



# Franchising:

## Driving Progress

By Paul Attenborough  
Program Director, Trapeze Group UK

# Franchising: Driving Progress



Paul Attenborough, Program Director at Trapeze Group, looks at where franchising makes sense, identifies global examples, and considers the technology required.

**In recent years, there has been increasing interest in ‘franchised’ or ‘regulated’ bus models.**

Though 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.

Greater Manchester recently became the first place in England outside of London to re-take control of its buses after nearly 40 years of deregulation, with the launch of the historic Bee Network – ushering in radical improvements to the city-region’s public transport network.

Slightly further North, West Yorkshire Combined Authority recently announced that they will be moving towards a franchised public transport model in order to improve the local bus systems for the communities who rely on them.

With authorities like Tees Valley and West Midlands not far behind, it could be said that Manchester’s service regulation has caused a domino effect across the country.

This is not particularly surprising. With the number of bus journeys in England increasing 0.5 billion (19.3%) to 3.4 billion in the year ending March 2023, it has been suggested that a step-change like franchising could keep things on an upward trend. 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.

## 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 ‘Franchised 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 helped to launch iBus with TfL and recently delivered ‘Adiona’ (formerly Future Bus) - a new technology solution for managing bus route and schedule data, enabling management of disruption and service changes, and an online portal for managing communication with bus operators - this is a model we know extremely well.

## FRANCHISING IN LONDON

As arguably the world’s most notable franchising success story, London is a key case study.

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

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.

In Ireland specifically, Trapeze has recently delivered an end-to-end travel information solution for the National Transport Authority (NTA) in Ireland. Plus, at the end of 2023, we were awarded a contract to implement a next-generation Cloud-based Automatic Vehicle Location (AVL) solution across the country. The new solution is designed to deliver operational savings by unifying all bus services under a single system. Both of these projects replicate and even expands on some of the functionality delivered by Trapeze for franchising in London.



**With so many different flavours of franchising, there is a lot to consider. Later, we will 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 authorities considering franchising, 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. The last few years have brought about a shift in the way that people consume public transport, and there is 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, Ireland, 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.

## 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 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.

Put simply, it's 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

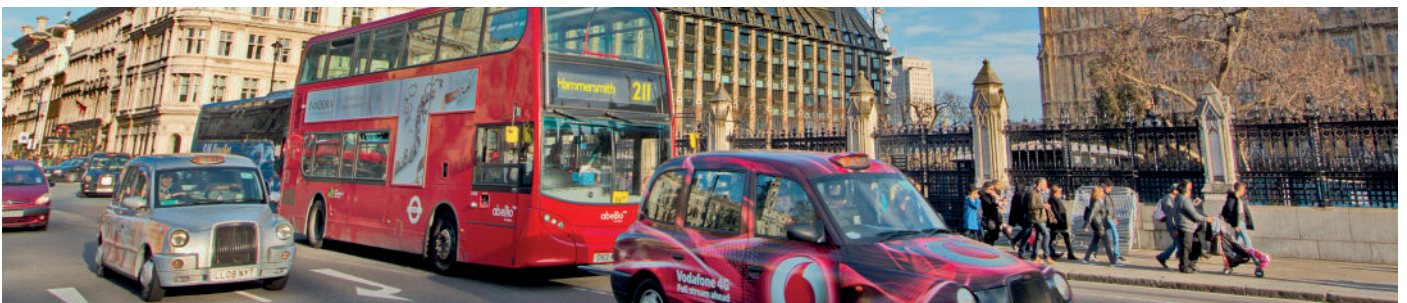
Having supported the delivery of customers operating franchised and franchise-like models all over the world, Trapeze is able to offer a unique perspective on the different approaches taken. Here are some of the more notable examples.



## 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.

### Quality & 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



## Australia

In Australia, both Sydney and Melbourne operate a form of franchised model. 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.”

## USA

In the US, most transport 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.

## 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.

“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.”

Rod Staples, Transport for New South Wales



# Models Underpinned by Tech

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

## Schedule Data Management & 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. 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.

## '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.

## Duty Allocation

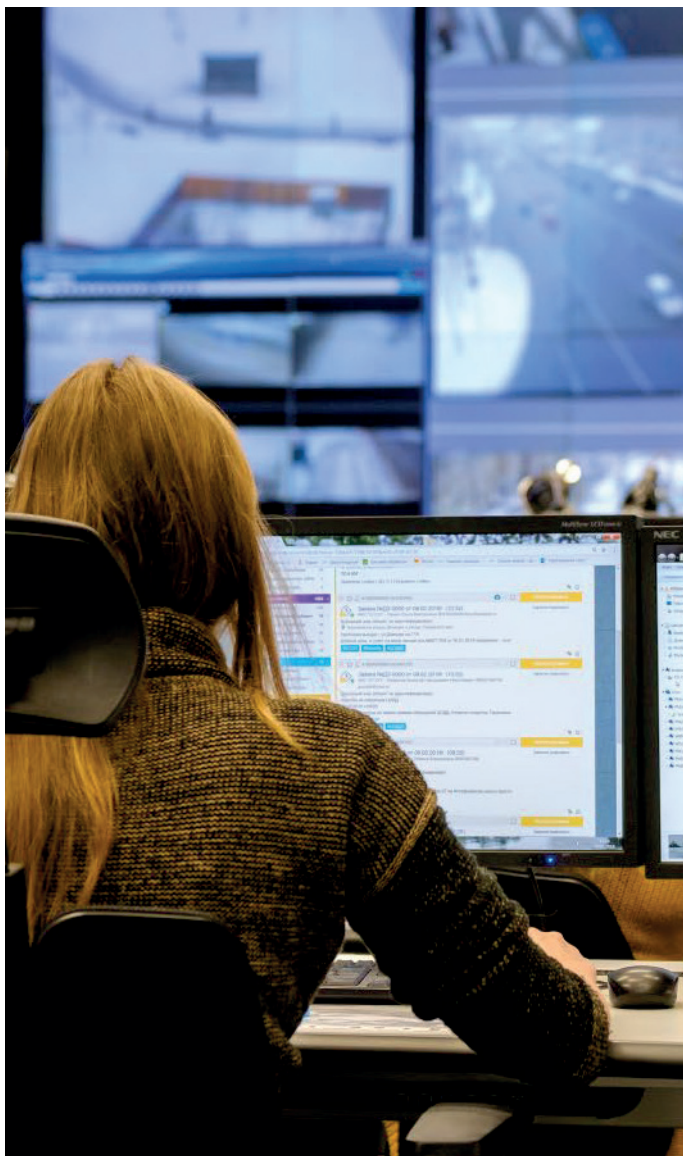
In a franchised model like London's, operator payments are determined by performance against agreed KPIs. Duty Allocation Systems (DAS) are vital as they provide the monitoring, transparency and alerting required to ensure operators are able deliver in line with the contracted service, in spite of any 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.



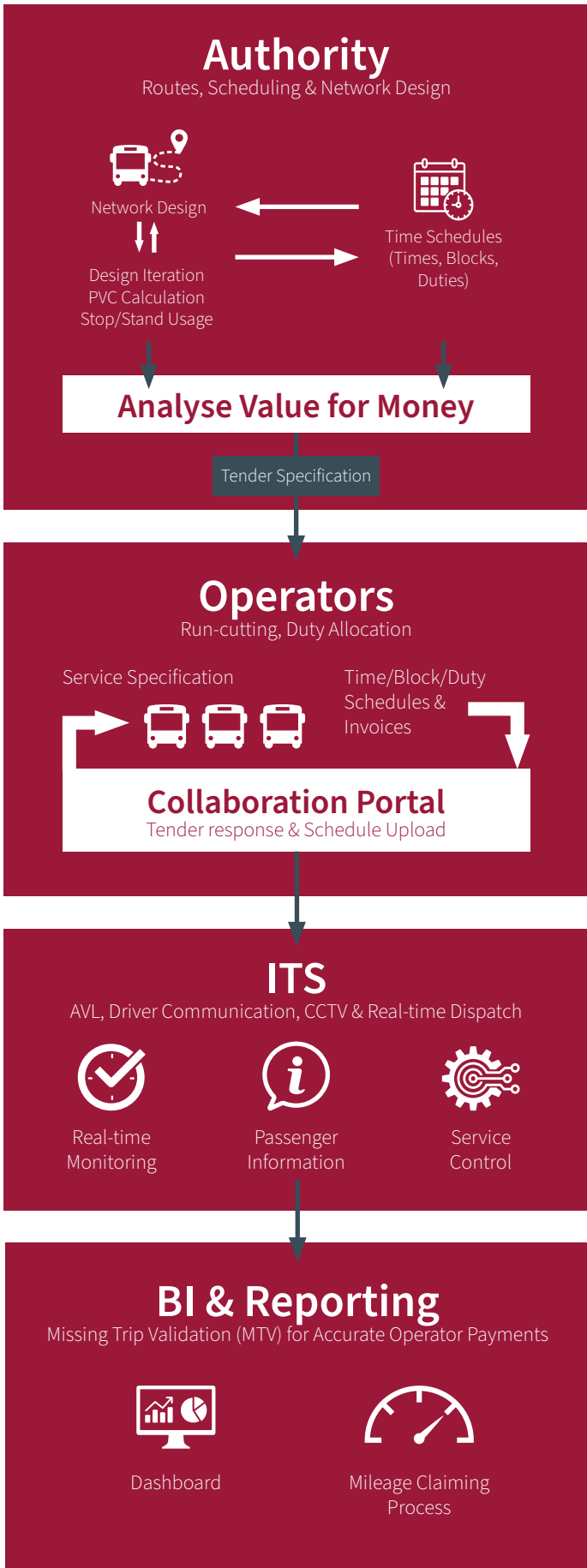


## Intelligent Transport Systems (ITS)

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.



## Key Technology to Underpin a Franchised Model



# Conclusion

**While some may think of London's as a 'typical' franchising model, the reality is far more nuanced.**

A privatised bus model may currently dominate in the UK, but in reality, 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, NTA, 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 consider the full array of options in order to identify the combination that is best suited 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're Here to Help

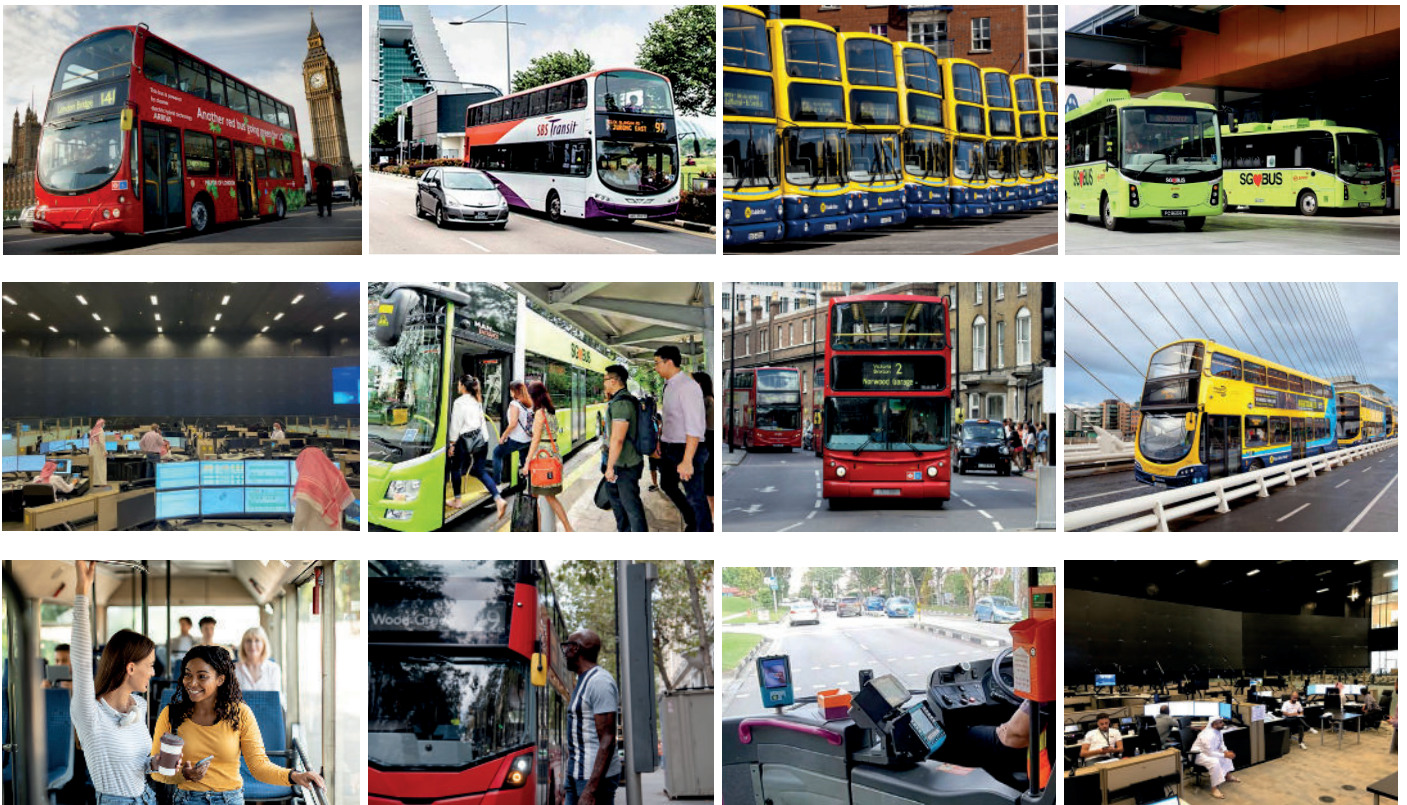


At Trapeze we have been involved with the franchised model since day one. Having worked closely with both London and Singapore on the implementation of the only full franchised models of their kind in the world, and with the work we are currently doing with NTA in Ireland to deliver their franchising model, 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 considering 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.**



*Connect with our Experts*