



Buses and Economic Growth

**Summary of Report by the University of
Leeds, Institute of Transport Studies**

July 2012

Contents

Key Findings	3
Background to the Report	5
The role of the bus in supporting the UK economy.	7
Analysis, policy implications and recommendations	11

Greener Journeys 3rd Floor, Drury House, 34-43 Russell Street, London WC2B 5HA

W: www.greenerjourneys.com **E:** contact@greener-journeys.com

Key findings

1. Buses underpin the UK economy

Bus supports the UK workforce

- More people travel to work by bus than all other forms of public transport combined
- There are **2.5 million** bus commuters, and a further **1 million** use bus as back up. **This is around 12 % of the working population, accounting for £64 billion of GVA**
- People are willing to pay over and above their fares to have a bus service available to them as part of the urban fabric giving an annual gross option value of **£700 million**

Bus facilitates retail and leisure spend

- People use the bus to make shopping and leisure trips to a value of **£27.2 billion** per annum of which **£21.5 billion** is spent in town or city centres

Bus supports businesses

- **Over 50% of businesses** surveyed considered the bus had a role in recruitment and retention
- A fifth of businesses considered the bus to be central to their business operations

Bus assists the efficiency of the labour market

- **11% of employees who commute by bus** would be forced to look for another job if they could no longer commute by bus

Bus supports education, training and skills

- Over **50% of students** over 16 are frequent bus users
- If they could no longer travel to their places of education or training by bus, **12%** would have to miss sessions and **6%** would be forced to look for another less suitable course

Bus supports socio-economic mobility

- **30%** of those who are dependent on bus services to access their education and training courses live in areas in the top 10% of most deprived areas in Great Britain. The bus provides a vital role in helping them to up-skill and enter more productive jobs

2. Economic Implications of Reduced Government Support for Buses

Bus cuts can have an adverse impact on economic output

- **1/4** of bus commuters have turned down a job because of frequency or availability of bus service at some point in time
- **11%** of bus commuters have turned down a job because of frequency or availability of bus service in the last year
- **50%** (and more than half of those who normally use the bus to commute to work) felt that a better bus service would give them access to a better job

Young people are particularly likely to be adversely affected by bus cuts

- **Over half of 16-19 year olds** are regular bus users
- One fifth of 16-19 year olds use the bus to commute to work
- Bus cuts could compromise success of the Government's Welfare to Work policy and apprenticeship drive

Key Recommendation:

The wider economic impacts of the bus system need to be taken into account when considering the case for Bus Service Operator Grant (BSOG) and the appraisal and allocation of funds for bus infrastructure projects

Background to the Report

Why the Buses and Economic Growth report needed to be commissioned

More than five billion journeys are made by bus and coach every year, yet there remains an insufficient appreciation of their value in socio-economic terms – the contribution they make to the economy, to reducing carbon emissions, to facilitating social inclusion and in helping to maintain the fabric of our communities. Especially underestimated is the contribution the bus has to play in facilitating economic growth. While transport's overall role in enabling such growth is better recognised today than at any time over the last few decades, the bus remains the unsung mode when it comes to the economic role that it has to play.

Buses provide a 'multiplier effect' (Keynes 1936) to other sectors of the UK economy which has an indirect economic value. Investment in bus services is an important part of helping to start a cascade of events which increases economic activity. Buses provide essential access to labour markets, businesses and education and training; are crucial to congestion reduction on key corridors; stimulate investment and regeneration; and provide vital support to local businesses and retail economies.

Scope of the Report by the Institute of Transport Studies (ITS), University of Leeds

The 2012 ITS Report "***Buses and Economic Growth***" builds on the Greener Journeys 2011 Report "***A step change for Britain's Buses: Maximising the economic, social and environmental potential***", by widening our understanding of the contribution the bus makes to the economy looking specifically at the *indirect economic benefits* of bus travel.

The report aims to identify and evaluate the contribution of bus services to the efficient working of the labour market and of cities and towns ability to deliver services to their resident populations. The contribution of the bus is considered in the following key areas:

- *Increasing economic performance* - labour market efficiencies facilitated by the bus improves job-worker matches, thereby maximising worker productivity and output; increasing skill levels of the workforce through increased training; reduces frictional and structural unemployment
- *Connecting people to jobs* – bus services increase participation in the labour market and support businesses in recruiting and retaining staff
- *Supporting vitality of town and city centres* – buses feed centres with people embarking on shopping, social and leisure activities

Who is involved in the work?

Greener Journeys commissioned the Institute of Transport Studies (ITS), University of Leeds to undertake this research.

A Steering Committee of experts from across the bus sector was formed to oversee the direction and management of the project. This group included representatives from Department for Transport (DfT), Transport for London (TfL), Confederation of Passenger Transport (CPT), Passenger Transport Executive Group (PTEG), Arriva, FirstGroup, Go-Ahead Group, National Express, and Stagecoach.

We are very grateful to the Steering Committee for their invaluable support and advice, and to ITS Leeds for their professional and expert approach. We are also very grateful to PTEG for making a contribution to the funding of the project.

The role of the bus in supporting the UK economy

Buses are an essential mode of transport, accounting for over five billion passenger journeys every year. Nearly three times as many trips are made by bus as by surface rail and underground combined. Moreover, 25% of households do not have access to a car and are completely reliant on the bus for many of their essential journeys. Of the 5.16 billion bus trips in 2010, 22% were to/from work, 26% were shopping trips and 21% were leisure trips.

The new research focuses principally on the indirect economic benefits of bus travel. But it is also worth recognising that the bus industry makes a significant direct contribution to the economy as an employer and creator of outputs in its own right:

- Over 170,000 people are employed in the bus and coach industry
- Through its supply chain, the bus industry creates a further 83,000 jobs
- Over 50% of new buses registered in to service every year are built by British workers
- Bus industry employees spend £2.1 billion in the economy
- Bus sector spends £2.5 billion in its supply chain

Bus supports the UK workforce

Bus is an essential means of accessing employment

- More people travel to work by bus than all other forms of public transport combined
- There are **2.5 million** bus commuters, and a further **1 million** use bus as a back up – **12 % of the working population**
- **One fifth** of working age population outside of London use bus at least once a week
- Around **20%** of full time employed and **30%** of part time employed are frequent bus users

Bus commuters' contribution to GVA is worth £64 billion

- Bus commuters in GB generate **£45 billion** of economic output
- Those who use bus as a back-up contribute a further **£19 billion** of economic output
- 400,000 workers are in better more productive jobs, and the additional economic output they produce by being in more productive jobs is **£400 million** per year

Bus provides a form of social insurance

- **43%** of regular bus commuters do not have access to a car

- 70% of those with no car available use the bus frequently, compared with 20% of those with car available
- People are willing to pay over and above their fares to have a bus service available to them (even if they have a car) as part of the urban fabric giving a gross option value of £700m

The importance of the bus as a means of accessing employment cannot be over-stated, and by supporting bus commuters, the bus indirectly supports sizable economic benefits. Buses are also an essential means of transport for many, and provide a form of social insurance. Car owners value the availability of the bus as a back up mode of transport in the event of breakdown or inclement weather, or the need to share the car with a partner. Infrequent users are willing to pay £38 per year just to have buses available, and frequent users are willing to pay £60 per year.

Bus supports UK businesses

Buses provide the means by which labour markets can be accessed

- Over 50% of businesses surveyed considered bus had a role in recruitment and retention
- A fifth of businesses considered the bus to be central to their business operations
- Assisting efficiency of the labour market – 11% of employees would be forced to look for another job if they could no longer commute by bus

Buses offer a cost effective way to reduce congestion

- Congestion is widely acknowledged to be a serious constraint on growth and currently costs at least £11bn per annum in urban areas alone
- A survey of businesses by the British Chambers of Commerce put the cost of congestion at £17,350 per business
- The same survey found congestion to be a problem for around 90% of businesses, with around 45% viewing it as a significant problem

From the employer perspective, bus services are important where they help recruit and retain a workforce with the right skills, and where they allow businesses through some form of rationalisation to become more efficient. Many businesses also rely on the bus to allow their customers to access their site, such as retail and leisure businesses.

Buses also provide a cost effective solution to congestion. They are flexible, can deliver extra capacity very quickly, take up less space on the road and when combined with priority measures such as bus lanes can reduce delays and improve journey time reliability. Reduced congestion and the resulting improved network speed and reliability has a direct and significant impact on business costs, enabling the logistics systems and supply chains to operate more efficiently and sustainably.

Bus supports the UK's towns and city centres

Bus facilitates retail and leisure spend

- With 1.4 billion shopping trips per year, and an average spend of £29.66 this gives a total estimated retail spend by bus users in GB of **£21 billion**
- With 471 million leisure trips and average spend of £26.26 total estimated spend on leisure activities facilitated by bus is **£6.2 billion**
- Combined retail and leisure is **£27.2 billion** of which **£21.5 billion** is spent in town or city centres

Buses increase connectivity

- Centre for Cities research showed that smart investments such as improved access to city centres can add up to 25% more benefit to the local economy. (Agglomeration and growth in the Leeds City Region, 2007)
- Nearly a third of businesses would like to see better transport links with other cities and around a quarter would like to see improvements to public transport (Cities Monitor 2008, Cushman and Wakefield).

Overall the bus is an important facilitator of economic activity in urban Britain and there are large sub-groups within the population who are reliant on the bus. By supporting city centres, buses can create a valued cultural environment by providing the economic mass that will support a range of retail outlets, arts and sporting events, educational activities, cafes, restaurants etc. Buses facilitate agglomeration effects by helping large volumes of people access the most productive parts of the economy.

Buses are an essential element of the urban fabric and it is hard to see how land use patterns, particularly the role that city centres play within a city, could have arisen without them. Without buses, road congestion would increase and city centre accessibility would decrease. This in itself would lead to more dispersed land uses and some loss of agglomeration benefits.

Bus supports education, training and skills

Bus provides essential access

- Over **50% of students** over 16 are frequent bus users
- Over a **third of 20-29 year olds** are frequent bus users
- If they could no longer travel by bus to their places of education / training:
 - **12%** would have to miss sessions
 - **6%** would have to look for different and likely less suitable course

Bus facilitates socio-economic mobility

- Of those in work who depend on bus to access education or training, all are in low paid low skilled occupations. Bus plays a vital role in enabling them to up-skill and enter “more productive jobs”
- **30%** of those who are dependent on bus services to access their education and training courses live in areas in the top 10% of most deprived areas in Great Britain

Bus supports young people

- **Over half of all 16-19 year olds** are regular bus users
- **19% of 16-19 year olds** use bus to commute

Bus is a vitally important facilitator of education and training, and of the economic productivity of the labour force. Transport costs are cited as the biggest expenditure associated with post-16 education, and more than one in five students have considered dropping out of further education because of financial difficulties. 6% of 16-24 year olds turn down training or further education because of transport problems (Making the Connections, SEU, 2003). There is also a key role for the bus to support Government initiatives to get young people into work. Over two-thirds of Jobseekers Allowance claimants have no access to their own car or cannot drive (Pteg 2011, Total Transport).

With fuel prices and car insurance costs rising (2006 average insurance for 17 year old was £2,500 compared with £4,000 in 2012) affordable bus fares are all the more essential. Furthermore, rising housing costs mean that young people are becoming increasingly dependent on good bus links to access places of work or training as they are less able to move to be nearer to places of work. A recent Joseph Rountree Foundation Report estimates that by 2020 a further 340,000 young people will be forced to live at home with their parents because of rising housing costs.

Affordable bus fares help the success of Welfare to Work policies, thus helping to reduce the burden on taxpayers from welfare benefits. Without access to bus services, lower socio-economic groups would suffer long term unemployment which is not just a one off effect but cumulative, with associated costs rising year on year.

Analysis, policy implications and recommendations

The benefits of the bus are indisputable. However, the bus sector faces its greatest financial challenge for a generation. Two key issues going forward are the prospect of further spending cuts, and the risks associated with the devolution of transport funding without ring-fencing.

Cuts to bus funding

Buses have been more adversely affected by cuts to Government spending than other modes of transport. Whilst it is very important that sufficient investment is given to transport infrastructure, one consequence is that greater priority has been given to capital expenditure. Revenue budgets have fallen by as much as a third, whereas capital budgets have fallen by only 6%. Since bus services are especially dependent on revenue funding they are particularly exposed by these cuts.

Another factor which needs to be considered is the adverse impact on the working age population of the proportion of funding across the three key streams of bus funding: concessionary travel, local supported services and Bus Service Operators Grant (BSOG). In 2008/9, support for concessionary travel for the over 60s was at £926 million, but by 2011/12 it had risen to £1,004 million. In 2008/9 support for local services was at £1,106 million, but by 2011/12 it had fallen to £934 million. Support for BSOG also fell over the same period from 423 million to 420 million.

These figures are before the 28% cut to local authority transport revenue funding, and the 20% cut to BSOG from 2012. It is estimated that local authority funding for supported services in England outside of London could reduce by £125 million. Meanwhile nationwide bus operator margins have fallen from 13-14% to 8%, leading to fare increases and routes being cut.

Impact of bus cuts on economic output

- **1/4** bus commuters have turned down a job because of lack of availability or frequency of a bus service at some point in time
- **11%** bus commuters have turned down a job because of lack of availability or frequency of a bus service in the last year
- **50%** (and more than half of those who normally use the bus to commute to work) felt that a better bus service would give them access to a better job
- **There is high a probability that inadequate bus service provision is preventing people from entering into employment, and we are commissioning further analysis to quantify this (results will be available end 2012)**

- Youth unemployment is at a record high of **20.3%** (almost a million under 25s) – highest level since records began, and since the start of 2012 there has been a particularly sharp rise in 16 and 17 year old “NEETs” (Not in Employment, Education or Training) up to 204,000 (from 177,000 previous quarter).
- Young people are especially reliant on the bus as a means of accessing jobs, education and training, and are disproportionately adversely affected by bus cuts.

Key Recommendation

The wider economic impacts of the bus system need to be taken into account when considering the case for Bus Service Operator Grant (BSOG) and the appraisal and allocation of funds for bus infrastructure projects

Notes

Notes

Greener Journeys 3rd Floor, Drury House, 34-43 Russell Street, London WC2B 5HA

W: www.greenerjourneys.com E: contact@greener-journeys.com