Rural schemes tend to grow more slowly than those implemented in urban areas. With low population densities and dispersed destinations some will not become fully commercial. Nevertheless, rural schemes can deliver increased patronage and modal shift thus reducing the level of subsidy required in the longer run.

vii. There may also be scope to extend the principles of Kickstart to community transport and social enterprise schemes where the focus is on growing the market and increasing the viability of such schemes.

A conservative estimate might suggest a doubling of the budget to date in England, to around £56 million for the next round and a more gradual increase in Scotland (where the budget per head of population is considerably higher than in England). Targeting on particular markets might help to reveal where the best results are to be gained.

The scheme should be subject to a simple monitoring requirement.

8.5 Further Research

Further research indicated by this study includes:

1. Research to obtain a greater understanding of effective partnership working and procedures including the sharing or balance of risk and reward.
2. Linking Kickstart with infrastructure investment. How to obtain the benefits in terms of timely infrastructure provision whilst retaining the entrepreneurial flair of Kickstart.
3. The development of a transparent and consistent evaluation framework to cover proposal assessment and scheme monitoring.
4. An analysis of the application of Kickstart schemes within a contested market; assessment of the potential for market growth and partnership working within a contested market and the barriers and constraints on such developments.
5. Exploration of the scope to integrate Kickstart with planning permission / S106 process for new housing development applications.

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APPENDIX 1 STAKEHOLDER CONSULTATION TOPIC GUIDES

Phase 1: 2003 Kickstart

Phase 2: 2005 Kickstart and BRDG

DfT KickStart Project: Topic Guide (Interviewers)

Organisation

Interviewee

Date

Project Name(s):

2003

2005

Introduction

0. Local Authority Transport Policies OR
Bus Company Structure / Operating Philosophy

Quantitative Data

1. Patronage (monthly, Annual) – (actual, not averages)
(baseline / pre-Kickstart and Years 1 – 3 of Kickstart)

2. Revenue (monthly, annual) – (actual, not averages)

3. Costs (actual capital, revenue) – (to date, estimated total, set against bid)

4. Grant received

5. Partners' Contributions

6. Date services started

7. Date KickStart changes implemented

8. Bus service timetables

9. Level of fares charged

10. Inclusion of concessionary fares

11. Implications of increased bus industry costs

Qualitative Data

12. Service Characteristics

12.1 Vehicle Types (Accessibility)

12.2 Service Frequency (Changes)

12.3 Service Punctuality

12.4 Journey Speeds

12.5 Bus Priority Measures

12.6 Other Highways Measures

12.7 Telematics / New Technology

13. Objectives

13.1 Fit with 2003 / 2005 KickStart Objectives

13.2 Fit with local / regional objectives

13.3 Social Inclusion Issues

13.4 Accessibility Issues

14. Partnership

14.1 Partners

14.2 Steering Group

14.3 Meetings

14.4 Level of Operator Involvement

14.5 Operator Risk taking

14.6 Relationship with Operator / Local Authority

15. Bid Process

15.1 Origin of Idea

15.2 Development of Bid

15.3 Proposal Preparation (use of consultants)

16. Implementation / Delivery

16.1 Deviation from Proposal

16.2 Barriers to Implementation

16.3 Alteration of Scheme

16.4 Lessons Learnt

17. Patronage

17.1 Modal Shift (& evidence)

17.2 Abstraction (from other services; & evidence)

18. Financial

18.1 Commercial Viability

18.2 Sustainability

19. External factors

19.1 State Aid Issues

19.2 Tendering Issues

19.3 Objections from Bus Operators

19.4 Objections / Observations from other 3rd Parties

20. Other legal / regulatory issues

21. Marketing & Promotion

21.1 How, what, how often and by whom ?

21.2 Promotions & ticketing initiatives

22. Monitoring / Assessment / Impacts

22.1 Monitoring Programme

22.2 Feedback on Services

22.3 Type of surveys

22.4 End user consultation

22.5 Overall assessment of impacts

23. Other

23.1 Definition of KickStart

23.2 Continuation of KickStart

23.3 Changes to KickStart Programme

24. Unsuccessful Bids

24.1 Names & Years

24.2 Feedback

24.3 Views

24.4 Lessons Learnt

25. Any other Comments

DfT Kickstart Project: Topic Guide (2005)

Scottish Executive BRDG Project: Topic Guide

Organisation

Interviewee

Date

Project Name(s):

0. Local Authority Transport Policies OR
Bus Company Structure / Operating Philosophy

1. Service Characteristics (including previous service(s), if applicable)

2. Objectives (overarching & specific)

3. Partnership (including 3rd party stakeholder involvement)

4. Bid Process (led by whom ? prepared by whom ?)

5. Implementation / Delivery

6. Monitoring & assessment

7. Patronage growth

8. Revenue impacts

9. Modal Shift

10. Social Inclusion

11. Other Impacts

12. (Commercial) sustainability

Quantitative Data (where applicable)

13a Patronage (including baseline)

13b. Revenue (actual)

13c. Costs (actual capital, revenue)

13d. Grant received

13e. Partners' Contributions

13f. Date service(s) started

13g. Bus service timetables supplied YES / NO

13h. Level of fares charged

13i. Inclusion of concessionary fares

13j. Implications of increased bus industry costs

14. Legal / regulatory issues / other external issues / Guidelines

15. Risk taking (including operator input)

16. Any added value (over and above what was in bid) ?

17. Any operator-led / local authority-led Kickstart-style schemes ?

18. Marketing & Promotion

19. Unsuccessful Bids

20. Views on Kickstart / BRDG programme

21. Suggested changes to Kickstart / BRDG programme in future ?

22. Any other comments ?

APPENDIX 2 AUTHORITIES AND BUS OPERATORS CONSULTED

Key

F	Face to face interview
T	Telephone interview
E	Emailed response
I	Invited to contribute by email
O	Consulted with relevant operator
O/A	Consulted with relevant operator & partner authority
N	Not able to make contact

English Authority	Mode of Consultation
Bedfordshire County Council	F
Cambridgeshire County Council	F
Cheshire County Council	F
Cornwall County Council	F
Derbyshire County Council	F
Devon County Council	F
East Sussex County Council	F
Essex County Council	F
Gloucestershire County Council	I
GMPTE	T
Halton Borough Council	T
Hampshire County Council	I
Hertfordshire County Council	E
Kent County Council	F
Lancashire County Council	F
Leicester City Council	F
Leicestershire County Council	T
Lincolnshire County Council	I
Luton Borough Council	F
Medway Council	I
Merseytravel	F
Nexus	F
Norfolk County Council	F
North East Lincolnshire Council	I
North Somerset Council	F
North Yorkshire County Council	I
Northumberland County Council	I
Oxfordshire County Council	F
Peterborough City Council	F

Plymouth City Council	F
Redcar & Cleveland Borough Council	I
Rutland County Council	F
Southampton City Council	I
Stockton Borough Council	I
Suffolk County Council	F
Surrey County Council	I
SYPTE	E
Torbay Council	T
Warwickshire County Council	E
West Sussex County Council	E
Wiltshire County Council	I
Worcestershire County Council	T
WYPTE	F

English Operator	**Mode of Consultation**
Arriva North West and Wales	F
Arriva Southern Counties	F
Eastbourne Buses	F
First Avon & Somerset	F
First Bradford	F
First Devon and Cornwall	F
First Leicester	F
First West Yorkshire	F
Go North East	F
Hastings Area Community Transport	F
Hedingham Omnibus	F
Ipswich Buses	F
Keighley & District Travel	F
Kimes Coaches	F
Nailsea & District Community Transport	F
Peterborough Contract Services	F
Preston Buses	F
Regal Busways	F
Stagecoach Cambridgeshire	F
Stagecoach Devon	F
Stagecoach East Kent & Hastings	F
Stagecoach East Midlands	F
Stagecoach North East	F
Stagecoach North West	T
Thames Travel	F

Truronian	F

Scottish Authority	Mode of Consultation
Aberdeen City Council	I
Aberdeenshire Council	O
Angus Council	I
Argyll & Bute Council	T
City of Edinburgh	F
Dumfries & Galloway Council	T
Dundee City Council	I
East Lothian Council	I
Falkirk Council	O
Fife Council	F
Midlothian Council	O/A
Moray Council	O
Orkney Islands Council	I
Perth & Kinross Council	F
Scottish Borders Council	F
Shetland Islands Council	N
Strathclyde Partnership for Transport	F
The Highland Council	I
West Lothian Council	I

Scottish Operator	Mode of Consultation
First Glasgow	F
First Scotland East	F
Lothian Buses	F
Munro's of Jedburgh	F
Stagecoach Bluebird	F
Stagecoach East Scotland	F
Stagecoach West Scotland	F

APPENDIX 3 SCHEME TYPOLOGY

Kickstart 2003

Kickstart 2005

BRDG

Table A3.1 Typology Table for Pilot Kickstart Projects in 2003

No.	Project Name	Authority	Area Type	Reg	Grant awarded	Grant band	Operator	Operator Type	Service Type	Operating Area	New / Enhanced Service	Xtable	Infrastruc	Geog Area	Vehicle	Start Date	Viability
1	Trevithick Urban Link	Cornwall County Council	U	SW	£525,000	£500K to less than £600K	Truronian	IO	C	IU	N	Y	Y	Y	N	Oct-04	Hope for CV, otherwise LA support
2	Route 51 Kickstart	Derbyshire County Council	U	EM	£159,011	Less than £200K	Stagecoach	LGO	C	U	E	Y	Y	N	N	Sep-04	CV
3	Hastings Dial A Ride	East Sussex County Council	U	SE	£206,000	£200K to less than £500K	Hastings Area Community Transport	CTO	DRT	U	N	N	N	Y	N	Jan-05	Sustainable with LA funding
4	Gravesend Urban Kickstart Project	Kent County Council	U	SE	£359,287	£200K to less than £500K	Arriva Southern Counties	LGO	C	U	E	Y	Y	N	N	Mar-05	CV
5	Thanet Links	Kent County Council	U	SE	£447,000	£200K to less than £500K	Stagecoach	LGO	C	U	E/N	Y	Y	N	N	Oct-04	CV
6	Preston Orbit	Lancashire County Council	U	NW	£977,000	£600K and over	Preston Bus	FMO	C	U	N	Y	Y	Y	N	Not started	CV
7	Offpeak enhancement of Service 54	Leicester City Council	U	EM	£81,827	Less than £200K	First Group	LGO	C	U	E	Y	N	N	N/A	Jun-04	CV
8	St. Helens - Liverpool John Lennon Airport "Airlink" Service	Merseytravel	U	NW	£504,000	£500K to less than £600K	Arriva North West & Wales	LGO	C	U	E	Y	Y	Y	N	Oct-04	CV
9	Contemporary Service for a Modern Lifestyle	North Somerset Council	U	SW	£188,000	Less than £200K	First Avon & Somerset	LGO	C	U	E/N	Y	Y	Y	C	Sep-04	CV
10	Plymouth Travel to Work Area	Plymouth City Council	U	SW	£631,750	£600K and over	First Devon & Cornwall	LGO	C	U	E	Y	Y	N	C	Apr-05	CV
11	Gateshead CrossLink	Tyne & Wear Passenger Transport Executive	U	NE	£522,022	£500K to less than £600K	Go North East	LGO	C	U	E	Y	Y	Y	N	Jan-05	CV
12	West Keighley Local Links	West Yorkshire Passenger Transport Executive	U	YH	£46,800	Less than £200K	Keighley & District	SOGO	C	U	E	Y	N	Y	N/A	Mar-04	CV
13	A51 Kickstart	Cheshire County Council	R	NW	£552,500	500K to less than £600K	Arriva North West & Wales	LGO	C	I	E	N	Y	N	N	Nov-04	CV
14	Culm Valley Connect	Devon County Council	R	SW	£845,587	£600K and over	Stagecoach	LGO	C	R	E/N	Y	Y	N	C	Sep-04	CV
15	Westham & Pevensey	East Sussex County Council	R	SE	£522,600	£500K to less than £600K	Eastbourne Buses	FMO	C&DRT	UR	E/N	Y	N (Y)	Y	N	Aug-04	CV (LA support for DRT)
16	North Somerset Dial A Ride	North Somerset Council	R	SW	£217,000	£200K to less than £500K	Nailsea & District Community Transport	CTO	DRT	R	E	N	N	Y	N	Jul-04	Sustainable with LA funding
17	Abingdon-Witney Link Bus Service	Oxfordshire County Council	R	SE	£410,218	£200K to less than £500K	Thames Travel	IO	C	I	N	Y	N	Y	N	Jun-04	Hope for CV, otherwise LA support
18	Extending the Rural Bus Network	Rutland County Council	R	EM	£636,700	£600K and over	Kimes Coaches	IO	C	R	E/N	Y	Y	Y	N	Jun-04	Sustainable with LA funding

Key to Table A3.1

Area Type
U = urban
R = rural

Reg
Region in which the scheme is located

Operator
LGO = Large Group Operator
FMO = Former Municipal Operator
CTO = Community Transport Operator
IO = Independent Operator
SOGO = Small Operator, Group Owned

Service Type
C = Conventional Bus Service
DRT = Demand Responsive Transport Service

Operating Area
U = entirely urban
I = interurban
R = entirely rural
IU = combination of urban and interurban
UR = combination of urban and rural

New / Enhanced Service
N = entirely new service (no service in place previously)
E = enhanced existing service
E/N = combination of enhanced existing service plus new route sections

Timetable
Y = scheme included amendments to the operational timetable
N = scheme did not include any timetable amendments

Infrastruc
Y = scheme included delivery of infrastructure elements
N = scheme did not include delivery of infrastructure elements

Geog Area
Y = scheme involved changing the geographical coverage of the service either by providing a service where there was no service or by re-routing a service
N = scheme did not involve changing the geographical coverage

Start date
Date when consultees indicated that the service / enhancements were implemented, but not necessarily completed

Viability
CV = Commercially viable at the Kickstart funding
CV (LA support for DRT) = conventional element of service expected to be commercially viable, with the Demand Responsive element continuing to require subsidy at the end of the funding period
Hope for CV, otherwise LA support = intention is for service to be commercially viable, but subsidy will be available should this not be achieved
Sustainable with LA funding = service will continue to require subsidy at the end of the funding period

Table A3.2 Kickstart 2005

No.	Project Name	Authority	Area Type	Reg	Grant awarded	Grant band	Operator	Operator Type	Service Type	Operating Area	New / Enhanced Service	Xtable	Infrastruc	Geog Area	Vehicle
1	Cambridge Sustainable Transport 2020 Vision	Cambridgeshire County Council	R	E	£2,487,000	£600K and over	Stagecoach	LGO	C	IU	E	Y	Y	Y	Y
2	Northwich-Winsford-Leighton Hospital-Crewe	Cheshire County Council	R	NW	£998,564	£600K and over	Arriva	LGO	C	IU	E	Y	Y	Y	Y
3	Camborne/Pool/Redruth (CPR)-Falmouth Bus Corridor	Cornwall County Council	R	SW	£520,395	£500K to less than £600K	First Devon and Cornwall	LGO	C	IU	E	Y	Y	Y	Y
4	Route 39	Derbyshire County Council	U	EM	£154,045	Less than £200K	Stagecoach	LGO	C	U	E	Y	Y	N	Y
5	Exeter City Select	Devon County Council	U	SW	£750,000	£600K and over	Stagecoach Devon	LGO	C	U	E/N	Y	Y	Y	Y
6	Tavy Goldline	Devon County Council	R	SW	£293,000	£200K to less than £500K	First Devon and Cornwall	LGO	C	IU	E	Y	Y	Y	Y
7	Canvey Island-Chelmsford (Option B)	Essex County Council	U	E	£548,681	£500K to less than £600K	Regal Busways	IO	C	U	N	Y	N	Y	Y
8	Jaywick-Clacton Town Centre	Essex County Council	U	E	£245,000	£200K to less than £500K	Hedingham Omnibuses	IO	C	IU	N	Y	N	Y	Y
9	Route D	Gloucestershire County Council	U	SW	£435,000	£200K to less than £500K	Stagecoach West	LGO	C	U	E/N	Y	N	Y	Y
10	Service 263 Improvement	Greater Manchester Passenger Transport Authority	U	NW	£849,507	£600K and over	Arriva North West	LGO	C	IU	E/N	Y	Y	N	Y
11	Service 378 Improvement	Greater Manchester Passenger Transport Authority	U	NW	£358,250	£200K to less than £500K	Stagecoach Manchester	LGO	C	U	E	Y	Y	N	Y
12	New X34 Service	Greater Manchester Passenger Transport Authority	U	NW	£285,780	£200K to less than £500K	First Manchester	LGO	C	U	N	Y	N	Y	Y
13	Enhanced Service 61	Halton borough Council	U	NW	£119,546	Less than £200K	Halton Borough Transport Ltd	FMO	C	IU	E/N	Y	N	N	Y
14	Blackwater Valley Route 3	Hampshire County Council	U	SE	£228,000	£200K to less than £500K	Stagecoach South Ltd	LGO	C	U	E	Y	Y	?	Y
15	Dover & Deal Diamond	Kent County Council	R	SE	£371,000	£200K to less than £500K	Stagecoach	LGO	C	UR	E/N	Y	N	Y	Y
16	Sittingbourne Kickstart Project	Kent County Council	U	SE	£309,714	£200K to less than £500K	Arriva Southern Counties	LGO	C	U	E/N	Y	Y	Y	Y

No.	Project Name	Authority	Area Type	Reg	Grant awarded	Grant band	Operator	Operator Type	Service Type	Operating Area	New / Enhanced Service	Xtable	Infrastruc	Geog Area	Vehicle
17	Chorley Connect	Lancashire County Council	U	NW	£802,618	£600K and over	Stagecoach North West	LGO	C	U	E/N	Y	N	Y	Y
18	General Hospital Bus Link	Leicester City Council	U	EM	£316,865	£200K to less than £500K	First	LGO	C	U	N	Y	?	Y	
19	Nottingham East Midlands Airport Strategy-Skylink/ Shuttle Package	Leicestershire County Council	R	EM	£701,571	£600K and over	Arriva/ Kinchbus / City of Nottm	LGO/SO GO/FMO	C	I	E/N	Y	Y	Y	Y
20	Connecting Gainsborough	Lincolnshire County Council	R	EM	£713,000	£600K and over	Lincolnshire Road Car (now known as Stagecoach Lincolnshire)	LGO	DRT	R	E/N	Y	Y	Y	Y
21	Regenerating Gainsborough	Lincolnshire County Council	U	EM	£419,000	£200K to less than £500K	Lincolnshire Road Car (now known as Stagecoach Lincolnshire)	LGO	C	U	N	Y	Y	Y	Y
22	Service 176 Cross-town Upgrade	Medway Council	U	SE	£581,987	£500K to less than £600K	Arriva	LGO	C	U	E	Y	Y	Y	Y
23	Plus 518	Northumberland County Council	U	NE	£294,776	£200K to less than £500K	Arriva North East	LGO	C	I	N	Y	Y	Y	Y
24	Reinvigorating the Grimsby and Cleethorpes Bus Network	North East Lincolnshire Council	U	YH	£522,677	£500K to less than £600K	Stagecoach	LGO	C	U	E	Y	Y	Y	Y
25	Service 40	North Yorkshire County Council	R	YH	£185,700	Less than £200K	Reliance Motor Services	IO	C	I	E	Y	Y	N	N
26	Evening Service for Route X40	Oxfordshire County Council	R	SE	£93,693	Less than £200K	Thames Travel (Wallingford)	IO	C	R	E	Y	N	N	N
27	Local Link Plus	Peterborough City Council	U	E	£696,409	£600K and over	Peterborough City Council (Contract services)	MO	C	U	E	Y	Y	Y	Y
28	Service 81 Enhancement	Redcar and Cleveland Council	R	NE	£131,556	Less than £200K	Arriva North East	LGO	C	IU	E	Y	Y	N	Y
29	U1 The Intermodal air-coach-ferry-rail link	Southampton City Council	U	SE	£422,545	£200K to less than £500K	Minerva Accord	IO	C	U	E	Y	Y	Y	Y

No.	Project Name	Authority	Area Type	Reg	Grant awarded	Grant band	Operator	Operator Type	Service Type	Operating Area	New / Enhanced Service	Xtable	Infrastruc	Geog Area	Vehicle
30	Better Bus between Barnsley & Penistone	South Yorkshire Passenger Transport Authority	U	YH	£465,000	£200K to less than £500K	The Yorkshire Traction Co Ltd / now Stagecoach	LGO	C	IU	E	Y	N	Y	Y
31	MIBuS	Stockton-on-Tees Council	U	NE	£721,464	£600K and over	Arriva	LGO	C	U	N	Y	Y	Y	Y
32	Service 55 Blakenham Park to Ipswich	Suffolk County Council	U	E	£163,872	Less than £200K	Ipswich Buses Ltd	FMO	C	U	N	Y	Y	Y	Y
33	Services 4/5	Surrey County Council	U	SE	£240,000	£200K to less than £500K	Stagecoach South	LGO	C	U	E	Y	Y	N	Y
34	South Devon College & Western Corridor Scheme	Torbay Council	U	SW	£589,000	£500K to less than £600K	Stagecoach Devon	LGO	C	U	E/N	Y	N	Y	Y
35	135/136 Cross-Wear Service	Tyne&Wear Passenger Transport Authority	U	NE	£518,515	£500K to less than £600K	Go North East	LGO	C	U	E	Y	N	Y	Y
36	X47 Kingston Park Express	Tyne&Wear Passenger Transport Authority	U	NE	£565,000	£500K to less than £600K	Stagecoach North East	LGO	C	U	N	Y	N	Y	Y
37	Gateshead Orbital	Tyne&Wear Passenger Transport Authority	U	NE	£336,256	£200K to less than £500K	Go North East	LGO	C	U	E	Y	N	Y	Y
38	Service 767	Warwickshire County Council	R	WM	£445,449	£200K to less than £500K	Arriva Midlands	LGO	C	UR	N	Y	N	Y	Y
39	Worthing Direct	West Sussex County Council	U	SE	£540,000	£500K to less than £600K	Stagecoach	LGO	C/DRT	U	E/N	Y	Y	Y	Y
40	Orange Line to Morrisons	West Yorkshire Passenger Transport Authority	U	YH	£81,140	Less than £200K	First West Yorkshire	LGO	C	U	E	Y	Y	Y	Y
41	Holme Valley Raillink	West Yorkshire Passenger Transport Authority	U	YH	£280,386	£200K to less than £500K	First West Yorkshire	LGO	C	IU	E/N	Y	Y	Y	Y
42	Bus Service 55 Improvements	Wiltshire County Council	R	SW	£319,000	£200K to less than £500K	Stagecoach West	LGO	C	R	E	Y	Y	N	Y
43	Making the Connection	Worcestershire County Council	R	WM	£161,385	Less than £200K	First	LGO	C	IU	E/N	Y	N	Y	Y

Table A3.3: BRDG Schemes

No.	Project Name	Authority	Area Type	Grant awarded/ recommended	Grant band	Operator	Operator Type	Service Type	Operating Area	New / Enhanced Service	Xtable	Infrastruc	Geog Area	Vehicle	Date of Award
1	Aberdeen Route 5	Aberdeen City	U	£1,031,000	£600K and over	First Aberdeen	LGO	C	U	E	Y	Y	Y	Y	29/11/2005
2	Services 101/106/107 Stonehaven Corridor (A90 South/A92)	Aberdeen shire	U	£590,000	£500K to less than £600K	Stagecoach Bluebird	LGO	C	IU	E	Y	Y	N	Y	08/03/2005
3	Forfar Town Local Bus Service	Angus	R	£363,000	£200K to less than £500K	Strathtay Buses / now Stagecoach	LGO	C	U	N	Y	N	Y	Y	08/03/2005
4	Kirriemuir-Forfar Local Bus Service		R			Strathtay Buses / now Stagecoach	LGO	C	U	E	Y	N	N	N	29/11/2005
5	Service enhancement between Oban & Dunbeg	Argyll & Bute	R	£154,000	Less than £200K	West Coast Motors	IO	C	U	E	Y	N	N	Y	29/11/2005
6	Route 49	City of Edinburgh	U	£2,007,000	£600K and over	Lothian Buses	FMO	C	U	E	Y	N	N	N	08/03/2005
7	Route 35		U			Lothian Buses	FMO	C	U	E	Y	N	N	N	08/03/2005
8	Route 24		U			Lothian Buses	FMO	C	U	E	Y	N	N	N	08/03/2005
9	Route 30		U			Lothian Buses	FMO	C	U	E	Y	N	Y	N	08/03/2005
10	Route 17		U			Lothian Buses	FMO	C	U	E	Y	N	Y	N	08/03/2005
11	Route X37	City of Edinburgh/ Midlothian	U	-	-	Lothian Buses	FMO	C	IU	E	Y	N	Y	Y	08/03/2005
12	Dumfried Town Services	Dumfries & Galloway		£535,000	£500K to less than £600K	Stagecoach	LGO	C	U	E	Y	Y	N	Y	29/11/2005
13	Cross-City Direct	Dundee	U	£1,771,000	£600K and over	Strathtay Buses/ now Stagecoach	LGO	C	U	N	Y	Y	Y	Y	08/03/2005
14	Dunbar-Edinburgh Corridor Improvements	East Lothian	U	£116,000	Less than £200K	First	LGO	C	IU	E	Y	N	N	Y	08/03/2005
15	Services 10/11/12 enhancement and extension of Falkirk circle routes	Falkirk Council	U	£480,000	£200K to less than £500K	First	LGO	C	IU	E/N	Y	Y	Y	Y	08/03/2005
16	Service 37/39/X1 Kirkcaldy-Glenrothes	Fife Council	IU	£1,916,000	£600K and over	Stagecoach	LGO	C	IU	E	N	Y	Y	Y	08/03/2005

No.	Project Name	Authority	Area Type	Grant awarded/ recommended	Grant band	Operator	Operator Type	Service Type	Operating Area	New / Enhanced Service	Xtable	Infrastruc	Geog Area	Vehicle	Date of Award
17	Inverkeithing Railway Station to Edinburgh Airport		U			Stagecoach	LGO	C	U	N	Y	Y	Y	Y	29/11/2005
18	Service 99 St Andrews to Dundee Corridor		U			Stagecoach	LGO	C	I	E	Y	Y	Y	Y	29/11/2005
19	Service 78 Dunfermline to High Valleyfield		R			Stagecoach	LGO	C	R	E	Y	Y	Y	Y	29/11/2005

APPENDIX 4 INTERPRETATIVE FRAMEWORK

A4.1 Introduction

This research has clearly indicated that the Kickstart / BRDG programme has produced good results. The schemes are on the whole doing well and are generating additional passengers on or above target. There are clearly benefits to existing users through service improvements and in some cases increases in service levels beyond the Kickstart commitment arising from the high level of demand. Although the financial data on the schemes is very limited, from the information that is available, the schemes are performing well and represent good value for money using the NAO and AC standards and this should improve further in the later years of the schemes as patronage grows further.

It is important to note that this good performance has been achieved in situations which are not usually seen as representing optimum bus operating territory. They are generally, by definition, "marginal" services where the operator sees no immediate prospect of commercial return from investment or enhancement. The schemes are spread across England and Scotland in a variety of operating environments. In this context the levels of patronage growth are impressive, especially when set against national and regional trends. However, ideally each individual scheme should be assessed against the locally prevailing patronage trend. We have analysed this as far as data allows within section 4.4.

A4.2 A framework for developing policy recommendations

Chapters 4 to 7 of this report provided detailed findings from the research, so the purpose of this section is to place key findings within a structure that relates to the roles and responsibilities of transport policy decision makers. To achieve this a structure has been used involving a spectrum of key issues and conclusions ranging from 'tactical' (i.e. if there is another Kickstart round, how can this be improved), through to 'strategic' (i.e. how Kickstart approaches might be better integrated into related transport policies) and on to 'Policy Development' (i.e. what are the more far-reaching implications and lessons emerging that link into the direction of transport policy).

Table A4.1 maps the key findings using these categories, although it should be emphasised that there is no clear cut divide, but rather a transition between tactical, strategic and policy development issues.

Table A4.1: Tactical, Strategic and Policy Development Issues arising from the Kickstart Evaluation

TACTICAL	
	Scheme assessment process - data specification
	Clarify legalities/state aid issue
	Effective and continuous marketing
	Revenue and/or capital funding
	Clarity in financial arrangement (clawback / fairness)
	Provision of complementary infrastructure
	Local Authority obligation to deliver
	Distribution of risk
STRATEGIC	Learning how to work in partnership
	Long-term funding sources/mechanisms
	Role of Kickstart in contested markets
	Integrating Kickstart into Local Transport Plans
	Partnership with operators in LA bus strategies
	Integration with other forms of subsidy
POLICY DEVELOPMENT	Evolution to a new model of regulation
	Evolution of new support mechanisms
	Evolution of new ways of partnership working
	Generation of independent Kickstart initiatives
	Establishment of generic funding schemes

A4.3 Tactical Issues

The first level of tactical issues concerns changes and refinements to get Kickstart-type schemes to work better. At a very basic level is the issue of the scheme assessment process and what data the DfT/Scottish Executive should require to be provided. The first step would be to ensure consistency in bid data with respect to patronage. The recommended absolute minimum requirement for monitoring is for data on:

- Grant spend on at least an annual basis (split between capital and revenue)
- Changes to the service provided.
- Patronage. Whilst passenger kilometres are a desirable output in reflecting the benefit of the journey it is recognised that passenger numbers is a more realistic specification. Patronage figures must be provided on a consistent basis for any “base” operating year for enhanced services and for future years.

With these three factors it is possible to estimate a key performance indicator of subsidy per passenger. It also becomes possible to assess benefits to existing passengers in terms of time savings.

It is clear that where other objectives have been specified then other relevant objective measures of progress should be reported. We would also suggest

that some assessment of modal shift is made for each service in order to assess any external benefits.

There is then a group of tactical issues about the procedures and setup of the Kickstart programme. Some are largely a matter of briefing and guidance, for example on how to set up schemes that are compliant with the competitive structure of the UK bus industry and do not conflict with EU State Aid rules. Work has been done on this, but it clearly remains an issue for some local authorities. Future phases of Kickstart may not achieve the desired uplift in patronage and enhancement of partnership working unless there is clarity in the legal guidelines surrounding the process.

A second set of tactical issues is about elements of the scheme design itself. In particular, marketing is commonly a weakness in the bus industry, although there are notable exceptions which we have highlighted within this study. Although initial Kickstart marketing seems to have been better than the norm, it does seem that marketing effort tails off over time and consequently so do the scheme impacts. A distinct step-up in terms of marketing and promotion is evident in the BRDG schemes of 2005 and the Kickstart schemes of the same year; it is too soon to tell whether the same tail-off in marketing effort will ensue as was evident in the 2003 Kickstart schemes.

Another scheme design issue is whether Kickstart covers only revenue funding or can also finance capital funding as well. Within England Kickstart finance has been utilised to undertake quite large fleet replacement programmes; within Scotland, BRDG funding is generally seen as a revenue fund to stimulate the bus market.

There is then an issue of financial clarity and equity that is highlighted by the schemes that faced 'clawback' issues. With the patronage and fares revenue in many cases exceeding expectations, how should this be distributed?

Clearly at the two extremes a funder could claim back any surplus gained over and above expectations whilst at the other end of the spectrum an operator could gain all the benefit. Experience thus far seems to show that where patronage and revenue have exceeded expectations this has led to further enhancements of the service, thus bringing further benefits to passengers and in one case an operator refusing further support. This experience suggests that the inherent flexibility in Kickstart is an advantage.

The issue of the distribution of any financial gains has its counterpart in the distribution of risks. We have seen examples of operators exposed to losses where patronage grows but revenue growth is slower (perhaps a result of a larger than expected concessionary traveller take up) and costs are increasing faster than anticipated. Here the schemes will appear to be successful but may not be receiving adequate support to continue and may not achieve commercial operation. The introduction of free concessionary fares in England on a local basis in 2006 and nationally from 2008 will exacerbate this situation. In that

case any agreement to share benefits would also have to include a risk sharing agreement should the operator fare less well.
Another issue is that as the Kickstart schemes generally concern “marginally commercial” services. We cannot yet be certain that they will be viable in the long term beyond Kickstart funding and operator / local authority commitment to keep them running for a certain period of time beyond without subsidy (generally for a two year period). Fear has been expressed to us by more than one operator that, notwithstanding the better than anticipated uplift in passengers achieved by the Kickstart services, those services are still “by some margin” their worst performing commercial services, and would therefore be “at risk” in the long term, unless the market is grown further. These services may be commercially viable, but are also vulnerable.

An additional issue is that of “legacy” for the Local Authority. In the case of the earlier “Challenge” schemes this often meant that at the end of the specific funding these schemes required continuing support which left authorities to choose between these new services and their existing tendered services. The Kickstart / BRDG legacy should be a positive one in terms of increased bus use and in some cases funds will be released to support other services. This is an important feature of Kickstart and is a major reason for having a successor programme.

There is an issue concerning the provision of complementary infrastructure for Kickstart Schemes which has often been out of timing with the service enhancements - and may this may have financial implications. There was a sense of injustice in that the operators were “contract bound” to deliver their part of the project, but that LAs were not and often could not deliver infrastructure improvements to time owing to LTP phasing constraints. This raises a strategic issue about the nature of Kickstart and its relationship to the LTP process, which is picked in section A4.4.

The above discussion leads into the more strategic issue of the distribution of risk, and whether Kickstart has the balance right. A lot of this is really about the ability of operators and (particularly) LAs to work in partnership. It seems that a small number of LAs almost hanker for a return to the old pre-1986 deregulation situation and see Kickstart as a way to get some real control over bus service development. Others (thankfully the majority) recognise that Kickstart offers a way to develop a new style of real partnership working. It seems to come down to the fact that some LAs have a culture of partnership and others do not. This issue is picked up again later as we look at Policy Development issues in section A4.5.

A4.4 Strategic Issues

There are a set of strategic issues about the nature of Kickstart. Firstly, it has to be recognised that the central ‘market’ for Kickstart is schemes that are in uncontested markets and can become financially viable or sustainable from other sources of support in three years. This is quite a restricted situation and

there are issues about how a Kickstart partnership approach might be applied outside of this.

One example arises in the context of useful services that will nevertheless need long-term funding sources or mechanisms. This could particularly apply to rural services, though not exclusively so. Such cases may increase pressure on local authority budgets which are already strained to cover the existing set of tendered services and deregistrations. However, where Kickstart funding can bring non-commercial services closer to commercial viability the total need for funding may be reduced.

Kickstart could be used in contested markets, but this raises a variety of new issues. For example, there might be two operators competing on a route - might Kickstart funding be shared between them assuming they both apply? What would then happen if a third operator moves in to compete with the incumbent operators. Should they too get support? It is possible to argue yes on equity grounds or no on the grounds that the existing operators have taken on risk in improving the service and they may also argue that the growth in the market that they have delivered is attracting the competition. Moving Kickstart to contested markets requires clarity as to what the rules are and guidance is needed about how such schemes can be organised.

One LA has posited the idea of a two-tier Kickstart funding programme allowing LAs to enhance their tendered network whilst simultaneously allowing commercial operators to uplift and enhance their commercial services, including competitive ones. Assuming grant funding were given on a like for like to basis to a competing operator *who applied for it* there seems no reason why the on-route competition which already occurs on parts of BRDG routes in Scotland could be not permitted to spread more widely into contested markets.

The more strategic conclusion arising from this evaluation is that a number of the issues relating to timing of infrastructure, partnership/equity and risk distribution might be addressed more easily were Kickstart / BRDG not separate from the LTP/LTS process, but integrated into it. This would address the problem of infrastructure timing. It would also represent a move towards a more inclusive partnership approach with the bus industry in transport planning, and indeed promote partnerships with operators in developing LA bus strategies. Another advantage would be a reduction in the administrative burden of what is a relatively small amount of funding in the context of overall bus support. However, there are disadvantages to this approach as it would act as a deterrent to some of the more entrepreneurial Kickstart schemes largely developed by operators themselves, and Kickstart could be sidelined as just one small part of the overall LTP process. Overall the disadvantages outweigh the benefits especially if infrastructure timing could be secured in other ways.

This discussion has to a degree been superseded by the new “Putting Passengers First” document on bus policy development which suggests a broadening of the competition test in the Transport Act 2000 to cover voluntary

QBPs, which could certainly encompass Kickstart style schemes in this type of market.

A4.5 Policy Development

This takes us into the area of Policy Development. Kickstart is one of a variety of policy developments, including an increasing use of quality partnerships and initiatives within the LTP/LTS process, which are evolving towards a new model for the bus industry. A return to the pre-1986 bus industry structure is unlikely with the only other extant model being the franchising one used in London. The London franchising model does produce significant network benefits and passenger growth, but reduces the industry to the role of little more than a service contractor. This issue has very much been put on the bus policy agenda by the 2006 Eddington Report. This notes the continued decline in bus services and recommends:

> …..that changes to the regulation of the bus market are made, to allow local bodies to cooperate more with bus operators; to allow greater coordination between bus operators; and to allow local bodies the option of introducing a bus franchising model where it can be demonstrated to offer a high value for money solution to the transport challenges facing the UK's urban areas.
>
> (Eddington Report, 2006, para 1.665)

Initiatives such as Kickstart, particularly if integrated more closely with the LTP/LTS process, could represent the beginnings of a more flexible model than franchising - and one that might evolve from the current regulatory situation. This would be built around the concept of a partnership culture between operators and LAs/PTEs that could provide the benefits of system-wide planning and long-term development, without the inflexibility of franchising. However, if built into the LTP process this could be seen as unbalancing the partnership, in that operator initiatives are less likely to come to the fore. However, if the trade-off was that infrastructure required for the success of a Kickstart/BRDG schemes would be implemented, as and when planned, the option could look more attractive to operators. Our feeling is that operators would welcome a closer integration with the LTP process in terms of releasing and phasing capital funding, but wish to see Kickstart develop as an independent initiative allowing more entrepreneurial flair than would be possible if subsumed within the LTP process.

This raises the wider issue of whether, rather than Kickstart being absorbed into LTPs, it could form part of a transformation of LTPs into something more effective for bus service developments. This could involve bus strategies within LTPs being devolved to an entrepreneurial style Kickstart-style partnership. This partnership would be between local authorities/PTEs and operators (and possibly other stakeholders, such as user groups) who take responsibility for planning bus service developments. This would feed into the LTP process and the partnership would also apply for support from future Kickstart or other

appropriate programmes and funding sources (e.g. hypothecated road use charges or Section 106 payments).

This kind of development goes beyond the current concept of Kickstart, but the success of this programme has raised the issue of whether Kickstart could evolve into something that could, in time, produce a market transformation for the bus industry.

There are a number of issues that would need addressing for any level of further integration to occur. The successful introduction of this type of scheme into contested markets would need to revisit the restrictive interpretation on the Competition Act that is placed on bus operators by the Office of Fair Trading. The issue of state aid also needs to be addressed – there does appear to be a lack of clarity about the definition of state aid and the circumstances in which its use comes into play within the bus industry. This currently threatens the outputs of a number of KickStart / BRDG schemes and we would recommend that likely state aid implications are spelt out in greater detail in future versions of KickStart / BRDG guidelines to be issued.

A consideration of policy developments, and the potential for Kickstart to evolve into a bus market transformation programme, inevitably raises the issue of reforming the overall bus subsidy system. This issue may be beyond our evaluation of the existing Kickstart schemes, but the Eddington Report has certainly put this issue on the bus policy agenda. Elements of the existing funding mechanisms are becoming increasingly inappropriate, The BSOG subsidy is strongly criticised for rewarding mileage regardless of how unremunerative that mileage might be in terms of patronage or revenue. In the light of the Stern Review (2006) subsidies that reward energy consumption and discourage the adoption of more efficient (but more expensive) vehicles cannot be justified in a carbon-constrained world. The Eddington Report (2006) particularly supports bus service infrastructure developments and advocates a partnership approach and 'focusing on objectives and delivering high return schemes.' A Kickstart-style subsidy mechanism may well be more appropriate than the old, albeit entrenched, subsidy mechanisms. It is encouraging to see subsidy reform on the agenda as identified in the recent policy review (DfT 2006f)

Overall, the good performance of Kickstart does raise some important issues about the direction and approach of bus policy in Britain and what form of regulation can deliver growth. A Kickstart partnership approach can deliver growth, with the main questions being should and how this approach might shift from being the exception to becoming mainstream.

A4.6 Conclusions

There are important lessons emerging from this evaluation of the Kickstart/BRDG programmes that can be applied across the spectrum from tactical matters to bus policy development.

At the very least, there is a need to address some of the tricky legal, risk sharing and partnership issues in order for Kickstart-style approaches to achieve their full potential - either be this through a government programme or LA/PTE initiatives. The evaluation raises some issues about the fundamental direction of policy for bus service development. The deregulated industry can only provide growth in restricted circumstances and (as the Eddington Report notes), for the last 20 years, has largely managed decline. The promoters of the deregulated environment would contend that the decline in patronage would be far more severe had they not had the entrepreneurial freedom within the deregulated market environment to take commercial decisions to react to the requirements of the market. However, further decline is clearly unacceptable. Government policy has gradually resulted in more intervention in an attempt to realise the potential of the bus in transport policy, but progress has been disappointingly limited. The Eddington Report proposes moving towards more franchising. Kickstart / BRDG has produced very good results, way above the industry average, which raises the possibility of another model. This is one of further targeted Kickstart schemes being part of a set of integrated initiatives working towards a new partnership model for the bus industry. A really positive future for the bus might indeed be possible.