
Bus Service Operators' Grant in England

Bus Users UK policy on Bus Service Operators' Grant

Bus Users UK policy

Bus Users UK opposes any reductions in funding for bus services. Funding is necessary and worthwhile because bus services are

- vital to the local (and therefore national) economy
- they widen the labour pool for employers (and conversely open up wider opportunities for people to access work)
- they link people to vital services such as education and health services (and often these have been centralised to save elsewhere in the public purse, requiring people to travel further to them)
- they open up other life-enhancing opportunities
- all in a way that is sustainable.

Most importantly, people without access to private transport, whether through limited income, health issues, age (young or old), disability etc are given access to such opportunities by bus services.

They also provide a sustainable alternative for car users and may enable a family to manage with one car rather than two.

BSOG and other forms of public funding for bus services enable a wider network of services to be run at a lower cost than would otherwise be the case.

Ideally we would like to see full Fuel Duty Rebate (FDR) reinstated (see background notes below): it was inevitable that as soon as it became regarded as a 'grant' it would become expendable and the last few years have indeed seen it become a target for Government cost saving.

Full FDR is unlikely to be reinstated, but would be our ideal. However the grant that does remain needs to be protected (especially since the abolition of the 'fuel duty escalator', which would have created annual rises in fuel duty, reduces the cost advantage public transport might have over car use).

In the meantime some BSOG is now to be paid to local authorities instead of bus companies. It will be 'ring fenced' until 2017 and we will want to ensure BSOG does remain ring-fenced and cannot be diverted to other areas of council expenditure.

Background

Bus Service Operators' Grant (BSOG) is the main means of funding bus services from Central Government. Although Government has occasional schemes to fund specific bus-based projects on a bidding system, BSOG is the only universal and continuous form of Government financial support for bus services. BSOG is paid to bus operators at a flat rate based on the fuel used on local services. In April 2010 the scheme was devolved in Scotland and Wales.

In 2011/12 around £450m was paid to bus operators in England through BSOG. In April 2012 the amount paid per litre of fuel used was reduced by 20% in England and is currently 34.57p per litre. Road fuel duty is 57.95p per litre.

BSOG is fiscal recognition of the fact that the bus is a sustainable and inclusive mode of transport. Unlike bus services, rail services are able to use 'red' diesel (ie diesel that is not for use in road vehicles) and pay 10.7p per litre for diesel fuel. Electricity used for trains and other forms of transport does not attract duty. Aviation fuel is exempted from duty (though is liable to VAT on internal flights).

To quote the Department for Transport (DfT):

Bus Service Operators Grant (BSOG) is a grant paid to operators of eligible local bus services and community transport organisations to help them recover some of their fuel costs. The amount each bus company receives is based on their annual fuel consumption.

The aim of BSOG is to benefit passengers. It does this by helping operators keep their fares down and enabling operators to run services that might not otherwise be profitable and might be cancelled.

The current position

What is now BSOG was introduced in 1965 as Fuel Duty Rebate (FDR) to give 100% of the duty back to operators. Since 1995 it has fallen behind the actual rate of duty.

The 2000 Transport Act changed FDR from a rebate to a grant. Now the Grant falls 23.38p per litre short of the duty, and covers just short of 60% of its cost. There is an increase of 8% in BSOG for buses fitted with smartcard readers and 2% for automatic vehicle location systems (though not in London where both facilities are provided by Transport for London [TfL]).

Further reform announced in July 2013, after consultation, sees BSOG paid to local authorities instead of bus operators for bus services provided in **Better Bus Areas** (see below) from October 2013 and tendered bus services and TfL bus services from 1 January 2014. At the same time rail replacement bus services and tourist bus routes no longer qualify for BSOG.

BSOG on commercial bus services (outside Better Bus Areas) continues to be paid to bus operators.

Better Bus Areas

In 2011 the Government announced £50million funding for Better Bus Area bids by local authorities. In the end £70million was awarded to specific projects, ranging from just over £200,000 to enable smaller bus companies in Bedfordshire to introduce smart ticketing to major infrastructure projects up to £5m in some of the PTE areas, Bristol, Nottingham, Bournemouth and Brighton.

Subsequently areas have been able to bid for Better Bus Area status, and the first is Sheffield, where BSOG will be given to the local authorities over a four-and-a-half year period, to improve infrastructure and help local bus services. Sheffield is regarded as a pilot scheme.

BSOG in Scotland

Transport Scotland has been responsible for administering BSOG in Scotland since 1 April 2010 and pay 41.21p per litre though bio-fuel receives 57.19p per litre), plus an additional incentive for Low Carbon Vehicles.