Partnership or franchising to improve bus services in two major English urban regions? An institutional analysis

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ABSTRACT

This paper analyses two differing approaches to the improvement of local bus services, using the analytical lens of formal and informal institutions. Both formal and informal institutions govern the behaviour of authorities and operators, but they do it in different ways and they have advantages and disadvantages. In so doing we seek to understand both how the informal institutional approach (e.g. voluntary partnership working) can be used effectively, but also to assess its limits; and to understand why a formal institutional approach (e.g. franchising), in spite of its strong underlying basis in law, may nonetheless not always function. Through doing so, this paper contributes to the current understanding of how to handle the unintended consequences of a deregulated market through the different (formal and informal) ways available.

1. Introduction

Great Britain outside London is one of the few developed economies to have a fully deregulated local bus industry (Van de Velde, 2003), something that was introduced in 1986 by the then Conservative government with the stated aims of improving quality and choice and driving down price by stimulating on-road competition between private operators (Gwilliam, 2008). Many authors have since analysed some of the unintended consequences of this deregulated market (e.g. White, 2010; Preston and Almutairi, 2013; Cowie, 2014), while governments since 2000, mindful of these consequences, have enacted new legislation that has given local (passenger) transport authorities ((P)TAs) *optional* powers to give the public sector greater influence over the bus industry in their area. These range from relatively "light touch" measures such as coordination of information provision (McTigue et al., 2020), through various forms of partnership working between authorities and operators, to area-wide franchising and an effective end to the deregulated market in an area. The use of this latter power, although in existence since 2000, has only been so far attempted by one PTA, a case study which is one of the two in this paper, while the other is a study of partnership working. The institutional framework applied in this paper treats the franchising model as the creation of a formal institution and the partnership model as an informal institution.

The objective of the paper is to analyse two differing approaches to the improvement of local bus services, using the analytical lens of formal (governance established in law) and informal (governance not established in law) institutions (North, 1991; Hrelja et al., 2018). The key research question is why passenger transport authorities choose one of these models *versus* the other.

Both formal and informal institutions govern the behaviour of authorities and operators but they do it in different ways and they have advantages and disadvantages. In the paper we seek to understand both how the informal institutional approach (e.g. voluntary partnership working) can be used effectively, but also to assess its limits; and to understand why a formal institutional approach (e.g. franchising), in spite of its strong underlying basis in law, may nonetheless not always function. Through doing so, this paper contributes to the current understanding of how to handle the unintended consequences of a deregulated market through the different (formal and informal) ways available.

The paper first outlines the recent history and current state of the bus market in Britain outside London in terms of industry structure,

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passenger numbers and financial viability. It then presents the analytical framework of informal and formal institutions, before going on to explain the methodology used. The two case studies are then described before being discussed together in relation to the analytical framework, and conclusions drawn.

2. Literature review

2.1. Buses and their regulation in Britain outside London

Buses are the most frequently used and most accessible mode of public transport in Great Britain. They are essential for delivering economic, social and health benefits. In particular, bus services enable people to get from A to B and provide access to important services such as work, health and education. In some instances, bus services are the only other available mode of transport for those without car ownership. Bus networks are also estimated to generate several billions in economic benefits by providing "*access to opportunities, reducing pollution and accidents and improving productivity*" (Urban Transport Group UTG, 2016).

However, the latest statistics released by Transport Scotland (2019), the Welsh Government (2019) and the UK DfT (2019) show that there has been a steady decline in bus vehicle mileage operated across Great Britain (outside of London) in recent years. In Scotland, the annual vehicle mileage operated by scheduled local bus services fell in six of the last ten years (Transport Scotland, 2019), while in Wales, the miles operated fell by 20% since 2007–08. According to the Welsh Government (2019), this decrease is due primarily to a decrease of 46% in local authority supported mileage. Furthermore, in England outside London, local bus mileage operated has decreased by 13.8% since 2004/05. Similar to the situation in Wales, this decrease is due to a 50% reduction in local authority supported mileage since it reached its highest ever level as a proportion of total bus vehicle mileage operated, in 2009/10 (DfT, 2019).

Similar to bus mileage, there has also been a decline in bus patronage which has a damaging effect on the bus network. Further statistics released by Transport Scotland (2019), the Welsh Government (2019) and the UK DfT (2019) show that this has occurred across Great Britain (outside of London) with passenger numbers following a continuous downward trend since the peak of 2.41 billion passenger journeys in 2008/09. Fig. 1 summarises this and shows clearly that bus usage in London has risen up until recent years, while there has been a gradual decline in bus usage in England outside London, and in Scotland and Wales.

A decrease in bus patronage and bus mileage has a damaging effect on the delivery of bus services across the UK – instead of a virtuous circle of increased passenger numbers stimulating enhanced service levels, the opposite happens, and network coverage and service frequency contract, and often service quality, as operators seek to cut costs to remain profitable. As well as having a negative impact on economic, social and health benefits, quality of life suffers due to a lack of physical access to jobs, health, education and other amenities (Banister, 2000).

Increasing wealth and car ownership are key drivers of reduced bus use and therefore some of the problems outlined above (Holmgren, 2020). However, many local transport authorities are seeking to reverse the decline in bus services and use in order to guarantee access to jobs and services for those with no car, and also to deal with problems of congestion and pollution, especially in urban areas (see for example Greater Manchester's Transport Strategy (TfGM, 2018)). Since they cannot directly influence wealth and car ownership, instead some of these transport authorities have attempted to improve the competitiveness of bus services with car by using a variety of statutory and non-statutory tools to promote closer working between them and bus operators, and/or to give themselves as public sector bodies greater control over the actions of those operators. These tools and the way that they have developed are reviewed in some detail in Rye and Wretstrand (2014), so a detailed description is not provided here, but the two that are of key relevance to this paper – because the two case studies fall into these categories - are as follows:

- The Quality Contract: re-regulation of the services in an area under public sector control, with operator(s) running services under contract in a model similar to that in Scandinavia or London model. On-road competition is no longer possible in a Quality Contract. First enabled in the 2000 Transport Act, the powers to franchise and contract services were amended in the 2008 Local Transport Act and again in the 2017 Bus Services Act.
- The quality partnership: an agreement between PTA, operator and often also the local highway (roads) authority to work together to increase the quality of bus services in all or part of their area. This can be statutory, and under the 2000 Transport Act, 2008 Local Transport Act and 2017 Bus Services Act various forms of legally constituted partnership have been or are possible; however, a more
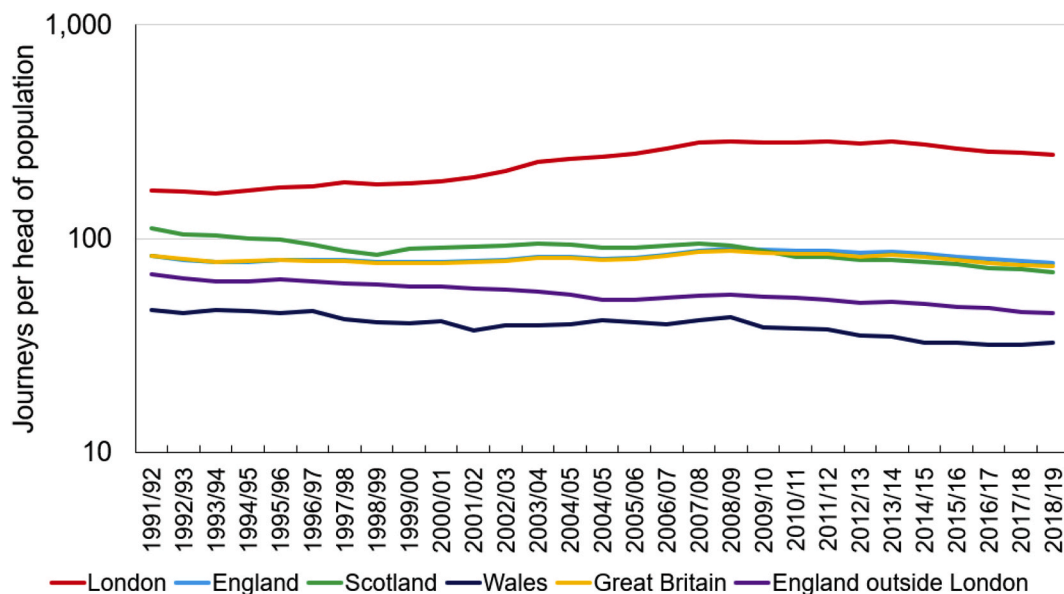

Fig. 1. Passenger journeys (patronage) by country and groupings of region per head of population 1991–2019.
Author's elaboration based on DfT (2020) Bus Statistics Table BUS0103.

common approach has been voluntary partnership working. (This form of partnership should not be confused with the "trusted partnership" approach underlying negotiated contracts described by Stanley and Hensher (2008); in the partnerships that are the subject of this paper, the public partner cannot directly specify any element of the bus service.)

An analytically important question is then why PTAs choose a particular approach to the improvement of local bus services and what the pros or cons of different approaches are. This will be analysed through the use of the concepts of informal and formal institutions.

2.2. Formal and informal institutions and the role of agency

The study of institutions derives from economics and sociology and over time has produced an enormous literature. For the purposes of this paper, we use the definition of institutions provided by North (1990: 98): "the humanly devised constraints that structure political, economic and social interaction." Later authors have focused on various aspects of institutions, particularly their social aspects (Giddens, 1995) and the complex and provisional ways in which they evolve (Selznick, 1996; Jessop, 2001; Aoki, 2007). One of the key themes running through these analyses is the importance of shared beliefs in institutions as rules of the game. Thus to a large degree institutions are informal and social rather than formal. Despite this informal nature, the key players in the domain of institutions are organisations, which have formal structures and whose own structures can become institutions themselves. The distinction between institutions and organisations often cited is that of North (1990), for whom institutions represent the rules of the game, while organisations are the players, yet organisations can themselves be institutions, particularly legal and cultural organisations (Scott, 2008). A key issue here for the success of an institution as well as related organisations is the degree of legitimacy which derives from several elements such as the desirability of action, the appropriateness of the actions taken and powers awarded and the diversity of authorities involved and consistency of beliefs of the actors regarding how the institution should function (Meyer and Rowan, 1977).

According to North (1991: 98), institutions "consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)". Both these formal and informal institutions are highly relevant to governments and public organisations, particularly when, as in the cases in this paper, the public authority seeks to innovate. According to González and Healey (2005: 2056), innovation capacity "is not just defined by formal laws and organizational competences, but is embedded in the dynamics of governance practices, with their complex interplay of formal and informal relations."

The importance of the dynamics of formal and informal institutions in the innovation strategies of public authorities is in line with previous research in the area of public transport (e.g. Hansson, 2013; Hrelja, 2015). Previous studies provide evidence that informal and formal institutions, as two modes of governance, are in fact, highly complementary. Informal institutions may help private and public organisations negotiate the constraints of formal, statutory institutions when these are producing sub-optimal public transport (Rye and Wretstrand, 2014; Hrelja et al., 2017). Voluntary or "trusting" partnership working has in some cases been developed to deal with various types of barriers to delivering better public transport by building an "informal space" to bridge gaps in the regulatory context (Dementiev, 2016; Stanley and van de Velde, 2008; Hensher and Stanley, 2010). Hirschborn et al. (2020) applied to the case of public transport the typology of Helmke and Levitsky (2004) which defines the relationship between formal and informal institutions as complementary, accommodating, competing or substituting. They highlighted the role of agency and found that "agents have a central role in triggering institutional change over time through the way they engage with the properties of existing institutional frameworks that permit or invite specific kinds of change strategies". This paper analyses the interplay between these formal and informal institutions and the role of agency in attempts to improve public transport in two English metropolitan regions.

3. Methodology

The case studies were selected for two principal reasons. In the case of the Quality Contract (formal institutional) case study in the north east of England, it was not possible to select another case study since this metropolitan region remains the only one to have gone through all stages of the formal quality contract approval process. Greater Manchester is currently (May 2020) preparing a franchising scheme under powers granted to it by the Bus Services Act (2017), but this is not at the point where the formal approval process has begun. In the case of the West Midlands, the region chosen as the case study of quality partnership (informal institutional) processes to improve bus services, it was selected because it is the metropolitan region in England that has worked for longest and at the greatest scale (region-wide) on its quality partnerships. A metropolitan region was selected because its governance structure is almost identical to that of the north east of England; areas such as Nottingham or Bristol which have worked on quality partnerships for many years have a different governance structure.

The empirical material in this study consists of written material collected and interviews carried out in 2016 and 2017. A total of some 14 semi-structured interviews with key officers in local authorities, bus operators and passenger transport authorities were carried out. In addition, in north east England some other organisations such as passenger rights' groups and the regional chamber of commerce were interviewed. A list of interviewees is shown in Table 1. Written material was also reviewed comprising transport planning documents, business

Table 1
Interview participants.

Organisation	Number of participants	Role of participant in organisation	Type of organisation
Executive body of the North East Combined Authority – NEXUS	1	Partnership Development Manager	Public sector
Bus Company – Stagecoach North East	1	Managing Director	Operator
Executive body of the North East Combined Authority – NEXUS	1	Corporate Manager of Bus Services	Public sector passenger transport authority
Local Businesses Representative – INTU	1	Sustainable Travel Manager	Private sector but in this instance lobby group/ stakeholder
Bus Company – Arriva North East	1	Commercial Manager	Operator
North East England Chamber of Commerce (NEECC)	1	Policy Advisor	Private sector but in this instance lobby group/ stakeholder
Bus Company – Go North East	2	Managing Director and Head of Network Analysis	Operator
Tyne and Wear PTUG	2	Chair of group and member of group	Lobby group/ stakeholder
Solihull Borough Council	1	Principal Transport Planner	Public sector (local authority)
Bus Company – National Express West Midlands	1	Managing Director	Operator
Centro (now Transport for the West Midlands)	1	Partnership Manager	Public sector (passenger transport authority)

case documents, transport plans, and agreements between operators and public authorities, where relevant (these are shown in the list of references).

The semi-structured interviews were based on an interview guide. The questions asked touch mainly on the following themes: a) the development of proposals for quality partnerships or quality contracts (QPs or QCs) and the motivations for them; b) what the QCs and QPs included and achieved; c) reasons for what was achieved, or not; and d) Dynamics of the processes (Which formal and informal relations exist between the different actors involved? Were there conflicts of interest? How were conflicts handled?). An outline of the interview guide used is shown in Annex 1, although this formed a basis of what was asked, and questions were added or modified by participant and region.

The interviews were recorded digitally, with the approval of the interviewees. The recorded interviews were transcribed verbatim. The subsequent analysis, where patterns in the data were categorized, was based on the verbatim transcribed material. Similarities and dissimilarities between the interviewees' experiences were identified. In the paper, verbatim quotes from the interviews are used to illustrate the analysis.

4. The informal institutional case study: developing partnerships in the West Midlands

4.1. Introduction

The West Midlands metropolitan region of England is centred on the City of Birmingham but includes several large towns and cities and in total has a population of almost 6 million people living in an area of only 900 square km. In common with other English metropolitan regions it has had a passenger transport authority (PTA) to coordinate (although, since 1986, not in most cases to operate) public transport in the region and, since 2017 it has had an elected mayor in charge of the PTA and some other regional government functions. The PTA is called Transport for the West Midlands (TfWM). Most local government functions – including control of roads – remain, however, with one of six metropolitan boroughs covering different parts of the area. Bus is the main form of public transport in the region carrying 267 million trips in 2019 compared to 50 million by train and 7 million on the one light rail line (TfWM, 2019). The main bus operator is a multinational privately owned stock market listed company, National Express, with its local services in the region (which account for 90% of the total) trading under the brand NEX West Midlands (NEXWM).

4.2. What does the partnership consist of?

The partnership consists of various elements. There is a Bus Alliance, which is a voluntary umbrella partnership arrangement for all operators in the West Midlands, but with particular relevance to NEXWM as the largest operator, TfWM as the PTA, and the boroughs as highway (roads) authorities. The Bus Alliance has a Board chaired by the regional head of Passenger Focus (the bus consumer watchdog), with representatives of the bus operators, the police, and roads authorities. The Bus Alliance main document sets out a series of 50 actions to be carried out by the various parties between its publication in 2015, and 2020, as well as key objectives and Key Performance Indicators (KPIs) relating to ridership, bus passenger satisfaction and so on. These actions are not binding on the various parties but their adoption in a public document makes it more likely that they will be implemented. An example of a KPI is that to grow passenger numbers by 5% over the Bus Alliance period. Examples of actions are a commitment by NEXWM not to increase fares by more than inflation plus one percent each year; TfWM's multi-operator multimodal smartcard scheme; and various highways schemes to give priority to buses.

Complementary to the overarching Bus Alliance, there are a number of regular operational groups of operator, highways authority and/or

TfWM staff to deal with, for example, information or highways issues. In addition, there are several *statutory* partnerships that are legally binding on operators, made by the PTA under the relevant legislation at the time. These cover small areas, particularly city centres, and stipulate the minimum quality and emissions standard of vehicles that can run services in these areas, the allocation of stop space, and "softer" issues such as cleanliness and driver behaviour. Nonetheless, the informal nature of the overall partnership is recognized and this was put well by the bus operator representative:

There's lots of levers they have, none of it written down - individually written down but none of it claiming this is the partnership and here are the penalties, it's not a Service Level Agreement (SLA). It's not a rail franchise that goes if you don't deliver in 62 per cent X, Y, Z, we'll cost you Y, it's a sort of unwritten, well, we'll be good guys and you be good guys.

4.3. Where did the proposal come from? How did it develop?

According to the interviewees, there has been partnership working to improve bus services in the West Midlands since at least 2000, but this started to become organized and formalized around 2008, for several reasons:

· The older personalities in both the public and private sectors who had "been around since before deregulation [1986]" began to be replaced by newer staff whose attitude towards partnership working was more positive. As one interviewee said: "*I guess it was personnel changes that that - it was almost the previous generation started it and then the current generation took it to a new level and I think that was on both sides*".
· To the operators it became more obvious that partnership working was needed to grow passenger numbers, to deliver for example bus priority on the road, and joint ticketing schemes.
· The 2008 Local Transport Act made it easier for operators to work together – certain types of collaboration were no longer classified as collusion and so no longer attracted significant penalties for breach of competition law.
· In 2010 TfWM (at that time called Centro) began a series of Network Reviews to see where and how existing routes could be improved; this necessitated joint working and led onto the first partnership, *Transforming Bus Travel*, in 2012.
· Particularly once the 2008 Local Transport Act came into force, the threat (to the operators) of the franchising, of a reregulated system, became much greater. The literature indicates that levels of profit are lower in a franchised system than a deregulated system (Rye and Wretstrand, 2014), so retaining the latter makes sense for private operators.

The partnership has developed more formally through a number of partnership documents (TfWM, 2012; 2013, 2014, 2015) – documents which, according to at least one interviewee, have decreased in formality and level of detail over time as a shared understanding of what the partnership is intended to achieve has developed. More informally, it has developed because relationships between staff and levels of trust have grown.

4.4. Outcome

4.4.1. What has the partnership delivered for different parties?

The partnership has delivered against its KPIs. After many years of decline to a low of 259.3 million trips in 2017/18, the 2018/19 data registered an upturn to 267.1 million trips (UK DfT, 2019). Passenger satisfaction levels have grown significantly, particularly in relation to cleanliness, driver behaviour and personal security (TfWM, 2019). Investment in buses by NEXWM has delivered a newer fleet more quickly than at typical rates of renewal. New bus priority schemes such as on

Lode Lane in Solihull and Harborne Rd in Birmingham have reduced bus journey times on key corridors, as has temporary traffic management in, for example, Birmingham City Centre. Fares on NEXWM services have been frozen (2016–2020) but new ticketing and payment options have at the same time been introduced. Bus services have been introduced to serve some new development areas even where in a strictly commercial sense they are not viable. Finally the complementary statutory bus partnerships in key locations have delivered lower levels of air pollution and bus congestion.

For the public sector partners, then, the partnership has delivered on a range of objectives. The tangible benefits to the operator are fewer: access to a ticketing brand; an opportunity to influence information provision; and, in some cases, new bus priority – although all interviewees highlighted that most Boroughs were lacklustre in delivering this latter benefit due to political opposition to roadspace reallocation. As one public sector interviewee said:

> "there's been very little in terms of investment that the local authorities have to put in. So, they come along to the partnership meetings and they've contributed to the dialogue but in terms of what they had to offer, very little".

There are however intangible benefits, of which warding off the threat of regulation is the biggest – as the bus operator interviewee said:

> When you have 92 per cent of the patronage and 80 per cent of the mileage, there is only one way you can go … it basically wipes out a third of National Express' global profits, franchising, so it is a problem. So the then focus became - how do we mitigate that political risk?

But the partnership also delivers more intangible benefits to the operator, such as reduced negative publicity when making changes to bus routes. It also helps to build a sense among stakeholders that the bus operator is part of the community and working for and with that community – for example "*We take councillors to go and talk to our [bus] cleaners at five in the morning. They just love it and they love getting involved … and feeling they've got a part of the business*" (bus operator interviewee). In addition, one of the public sector interviewees argued that the partnership helped local NEXWM management in particular to secure more resources from its global operation:

> So, by having local partnerships and commitments with us it means they can then go to their board, their shareholders and say look we promised we're going to deliver these things in the West Midlands so you need to give us money to do it.

In order to achieve its KPIs, the partnership depends on new ways of collaborating between organisations previously unused to working together and in this sense has delivered new informal institutions, which are discussed in the next section.

4.4.2. In what respects does the partnership work well and in what not so well and why?

As noted above, in terms of KPIs the partnership has delivered. The main area of dissatisfaction was the slow pace and scale of bus priority implementation by Boroughs; a more minor issue to the bus operator interviewee was "*Just the speed of doing stuff I suppose. They usually agree with me in the end but it takes time. They tend to be quite cumbersome*". However, those interviewed tended to compare the way in which the partnership works in comparison to what had gone before and so their comments were in the main positive. As the interviewee from the Borough of Solihull commented:

> What was suboptimal in the old arrangement where we didn't have partnerships, by definition we didn't have that collaboration. So, National Express West Midlands … would purely make decisions down to commercial imperatives which suited their balance sheet

and failed to take on board any of our objectives or outcomes that we were seeking …

In contrast, the way of working now, in partnership, where relationships are more informal but at the same time more effective, was summed up well by the bus operator interviewee as follows:

> The advantage of the way our relationship works, is that we can go to [colleague at Centro, now called TfWM] and go look [colleague at Centro], you've just - I was just walking down the road talking to one of my chaps who says Centro have written in something in Solihull that says every bus has to be Euro 6 by 2020. I got an action from that conversation to go to Centro and go look, if that's what you want to do we can do it but it's bonkers because we've got a load of Euro 5 buses that are two years old that won't be able to service Solihull so we may actually end up running less service into - it's a perverse incentive.

> But we can have that conversation or we can go look [colleague at Centro] how can we adapt, how can we - what's the wriggle room. What's the sensible grey area that it delivers the spirit … I don't mean we're getting out of commitments and we're polluting the streets of Solihull, I mean how do we better deliver that objective in a sensible way that doesn't involve throwing away four-year-old buses because you can't operate them. Or just scrapping service, or cutting service, or hiking fares and actually putting more people into their cars. There is a sensible middle way and that we can actually have that conversation.

5. The formal institutional case study: attempting to franchise buses in North East England

5.1. Introduction

In 2011, Nexus (Tyne and Wear Passenger Transport Executive (PTE), which reports to the North East Combined Authority (NECA)) was one of the first areas to put forward proposals for a Quality Contract Scheme (QCS) in the metropolitan region around the city of Newcastle. The governance structure for transport in the region is broadly similar to the West Midlands although there is no elected Mayor, there are only five Borough councils and the population, at around 1.1 million, is much smaller; on the other hand, bus ridership per person is much higher, with 150 million trips in total in 2018. In addition, the local bus market is more fragmented than in the West Midlands, with three major operators sharing some 97% of the services.)

5.2. What was the QCS to have consisted of?

The QCS would have meant that Nexus would take control of the entire bus network in the region and plan and then franchise routes, or groups of routes, by awarding them on a competitive tendering basis, thus ending competition on the road as only one operator would operate each contract. The level of public funding would in theory be the same as currently put into the deregulated market in the form of support for subsidized services, fuel duty rebate and travel by concessionary travelers (those aged 65+) but the funds would have been administered differently, in the form of a direct subsidy to operating costs of specific contracts.

It was also intended that Local District Boards for the 5 districts would be set up and Nexus would provide to them regular monitoring reports on the performance of the network in terms of how many passengers were being carried, what revenue was being taken, accessibility levels, customer complaints, passenger satisfaction etc.

5.3. Where did the proposal come from? How did it develop?

Public sector dissatisfaction with local bus services in the Newcastle area dates back to the time of bus deregulation in 1986. The metropolitan area has an extensive light rail network, the Metro, which was built in the 1970s and is still owned, operated and subsidized by Nexus. Until deregulation, because Nexus also controlled local bus services, it was able to plan a system of feeder bus services to the Metro, and overall public transport patronage rose through the 1980s until deregulation when private operators withdrew feeder services and instead instituted buses that competed with the Metro, and overall patronage fell. This dichotomy of privately-owned and operated buses competing with a publicly-owned and operated rail-based system was not found in the West Midlands, in contrast.

There were nonetheless quality partnership initiatives taken between operators, Nexus and local authorities in the early 2000s. For example, the SuperRoute initiative (Confederation of Passenger Transport (n.d.); Hensher et al., 2010) brought combined investment in new buses, infrastructure and information and ticketing leading to increased patronage on certain routes, although by no means all that benefited from such investment (Newcastle Evening Chronicle 21/09/2005: *Super Routes Slipping* article). However, apart from a brief interlude in 2007–2009, this did not stop the overall decline in bus use in the region. The TWITA Bus Strategy (2012) noted that, in addition, fares had risen faster than inflation for many years and that the decline in patronage since 1986 was the greatest of any metropolitan region in the country. To this end, the document saw the local bus market as "faced with four clear trends: falling patronage; rising fares; increasing reliance on public funding which is unsustainable; [and a] contracting network" (TWITA, 2012 p 24).

Prior to the publication of the final Bus Strategy, in November 2011, the ITA directed Nexus to investigate the possibility of developing a QCS across the region as a possible mechanism for achieving the objectives of that Bus Strategy. However, it also directed Nexus to work with operators to consider the potential of a voluntary partnership agreement (VPA) as an alternative to the formal QCS, so the preparation of the two informal and formal approaches proceeded in parallel over the next three years. Both were reported to the North East Combined Authority (the successor to the ITA) at its Leadership Board meeting in October 2014 – the committee report, over 1000 pages long, included a full draft of the VPA as well as the QCS. The report noted:

> "The VPA has evolved over the last 18 months: a first proposal was put forward by NEBOA (North East Bus Operators Association) in October 2012, revised versions were prepared in May 2013 and December 2013, and the latest VPA Proposal was provided in May 2014 … NEBOA have suggested that there has been insufficient engagement by Nexus, in fact numerous meetings have been held between Combined Authority Officers and NEBOA to jointly develop and clarify the VPA Proposal."

The draft VPA document, appended to the report, was about 80 pages long and written in a very formal, legal style. It gave a very detailed financial breakdown of proposed local authority investments but also listed major commitments required from operators in terms of frequencies, driver training, vehicle standards and so on. Therefore, while this document represented the informal approach, its tone was in fact much more "contract" than "partnership" and indeed the draft VPA document has "subject to contract" in the header on every page.

The same report analysed the benefits, costs, strengths and weaknesses of the QCS and concluded in its recommendations that the formal QCS was more likely than the informal VPA to achieve the objectives of the bus strategy. As a Nexus interviewee said:

> We sat down with the bus operators and asked them to develop their best quality partnership scheme … We assessed the bus operators'

QPS and compared it to the QCS. What we found was that it didn't deliver a lot of the benefits the QCS did.

The VPA related parts of the report did not discuss what had been achieved by earlier partnership working in the region and the fact that the VPA (informal) and QCS (formal) proposals were progressed concurrently could suggest that the main motivation for the former was to act as a counterpoint to the latter. One of the bus operators interviewed for this research said:

> Whilst we sat down with Nexus several times to discuss a partnership approach alongside the QCS discussions, there was no intent for Nexus to go down that line because they were certain it [the QCS] would come in. They would have only considered a partnership if the bus operators had agreed to hand over control within the [partnership] area … Personal relationships were fine but there was always this feeling that Nexus and the politicians believed the bus operators were only in it to make money. Another operator simply commented "the relationship between the operators and the council [sic] was a problem". A third said that "on the other side, the operators were offering a partnership. We said that if they go down this route, it wouldn't cost them a penny and we could offer them all the benefits we believe are in the QCS … [but] we didn't find them willing partners".

Certainly in Tyne and Wear the chronology of the informal VPA and formal QCS were very different from the West Midlands where a partnership has been in place over many years and the QCS or "*nuclear option*" (as one interviewee put it), remains only as a background "threat". Additionally, the interview quotes from the operators and Nexus do not give a sense of a strong partnership having preceded the development of the QCS proposals, at least since the SuperRoute initiative in the early 2000s.

5.4. Outcome: Why did the proposal for a QCS not go ahead?

On 3rd November 2015, the QCS Board (required and constituted by law, consisting of the Traffic Commissioner (appointed by the UK Department for Transport) and independent consultants, with the power to approve a proposed QCS) rejected these proposals and concluded that Nexus failed to comply with three out of the five statutory requirements for a QCS. In addition, they felt the scheme could not demonstrate that it would increase use of bus services, nor that it would have provided value for money, and they found that it would have imposed disproportionately adverse effects on operators. Therefore, on the basis of its examination of the business case provided by Nexus (which was based on its consultants' estimates of the economics of the local bus operation, not on any financial data provided by bus operators) the QCS Board decided the scheme was unaffordable and the councils would eventually have run out of money to keep the buses running. As one bus operator interviewed argued, *"The cost to the local taxpayer would have been huge and for no real benefit"*. At that point, therefore, the proposal for a QCS ended, and Nexus was forced to pursue alternative means of improving bus services in the region – although its bus strategy has not since been updated, so there has been no formally-documented move towards more partnership working.

The major reason for the failure of the scheme was clearly that, as Nexus did not have the accurate financial information, their costings were considered unrealistic. The distance of the public authority from the market as a result of three decades of deregulation put them at a significant disadvantage in trying to return directly to a publicly directed model. As one Nexus interviewee commented:

> Because they had all the data and they run the bus services, they know a lot about how the industry works. They are commercially minded and had some clever people working against what we wanted to do.

Another Nexus interviewee highlighted both the novelty of what was

being tried, and the relative resources of three large bus operators compared to the Passenger Transport Executive (PTE) when it came to marshalling the arguments for and against the QCS at the Board hearing:

> We were the first to try this and learn all the lessons from it. In many respects, the guidance on how to develop a QCS was quite vague. Our case in many areas was quite strong and in some areas less strong. In our methodology, we made changes along the way and these were held against us. They said we were making it up as we went along. There were weaker parts of our case and some mistakes made by our consultants … We are a small organisation with a small legal team and economic advisers. The three bus companies are much bigger … with bigger legal teams to take us on.

As the quote above also indicates, another explanation proffered as to why the QCS failed was that of the nature of the legislation in place. Most interviewees suggested that the legislation was a barrier and with no other QCS successfully implemented in the UK over the past 15 years, this suggests that the statutory framework for implementing a QCS is at the very least challenging to use. According to Nexus: *"There are probably [other] tools we could have used but we had to stick by legislation and we could only deliver what the legislation would let us deliver."*

6. Analysis and discussion

In both case studies, the need to take a different approach to bus services arose from dissatisfaction with the current situation. In the West Midlands, both public authority and operator were dissatisfied in that they wanted to realise improvements to services to deliver increases in patronage but realized that to do so, more joint working would be required than the formal institutional framework facilitated. However, the interviews do not indicate that in the West Midlands there was a strong sense of the formal framework failing to deliver altogether– rather that there was a need to try to work within that system to improve it. In Tyne and Wear, dissatisfaction was felt more strongly on the part of the public authority: it perceived a failure of the bus system in its region to deliver and the cause of this to be the formal institutional framework. It therefore looked to change that framework rather than to work within it. Hence in one area we observe the gradual development of informal institutions to modify the working of the formal institutions, but this is not seen in the other area.

There are of course some aspects specific to the cases that may have also influenced the very different approaches observed. In the West Midlands, there is only one main operator with a quite stable network whereas the bus system in Tyne and Wear, with three main operators, has seen more instability and on-road competition. Secondly, there is no region-wide publicly owned and operated light rail system in the West Midlands with which bus operators may have been perceived to compete, whereas in Tyne and Wear, there is. Thirdly, the politics of the two regions are different: TfWM has a board with all three main political parties represented and, over time, has been in the control of both Conservative (more right-leaning) and Labour (more left-leaning) politicians. Tyne and Wear has been solidly Labour for many years, and certainly the bus operators interviewed in the region felt that there were ideological motivations for the QCS proposal.

An important lesson from this study is that the informal and formal institutional approaches are clearly not mutually exclusive. In the West Midlands, the informal institutional approach(es) that compose the voluntary partnership have been introduced to supplement the formal institutional framework of the statutory governance and regulatory mechanisms that were in place previously, and indeed those that were introduced during the period of the partnership (such as the 2017 Bus Services Act); and they exist alongside these formal institutions. In addition, statutory quality partnerships have been, as noted above, introduced in various town centres in the West Midlands to achieve very specific air quality, vehicle quality and decongestion objectives in these areas, at the same time as the voluntary partnership has been in place. In Tyne and Wear, informal institutional approaches (quality partnerships) were pursued in the early to mid 2000s, and were proposed as an alternative to the statutory quality contract.

A related issue is whether the use of informal institutional approaches can make the subsequent use of formal institutions easier. The West Midlands now (May 2020) has three statutory partnerships in place, with a fourth in consultation. Legally, the Combined Authority promotes these, consults officially with the bus operator on them and if necessary there is a public hearing to decide if the partnership should go ahead – a very formal and potentially adversarial process. However, as noted above, the informal partnership has resulted in an open communicative environment in which proposals for legally binding partnerships could be discussed and issues resolved informally at an early stage, thus obviating the need for formal adversarial legal proceedings. In the Tyne and Wear case, the QCS proposal was not preceded by any large scale partnership working that could have facilitated an informal discussion on that proposal; on the other hand, because the QCS is a complete restructuring of the formal institutional framework for buses in a region, an informal discussion might not have been that helpful.

A further issue is what actually constitutes the informal institutions in the West Midlands case, and how this contrasts with the Tyne and Wear case. One important aspect is clearly the non-statutory partnership documents, such as the Bus Alliance document (TfWM, 2015). The main document is only 8 pages long and covers 8 key objectives for improving bus services – such as reliability, speed, ticketing, security and so on. This very short document is accompanied by 50 commitments by the different parties as to what will be delivered by whom in terms of measures to achieve the objectives. The language and appearance of the documents is clear, simple, attractive and certainly not formally contractual – they set out instead a shared understanding of what the partnership is for and will achieve. A further key aspect of the informal institution is the personal relationships and trust underlying the partnership which all West Midlands interviewees emphasized – there are, clearly, shared rules of the game, and the degree to which these have become shared has grown over time. Whilst this is to an extent because new more compatible personalities started to work for the operator and for the PTA, in the main the shared rules of the game have arisen simply because the key parties have agreed to try to work in partnership, and consequently gradually become better and better at doing so. In contrast, in Tyne and Wear positive relationships between the public sector and the bus operators were mentioned by only one interviewee, and the draft partnership documentation was drafted in an extremely formal, legal manner. There was much less evidence of a willingness to try to work together, and thus of the development of shared rules of the game. This rather combative situation is further evidenced by the fact that the proposals for both the informal VPA and the formal QCS evolved over some years as Nexus strove without success to make one or the other acceptable to the bus companies. Ultimately it would require a legislative change to the formal institution before local authorities would have the power to implement the formal approach unilaterally (see conclusion).

There is one improvement to bus services which neither area really delivered on a large scale, which was the reallocation of road space to bus priority at a region wide scale. This is largely because of the political sensitivity of so doing, and may indicate that, partnership or no, this is too great a challenge for it to happen on more than an occasional basis. This aside, overall the evidence presented in this paper demonstrates that the more informal West Midlands approach has delivered more than the formal Tyne and Wear approach – but that there are good reasons for why this has happened.

In relation to the agency of the actors involved (Helmke and Levitsky (2004), the two cases indeed show very clearly that agents have been central to change, through the way they have chosen to engage with existing institutional frameworks. In the Tyne and Wear case, a choice was made to engage with both the informal (partnership) and formal

(QCS) framework in a quite formal way. The partnership proposal was brought to the ITA Board at the same time as the QCS proposal, as a comparator option in a very formal decision-making process. In contrast, in the West Midlands, the informal approach was selected by actors as a means to prepare the ground, well in advance, for use of formal institutions (statutory quality partnerships; and the background "threat" of franchising). In addition, a change in the actors involved in bus policy and operation in respective institutions in the West Midlands in the early 2000s was key to the development of partnership working, and several interviewees noted that this would not have developed, had other more "traditional" actors been involved.

7. Conclusions

This paper has sought to understand both how the informal institutional approach can be used effectively, but also to assess its limits; and to understand why a formal institutional approach, in spite of its strong underlying basis in law, may nonetheless not always function, as well as the role of agency in these interactions.

The context of the bus industries in the two case study regions is different, because the West Midlands has one incumbent operator, as opposed to the three in Tyne and Wear (although on-road competition is now rare in both areas). Nonetheless, there are clear lessons that can be drawn about the two institutional approaches and the role of agency. The informal institutional approach – partnership – can lead to significant change where it benefits from agents who are supportive of that approach, *and* from the background "threat" from the potential regulatory body (who itself is one of the agents within the informal institutional approach) of formal change, should the informal institutions fail to deliver. This implies that the formal institutional approach is required to be available, even though it may not be (fully) used.

A second key lesson is that the development of effective informal institutions can aid the use of formal institutions. In the West Midlands, statutory (legally binding) quality partnerships have been introduced in several locations to deal with site-specific bus related congestion and pollution problems. It is unlikely that these would have been introduced as easily, had the informal institutional framework not been already in existence such that it developed relationships between agents that were much more collaborative and less confrontational than they would have been, without the informal framework. It is also possible that the proposal for a QCS in Tyne and Wear would have been judged more favourably, if there were more evidence presented by Nexus that they had spent many years working within the informal institutional framework of voluntary quality partnerships, achieved some success but reached the limits of what the informal approach could deliver. However, the change from a deregulated privately-owned and operated bus service with effective partnerships, to one where the entire region's bus service is regulated and franchised by a public body, is such a significant one, with such existential threats to private bus operators, that it is unlikely that even a context of successful partnership working such as that in the West Midlands could do much to smooth the path of such a transition; it would inevitably be quite an adversarial situation.

There is a third key lesson: that the informal approach has its limits, and if there is a desire on the part of a regulatory body such as a PTA to, for example, *specify* (as opposed to influence) service levels and fares products in the context of a local bus service, it is highly unlikely that the informal approach will allow them to do so fully. However, a regulatory body may judge that what it can achieve within the informal institutional framework is a good second best to changing the formal institutional framework because it is much more deliverable and much less risky – which is why the majority of PTAs (or equivalents) in Britain outside London currently have no immediate plans to use the formal institutional approach of re-regulation/franchising (Villa i Aguilar, 2019).

Since the time of the case studies examined in this paper, new legislation has appeared in the form of the Bus Services Act 2017. This new Act continues the trend towards stronger franchising powers by simplifying the process compared to earlier legislation. The difference between the franchising powers in the new Bus Services Act (2017) and the Quality Contract powers in the earlier Local Transport Act (2008), as used by Nexus in the formal case study in this paper, is that the requirement to submit an application to the QCS Board (or similar) has been removed. Under the new legislation, the authority's proposals for franchising only require to be independently audited before being submitted to the Secretary of State.

The new Act also contains an emphasis on providing these powers to the new combined regional authorities with directly elected mayors. The ability to create these regional authorities was legislated for in the Localism Act 2011, although it is left to the discretion of the constituent municipalities within each region as to whether or not they wish to form a combined authority, as well as what form it should take and what powers it would have. If these new authorities decide to apply the bus franchising powers from the Bus Services Act 2017 in their jurisdictions would be likely to bring their bus systems even closer to the London model than if they had applied a QCS (White, 2010), although the combined authorities will have less funding for subsidising bus services than their London equivalent, Transport for London. However, a topic worthy of further research such as that carried out by Villa i Aguilar (2019) is related to the likelihood that, after several changes throughout the years, these optional powers will in fact finally be used.

CRediT authorship contribution statement

Tom Rye: Conceptualization, Data curation, Formal analysis, Investigation, Methodology, Supervision, Writing – original draft, Writing – review & editing. **Robert Hrelja:** Formal analysis, Funding acquisition, Investigation, Methodology, Writing – original draft. **Jason Monios:** Supervision, Writing – original draft, Writing – review & editing. **Clare McTigue:** Investigation, Visualization, Writing – original draft.

Appendix A. Supplementary data

Supplementary data to this article can be found online at https://doi.org/10.1016/j.tranpol.2021.09.001.

Annex 1. Outline Interview Guide

1. Feel free to tell us a little about your background and work, and how long you have been working on the QP/QC.
2. How would you describe the QP/QC?
3. What was it about the previous situation (without the QP/QC) that was sub-optimal?
4. What is the goal of the QP/QC (more travelers, reduced costs, increased customer satisfaction, etc.)?
5. Who was most dissatisfied with the previous situation, of the various actors involved? Why?
6. Where did the idea of the QP/QC come from? Was it the result of a search by certain "policy entrepreneurial" figures, or was it simply a copy of what was perceived to have worked well elsewhere?
7. Who (which actors) is involved in the QP/QC (initiative) and what do they contribute? How does this differ from the previous situation? Are there conflicts of interest between organisations? How are conflicts handled?
8. Do the concepts of "partnership" and "quality" in the QP signal changes (eg in goals, roles and forms of cooperation between organisations)?
9. Has the QP/QC (initiative) changed organizational roles and competencies? If so, how have some organisations reacted to this?

10. What "qualities" enable an effective partnership between organisations in the QP?
11. What organisation/routines/processes/arenas for collaboration between organisations exist in the QP or QC context, if at all?
12. Which factors have affected the implementation process?
13. Has the QP/QC (initiative) been as successful as was hoped in delivering improved public transport? Why, why not?
14. What results do you think the QP has had? Are there measurable results on customer satisfaction, travel development, efficiency and profitability, etc.?
15. Anything else or anyone else important that we should have talked about?

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