

## MINISTERIAL ENGAGEMENT BRIEFING: HUMZA YOUSAF

Copied to: Roy Brannen, Transport Scotland Directors, PS/Transport Scotland, DG Enterprise, Environment and & Innovation, Press Transport Scotland, Communications Infrastructure, Tom Davy, Pete Grant, Allan Crawford, John McFarlane, Danny Chalmers, Caroline Trainer

<i>Engagement Title</i>	Meeting with Martin Griffith, Chief Executive Stagecoach Group.
<i>Timing</i>	<b>Normal</b>
<i>Organisation/Venue and full address including postcode</i>	Parliament Rm Q1:03
<i>Date and Time of Engagement</i>	Date(s): 30 March 2017 Time(s): 16:00 – 16:45
<i>Background/Purpose</i>	Purpose/Invitation History: You agreed to meet with Martin at the UK Bus Summit in February.
<i>Summary Page (key issues, lines to take if pressed and issues to avoid)</i>	<b>Annex A</b>
<i>Supplementary Info:</i>	<b>Annex B: Stagecoach Background &amp; Funding</b> <b>Annex C: Bus Funding</b> <b>Annex D: Concessionary Travel</b> <b>Annex E: Congestion</b> <b>Annex F: Transport Bill</b> <b>Annex G: Smart Ticketing</b> <b>Annex H: Low Emission Zones</b> <b>Annex I: Cross border rail</b>
<i>Media Handling</i>	Non-media event
<i>Official Support</i>	Official: Pete Grant Mobile: <span style="background-color: black; color: black;">[REDACTED]</span>

## SUMMARY PAGE

### **Purpose of meeting:**

You met with Martin at the UK Bus Summit in February and agreed a face to face introductory meeting.

### **Key Issues:**

Martin is responsible for both bus and rail. We can expect the upcoming Transport Bill to be a focus, especially following recent reporting on franchising and Mr Griffiths experience of UK Bus Services Bill.

### **Lines to Take:**

- I am concerned about the state of the bus industry, with patronage that has been continually declining since at least the 1960's, which shows that the decline was not caused by de-regulation.
- I do not see wholesale re-regulation as a panacea but we do want better partnership working between operators and transport authorities and the Transport Bill is an opportunity to shape that.
- We will look at whether the existing powers of local authorities, for example to establish quality partnerships, could be made more effective.
- Local authorities need a viable set of options for bus operation in their area and that may include franchising or even municipal bus operation. The existing legislative framework is regarded as too unwieldy or unclear.
- I am interested to hear your views on the UK Bus Services Bill.
- The Government has increased the budget for BSOG from £50m to £53.5m. At a difficult financial time, that is a good result and shows our commitment to supporting bus services across Scotland.
- The BSOG low carbon incentive is under review to ensure its longer term sustainability. I want to see more green buses on the road, but the 100% flat uplift for an unlimited period was not sustainable.

**[Rail lines are at Annex I]**

## **BACKGROUND ON STAGECOACH**

The Stagecoach Group was founded in 1980 by current chairman Brian Souter, Ann Gloag, and her former husband Robin. The group is based in Perth, and has operations in the United Kingdom and North America. Its UK bus operations are split into 19 regional companies. It has 20,000 employees and moves 3 million passengers every day around 2,200 routes amounting to a total of 699 million journeys a year.

### **Biography**

#### **Martin Griffiths**



A Chartered Accountant, Martin joined Stagecoach in 1997 as Group Business Development Manager, before being appointed to the Board as Finance Director in April 2000. He has also served as the senior independent non-executive director of Robert Walters plc and as a non-executive director of Troy Income & Growth Trust plc. He was young Scottish Finance Director of the year in 2004. Martin was appointed Chief Executive from 1 May 2013. He is responsible for Group health, safety and environmental matters, overall strategy and management of all of the Group's operations.

### **Stagecoach bus operations in Scotland**

Stagecoach is one of the largest bus operators in Scotland, where it employs 2,480 staff, has a fleet of 1,339 buses and carries approximately 87.2 million passenger journeys a year. It has three operating businesses: Stagecoach East Scotland, Stagecoach West Scotland and Stagecoach North. It also has a joint venture (Scottish Citylink Coaches Limited) with international transport group, ComfortDelGro, to operate the Scottish Citylink express network and *megabus.com* branded services to, from and within Scotland.

### **Rail**

**East Coast:** the franchise, operated by Stagecoach and Virgin, is one of the two mainline routes between London and Scotland, providing fast, frequent services connecting London with Yorkshire, the North East of England and Scotland. Key destinations include Peterborough, Doncaster, Leeds, York, Newcastle, Edinburgh, Aberdeen and Inverness. The franchise runs for eight years until the end of March 2023, with the option for a one-year extension at the DfT's discretion.

#### **Main statistics Virgin Trains East Coast:**

Annual passengers: 21 million  
 Train carriages: 402  
 Employees: 2,800  
 Network size: 936 miles

**BUS FUNDING**

**Bus Service Operators Grant (BSOG)**

BSOG is an annual subsidy to the bus industry, the aim of which is to keep fares at affordable levels and enable bus operators to run services that might not otherwise be commercially viable. In this way it supports the bus network and benefits passengers across Scotland.

While the distance currently being run by bus operators in Scotland has been relatively stable over the last four years, more of these kilometres are being covered by vehicles qualifying for the additional LCV payment available under BSOG.

The BSOG low carbon incentive is to be reduced for 2017-18 (from +14.4p/km to +10.1p/km) and is under review to ensure its longer term sustainability.

The table below shows payments made to Stagecoach for 2015/16 and 2016/17 (please note the figures in red are estimated).

Operator	15-16 Certified eligible kms	Total 15-16 claim value	16-17 Estimated kms	16-17 Estimate Payments made	17-18 Estimated Km's Submitted by Op	17-18 Estimated payments Forecast as per Km's
Stagecoach Bluebird Buses Ltd						
Stagecoach Bluebird LCV claim						
Stagecoach Fife						
Stagecoach Fife LCV claim						
Stagecoach Highlands						
Stagecoach Highlands (Inverness) LCV Claim						
Stagecoach North West Ltd - Blend						
Stagecoach North West Ltd - LCV						
Stagecoach West Scotland Bio-Diesel						
Stagecoach West Scotland Blend						
Stagecoach West Scotland Diesel						
Stagecoach West Scotland Diesel - LCV						

## **Scottish Green Bus Fund (SGBF)**

There have been six rounds of the SGBF. Funding amounting to £14.76m has seen the introduction of 315 low carbon vehicles to the fleet. Stagecoach has been successful over the six rounds of the SGBF and has been granted funding of approximately £4.3m to help fund 52 buses.

Buses purchased through the Fund are returning significant fuel savings and reduced emissions. Each new bus is expected to deliver an average reduction in CO2 of around 21 tonnes per year and 300 tonnes over their life-cycle.

The draft Budget shows funds available for the Future Transport Fund. We expect that to include funding for a 7th round of the Green Bus Fund in 2017-18, but the amount (likely to be £3m as in previous years) has yet to be decided and announced.

We are currently reviewing how future rounds should work given developments in technology and markets and the need to tackle both air quality and climate change emissions.

### CONCESSIONARY TRAVEL

#### Lines to take:

- **This Government remains committed to supporting bus services and concessionary travel nationally.**
- **People are living longer, staying healthy longer, and staying in work later in life. We want to ensure that our successful concessionary bus travel scheme continues to benefit those who have the greatest reliance on free bus travel.**
- **There are a number of reasons why the concessionary travel budget is lower than last year. Fares and journey numbers by older and disabled people have risen less than expected in the last two years.**

We have reached agreement with the Confederation of Passenger Transport, representing the bus industry, to secure the continuation of concessionary bus travel from 1 April 2017. Under the agreement, bus operators will be reimbursed at a rate of 56.9% for journeys undertaken. We are setting the budget cap for 2017-18 at £196.16 million, reflecting expected claims.

The cost of the scheme has been restrained over the past two years as a result of lower than expected increases in fares and journeys, resulting in budgets outstripping claims.

But costs in the longer term are expected to continue to rise as about 70,000 new people become eligible each year.

Over the course of the next year, the Scottish Government will work with Skills Development Scotland, bus operators and local authorities to put in place the legislation and systems needed to provide modern apprentices under the age of twenty-one with free bus travel.

Work will also continue to prepare for the introduction of the new Job Grant for people aged between 16 and 24, which will include three months' free bus travel for young people who start work after six months' unemployment.

We will undertake a consultation with key stakeholders about ways to ensure the sustainability of the concessionary travel scheme is secured for our older and disabled people. Should a decision be taken to make any changes, we will safeguard the position of existing card holders, including people with disabilities. Those people who have a bus pass will not have to worry about changes to their entitlement to free bus travel.

The tables below reflect the payments made to Stagecoach for the years 2015/16 and 2016/17 (please note that 2016/17 figures are forecasted):

<b>2015/16 (at Reimbursement Rate of 57.1%)</b>	<b>Journeys</b>	<b>Co.av.fare</b>	<b>Reimbursement</b>
Stagecoach in Fife (PM0000004)			
Stagecoach Bluebird (PM0000005)			
Stagecoach West (PM0000008)			
Strathtay Scottish (PM0001799)			
Stagecoach in the Highlands (PM0002294)			

<b>2016/17 (at Reimbursement Rate of 56.9%)</b>	<b>Journeys</b>	<b>Co.av.fare</b>	<b>Reimbursement</b>
Stagecoach in Fife (PM0000004)			
Stagecoach Bluebird (PM0000005)			
Stagecoach West (PM0000008)			
Strathtay Scottish (PM0001799)			
Stagecoach in the Highlands (PM0002294)			

## **CONGESTION**

### **Lines to take:**

- **Through the refresh of the National Transport Strategy (NTS), Ministers encouraged local authorities to bring forward bus priority measures to improve bus journey times, working within the current regulatory framework. The upcoming review of the NTS provides another opportunity to take a strategic view of congestion.**
- **Transport Scotland is developing a feasibility study to explore what opportunities there are to enable hard shoulder running to take place for bus services. The work will be developed in consultation with the bus industry and will form part of our wider Managed Motorways Programme.**
- **The Scottish Government supports the development of partnership working to tackle issues like congestion and ensure that bus passengers get the best possible service.**

### **Background**

Congestion is an issue which impacts on the ability to transport people and goods around the country, particularly in and around cities. That is reflected in the fact that perceived congestion is one of the three transport-specific National Performance Framework Indicators. The issue of congestion has arisen in a number of ways recently via its impact on bus and more widely. The Transport Minister has said publicly that he is concerned about congestion and wants it to be addressed.

The issue as it relates to bus came to the fore in 2016, particularly via David Begg's report: 'The Impact of Congestion on Bus Passengers'. The report painted a concerning picture of congestion across British cities, with Glasgow and Edinburgh as case studies showing that congestion is leading to slower and less reliable bus journeys, therefore contributing to declining patronage.

The Scottish Government is already taking action in a number of areas – see below.

### **Local authority roads**

Through the refresh of the National Transport Strategy (NTS), Ministers encouraged local authorities to bring forward bus priority measures to improve bus journey times, making bus more attractive to the travelling public. The upcoming review of the NTS provides another opportunity to take a strategic view of congestion.

The Scottish Government recognises the importance of bus priority in relation to improving bus punctuality and travel time, making bus a more attractive mode of transport and is committed to improving bus services and the workings of the current regulatory framework. Transport Scotland is also, in conjunction with operators and local authorities, looking at ways of encouraging the rollout of bus priority measures to grow patronage levels.



## **Investment in the strategic road network**

Since 2007, over £6.5 billion has been invested by Scottish Ministers in our Motorways and Trunk Road Network and we are currently committed to the largest road investment programme that Scotland has ever seen. Many of these investments will provide congestion relief, not only on the trunk road network but to local roads, bringing benefits to both car and bus users.

Transport Scotland is developing a feasibility study to explore what opportunities there are to enable hard shoulder running for bus services, what the journey time and emissions benefits are, safety standards for providing shorter hard shoulder running opportunities and value for money in achieving journey time reliability. The work will be developed in consultation with the bus industry and will form part of our wider Managed Motorways Programme, which offers relatively low cost, but high impact solutions to increase the operational efficiency of Scotland's trunk road network. The study will explore the opportunities, impacts and benefits of rolling this out to the wider trunk road network.

## **Improving how we deal with roadworks**

One of the perceived causes of congestion is road works, especially unexpected road works. Some of the outputs from the recommendations of the recent report on the independent review of the Office and functions of the Scottish Road Works Commissioner which are being taken forward may help with this.

We still need our utilities to keep our services connected to homes and business, and deal quickly with the unexpected, but we perhaps need to do more to ensure road users and the public are better informed. We are therefore looking at options to provide greater certainty around when road works are taking place and inform people about the work being undertaken.

## **The National Low Emission Framework**

The National Low Emission Framework (NLEF) is designed to enable local authorities and their partners to appraise, justify the business case for, and implement a range of, air quality improvement options related to transport (and associated land use). These options include Vehicle Access Regulation Schemes, such as Low Emission Zones and Clean Air Zones. These options are likely to include measures to optimise the delivery of sustainable bus services in areas where air quality is an issue. This may include bus prioritisation measures and congestion management to improve the delivery of bus services.

## **Transport Bill**

As announced in the Programme for Government and as part of our preparation for a Transport Bill later in the Parliament, during 2016-17 we will work with roads authorities, utilities, road users and others to develop legislative and other options for enhancing and improving the role of the Scottish Road Works Commissioner and the wider regulation of road works. Another key element of the Transport Bill will be provisions for bus services, ensuring that local authorities have the right tools at their disposal to improve bus services.

## **Managed Motorways**

We are committed to making best use of available road capacity. With this in mind, work is underway to explore how best Intelligent Transport System (ITS) can be applied on key parts of the trunk road network, including the M8. Managed Motorway technique offers a relatively low cost, high impact way to increase the operational efficiency of the trunk road network.

The potential interventions range from variable speed limits and ramp metering (controlling traffic entering the main carriageway from slip-roads or connector roads), to hard shoulder running for priority vehicles.

There are a number of individual managed motorway studies on-going at this time and Transport Scotland is currently reviewing the findings of the pre appraisal reports on the M8 through Glasgow, M77 on approach to Glasgow, M80 (between the M73 and M876 junctions); A90 Kingsway; and A737 (between the A760 and M8 junctions). These will help to inform the intervention priorities, as part of a package of measures being considered, to address congestion on our trunk road routes.

Managed Motorway solutions are already in use in Scotland, for example as part of the Forth Replacement Crossing project. Initial analysis indicates that the use of the bus lane on the M90/M9 approach to Newbridge Roundabout brings significant journey time savings of 5-8 minutes (up to 50% journey time savings) as a result of bypassing queuing traffic in the AM Peak.

The Forth Replacement Crossing, which is due to be delivered in May 2017, will, in effect, create a 13.7 mile (22km) 'managed motorway' by using an Intelligent Transport System (ITS) to help regulate the flow of traffic approaching and crossing the Forth. This is the first time such a system will have been used in Scotland.

**PROPOSALS FOR SCOTTISH TRANSPORT BILL****Lines to take:**

- **SNP manifesto states that we will bring forward a Transport Bill to improve bus services (and enhance and improve the role of the Scottish Road Works Commissioner and wider road works regulation and to enable and enforce responsible parking).**
- **The government has no plans for wholesale re-regulation, however we are committed to promoting positive change and partnership working to improve bus services.**
- **TS will undertake substantial discussion and consultation regarding content of the Bill.**
- **Enhanced partnership schemes offer the ability for local authorities and operators to agree a network plan for their area.**
- **I am committed to ensuring that local authorities have a range of viable options for improving bus services and that includes where appropriate franchising or municipal operation.**

**Background**

The prospect of a Transport Bill provides an important opportunity to consider and review elements of current bus policy. The Bill provides a potential vehicle for improving bus services and tackling the issue of declining patronage.

Improved bus service provision cannot be provided by only one part of the sector but needs passengers, operators, transport authorities and the regulator to work effectively together. Improved partnership working will be a way to address key issues such as congestion's impact on bus services. Legislation will aim to provide a suitable framework for improved partnership working (but it is important to note that legislation is not the only way to tackle congestion).

**Partnerships**

To improve partnership working further we would look to increase the flexibility of the statutory Quality Partnerships included in the Transport (Scotland) Act 2001 so that they take account of the bus service network in the local area and work together to ensure that local needs are effectively met.

Proposals are currently being made in the UK Bus Services Bill around partnerships which could serve as a template on which can be developed a partnership framework for Scotland.

The 'Enhanced Partnerships' proposals in the UK Bill are intended to allow expansion of partnership working to the network level aiding joint planning of the network by LTAs and operators.

**Local Franchising**

The Transport Bill provides an opportunity to address the questions around local franchising to ensure that it is a feasible option for authorities that see the need for it.

No local authorities have used the existing legislation to put in place a quality contract. However, this may be due to the processes involved. There are growing calls from certain councils to be able to franchise services and, given the changes in the operating environment over the last ten years, franchising may be appropriate in some areas to ensure that local needs are met.

Franchising would require transport authorities to understand the network required and be able to specify the services, vehicles, fares and routes needed. They could then offer exclusive contracts to one company to provide the network or part of the network for a limited time.

Local authorities would need to explain why franchising is being used and to demonstrate the costs and benefits involved and that they are affordable and deliverable. Decisions will be required regarding whether Ministerial approval should be given for each scheme or whether this should be sought from an independent body.

The local and regional governmental framework and the approaches to franchising differ between England and Scotland. However, the principle is one that we could progress here with a process specific to Scotland.

### Open data

The UK Bus Services Bill includes measures to compel bus operators to share information regarding bus services including service routes, fares and punctuality.

We propose that the Transport Bill should also require the release of open data on routes, timetables, punctuality and fares in a specified format and that operators of local services be required to release this information. This is with a view to freeing up information so that passengers find it easier (via app developments for example) to know when their bus will arrive and how much it will cost. The bus industry is broadly supportive of the approach, as long as safeguards are in place to ensure the integrity of the information, something we would of course prioritise for the good of the travelling public. We will need to examine the effects on competition of any proposed provisions with a view to any issue of Parliamentary competence.

### Smart Ticketing

Although it is hoped that the majority of Scotland's transport operators will either voluntarily participate in Transport Scotland's smart ticketing scheme(s) directly or via a local authority, the bill would seek to address those operators who want to avoid any participation.

We have further work to do to scope the exact elements that would require legislation, but the bill would be likely to contain the following:

- A requirement to participate in a (national) smart ticketing scheme. This will, in turn require us to set out in some detail what the scheme is, how it will work, what the infrastructure expectations placed on operators (eg provision of appropriate ticketing equipment) are for the scheme, when it might take force, and what penalties there might be for non-participation. We may also need an appeals process.
- Governance arrangements for that scheme. This in itself is a substantial piece of work that will most likely require external input and assistance.

### SMART TICKETING

#### Lines to take:

- **The Scottish Government's long term vision for smart ticketing is "that all journeys on Scotland's bus, rail, ferry, subway and tram networks can be accessed using some form of smart ticketing or payment".**
- **I welcome the real progress that is being made through partnership working.**
- **Integration (for example with the ScotRail, Glasgow Subway and Ferries) is essential, so the public sees, and experiences one easy to use system.**

#### Background

Since 2006, the delivery of the Scottish Government's free bus travel scheme has operated on an ITSO smartcard system using the National Entitlement Card (NEC). There are currently over 1.3 million NECs (commonly called *saltirecard*) used for concessionary travel, generating nearly 150 million smart transactions through Transport Scotland's system every year. This represents over one-third of all bus journeys in Scotland and is a prime example of an interoperable smart ticketing scheme.

Commercial smart tickets are more secure and reduce fraud. For the customer, they open up the opportunity to purchase tickets or credit before travelling which results in faster boarding times, reduced queues and the need to carry exact amounts of cash to pay for travel.

With the system being implemented in Scotland, the Scottish Government will have the potential, in the future, to consider the use of contactless bank cards and mobile phone technology.

There are many new smart ticketing initiatives and new technologies being developed that will help operators work with the Scottish Government to deliver smart and integrated ticketing for Scotland, which ultimately aims to enhance the quality of service being delivered to passengers throughout Scotland.

As part of the agreement reached by then Transport Minister Derek Mackay with the CPT and operators in March 2016, the industry undertook to deliver 4 smart cities in Scotland. Delivery thus far from the major bus operators has been good, both with investment in upgraded ticket machines and significant expert resource committed in partnership with Transport Scotland.

Aberdeen went live with the GrassHOPPER smart multi-operator ticket on 16 August 2016 followed by Dundee on 15 September 2016, Edinburgh and Glasgow will follow early in this year with smart multi-operator tickets. These schemes use the interoperable functionality of the latest ITSO specification to allow any compatible card to be used on any operator within the area. In both Edinburgh and Glasgow the bus ticketing equipment is in the process of being upgraded to the latest ITSO specification in preparation.

## LOW EMISSION ZONES

### Lines To Take:

- ***[If pressed on Low Emission Zone costs:]* The implementation of Low Emission Zones in cities around the world has clearly demonstrated that major reductions in harmful air pollution levels can be achieved without necessarily charging motorists. Restricting access to certain areas for the most polluting vehicles could provide a credible alternative.**
- **The timescales for putting in place the first LEZ by 2018 will be:**
  - Mid 2017: Preparation for the National Modelling Framework (NMF) and the National Low Emissions Framework (NLEF) will be complete.
  - Mid/Late 2017: Appraisal of air pollution sites across Scotland.
  - Late 2017: Decisions on LEZs and other related transport interventions across Scotland.
  - Late 2018: Delivery of Scotland's first fully operational LEZ.
  - By 2020: Evolution of subsequent NLEF schemes across Scotland based on learning from the first LEZ

### Background

Programme for Government states that "We will take forward the actions set out in the Cleaner Air for Scotland (CAFS) – Scotland's first distinct air quality strategy – to reduce air pollution further. With the help of local authorities, we will identify and put in place the first LEZ by 2018, creating a legacy on which other areas can build". As shown in the lines to take, the timeline for delivering the first LEZ by 2018 is very ambitious.

The National Low Emission Framework (NLEF) is a transport focused, evidence based appraisal process; it is a key component of CAFS. It will be developed in draft by February 2017 and once published following consultation, will enable local authorities to justify the business case for, and implement, a range of air quality improvement options related to transport and accessible land use, including options such as LEZs or Clean Air zones. NLEF will dovetail with the Local Air Quality Management system. At present, we are funding an extensive traffic data collection exercise across Aberdeen, Glasgow, Edinburgh and Dundee to support development of local and regional air quality models under the CAFS National Modelling Framework.

LEZs set minimum emission standards for access to a defined area; either charging vehicles to enter the area or excluding vehicles that do not meet the standards. It is likely that NLEF will follow the latter option. LEZs are widely adopted in Europe but only a handful exist in England (notably London). No Scottish local authority has yet introduced a permanent LEZ. Reasons for this include cost, perceived economic impact and public acceptability. Clean Air Zones are defined as a mechanism to assess vehicles operating in a defined area, where the goal is to target measures, other than exclusion, at the most polluting vehicles that enter a space on a regular basis.

## **LEZ funding**

No new funding has been allocated to NLEF scheme design, construction and operation. Estimated value of NLEF funding in 2017/18 would need to be at least £500,000 to cover the design and implementation phase of LEZs. Funding level required to support all NLEF options across Scotland is unknown because scheme numbers and scheme design criteria have not yet been confirmed. An estimate of £5 – 15 million should offer a guide to the level of funding that may be required across 2018/19 and 2019/20, combined to deliver a mix of design, hard infrastructure, resource, system maintenance and enforcement.

Recent PQs have focused on LEZ funding. Whilst we have not made any definitive statement about additional funding, the general thread of ministerial responses has been as follows:

- We support policy and interventions via existing funding packages. SG already provide local authorities with grant funding up to £3 million per year to cover air quality monitoring, management, annual reporting and small scale mitigation.
- Necessary arrangements will be required based on NLEF guidance and outputs as we go through the CAFS programme.
- The current CAFS programme is described as ambitious, but we will be as supportive as we can of local authorities as we tackle air quality in partnership.

## **LEZ enforcement**

In terms of LEZ enforcement, experience from London and elsewhere in Europe has shown that a fixed ANPR camera network is the most effective means of enforcement, but can cost millions of pounds per city to construct and operate. As part of the NLEF guidance development, we will seek to test and cost enforcement options, and these will be confirmed once NLEF guidance has been published.

## **Role of Traffic Commissioner in LEZs**

Putting in place the first LEZ by 2018 will require crucial support from the Traffic Commissioner. Specifically, the Traffic Commissioner has powers to alter the licencing conditions for Public Service Vehicles (PSVs) with respect to operators of Heavy Goods Vehicles (HGVs) and of buses and coaches. A number of these PSVs will operate within the boundaries of future Scottish LEZs. This would mean that licencing conditions could state the Euro-class of engine that the PSV must comply to in order to enter an LEZ without facing a penalty. The specific Euro-class for PSVs will be confirmed once NLEF is published. This approach would be a first step – and crucial step - in underpinning the enforcement regime for the first LEZ to be put in place by 2018.

## CROSS BORDER RAIL

### Lines to Take:

#### Virgin Trains

- Virgin Trains is a valued provider of direct day-time services between London and Scotland.

#### West Coast Main Line

- If Stagecoach are interested in bidding for the West Coast main line, either as a standalone bidder, or as part of a joint bid, we are more than happy to meet with them at a suitable juncture to discuss the Scottish Government's service aspirations

#### East Coast Main Line

- With over 50 cross border services per day to and from Edinburgh, we recognise Virgin Trains as a key player in supporting business and the growing leisure markets along the East Coast.
- We look forward to the proposed journey time improvements and increased frequencies on the route.

### West Coast Main Line

The InterCity West Coast (ICWC) franchise holder is Virgin Trains. Virgin Trains (legal name West Coast Trains Limited) is owned by Virgin Rail Group (51%) and Stagecoach (49%) and has operated the ICWC franchise since the rail line was privatised on 9 March 1997.

Services run from Glasgow Central to London Euston every hour, and separately from Edinburgh Waverley via Birmingham New Street to London Euston every two hours.

### Refranchising

The Department for Transport (DfT) have commenced the refranchising of the ICWC route. The consultation for the refranchising launched on 10 May 2016, and closed on 2 August 2016.

On 4 November 2016 the Parliamentary Under Secretary of State for Transport, Paul Maynard MP, announced a significant change by incorporating the operation of HS2 services with the operation of the future ICWC services within what will be termed the West Coast Partnership franchise. The Franchise operator will have a great deal of influence over the planning of the HS2 train operation and the design of the train interiors.

Consequently, the franchise process has pushed back with the winning bidder now to commence operations in April 2019.



In November 2016, an Invitation to Tender (ITT) for the West Coast Partnership franchise was issued to shortlisted bidders.

The new franchise will run a revenue risk term for 7 years until 2026, with a management contract for a further period of 3-5 years on the commencement of HS2 operations. The DfT are also looking to build in appropriate extensions to the contract to cater for any potential delays to HS2.

The key stations along the route relevant to Scotland are: (Carlisle) Lockerbie, Motherwell, Glasgow Central, and Edinburgh (Waverley/Haymarket).

The Scottish Ministers' aspiration for the specification of the West Coast Partnership franchise is clear: safe, fast, frequent, reliable, punctual services connecting Scotland to London and intermediate locations with on board facilities and fares that attract and retain passengers, with a focus on working with others to deliver improvements at stations including Motherwell, Lockerbie and Carlisle. Measures to increase connectivity and attractiveness would be particularly welcome.

### **East Coast Main Line**

The InterCity East Coast franchise holder is Virgin Trains East Coast (VTEC). They took over the operation on the East Coast Main Line (ECML) on 1 March 2015 (from East Coast, the Directly Operated Service). VTEC is owned by Stagecoach Group (90%) and Virgin Group (10%). Over the 8 year life of the franchise, VTEC will pay the UK Government around £3.3 billion to operate the franchise.

Services run from London Kings Cross to Edinburgh (with extensions to Glasgow Central, Inverness and Aberdeen).

The InterCity East Coast VTEC franchise offers improvements in journey times and more frequent faster trains with regular journey times between Edinburgh and London of 3 hours 59 mins by May 2020.

### **Timetable Enhancements**

An additional direct weekday service was launched between Stirling and London in December 2015.

VTEC were given permission to enhance their timetable and introduce 42 new services a week between Edinburgh and London from 16 May 2016, increasing seat capacity by 22,000 (32%) a week on the route.

The new services comprise eight new Edinburgh-London services per weekday (i.e. four new services daily in each direction).

### **Advance Ticket Booking**

Advance ticket booking, for services between London and 'north of York', have been increased from 12 to 24 weeks prior to date of travel for weekend travel alongside weekday travel.

## **Refurbishment of Train Fleet**

Alongside the timetable enhancements, VTEC are undertaking a £21 million refurbishment of their train fleet. This is part of their pledge to invest more than £140 million to deliver an improved service and a more personalised travel experience for customers.

On 18 March 2016, VTEC unveiled the first of its new fleet of trains, the Virgin Azuma, which will be used on the East Coast from 2018 and will be one of the most advanced trains on the UK's rail network.

## **ORR Open Access (May 2016)**

On 12 May 2016, the Office of Rail and Road (ORR) announced that it had approved applications from VTEC and FirstGroup (open access operator) to run new train services travelling on the ECML between London and Edinburgh.

- The ORR granted approval for FirstGroup to launch open access services between London, north-east England and Edinburgh from 2021.
- The 10-year deal will allow First Group to operate five trains a day each way via intermediate stations at Stevenage, Newcastle and Morpeth from 2021.
- VTEC were also granted approval to increase their services on the line [and other branches] between Edinburgh and London, effective from May 2019 at the earliest, if track capacity is available, or by May 2021 as an absolute right.

These services will be introduced in stages over the coming years, in some cases once Network Rail (NR) completes a programme of work to increase track capacity.

## Nelson A (Ally)

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**From:** Grant P (Peter)  
**Sent:** 21 June 2017 09:40  
**To:** Crawford A (Allan)  
**Cc:** Nelson A (Ally); Brown GCK (Glynis)  
**Subject:** FW: Thank You  
**Attachments:** BRIEFING FOR SCOTTISH TRANSPORT MINISTER MARCH 2017 FINAL.docx

**Follow Up Flag:** Follow up  
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For FOI

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**Sent:** 04 April 2017 14:44  
**To:** Grant P (Peter)  
**Cc:** [Robert.Andrew@stagecoachgroup.com](mailto:Robert.Andrew@stagecoachgroup.com); [Steven.Stewart@stagecoachgroup.com](mailto:Steven.Stewart@stagecoachgroup.com)  
**Subject:** Fw: Thank You

Pete

It was good to meet you last week. I have asked Robert Andrew - MD Stagecoach Bus Scotland and Steve Stewart ( Group Director of Communications ) to make contact with you and discuss what sensible Partnership options might look like.

Regards

Martin

----- Forwarded by Martin Griffiths/Group/SCHQ on 04/04/2017 14:40 -----

**From:** Martin Griffiths/Group/SCHQ  
**To:** [transportminister@gov.scot](mailto:transportminister@gov.scot)  
**Cc:** "Rhona Gray" <[rhona.gray@stagecoachgroup.com](mailto:rhona.gray@stagecoachgroup.com)>  
**Date:** 04/04/2017 14:40  
**Subject:** Thank You

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Dear Minister

Thank you for your time last Thursday . I appreciated the openness and frankness of the discussion and your offer to stay in regular communication. I attach the document I referred to in our meeting . I hope it helps in putting a number of the important bus industry issues and opportunities into context . I also hope it lays to rest some of the " myths "

about franchising and contracting some of which are at best based on misinformation and others purely on ideology - regardless none of which myths are based on what is best for passengers or taxpayers.

I took some reassurance from our conversation particularly as regards your own position and your approach to the Bill and the safeguards you want to see around it. I was also encouraged to hear that this was also the position of the wider leadership of the Government. That said there will be a number of people in all parties who will try to exploit the Transport Bill for their own purposes and that remains a major concern for our Board and our investors. We are very proud to be a Scottish plc currently based in Scotland that supports hundreds of jobs not just directly but also in the supply chain, particularly at Alexander Dennis in Falkirk who will confirm that we have been their biggest customer for many years spending hundreds of millions of pounds on new vehicles many of which have been for the Scottish market. Our Board is very committed to Scotland and wants to build on our success here with further investment. Fundamental changes to the Regulatory environment leading to further uncertainty would not be helpful in this regard.

I look forward to catching up soon.

Kind regards

Your Sincerely

Martin Griffiths

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## BRIEFING FOR SCOTTISH TRANSPORT MINISTER

### Stagecoach bus operations

- **Employees:** 3,500
- **Buses:** 1,300, all meet low-floor accessibility requirements
- **Customers:** c88m/year
- **Scope of network:** Orkney to the south-west of Scotland.
- **Fares:** lowest bus fares in Britain; unlimited weekly travel on Scottish town networks for an average of £11.
- **Investment:** +£90m in new vehicles for Scotland since 2011; £1b across UK in past 10 years.
- **Smart ticketing:** smart ticketing across all Scottish operations; completion of smart-multi-operator ticketing in Scotland's city regions during 2016-17, benefitting three-quarters of Scottish population; mobile ticketing via Stagecoach app across UK by April 2017; contactless being rolled out by Stagecoach across UK by 2018
- **Customer experience:** new digital tools - such as improved websites and better information – wifi on board, new buses, direct engagement with customers and communities about their bus networks.
- **Integration:** bus connections with national rail stations, shopping centres and business parks
- **Customer satisfaction:** Most satisfied customers of any bus operator in Scotland (Transport Focus, Mar 2015)
- **Supply chain:** the biggest vehicle supplier is Alexander Dennis. Stagecoach orders support hundreds of supply chain jobs at its base in Falkirk and at other companies.
- **Green technology:** UK's biggest investor in hybrid electric bus technology in the UK; part operate Europe's biggest hydrogen bus fleet in Aberdeen; electric vehicles in Inverness; buses running on 100% recycled biofuel in West Scotland.
- **Employee pay and benefits:** attractive packages, access to good pension arrangements, employer share plans and other benefits. Pre National Living Wage, some 95% of our employees in Scotland were already paid above the Living Wage, with others being paid above the minimum wage.

### What has the commercial bus market in Scotland delivered

- **High customer satisfaction:** : 9 out of 10 passengers are satisfied with their services
- **Low fares:** Local bus fares in Scotland remain **lower than the UK average** and are increasing at a significantly slower rate. Average weekly and daily fares lower in 2015 than in 2009.
- **Easier ticketing and better information:** greater proportion of multi-operator tickets and smartcards in Scotland than in England and Wales; digital tools, including real time information.
- **Investment:** major Scottish bus operators investing on average £30m per year in fleet renewal with better accessibility and environmental performance.
- **Innovation:** new product and services to make bus travel more attractive (eg Stagecoach Gold)
- **Sustainable networks:** bus routes which reflect demand and which largely operate with no taxpayer subsidy.
- **Value for money for taxpayer:** 81% of mileage in Scotland is operated commercially, with that figure rising in urban areas. For example, bus mileage in Glasgow is 93% commercial with SPT supporting 7%.
- **Passenger volumes:** close to 80% of all public transport trips in Scotland are made on buses (over 400m pax journeys a year); stemmed sharp decline of the past.

### But buses are affected by external factors

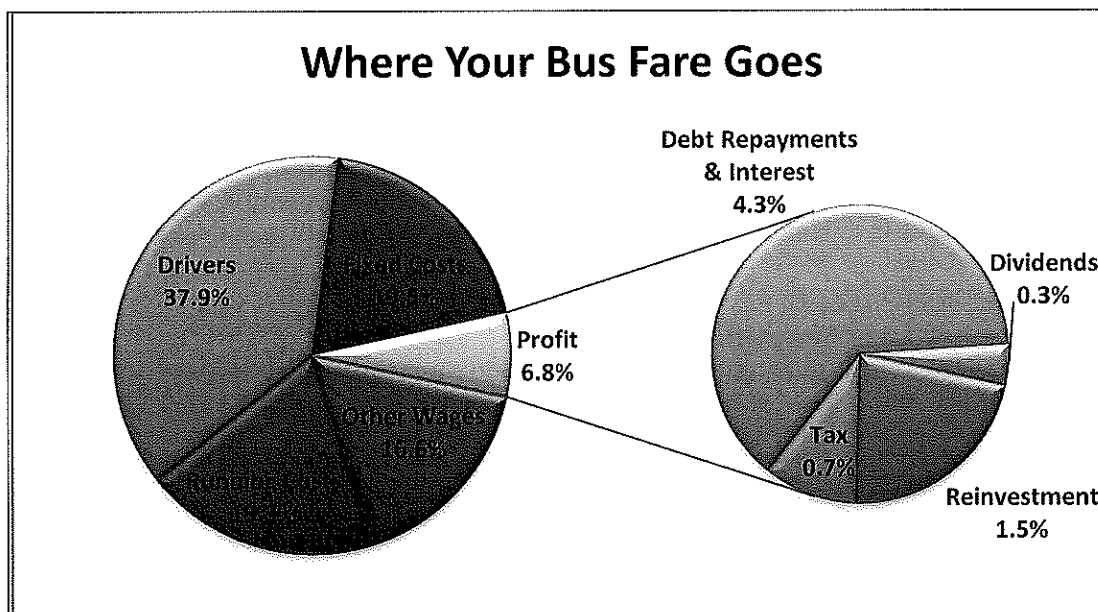
- Challenges facing bus services in Scotland today are **nothing to do with the regulatory system.**
- **Macro-economy:** double-dip recession and further economic uncertainty caused by Brexit.
- **Fuel prices and low car ownership costs:** historically low fuel prices and costs of owning/leasing a car have made motoring more attractive relative to bus travel. At the same time, fuel tax costs for bus operators went up by 75% with changes to BSOG in 2012 (airlines, ferries and rail pay little or no fuel tax).
- **Car use and road congestion:** car km on major roads is up 142% since 1975. Since 1986, car use in Scotland has increased by 40%. Scotland has some of the most congested cities in the UK. Aberdeen (3rd) is behind only London and Manchester, with Edinburgh 5th and Glasgow 11th. Driver in Aberdeen move at an average of 5.5mph. Congestion damages bus punctuality, drives up operating costs and fares, and makes bus travel unattractive to customers, as well as damaging the local economy and air quality.
- **Changing social patterns:** more internet shopping and less high street retail footfall. Less travel into city centres in the evening in many town and cities.
- **Public investment in buses:** buses carry 76% of public transport journeys but receive only 12% of Transport Scotland spending. The current subsidy per rail passenger is roughly 30 times greater than the subsidy per bus passenger. Huge public sector investment in rail network and re-opening of some lines has abstracted some passengers from buses.
- **Local authority cuts to bus services:** councils have cut 14% of the bus services they pay for since 2011
- **Bus operating costs:** operating costs per vehicle km in Scotland have increased at almost three times the rate of the UK average (excluding London) over the last five years.
- **Failure of transport authorities to adopt pro-bus policies:** lack of bus passenger priority measures, little use of parking policies to influence levels of car use in Scottish towns and cities.

### Myth 1: Bus passenger decline in Scotland is down to deregulation

- Bus use decline across UK since 1950s and continued throughout period of public sector ownership and operation of buses in Scotland. Decline in Scotland continued post deregulation in 1986 through to late 1990s.
- Bus pax volumes were over 1b in Scotland in 1970, but dropped to less than 700m by the mid-1980s, before deregulation..
- Changing lifestyles have influenced bus use - growth of car ownership and TV, changing housing patterns, shopping habits
- High inflation and labour shortages in 1970s (when buses were in public sector control) resulted in big fares rises, poor bus reliability, massive passenger decline and a cycle of increasing public subsidy/taxpayer cost.
- Public sector cross-subsidised routes, networks and entire regions, with no definition of what local authorities were paying for.
- Subsidy for buses in Greater Glasgow area increased by +300% between 1979 and 1986. But between 1974 and 1983, bus passenger volumes in Greater Glasgow fell by 40%.
- Scotland's bus market did not become wholly private sector operated in the mid-1980s. Municipal bus companies were still owned by public sector up to mid-to-late 1990s (Lothian still LA owned today)
- More bus passengers were lost in Scotland in the 15 years between 1971 and 1986 than in the 30 years after deregulation.

### Myth 2: Bus operators put profits before passengers

- Around 93% of fares goes into meeting day-to-day wages and costs of running Scotland's bus network.
- Some 6.5% goes to fund taxes, reinvestment in new buses and other improvements to benefit customers as well as paying interest and repayments on loans.
- Bus operators pay more than double the amount in taxes as they do in dividends, which account for 0.3% of a customer's bus fare.
- Local bus fares in Scotland are lower than the UK average and rising at a significantly lower rate.
- The Scottish bus industry has invested over £200m in new vehicles over the last five years.
- Independent research indicates an operating margin of around 11% is required to meet financial obligations - the current average is around 7%.
- The chart below shows where on average every £1 of bus fare income in Scotland goes



### Myth 3: Bus companies depend on huge public subsidies

- Around 90% of bus services in Scotland towns and cities are commercially operated.
- Bus operators pay significant fuel tax, compared with airlines, ferries and rail which pay little or no fuel tax.
- Buses receive comparatively little in government support yet deliver 8 in 10 public transport journeys.
- More than 60% of public sector spending on buses in Scotland goes on the National Concessionary Travel Scheme. This is a subsidy to qualifying bus passengers, not bus operators. Bus operators are simply reimbursed for providing a service for passengers who would otherwise have to pay for their travel. Analysis shows that every £1 spent on the scheme generates at least £2.87 in wider benefits.
- Local authority spending on buses accounts for only 20% of Scottish bus spending, with the remainder of the funding coming from Transport Scotland budgets.
- The current subsidy per rail passenger is roughly 30 times greater than the subsidy per bus passenger.

#### Myth 4: Bus services would be improved by handing control to local authorities, such as through franchising just like London

- The costs and risks of franchising are significant and offer no guarantee of improvements for passengers.
- Public sector control does not stop industry cost rises, macro-economic developments, pressure on public sector funding or changes in many lifestyle factors which influence bus use (eg internet shopping).
- The biggest cuts to bus networks in Scotland and across the UK have been to routes funded by local authorities. Over the last 5 years, across Britain (excluding London) commercial mileage has grown by 2% while local authority supported mileage has dropped by 30%.
- London is the only city in the UK where a franchised approach is used. But it has a unique set of circumstances and non-structural factors which have influenced bus use.
- **No business case:** The only costed and independently tested proposal for bus franchising outside London was thrown out as unworkable. This was developed by the North East Combined Authority (NECA) for Tyne and Wear. It wanted to spend £1.6 billion of taxpayers' money over 10 years to provide local communities with exactly the same network it already had. However, an independent panel rejected the proposed scheme on the grounds that it failed to satisfy the core test of being economic, efficient and effective. It also had a 1 in 3 chance of financial failure.
- **Franchising costs:** Independent research by transport consultants TAS in May 2015 estimated that the full annual cost of delivering "a bus service equivalent to that in London" to the whole of England would be more than £3.2 billion per annum, or £70 per head of the population. A similar cost per head in Scotland would land taxpayers with a bill of £380million per annum. Due to Scotland's dispersed population and geography, the cost is likely to be significantly higher (London has 5,523 people per km<sup>2</sup>, while Scotland has just 68.9).
- **Income v revenue:** historically, only 74% of the operating costs of London's bus network are covered by fares, the rest comes from taxpayer subsidy. In contrast, in Scotland nearly all of the bus network is operated commercially and operators need to fund costs fully from fares.
- **Profit levels:** there is no difference in average profit levels of bus operators in the London franchised system v the commercial system outside London. The difference in reported numbers is purely a technical issue related to the accounting of leased buses compared with those which are purchased.
- **Public sector investment disparity:** public funding for buses (excluding concessionary fares payments) is £71.67 per head in London, but only £21.29 per head in Scotland.
- **Wider transport policies:** London has benefitted from significant pro-bus decisions - red routes, congestion charge, investment in extra buses, high cost of car parking.
- **Customer choice:** Around 98% of London's franchised bus network is delivered by just 10 major companies compared with the hundreds of bus operators which give choice for passengers outside the capital. Bus franchising would risk putting many small and medium-sized bus companies out of business.
- **Macro-economic risk:** buses are critical to Scotland's economy, connecting communities with jobs, education, health, shopping and leisure facilities. Changing the regulatory model to a system which has not been tested in Scotland puts that vital connectivity at risk.
- **Supply chain:** major upheaval in bus regulation would discourage investment by bus operators and have huge implications for the supply chain, particularly bus manufacturing, which supports hundreds of jobs in Scotland (eg Alexander Dennis)
- **Lack of local authority expertise/resource:** almost all LAs in Scotland have no history of controlling bus networks. Under-resourced local authorities are also failing to meet current bus service registration requirements. There is nothing to indicate willingness or an ability to take on the task of operating bus services.
- **Transitional costs/issues:** huge uncertainty in moving between regulatory regimes, impact on investment in customer improvements, staff upheaval, no guarantee of access to existing depots.
- **Pensions:**
- **Threat to taxpayers:** putting further pressure on already stretched transport and local government budgets would be irresponsible when authorities are struggling to maintain bus investment.
- **Risk of higher fares/service cuts:** any shortfall in revenue under a franchised system could only be made good by higher bills for taxpayers, higher bus fares or cuts to the network of bus services. The bus network would also be hugely vulnerable to further public sector spending cuts or treated as a "cash cow" to fund other spending priorities.
- **Political risk:** under a franchised system, Edinburgh's bus network currently operated by Lothian Buses could be transferred to a French, Dutch or German state-owned bus company.

#### Myth 4: Buses are responsible for poor air quality

- Buses offer the best combination of energy efficiency and space consumption in urban streets.
- 3.7% of Scotland's transport emissions are attributable to the bus and coach.
- In contrast, 43.8% of transport emissions come from passenger cars.
- One double-deck bus can take 75 cars off the road.
- Across the UK, if everyone switched just one car journey a month to a bus or coach, it would mean a billion fewer car journeys and a saving of 2 million tonnes of CO<sub>2</sub> every year.

### How can we make real and practical improvements to Scotland's bus network for local communities?

- **Joint responsibility:** Improving bus services is a joint responsibility between bus operators, transport authorities and government. All partners need to deliver on their areas of responsibility for buses to flourish.
- **Partnership:** good public transport decision-making, devolved funding and joined up journeys can all be delivered within a partnership framework where bus operators and transport authorities work together. Improvements can be delivered more quickly and at lower cost than under a franchised regime.
- **Leveraging private sector capital:** Given the worsening budget constraints faced by local authorities it is clear that the most efficient use of their scarce resource is to utilise the strength of the commercial market, with its access to capital and operational expertise.
- **Tackling the congestion crisis:** The biggest barrier to bus growth is congestion. Research by campaign group Greener Journeys found that average traffic speeds have fallen to below 10% in Britain's busiest towns and cities. This is having a significant impact on bus travel with journey times currently increasing by 10% per decade. Across the UK, congestion already costs the economy over £11b a year. By 2030, the estimated total cost of congestion per household will be £2,057.
- **Improving air quality:** Growing car use is having a huge negative impact on air quality and health in our towns and cities. Buses can help tackle the problem.
- **Better mobility and connectivity:** investing in targeted bus passenger priority measures such as bus lanes, park and ride, and traffic pinch point interventions can help reduce congestion for everyone. It improves bus reliability and encourages modal shift.
- **Better for our economy and communities:** Bus priority measures can typically generate £3.32 of benefits for every £1 invested in them by government and enable more people to access jobs and services. A 10% reduction in bus journey times across the UK would mean 50,000 more people in work. Nearly 30% of all city centre spending is by bus users.
- **Stable funding:** while most bus services are delivered commercially, having a stable level of public sector investment in buses is crucial for bus operators to plan for the future.