

GUIDE

# Franchising: The Mobility Model for a Post-Covid World?

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BY COLIN URQUHART



# Franchising: The Mobility Model for a Post-Covid World?



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where franchising makes  
sense, identifies global  
examples, and considers the  
technology required.

## In recent years there has been increasing interest in ‘franchised’ bus models.

Though, as this article will show, franchising is not limited to any particular region, UK interest in the model was boosted by the 2017 Bus Services Act, and more recently by the DfT’s National Bus Strategy for England, which promises to support authorities wishing to access franchising powers.

And of course, Manchester has very recently announced that **it will adopt the franchised model** via Transport for Greater Manchester (TfGM), on behalf of Greater Manchester Combined Authority (GMCA).

This, of course, is not particularly surprising. As the transport industry begins to recover from the hugely damaging effects of Covid-19, it has been suggested that **franchising could become a more attractive proposition**. Faced with the prospect of less predictable demand, authorities may see greater control as a way to ensure the provision of efficient and reliable services across their entire

region. Desired outcomes include simplification of the network and fares, and better interoperability between services and modes.

Meanwhile, bus operators, some of whom have historically been lukewarm on the model, may well be more open to such an approach, welcoming the relative stability and minimising of risk at a time where profitability of routes is harder to predict.

## FRANCHISING EXPLAINED

A franchised model, as is famously in place in London, is where the authority specifies the bus services to be provided, determining the routes, timetables and fares.

Services are then operated under contract by private companies through a competitive tendering process.



## Franchised and ‘Franchise Like’ Models

One of the challenges in this area is that while there are some clear success stories, there is no single established model to follow, and there are a range of elements which could be included under the description of franchised or ‘franchise-like’. London’s network is a notable success story, but it is at the more comprehensive end of the scale, occasionally described as ‘full fat’ franchising in comparison with ‘lite’ models found elsewhere.

Naturally, we at Trapeze are keen to discuss London: underpinned by a global flagship ITS system, the city has enjoyed the transformation of a uniquely mobile city. Having worked with TfL on iBus for some 15 years, and recently on a new schedule data solution (formerly Future Bus), this is a model we know extremely well.

However, it is important to recognise that other regions with franchising aspirations may have very different goals, infrastructure resources and limitations. From Sydney to Singapore, Scandinavia and beyond, we have seen a variety of models implemented.

Additionally, we are currently in the process of delivering the end-to-end **travel information solution for the National Transport Authority (NTA) in Ireland**, which will replicate and even expand on some of the functionality delivered by Trapeze for franchising in London.

### FRANCHISING IN LONDON

As arguably the world’s most notable franchising success story, London is a key case study referenced in this guide. The London model contains the following elements:

- Route design, tendering and award
- Collaboration Portal to manage schedule variations
- Performance monitoring and trip validation direct operator payments
- ~9,000 vehicles across 13 operators and 87 depots

There is much to review here, so later in this article we compare some of the franchised models from around the world. But first let's focus on where franchising makes sense, and the key elements when considering adopting this model.

## **Does Franchising Make Sense?**

Establishing whether or not franchising would work both operationally and financially is of course a vital first step.

For the purpose of this article it is reasonable to expect that any readers will have undertaken some form of assessment and determined that there is a case to be made for this kind of model. Nevertheless, it would be prudent to state the importance of undertaking a feasibility study. Below are some of the obvious elements to include.

## **Local Operators**

Regions with a single dominant operator – especially non-urban areas – may not be as well suited to a full franchised model. It is less likely that significant value can be derived by taking the network planning away from an operator and then handing it straight back to them to deliver. It is therefore worth considering whether the desired outcomes could be achieved by continuing with the existing arrangement, adding in any extra requirements that may be needed under an enhanced partnership agreement.

## **Network Density**

Typically, for a franchising model to work well and to deliver value for money, it requires a denseness of the overall network, with at least two operators who are capable of bidding for the work in a competitive manner.

## **Regional Coverage**

There may be significant benefit to be found in areas where, by taking ownership of the network,

an authority can improve the overall coverage and accessibility to public transport for citizens. Perhaps this could be achieved by reducing competition on over-served routes in order to fund improved service to areas with less demand where transport is a social requirement. This would also enable inroads to be made into reduction of congestion and improvement of air quality.

## **NETWORK PLANNING SKILLS GAP?**

In some instances, authorities may lack the skills to plan franchised networks that meet their mobility objectives. In areas where services have previously been commercially managed there may not be the experience or expertise within the team, and while local bus operators often have network planning expertise, historically they will have approached the task from a profitability – rather than social requirement – perspective.

It is also worth noting that one of the largest challenges here relates to changes in demand. While seasonal variability has historically been a concern, we can safely assume this will be more problematic post-Covid-19, with less predictability around travel habits.

Regardless of whether services are franchised or run commercially, this is a serious challenge which will need to be addressed, most likely with new technology and upskilling or reskilling of planning and scheduling teams.

# Confused? We can Help

If you require assistance determining which type of franchised model is best for you – or even if it makes sense at all – Trapeze is ideally positioned to support this process.

As a technology supplier to authorities and bus operators – and a key partner in the world's leading 'full' franchised models in London and Singapore – we are uniquely positioned to advise whether the model makes sense, and if it does, how to implement it in line with your specific requirements.

And this rather brings us neatly on to one of the major decisions: determining the financial model.

## LONDON'S KPI FINANCIAL MODEL

For a franchised model to thrive, it is essential that bus operators feel they are able to profitably deliver services. With a 'full' franchising model like London's, the operators are paid by the authority in accordance with their delivery against agreed Key Performance Indicators (KPIs).

This, of course, requires authorities to have detailed, accurate, transparent and trusted means of recording and reporting on KPIs. In London, the key KPI measured relates to mileage operated against the operator's service contract, and a secondary system called Missing Trips Validation (MTV) reviews and categorises any absent data to ensure the KPIs are both fair and accurate.

It is simply vital to have 'bulletproof' technology

here, as this underpins the entire financial model. London's reporting database provides staff with the ability to manage and interpret data derived from operators. In a city which manages tens of thousands of 'Notices of Events' each year this enables staff to process the volume of work, and ensures TfL and operator staff can rely on a neutral, proven tool in relation to any queries over service delivery.

Additionally, by tightly linking bus operator payments to reporting from the Automatic Vehicle Location (AVL) system, this has a secondary benefit: bus operators are naturally highly focused on ensuring AVL equipment is working correctly, which underpins London's very high availability of real-time passenger information.



# Global Perspectives: An Overview of Regional Franchising Models

Having supported the delivery of customers operating franchised and franchise-like models all over the world, Trapeze is able to offer a unique perspective on the different approaches taken. Here are some of the more notable examples.

## Europe

### LONDON

**London's full franchised model** includes route design, tendering and award. Bus operator communications manages all schedule variations, with Missing Trip Validation (MTV) tracking all trips and directing some £2bn of operator payments per year.

### IRELAND

In Ireland, the National Transport Authority (NTA) is responsible for the licensing of bus passenger services. In Dublin, the authority defines the

network and bus operators bid to deliver the network. This network includes integrated multi-modal ticketing, known as LEAP. Once granted, the selected operator runs the network on a commercial basis. Elsewhere, operators apply for licences to run services.

### TYNE & WEAR, UK

Focus on franchising is of course not a new development. In 2015, Nexus, Tyne & Wear PTE, UK attempted to implement a franchising-like model, but was eventually unsuccessful following challenges to its proposed Quality Contract Scheme (QCS). Making a franchise-like scheme has since become somewhat simpler.

### QUALITY AND ENHANCED PARTNERSHIPS (UK)

In the UK there is also the option to adopt **Quality Partnerships**: an agreement where authorities invest in improved facilities (typically bus stops or bus lanes), and operators commit to improving



standards (new buses, driver training etc.). Unlike a franchised model, operators still design the routes and retain revenues, with authorities providing extra financial support for achieving quality measures.

Additionally, **Enhanced Partnerships** go further, enabling local authorities to specify elements such as timetables and multi-operator ticketing, and to take on service registration functions from the traffic commissioners.

## SCANDINAVIA

A variation can be seen in much of Norway, where many regions utilise franchised-like model with authority control over the network. Typically the fylke (Norwegian county) defines the routes and tenders for operators to deliver services. Operators bid for routes and are then paid to run the contracted services; and can achieve greater profitability by increasing ridership.

## Outside Europe

### SINGAPORE

In Singapore, the **Land Transport Authority (LTA)** has implemented a ‘full’ franchised model similar to London’s. The city’s 5,000 buses from four different bus operators deliver services within the framework, which is managed via Trapeze’s LIO ITS system, ensures common bus quality management

and monitoring across all operators, and facilities for LTA to monitor and measure the performance.

## AUSTRALIA

In Australia, both Sydney and Melbourne operate a form of franchised model. Speaking recently on an episode of the **Transit Unplugged podcast with Paul Comfort**, Rod Staples from Transport for New South Wales in Sydney said: “We contract the service and service performance, and pay operators for the delivery and quality of their services, and the state takes the revenue risk. As a result of that, we have actually increased services.”

## UNITED STATES OF AMERICA

In the US, most transit agencies outsource some of their fixed route service to contractors. Typically a Request for Proposals (RFP) identifies the scope of work and details of routes, fares etc., and bidders respond with a technical proposal outlining their capabilities and a price to provide the service. The majority of agencies pay their contractors an hourly rate to provide the service as described in the tender.

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**ROD STAPLES, TRANSPORT FOR NEW SOUTH WALES**

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# Technology to Underpin Franchised and Franchise-Like Models

The delivery and management of a franchised model can be supported by a range of existing technology solutions:

## Schedule Data Management and Operator Interactions

With any form of subsidised route – but especially a franchised model – it is vital that the authority has reliable tools for managing interactions with bus operators. This kind of functionality, which Trapeze is currently delivering for Transport for London and NTA in Ireland, enables an authority to create franchised routes and put them out to tender; then manage the tender process and validate responses.

This technology incorporates a bus operator collaboration portal to ensure any route variations are received, and interfaces with the ITS system's missing trips module to underpin accurate KPI-based operator payments.

## Bus Scheduling

In a franchised model, bus operators still require scheduling software. Indeed, this is a critical tool, as a scheduling solution integrated with the authority's tools will enable operators to respond to tenders quickly with valid, competitive responses, ensuring planners can prioritise their time on optimising schedules to maximise profitability.

## Intelligent Transport Systems (ITS)

ITS underpins franchised models by ensuring the authority is able to manage all aspects of the network, including planning, operations, Automatic Vehicle Location and Control (AVLC), ticketing, headway management, real-time passenger information (RTPI), disruption response, depot





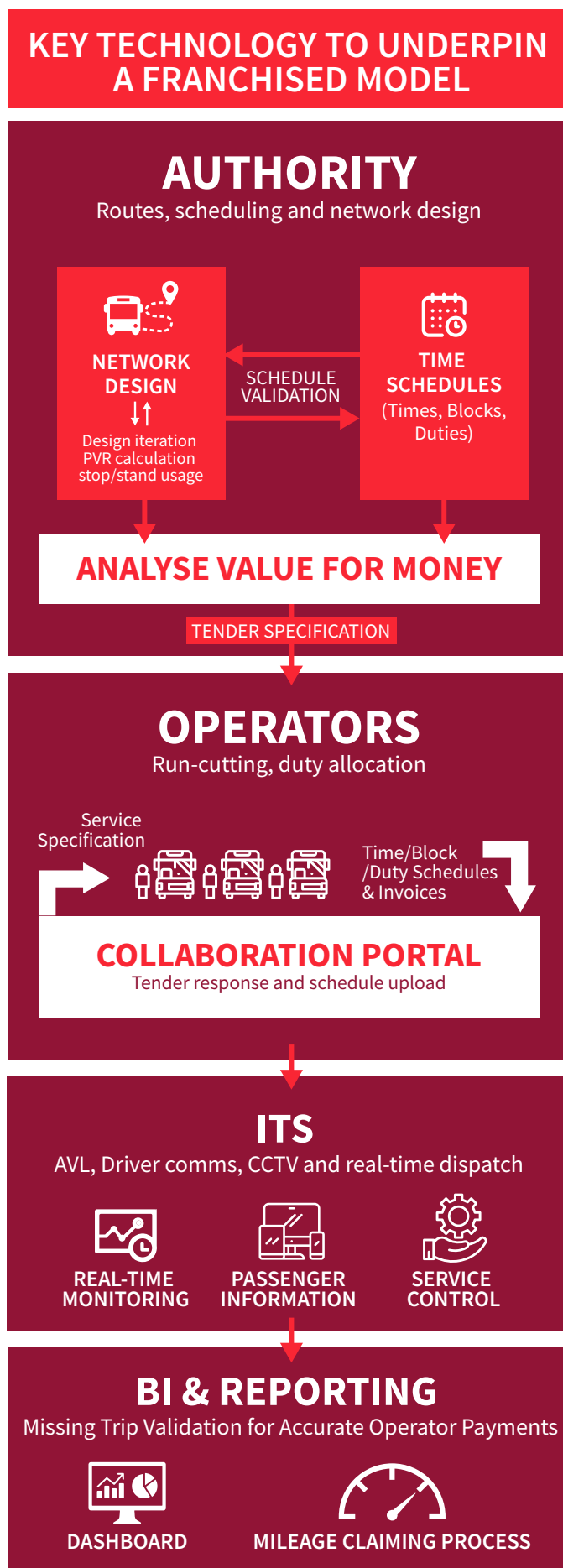
management and business intelligence. Additionally, in cities such as London and Singapore, where trip validation underpins the entire KPI model and directs all operator payments, the ITS system assesses whether each and every trip was delivered in-line with the contracted service. Given that there will always be missing trips and deviations, it is essential that the ITS real-time system is reliable, transparent and completely trusted by all parties, ensuring operator payments are accurate first time and avoiding disputes.

### Duty Allocation

In a franchised model like London's, operator payments are determined by performance against agreed KPIs. Duty Allocation Systems (DAS) are vital as they provide the monitoring, transparency and alerting required to ensure operators are able deliver in line with the contracted service, in spite of any issues arising on the day. Advanced new functionality, including mobile sign-on, reduce failed reliefs that can impact service delivery, and optimise processes to underpin competitive tender responses.

### 'Flex' and Demand Responsive Transport Scheduling

While franchising is traditionally associated with fixed route bus services, it is worth recognising that the future may well see the inclusion of more flexible services, perhaps including 'Flex', in which traditional fixed routes include optional elements, enabling vehicles to deviate from the schedule to collect additional passengers.





## Conclusion

**Since the scale of the Covid-19 pandemic – and its impact on public transport – became clear, there has been increased speculation that the franchised model could assist with the challenges the industry now faces.**

However, while some may think of London's as a 'typical' franchising model, the reality is far more nuanced. In the UK, while a privatised bus model currently dominates, the reality is that bus networks across the country are heavily subsidised. Indeed, a poll of customers at a recent Trapeze user group indicated that around 10-20% of all routes were currently subsidised – a figure likely to rise as previously profitable routes become commercially unviable, forcing the authority to step in to sustain essential mobility.

In some respects, it is arguable that any subsidised

routes are essentially operated as 'mini franchise-like models'. With hundreds of authorities subsidising routes across the UK, plus notable franchising examples in Scandinavia and elsewhere around the world, it is clear that there are many 'flavours' of franchising already in operation.

But where the likes of London and Singapore are undoubtedly different, is in the scale of the infrastructure in place. Not every city or region can have – or requires – such a set-up, but it is important to consider the full array of options in order to identify the combination that is best suited to the specific requirements.

Whichever model of franchising is chosen, technology will be at the heart of it – and understanding the available tools and how they can be harnessed will be key.



# Exploring Franchising? We are Here to Help

At Trapeze we have been involved with the franchised model since day one. Having worked closely with both London and Singapore on the implementation of the only full franchised models of their kind in the world, we intimately understand the processes that must be implemented and challenges which can be expected.

Additionally, if you require support with determining which flavour of franchising is right for you, we can help with a feasibility study taking into account the full range of factors and lessons learnt from similar projects successfully delivered all over the world.

For public transport this remains a challenging time with an uncertain future, but with the right model and technology we can succeed together. Trapeze has been on this franchising movement from the start and we will continue tomorrow and beyond.

**We're here for the journey.**



## ABOUT THE AUTHOR

Colin Urquhart's public transport career began at Nexus (Tyne & Wear PTE) in 2012 as a Business Intelligence analyst focused on the Quality Contract franchising proposition. He then led the team

installing a new public transport registrations and publicity solution supplied by Trapeze. Specification, procurement and installation of the North East's RTPI system followed, before he moved to Strathclyde Partnership for Transport (SPT). There he supported a wide-ranging digital transformation project with Trapeze solutions at the core,

including one of the UK's largest RTPI systems. This included expansion of the Traffic Light Priority system with support from Trapeze, which is now live in the Strathclyde area keeping buses moving through junctions and avoiding unnecessary dwell.

Colin moved to Trapeze in 2019, where he leads a suite of public transport information products encompassing fixed route, real-time, passenger-facing web and apps, and business intelligence.

He is at the forefront of delivering the new franchising solution to TfL, and Trapeze's latest project for NTA in Ireland, providing the enterprise solution for fixed route data, RTPI and passenger information.

Visit the [Trapeze website](https://www.trapezegroup.com) to find out more about technology for franchised bus services or email Colin directly at [colin.urquhart@trapezegroup.com](mailto:colin.urquhart@trapezegroup.com)

