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KICKSTARTING GROWTH IN BUS PATRONAGE: TARGETING SUPPORT AT THE MARGINS

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ABSTRACT

This paper presents an assessment of the performance of the Kickstart and Bus Route Development Grant schemes in England and Scotland which aimed to move marginal or new bus services towards commercial operation. Three key aspects are addressed: the bidding and implementation process; performance against objectives and the future potential of the approach. The evidence suggests that this form of transformational support appears to offer a better return than subsidy that supports the status quo or indeed patronage based support.

KEYWORDS

Bus, subsidy, innovation, kickstart

1. INTRODUCTION

Government support to the bus industry in Britain has risen in recent years and in real terms has now reached pre-deregulation levels. Over the past ten years in England (outside London) both bus patronage and bus kilometres have fallen. The 2006/7 increase of 2.7% in bus journeys in England (outside London) was largely attributed to the introduction in April 2006 of free off peak local bus travel for everyone aged over 60 and disabled people (Department for Transport, 2007a). It does not therefore necessarily reflect a reversal of trend in the overall bus market. The withdrawal of commercial services has been partially offset by increases in supported services resulting in an overall decline in bus kilometres (Department for Transport, 2006a).

The Kickstart Scheme, introduced in England in 2003, and the Bus Route Development Grant (BRDG) Scheme, introduced in Scotland in 2005, attempted to address these long term problems of decline and increasing subsidy by aiming to improve both patronage and the viability of services.

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The programmes award grants of up to three years through a competitive bidding process, to support the provision of new or enhanced bus services often in “marginal” operating territory. By the end of the funding period supported services are expected to achieve financial sustainability and ideally to become commercially viable through patronage growth. Experience with this type of targeted approach is limited to examples in New Zealand, an experimental service in Perth, Scotland where the approach yielded high rates of patronage growth (Wallis, 2005, Souter et al, 2004) and in Bristol where 17 services were moved to commercial operation (Bentley and Lynch, 2001).

This paper is based on an assessment of the performance of the Kickstart and BRDG schemes undertaken for the Department for Transport and the Scottish Executive in 2006 (Bristow et al, 2007). Three key aspects are included:

- An assessment of the bidding and implementation processes based on an extensive stakeholder consultation exercise with bus operators and Local Authorities covering all those holding grants and a number of unsuccessful bidders and non-bidders.
- An examination of the performance of the supported services against objectives using operational data gathered for the project from stakeholders.
- Consideration of the future potential of such schemes within the current organisational structure in Britain and the provision of recommendations for the future.

To this end section 2 outlines the schemes and section 3 the research approach. Section 4 addresses the process and implementation, section 5 scheme impacts, section 6 policy implications and the conclusions are located in section 7.

2. THE SCHEMES

Kickstart began life in England in 2003 as part of the Urban and Rural Bus Challenge Schemes. 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 (Department for Transport, 2003a and 2003b). Kickstart has since been expanded with amended objectives and has superseded the Challenge schemes. The latest Kickstart funding round in 2005 placed commercial viability at the heart of the initiative.

“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” (Department for Transport, 2005a).

The Bus Route Development Grant (BRDG) scheme administered by the Scottish Executive 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" (Scottish Executive, 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." (Scottish Executive, 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 followed by £3.7 million of funding in a second round of nine schemes later in 2005. Further awards, beyond the timeframe of this study were made in October 2006 of eight schemes totalling £7.5 million and four schemes totalling £2.8 million in March 2007. The geographical spread of the schemes covered in this paper is shown in Figure 1 and a list provided in Annex 1.

To place Kickstart and BRDG support in context, the mainstream sources of Government support to bus services are:

- The Bus Service Operators Grant (BSOG). This is effectively a rebate of 80% of fuel duty paid and amounted to £430 million in 2004/5;
- Public transport support of £924 million in 2004/5 and
- Concessionary fares reimbursement of £595 million 2004/5.

These sources amount to a total annual support of £1948 million (Department for Transport, 2006a). The allocation of BSOG is dependent upon bus mileage and concessionary fares payments upon use by elderly and disabled people and the reimbursement formula used. It is only the support for public transport that is allocated by Local Authorities directly to secure bus service provision. It is worth pointing out that of the funds for public transport support nearly 60% was spent on buses in London, where 40% of bus journeys take place. The amount spent in England outside London was £309 million and in Scotland £38 million. 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 services in that year, but providing a significant boost to the support for bus service provision outside London.

2006 offered 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 was also possible to examine the impacts and outputs.

3. APPROACH

The study was undertaken in 2006 and had two key themes: obtaining and analysing data on scheme performance and the development and implementation of two phases of stakeholder consultation.

The main sources of data 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. Overall data availability and quality for the purposes of comparison was limited for a variety of reasons including inconsistent baseline data, operator concerns over confidentiality and variation in the data sought by the administering authority.

There was a clear difference in philosophy in the reporting requirements between the Kickstart and BRDG schemes. Essentially for Kickstart reports *“there are no fixed rules”* (Department for Transport, 2006b). Reports were expected to contain information on patronage, cost per passenger and marketing activities but there were no requirements to provide quantified data in a particular form. The annual reports therefore vary in their content, with some being highly descriptive, and do not facilitate comparison between schemes. 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 (Scottish Executive, 2006b). This should provide the Scottish Executive with a good base from which to assess performance in terms of patronage in the future. As a result of data constraints the quantitative analysis reported is limited to an anonymised simple analysis of patronage growth and support per passenger and additional passenger.

The stakeholder consultation was designed to:

- Provide insight into the performance of the services and the extent to which objectives are met;
- Obtain information regarding any problems and issues that had arisen in service implementation and how these had been addressed by the partners;
- Obtain data on scheme monitoring, where available, for analysis.

Pilot interviews were conducted with representatives of two of the Kickstart pilot projects to test the suitability of the topic guide and to assess the average amount of time required per interview. The consultation took place in two phases.

Phase 1: face to face interviews with representatives of all 18 of the Kickstart pilot projects awarded in 2003. Separate interviews were conducted with the operator and the responsible local authority. Interviews lasted around 90 minutes on average.

Phase 2: interviews with representatives of successful 2005 Kickstart and BRDG schemes. In addition some unsuccessful bidders and non-bidders were interviewed (through the use of a case study area – the East of England).

For the second phase the topic guide was amended to concentrate more on the processes and issues given that the availability of quantitative data was likely to be more limited than for the 2003 Kickstart pilot schemes. Full details of the topic guides, successful bids and organisations interviewed may be found in Bristow et al, (2007).

4. PROCESS AND IMPLEMENTATION

This section contains a brief discussion of issues uncovered in the stakeholder analysis on the process and implementation of Kickstart and BRDG. Specifically this covers the bidding process, the implementation process, and marketing and market research. A more detailed examination of these issues may be found in Bristow et al (2007). Table 1 summarises key points arising from experience of the bidding process and Table 2 from the implementation process. A few key points of interest are elaborated here. Firstly, with respect to operator involvement the proposals were Local Authority led in conjunction with a preferred operator. There was no competition. Whilst competition would be viewed as advantageous in controlling costs it could be counter productive as a key aspect of Kickstart and BRDG is partnership working and in many cases the lifting of existing marginal services into commercial viability which requires the cooperation of the incumbent. Secondly, the balance of risk is very much with the operator as the level of support is fixed for three years. They stand to gain if revenue exceed expectations or lose if it fails to meet targets. Smaller operators bear a high level of risk. The Local Authority bears no direct financial risk, although there may be budget impacts if services require support beyond the grant support period.

Table 1: The Bidding Process

Feature or Issue	Experience
Originator	Local Authorities sought schemes that “best” fit with local objectives. These would not always be the schemes that operators felt would be most successful.
Consultation	Local Authorities need to ensure that all operators have the opportunity to put forward schemes: this didn’t always happen in the 2003 round.
Bids	Prepared by Local Authorities, sometimes using in-house or commissioned consultants. Pro-formas were seen as useful but there were still data inconsistencies and some found it difficult to make a good case within the constraints imposed.
Tendering	Schemes were developed as a partnership between the Local Authority and an operator. It was never envisaged that services would be put out to tender. Problems arose because of doubts on compliance with the 1985 Transport Act, EU

	legislation and competition legislation.
Timescale	<p>Time between announcement and submission date for Kickstart was perceived to be too short to allow:</p> <ul style="list-style-type: none"> • Development of cogent, coherent proposal • Full consultation with operators • Consultation with potential stakeholders • Coordination of capital expenditure <p>In Scotland there was some confusion over timescales: authorities felt the need to rush in case the “pot” was exhausted.</p>
Scheme objectives	<p>Scheme objectives were quite diverse especially for the 2003 pilot schemes, but fell broadly into the following categories:</p> <ul style="list-style-type: none"> • social inclusion and exclusion, • public transport service level, • wider policy integration, • patronage, • modal shift, • financial viability / sustainability, and • infrastructure.

Table 2 The Implementation Process

Feature/Issue	Experience
Partnership	In many cases genuine partnerships between Local Authorities and bus operators have evolved or been strengthened.
Timescales	<p>The main causes of delay in implementation were:</p> <ul style="list-style-type: none"> • Vehicle purchase – less of a problem for national operators with fleet replacement programmes but smaller operators could not place orders until the award was confirmed. • Infrastructure works by the Local Authority. <p>Some operators felt that the levels of commitment to delivery required from operators were higher than for Local Authorities.</p>
Risk	<p>Clearly greater for smaller operators.</p> <p>Local Authorities varied in approach. Some were keen to support marginal services aiming to reduce overall support budget, others were more risk averse, only supporting schemes with very good chance of commercial viability.</p>
Vehicles	Some authorities tried to secure any new vehicles to routes beyond the Kickstart contract period.
Monitoring data	High degree of variability between authorities from requiring monthly returns as for a supported service to a hands-off commercial service approach.
State aid	The Scottish Executive in seeking to ensure that state aid rules are not breached requested data on whole routes including parts not covered by BRDG – this has led to operator concerns with respect to confidentiality of commercial data.

Clawback	Where a BRDG service performs above forecast levels the level of support is reduced accordingly. Although in the original written rules, operators felt this wasn't stated clearly enough. This could also be seen as a penalty for success. Clawback does not apply to the Kickstart services.
Capital funding	Uncertainty as to whether such funding could be applied for under this scheme – led to some authorities bidding for and getting such support to the surprise of others.

The responsibility for marketing and market research seemed to default to the operators, in line with practice in relation to commercial bus services. The approach adopted differed between schemes (and operators) interventions included:

- Door-to-door leaflet drops to properties along the route of the service immediately prior to start of the service / service enhancements.
- Customised timetable for different parts of a route providing a different timetable leaflet showing key residential areas and employment locations.
- Telemarketing: telephoning householders living along the route of the service to ask whether or not they use the service. Those who already did were thanked for doing so and asked their opinions of the service. Those who did not use the service were encouraged to do so by the provision of free travel tickets to be used within a specific period of time. The non-user group was contacted again a few weeks later to ask whether they had used the tickets and if so their opinion of the service.
- A series of television advertisements which achieved a good response and which were specifically targeted at the target markets for the Kickstart services.
- Launch events were favoured for completely new services, with activities including competitions, distribution of free promotional items and press coverage of the event.

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, although some funding has been obtained within some of the later schemes for marketing and promotion campaigns. 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.

5. SCHEME IMPACTS

Here we examine evidence on scheme impacts including: patronage, modal shift, social objectives, user benefits, added value, value for public money and commercial viability.

5.1 Patronage

The 18 pilot Kickstart schemes are considered first as most have been operating for sufficient time to permit some assessment of patronage growth. Table 3 compares patronage for the first full year of scheme operation with that of the previous year expressed as percentage annual growth for the enhanced schemes. This general rise in patronage compares well to the fall in bus patronage of 2.3% in England outside London between 2003/4 and 2004/5 (Department for Transport, 2005b). The reference decline in patronage represented a continuation of trend over the past 10 years, in the face of which arguably any growth in patronage represents success. In at least one case performance was adversely affected by long running major roadworks impacting on reliability.

Table 3: Percentage Annual Change in Patronage

Change in patronage	Year 1: number of services	Year 2: number of services ¹
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

¹ contains some extrapolated part year data

The year one launch period, when changes impacting on journey time, opportunities and quality were implemented and marketing activity was most intensive, sees the strongest growth with the growth rate nearly halved in year two. Nevertheless, two schemes achieved a higher rate of growth in year two than in year one. Overall most of services for which there is some data were doing well in achieving strong growth over time. Of the 16 schemes for which some information was available 12 have met or exceeded their year one patronage target, in some cases dramatically, and six out of eight schemes have met or exceeded their year two target. The growth rates may be compared with those of early Quality Bus Partnerships which were established in areas where high growth was assumed possible of 5% to 29% in the first year of operation (TAS, 2001).

Although the sample size was very small there are some insights to be gained from disaggregation:

- Growth rates for urban schemes are approximately twice as high as for rural schemes.
- Schemes with infrastructure investments performed on average twice as well as those without, although there are exceptions.
- Most schemes involved frequency enhancements and those that did not were less likely to perform well.
- Schemes that extended their geographical coverage tend to perform less well than those that stuck to their existing operating area. But again there are exceptions.

A limited amount of information was available on the Kickstart 2005 schemes and BRDG schemes. Three 2005 Kickstart schemes were on line to exceed

their first year patronage targets, 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.

For nine BRDG schemes it was possible, albeit on the basis of part year operation, to examine patronage. All were achieving some patronage growth (in some cases very high rates) and seven were on line to exceed their first year target growth rate.

In both cases this was again set against an overall declining market -1.2% England outside London and -0.4% Scotland for 2004/5 to 2005/6 (Department for Transport, 2006c). It seems that promoters of the later schemes learnt from the experience of the 2003 Kickstart in avoiding less viable schemes.

Clearly changes in patronage are affected by many factors other than these specific grant schemes. These include underlying changes in bus use occurring anyway, as already discussed, and the impact of local factors, such as fares increases or changes to frequencies on other routes that affect the attractiveness of the local bus system as a whole, demand management measures and road works. At a national level changes have included:

- Increases in bus operating costs of 7.8% in 2004, 8.2% in 2005 and 7.1% in 2006 (Confederation of Passenger Transport, 2007), more than twice the level of Retail Price Index increases over the same period (Office of National Statistics, 2006). With respect to services re-tendered in 2005, the Association of Transport Coordinating Officers (2005) noted average price increases of 8.7% in the English counties, 11.9% in the unitary authorities and 13.9% in the PTE areas.
- Bus fares have been increasing above the rate of inflation in England outside London and by 2005/6 were 25.4% higher in real terms than in 1995/6 (Department for Transport, 2006c).
- The impact of the extension of concessionary fares from half fares to zero fares in England has now started to be seen in patronage growth outside London (Department for Transport, 2007a). The allocation method may leave some authorities with a shortfall in funding which could lead to cuts to supported services.

The cost increases in tendered services has put pressure on Local Authority budgets for supported services. At a national level the increases in costs have not yet been fully reflected in fare increases. However, there have been significant fare increases in some areas and a number of schemes examined here have been subject to fare increases of up to 30 to 40% over a year, such an increase would be expected to reduce demand by 12 to 16% (all other things being equal, assuming a short run demand elasticity of -0.4, Balcombe et al, 2004). For many of the enhanced services such effects will be offset by increases in frequency which would be expected to grow patronage by 10 to 40% in the short term using an elasticity to bus miles of +0.4. However, in

some particularly adverse circumstances even declining patronage may represent relative success.

Overall, given that national trends in patronage growth have been negative outside London and a range of external factors have also moved in an adverse direction the patronage growth achieved by the Kickstart services is impressive.

5.2 Modal Shift

Modal shift is a 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. Some modal shift might be expected in schemes which operate within commuting corridors where new or enhanced bus operation allows modal transfer to a high quality and frequent bus service.

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 and the results are summarised in Table 4. The percentages refer to bus users surveyed.

Table 4 Direct and Indirect Modal Shift

Scheme	Survey	Direct modal shift: % of new users	Indirect modal shift % new journeys
Culm Valley Connect	210 on-bus interviews and 603 phone interviews	36% ex car users	9% journeys not made before
Thanet Loop	(1) 321 on-bus interviews and 70 household interviews (2) 803 on-bus interviews	6.2% ex car users 2% ex car users	4% journeys not made before 27.6% car available
Abingdon-Witney Link	318 on-bus interviews	20% ex car users	56% journeys not made before
St Helens – Liverpool John Lennon Airport	Unknown	8%	Unknown

Sources: Devon County Council 2006, Babtie Group 2005, Oxford Brookes, 2005 and Walters 2005

Culm Valley Connect and the Abingdon-Witney link aimed to provide a high quality alternative to the car and appear to have succeeded in achieving a high level of mode shift from car. Although the report on the Abingdon Witney service makes it clear that the greatest shift was from car passenger rather than driver. Even services where modal shift was not an aim appear to have

achieved shifts of 2% to 8%. These figures may be compared with the performance of quality bus corridors, where the potential for modal shift is probably greatest. The evidence is limited but modal shift between 2% and 25% has been achieved (Bristow et al, 2002, TAS 2001). More recent evidence as Quality Bus Partnerships (QBPs) start to rollout into the less attractive corridors suggests a low level of direct modal shift of around 1% (Davison and Knowles, 2006). Thus the pilot Kickstart schemes, where some monitoring has taken place, appear to be performing as well as or better than quality bus corridors.

“Indirect” modal shift is more difficult to identify as 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

Davison and Knowles (2006) indicate that for recent QBPs around 20% of “new” journeys and over 30% in all were “car available”. Again it appears that the Kickstart pilots are performing relatively well.

Some of these schemes were intended to serve new housing developments and may therefore capture new residents 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 achieved 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 usually a decongestion effect. Department for Transport guidance (2006d) provides explicit values for decongestion benefits for the case of rail schemes where the value of a car kilometre removed can be as high as £2.00 and as low as £0.015 depending on the level of congestion.

Overall, on specific schemes where modal shift was a key 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.

5.3 Diverse Social Objectives

Addressing social inclusion objectives through the provision of bus services in areas of high social and economic deprivation was not the major determinant in the Department for Transport's development of the 2003 and 2005 Kickstart

schemes. This issue did, however, influence the choice of schemes 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 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.

Despite being the most often stated scheme objective there is little hard evidence of a reduction in social exclusion. There is some mention in the reports discussed above with respect to those who had no choice of mode or other way of making the journey. These include:

- *“60% surveyed passengers had no alternative mode of transport before the service was introduced”* (Devon County Council, 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”* (Oxford Brookes University, 2005);
- *“Over 40% of users would not make their journey without the service”* (Oxford Brookes University, 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.

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). For the Oxfordshire service some “one in ten users of the service has difficulty walking” (Oxford Brookes University, 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.

5.4 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 also 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 it was possible to speculate in Table 5 on the probable extent of such benefits.

Table 5 Potential User Benefits

Impact	Evidence	Value
Frequency enhancement	Most common service enhancement, increases of 25 to 100%	£0.79 per passenger for a 15 minute reduction in headway on a 4 mile journey ¹
Wait time	Frequencies in most cases not sufficient to induce random arrivals so probably little impact	2.5 ² times in-vehicle time
In-vehicle time	Reductions in running time rare under this initiative due to high costs of bus priority measures.	£4.85 per hour ³
Walk time	Some services have extended geographical coverage, but no evidence on reduced walking times	2 ² times in-vehicle time
Reliability	May have an impact but dependent on exogenous factors	1.3 to 2 ⁴ times in-vehicle time
Improved comfort and accessibility to vehicles	Many services are operating new vehicles, likely impact	No consensus value

¹derived from Wardman 2004 and Department for Transport, 2006c

²ratio in Department for Transport 2006e

³derived from values and occupancy rates in Department for Transport, 2006c and 2006e

⁴ratios suggested by Bates et al, 2001.

Clearly existing users will benefit from enhanced comfort and accessibility from the introduction of new vehicles. The evidence on values for such attributes is limited (Balcombe et al, 2004).

It appears that Kickstart schemes are likely to deliver most benefits to users in terms of frequency enhancements and possible reliability gains. It is therefore desirable that monitoring requirements include appropriate monitoring.

5.5 Added Value

Many of the Kickstart and BRDG schemes contain elements of *direct* 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

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.

Some operators and local authorities who have embraced the concept of Kickstart have gone on to develop their own 'Kickstart-style' schemes. Examples of such *indirect added value* include:

- An unsuccessful bid where the partners went ahead independently and implemented key parts of the scheme raising both service quality and patronage. In this case, even though no Kickstart funding was given, the partnership working engendered between the operator and the local authority in the bid process led to the development of a successful Kickstart style scheme.
- An unsuccessful bid was the subject of a subsequent successful bid for City Growth Funding.
- An operator and local authority took advantage of the partnership working developed through Kickstart to revamp a market town service in the style of Kickstart – this saw a Monday to Saturday improvement in frequency to hourly from three per day. The service is now performing very well in terms of patronage and is likely to become fully viable.

5.6 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 was important to use clearly defined indicators to enable comparison on a consistent basis between schemes within and across time periods.

Overall, looking only at revenue expenditure the average cost per passenger for the pilot Kickstart schemes was £0.93, though the median was only £0.12 reflecting the skewed distribution. This is partly due to some 2003 schemes being more traditional social schemes rather than truly within the Kickstart ethos. Cost per additional passenger was £1.44 (average) and £0.76 (median). As these are first year costs they are expected to fall year on year.

A crude calculation based on the total public support for local bus services of £2101 million in 2005/6 (including local authority support, concessionary fares and BSOG) and total bus journeys of 4719 million (Department for Transport, 2006c) yields a support per journey figure of £0.44 per journey. Support per journey has increased by over 60% over the past ten years, from a level of £0.27 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 bus 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”.

The costs in terms of Kickstart revenue support per passenger compare well with these figures with 12 schemes averaging support at or below £0.50 per passenger journey, four between £1 and £2 and none exceeding £10 in year one. For year two of the schemes for which data is available no scheme averages over £1. With 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 was below £25. Given that the comparison is with continuing annual support, whereas the Kickstart support lasts only a maximum of three years and should end in commercial viability – the value for money looks good.

The benefits of the schemes are difficult to assess as the evidence is limited. However, the discussion of frequency benefits in section 5.4 suggests that these benefits alone could in some cases offset the costs in terms of revenue support.

5.7 Commercial Viability

Each of the 2003 schemes produced a continuation strategy to provide for their post-Kickstart future. 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 became commercially viable after the first year and is expected to remain so
- 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 two schemes was uncertain because of uncertainties surrounding the intentions of the bus operator.
- one only commenced operation in October 2006

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 it appears that at least two schemes will require continuing revenue support.

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 may be compromised in terms of their commercial viability through the new free concessionary fares scheme introduced throughout the country in April 2006.

6. IMPLICATIONS FOR PLANNING AND POLICY

Here key findings are placed within a structure that relates to the roles and responsibilities of transport policy decision makers, drawing on van de Velde (1999).

6.1 Tactical Issues

The first level of tactical issues concerns changes and refinements to improve the functioning of Kickstart-type schemes.

The clarity of the bid documentation could be enhanced to ensure the provision of data in a common and consistent format that recognises the distinction between enhanced and new services.

Longer timescales would allow promoters more time to prepare schemes. It is clear that bidders would appreciate feedback, especially on unsuccessful bids.

Monitoring requirements need to be clearly specified, but limited to avoid out of proportion use of scarce resources. A minimum requirement would be 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 should also be monitored through independently conducted passenger surveys.

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 local authority commitments, for example to infrastructure funding are equivalent in their binding nature to those made by operators. There is potential in the Quality Bus Partnership model.

Experience thus far indicates that where patronage and revenue have exceeded expectations this has led to further enhancements of the service, 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.

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 the release of funds to support other services. This is perhaps the most important feature of Kickstart and a major reason for having a successor programme.

6.2 Strategic Issues

Kickstart / BRDG shows 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 in the UK is that of the importance of partnership working (Department for Transport, 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 Draft Transport Bill (Department for Transport, 2007b) includes a broadening of the application of the competition test (schedule 10) of the Transport Act 2000 to voluntary Quality Bus Partnerships. Multi – operator schemes within Kickstart / BRDG could be protected by such coverage.

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 and could usefully 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 and this could strengthen the commercial viability.

6.4 Policy Development

Kickstart is one of a variety of policy developments, including an increasing use of quality partnerships which may evolve 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 and now requires a high level of support. The issue of organisation and regulation 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 could represent the beginnings of a more flexible model than franchising - and one that might evolve from the current regulatory situation. Building on the developing partnership culture between operators and local transport authorities could provide the benefits of system-wide planning and long-term development, without the inflexibility of franchising. If built into the Local Transport Plan (LTP) process this could be seen as unbalancing the partnership, in that operator initiatives would be 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 would 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 and / or Passenger Transport Executives (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 from developers).

Such development would be beyond the current concept of Kickstart, but the success of this programme has raised the issue of whether Kickstart has the potential to evolve into something that could, in time, produce market transformation in the bus industry.

A consideration of policy developments, and the potential for Kickstart to evolve into a bus market transformation programme, inevitably raises the issue of reform of 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. FaberMaunsell (2002) suggested that replacing BSOG with a payment per passenger could lead to a 4.7% increase in demand in England outside London, with 20 to 40% of these passengers transferring from car. However, the growth in demand would be largely on successful urban routes and additional support is likely to be required elsewhere.

The Eddington Report (2006) particularly supports bus service infrastructure developments, 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 and would be one that could achieve higher patronage growth. It was encouraging to see subsidy reform on the agenda as identified in the recent policy review (Department for Transport, 2006f)

Overall, the good performance of Kickstart raises some important issues about the direction and approach of bus policy in Britain and the forms of regulation that might deliver growth. A Kickstart partnership approach can deliver growth, with the main questions relating to whether and if so how this approach might shift from being the exception to becoming the mainstream.

6.5 Scope for Future Development

Kickstart / BRDG schemes have delivered in terms of scheme performance and in the enhancement and development of partnership working between operators and local transport authorities. There is clearly scope for the further development of services under these schemes in a number of different markets. 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 (Department for Transport, 2006c) with the largest falls occurring in the PTE areas. Thus around 22% of services outside

London receive direct support additional to BSOG and concessionary fares reimbursement (Department for Transport, 2007c). It would not therefore be unreasonable to assume 5 to 10% of the total market to be “marginal”. This is in line with the Souter et al, (2004) estimation that 10% of Stagecoach routes would be suitable for Kickstart funding.

- 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 (Department for Transport, 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 Kickstart round and a more gradual increase in Scotland (where the budget per head of population and relative to existing support budgets is considerably higher than in England). Targeting on particular markets might help to reveal where the best results are to be gained.

7. CONCLUSIONS

The evidence suggests that Kickstart / BRDG schemes have been successful in several areas. Patronage growth has occurred on marginal or new services in the context of an overall declining market. There is some evidence of 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. Existing users have benefited from both frequency enhancements and the provision of more accessible vehicles.

The schemes appear to have stimulated genuine partnership working whereby operators consider social needs and local authorities take account of commercial requirements in both cases leading to greater understanding. This has further encouraged entrepreneurial flair in local authority thinking. The schemes are expected to leave a positive legacy of enhanced services, reflected in the desire of both operators and local authorities to see the schemes continue.

The schemes have delivered added value through: the delivery of further service enhancements over and above those specified in the bids as patronage grows; stimulating the development of Kickstart style schemes by local authorities in cooperation with operators and the levering of additional investment / support from bus operators and others.

It appears that this form of support may offer a better return than subsidy that supports the status quo or indeed patronage based support. On the whole the supported services appear to be on-line to reduce the requirement for revenue support by lifting marginal services into commercial performance, and releasing revenue for support to other services.

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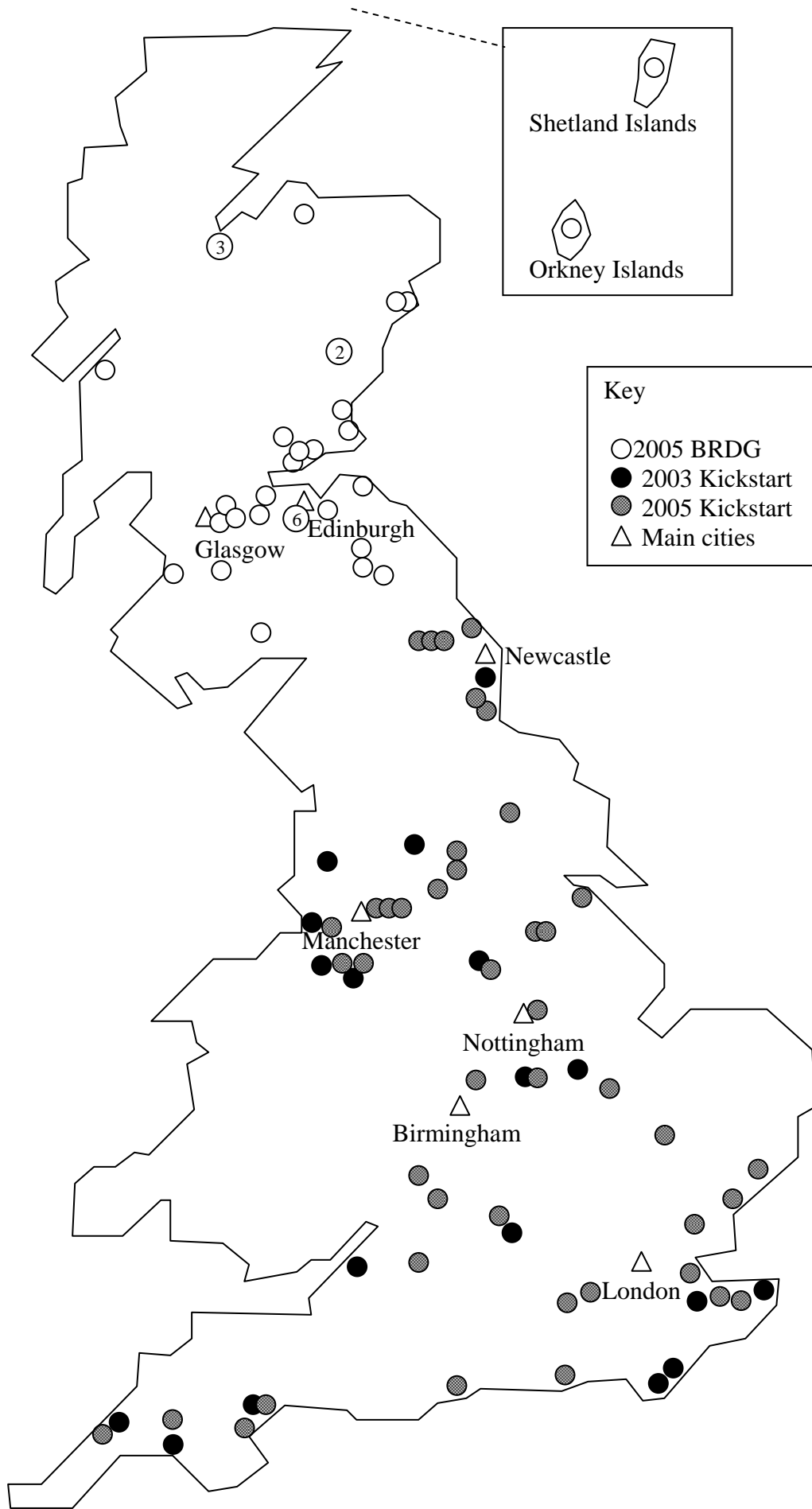
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Figure 1: Location of Kickstart and BRDG Schemes



Annex 1

List of awarded schemes: including name, Council, and Operator. Arranged in alphabetical order by Council.

Kickstart 2003

A51, Cheshire County Council, Arriva.
Trevithick Urban Link, Cornwall County Council, Truronian.
Route 51, Derbyshire County Council, Stagecoach.
Culm Valley Connect, Devon County Council, Stagecoach.
Westham & Pevensey, East Sussex County Council, Eastbourne Buses.
Hastings Community Transport, Hastings Dial a Ride.
Thanet Links, Kent County Council, Stagecoach East Kent.
Gravesend, Kent County Council, Arriva.
Preston Orbital, Lancashire County Council, Preston Buses.
Service 54, Leicester City Council, First.
John Lennon Airport Link, Merseytravel, Arriva NW.
Contemporary Service for a Modern Lifestyle, North Somerset Council, First.
Nailsea and District Community Transport, North Somerset County Council.
Abingdon – Witney Bus link, Oxfordshire County Council, Thames Travel.
Plymouth Travel to Work Area, Plymouth City Council, First.
Extending the rural bus network, Rutland County Council, Kimes Coaches.
Gateshead Cross Link, Tyne and Wear Passenger Transport Executive, Go North East.
West Keighley Local Links, West Yorkshire Passenger Transport Executive, Keighley & District.

Kickstart 2005

Cambridge Sustainable Transport 2020 Vision - Phase 1, Cambridgeshire County Council, Stagecoach Cambridge.
Northwich - Winsford - Leighton Hospital – Crewe, Cheshire County Council, Arriva.
Camborne/Pool/Redruth (CPR)- Falmouth Bus Corridor, Cornwall County Council, First Devon and Cornwall.
Route 39, Derbyshire County Council, Stagecoach.
Exeter City Select, Devon County Council, Stagecoach Devon.
Tavy Goldline, Devon County Council, First.
Jaywick to Clacton Town Centre, Essex County Council, Hedingham Omnibuses.
Canvey Island to Chelmsford, Essex County Council, Regal Busways.
Gloucestershire Route D, Gloucestershire County Council, Stagecoach West.
Improvements to 378 Stockport-Bramhall-Cheadle Hulme Service, Greater Manchester Passenger Transport Executive, Stagecoach.
New express service from Leigh to Manchester (X34), Greater Manchester Passenger Transport Executive, First Manchester.
Service 263 Improvement, Greater Manchester Passenger Transport Executive, Arriva North West.
Enhanced Service 61 Widnes to Farnworth, Halton Borough Council, Halton Borough Transport Limited.
Blackwater Valley Route 3, Hampshire County Council, Stagecoach South.

Sittingbourne Kickstart Project, Kent County Council, Arriva Southern Counties.

Dover and Deal Diamond, Kent County Council, Stagecoach in East Kent.

Chorley Connect, Lancashire County Council, Stagecoach North West.

General Hospital Bus Link, Leicester City Council, First.

Nottingham East Midlands Airport Bus Strategy, Leicestershire County Council, Kinch Bus / Arriva.

Connecting Gainsborough, Lincolnshire County Council, Lincolnshire Road Car.

Regenerating Gainsborough, Lincolnshire County Council, Lincolnshire Road Car.

Service 176 cross-town upgrade, Medway Council, Arriva Southern Counties.

Reinvigorating the Grimsby and Cleethorpes Bus Network, North East Lincolnshire Council, Stagecoach Grimsby Cleethorpes.

Service 40 Easingwold to York, North Yorkshire County Council, Reliance Motor Services.

Plus 518, Northumberland County Council, Arriva North East, £294,776.

Evening service for route X40, RAF Benson - Wallingford – Reading, Oxfordshire County Council, Thames Travel (Wallingford) Ltd.

Local Link Plus, Peterborough City Council, Peterborough City Council (Contract Services).

Service 81 Enhancement, Redcar and Cleveland Council, Arriva North East.

U1 The Intermodal air-coach-ferry-rail link, Southampton Council, Minerva Accord.

Better Buses between Barnsley and Penistone, South Yorkshire Passenger Transport Executive, The Yorkshire Traction Company Ltd.

MIBus, Stockton-on-Tees Council, Arriva North East.

Service 55 Blakenham Park to Ipswich, Suffolk County Council, Ipswich Buses.

Services 4/5, Surrey County Council, Stagecoach.

South Devon College and Western Corridor Scheme, Torbay Council, Stagecoach.

X47 Kingston Park Express, Tyne and Wear Passenger Transport Executive, Stagecoach North East.

135/136 Cross-Wear Service, Tyne and Wear Passenger Transport Executive, Go North East.

Gateshead Orbital, Tyne and Wear Passenger Transport Executive, Go North East.

Service 767 - Tamworth - Kingsbury - Coleshill and Interchange rail station - BIA/NEC, Warwickshire County Council, Arriva Midlands.

Worthing Direct, West Sussex County Council, Stagecoach.

Orange Line To Morrisons, West Yorkshire Passenger Transport Executive, First (West Yorkshire) Ltd.

Holme Valley RailLink, West Yorkshire Passenger Transport Executive, First (West Yorkshire) Ltd.

Bus 55 Service Improvements, Wiltshire County Council, Stagecoach West.

Making the Connection, Worcestershire County Council, First.

Bus Route Development Grant March 2005

Services 101/106/107: Stonehaven Corridor (A90 South / A92) Aberdeen - Stonehaven – Montrose, Aberdeenshire Council, Stagecoach.
Forfar Town Local Services, Angus Council, Strathtay Scottish Ltd.
Route 49, City of Edinburgh, Lothian Buses.
Route 35, City of Edinburgh, Lothian Buses.
Route 24, City of Edinburgh, Lothian Buses.
Route 30, City of Edinburgh, Lothian Buses.
Route 17, City of Edinburgh, Lothian Buses.
Route X37, City of Edinburgh and Midlothian Council, Lothian Buses.
Cross City Direct, Dundee City Council, Strathtay.
Dunbar – Edinburgh corridor improvements, East Lothian Council, First.
Services 10/11/12 enhancement and extension of Falkirk circle routes, Falkirk Council, First.
Service 37/39/X1 Kirkcaldy – Glenrothes, Fife Council, Stagecoach.
Service 5/6 Inverness City (Hilton/Milton/Inshes), Highland Council, Stagecoach.
Service 25X Inverness – Dornoch, Highland Council, Stagecoach
Service 26 Inverness – Cromarty, Highland Council, Rapsons.
Service 31, Midlothian Council, Lothian Buses.
Service 10 enhancement of Inverness – Elgin route, Moray Council, Stagecoach Bluebird.
Services 5/6 and 9/10 enhancement of Muirton and North Muirton, Perth and Kinross Council, Stagecoach.
Service 62 Galashiels to Edinburgh via Peebles, Scottish Borders Council, First.
Services 95/X95 Hawick – Edinburgh via A7 corridor, Scottish borders Council, First.
Services 29/30 Jedburgh – Edinburgh via A68 corridor, Scottish Borders Council, Munro's of Jedburgh.
New Glasgow night services, Strathclyde Passenger Transport Executive, First
New Glasgow – Eaglesham night service, Strathclyde Passenger Transport Executive, First.
Service 3 extension to Townhead, Strathclyde Passenger Transport Executive, First.
Service 38 extension from Garthamlock – Gartcosh Industrial Park, Strathclyde Passenger Transport Executive, First.
New limited stop service through Ayr – Kilmarnock – East Kilbride – Hamilton, Strathclyde Passenger Transport Executive, Stagecoach.
Blackridge to Livingston corridor, West Lothian Council, Davidson Buses.

Bus Route Development Grant November 2005

Aberdeen Route 5, Aberdeen City, First Aberdeen
Kirriemuir – Forfar local bus service, Angus Council, Strathtay Scottish Ltd,
Service enhancement between Oban and Dunbeg, Argyll and Bute, West Coast Motors.
Dumfries Town Services, Dumfries and Galloway Council, Stagecoach
Inverkeithing railway station to Edinburgh Airport, Fife Council, Stagecoach.
Service 99 St Andrews to Dundee Corridor, Fife Council, Stagecoach.
Service 78 Dunfermline to High Valleyfield, Fife Council, Stagecoach.

Enhancement of Services 1, 1a and 1b in Kirkwall to Stromness corridor,
Orkney Islands Council, Rapsons.
The North Isles Integrated Bus Project, Shetland Islands Council, Zetland
Transport Partnership.