

# WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY

DATE: 20 NOVEMBER 2009

AGENDA ITEM NO: **16**

**SUBJECT: BUS QUALITY CONTRACT SCHEME**

## Report of the Passenger Transport Executive

### 1. **MATTER FOR CONSIDERATION**

- 1.1. The development of a Bus Quality Contract Scheme for West Yorkshire.

### 2. **INFORMATION**

#### Background

- 2.1. The Transport Act 1985 introduced deregulation and privatisation to bus services outside London and Northern Ireland. WYPTE was no longer permitted to operate bus services and was required to sell its bus operations.
- 2.2. There has been a general consolidation of the bus industry, with the majority of services operated by one of five companies (First, Arriva, Stagecoach, National Express and Go Ahead). First and Arriva had dominant positions within their operating areas in West Yorkshire.
- 2.3. WYITA members have expressed a number of concerns about the performance of local bus operators. Whilst recent market research satisfaction scores are generally positive other consultations reveal a number of concerns. Local Transport Plan targets have not been achieved as there has been a general decline in bus patronage despite investment by operators, Metro and District Councils and a wide range of partnership initiatives. Whilst operators cite the recession as the cause of the recent decline in fare paying passengers, patronage also declined whilst the economy was growing. This decline is in stark contrast to the significant growth in local rail travel.
- 2.4. The Audit Commission has recognised that LTP targets are not being achieved though partnership working, prompting a stronger focus on bus related investment during the remainder of the second Local Transport Plan. However, service withdrawals and reductions have reduced the confidence of District Councils in investing in bus priority measures and associated infrastructure such as raised kerbs at bus stops.

- 2.5. West Yorkshire District Councils have also recorded other dissatisfactions with local bus services, including fare levels, the frequency of service changes, the lack of transparency regarding value for money for the £90 million a year public revenue support to bus services in West Yorkshire and detrimental impacts on air quality. The Kirklees Council resolution calling for a Bus Quality Contract Scheme is one example of this dissatisfaction.
- 2.6. Metro's modelling of the bus network demonstrates the challenges in achieving sustained growth. This modelling shows that the most likely operator response to these challenges will be to raise fares and reduce service levels, which is reflected in recent operator behaviour. This modelling shows that more dramatic interventions are required to avoid a situation of continuing to manage decline.
- 2.7. This report considers the opportunity to respond to these concerns through the revised process for a Bus Quality Contract Scheme introduced through the Local Transport Act 2008 and associated guidance. The new process, described below, replaces the previous requirement for a Bus Quality Contract Scheme to be a 'measure of last resort'.

### **Local Transport Act 2008**

- 2.8. The Transport Act 2000 introduced a number of provisions to enhance local bus services, including Quality Partnership arrangements (both voluntary and statutory). The Transport Act 2000 also introduced Bus Quality Contract Schemes, a form of local bus "franchising". The criteria for developing a Bus Quality Contract Scheme were onerous and included the need for approval by the Secretary of State for Transport. No authority brought forward an application for a Bus Quality Contract scheme.
- 2.9. The Local Transport Act 2008 introduced further opportunities for local transport authorities to deliver a high quality integrated transport system to meet local needs. These opportunities included changes to make Bus Quality Contract schemes a more viable option.
- 2.10. The Authority has previously expressed an interest in developing a Bus Quality Contract Scheme and has endorsed a parallel strategy of working on the potential business case whilst also pursuing partnership opportunities.
- 2.11. The Department for Transport has now published draft guidance on Bus Quality Contract schemes. The draft enables the Authority to consider the objectives of a Bus Quality Contract Scheme, the associated processes, the potential benefits, affordability and risks and to determine whether such a Scheme should now be developed.

## **Background – Other Recent Developments**

- 2.12. The DfT has also published, for consultation, a draft strategy for Integrated Ticketing and the introduction of Smartcards. This guidance endorses the aspiration for integrated ticketing and the widespread take-up of ITSO smartcards. The strategy states that ‘Local integration is key to our vision, with city-wide, possibly regional, multi-modal smart ticketing schemes supporting integrated transport networks’.
- 2.13. The strategy is weak on actions to ensure the wider availability of integrated ticketing, although the statement that no new legislation is proposed could be taken to suggest that DfT believes that the Quality Contract and other powers in the 2008 Local Transport Act are sufficient to drive integrated ticketing. The Office of Fair Trading has also recently published a report for consultation on their potential decision to refer the bus market to the Competition Commission. This decision is based on their provisional findings that there is evidence that:
- operators have targeted competition of the kind that is designed to eliminate competitors without providing any long term benefit to consumers and that the threat of this competition (cited by small operators) is a key reason for not expanding services into areas where larger operators have services;
  - the concessionary fare regime distorts the market by creating an incentive for bus operators to raise fares above the competitive level, particularly where there is no competition.
  - incumbent bus operators with a well developed network have little incentive to enter into multi-ticketing arrangements with smaller rivals as the benefits to the rival were greater than the benefits to the incumbent.
  - commercial fares are estimated to be nine per cent higher in areas where only one of the large national groups operates services. This is a strong indication that competition between operators may be a key factor in controlling fares. Roughly one third of LTAs have only one large national operator providing services in their area.
  - the cost of supported services has risen at a faster rate than a general transport index or RPI over the last ten years. They consider that this is performance information that indicates competition may be adversely affected, especially given the limited number of bids for tenders in some areas.
- 2.14. The OFT proposes a number of potential remedies (including encouraging the use of Bus Quality Contracts) as set out below:
- tighter controls on 'over-bussing' to prevent this being used to exclude rivals without providing long term benefits to bus users, administered by the Traffic Commissioners;

- encourage the use of Quality Contracts to develop competition for the market rather than in the market.
  - development of a depot access regime to support the use of the new regulatory regime introduced by the Local Transport Act 2008.
  - depot divestments or divestments of other assets.
  - a better exchange of best practice between LTAs with respect to supported services.
  - mandatory multi-ticketing arrangements to prevent large incumbents from refusing to work with smaller operators
  - national benchmarking on PQRS (price, quality, reliability, service) and profitability to make it easier for LTAs to identify where they have local commercial service provision that falls below that provided by operators in other similar areas
- 2.15. Two other recent publications relating to Urban Transport identify the challenges facing the main urban areas and the need for a shared vision and leadership. Both publications, detailed in a separate report, refer to the importance of improved bus services and the new opportunities, such as Bus Quality Contracts, provided by the Local Transport Act 2008.

### **Objectives of a Quality Contract Scheme**

- 2.16. There are a numbers of reasons why WYITA might wish to develop a Bus Quality Contract Scheme in order to achieve customer benefits and wider social policy objectives, as well as responding to the issues raised in the Office of Fair Trading report and the challenge set out in the recent reports on urban transport.
- 2.17. The over-arching reasons for seeking a Bus Quality Contract Scheme are those of ensuring consistently high levels of customer services, securing better value for money and achieving transport integration in line with Metro's Vision for Transport, as set out below.
- *Reliable*
  - *Easy to understand*
  - *Accessible to all*
  - *Attractive to all*
  - *Affordable*
  - *Efficient*
  - *Safe and Secure*
  - *Integrated*
  - *Environmentally Sustainable*

- 2.18. WYITA has a legal obligation (set out in Section 108 of the Transport Act 2000) to develop and implement *'policies for the promotion and encouragement of safe, integrated, efficient and economic transport facilities and services to, from and within their area'*. However, the Authority's ability to do this is constrained by the de-regulated environment for local bus services. As a result there are a number of competing ticketing products and brands and little timetable integration either between bus and rail services or between bus services. Bus operators have generally been hostile to bus/rail integration, with the Bus Strategy consultation response (from the largest operator in West Yorkshire) questioning the value of this activity. The largest operators have developed their own ticketing products which they market strongly in preference to the MetroCard multi-operator product range. The volume of MetroCard sales has, regrettably, declined since the establishment of the West Yorkshire Ticketing Company which have given operators more overt control of prices.
- 2.19. There are other reasons why the Authority would consider that Bus Quality Contracts are desirable for the benefit of the public. The draft guidance on Bus Quality Contract Schemes defines public interest criteria relating to:
- increasing bus patronage,
  - benefits to bus passengers
  - achievement of Local Transport Authority policies,
  - achieving economic, effective and efficient outcomes
  - the proportionality of adverse impacts on operators
- 2.20. These public interest criteria would therefore be a core component of the objectives of a Bus Quality Contract scheme.
- 2.21. The Bus Working Group has considered the objectives of a Bus Quality Contract Scheme in the context of the Authority's Vision for Transport, its policies and the West Yorkshire Local Transport Plan, Bus Strategy.
- 2.22. The following objectives are proposed for endorsement by the Authority
- 1 To achieve an integrated public transport system in line with international city region best practice
  - 2 To achieve higher bus use than would be the case without a Bus Quality Contract scheme
  - 3 To achieve high customer satisfaction scores, demonstrating improvement over current satisfaction ratings.

- 4 To contribute towards District Councils' local policy objectives, including Local Area Agreement targets relating to congestion, accessibility air quality, reduced CO2 emissions and mode share.
- 5 To achieve demonstrable and measurable value for money from WYITA and District Council support for local bus services.
- 6 To manage the potential for adverse impact on incumbent operators in achieving other objectives.

2.23. These objectives will be used in any further work on Quality Contract Scheme development, including consultations with District Councils.

### **Process for Developing a Bus Quality Contract Scheme**

2.24. The Authority's Bus Working Group has been overseeing the development activities to date on the role and content of a Bus Quality Contract Scheme. A number of seminars have been held to brief all ITA members on this work.

2.25. The recently published draft guidance sets out in some detail the process for developing a Bus Quality Contract Scheme. The publication of draft guidance provides much greater clarity regarding the next steps and future work.

2.26. The process for developing and implementing a Bus Quality Contract Scheme is set out in Appendix 1. It is also summarised below.

- Metro, as the Local Transport Authority, would develop a Scheme through consultation with interested parties through a period of informal consultation on both principles and detail. The initial steps would include close liaison with the five District Councils to gain further support for this work and to ensure that their objectives and priorities were reflected in proposals. These discussions would also explore how to complement their activities as highway, planning and education authorities. The early consultation would also include bus operators.
- Metro would also develop a communications strategy to explain to partners, interested parties and the general public the reasons for this approach and the proposals to enhance local bus services
- Following informal consultation Metro would prepare a consultation document setting out the rationale and details of the proposed Quality Contract Scheme. The consultation documentation would be copied to the Senior Traffic Commissioner, triggering the establishment of a Quality Contract Scheme Board.

- Metro, after consideration of consultation responses, would submit the draft Scheme to the Quality Contract Scheme Board with the request that the Board prepares an opinion. The submission must also describe the reasons for seeking a Quality Contract Scheme (the public interest criteria) and a statement of affordability.
- Metro would finalise the scheme in the light of the Quality Contract Scheme Board's opinion. Metro may choose to ask the Quality Contract Scheme Board for a further opinion if the scheme is modified.
- Metro would publish a response to the Quality Contract Scheme Board Opinion.
- WYITA would then consider all the relevant issues in making the important decision whether to make the Bus Quality Contract Scheme, thereby introducing a franchised system whereby operators provided services to Metro's specification after a procurement process.
- Bus operators would have the right of appeal to the Transport Tribunal. If the Quality Contract Scheme Board opinion was favourable the appeal is restricted to points of law. Metro would be required to act in accordance with any direction given by the Transport Tribunal
- Subject to a 'successful' outcome, Metro would proceed to invite tenders, award contracts and implement the Quality Contract Scheme. The implementation would be likely to be phased.

### **Bus Quality Scheme - Approach to Specification**

- 2.27. The approach to the public interest criteria and affordability will be dependent upon the specification of the services to be secured through the Bus Quality Contract. The avoidance of disproportionate adverse impacts on incumbent bus operators will depend upon the approach to procurement, including the definition of operating areas, contract structure and the number of contracts.
- 2.28. The envisaged approach would be to divide West Yorkshire into fourteen operating areas, with services procured and managed through around 50 different contracts. The contracts would vary from high frequency networks with over 100 buses to small awards with fewer than ten buses.
- 2.29. The process of developing a Bus Quality Contract Scheme will also consider the approach to cross boundary services and whether any should be excluded and issues with a 'clearance certificate'.
- 2.30. The initial approach to specification has been considered by the Bus Working Group and is summarised in Appendix 2.

### **Affordability**

- 2.31. Affordability will be a key consideration and the process of developing a Quality Contract scheme will need to demonstrate a good understanding of both costs and revenues and strategy for ongoing financial viability.
- 2.32. The development of this understanding of costs and revenues is not straightforward as operators consider these to be commercially sensitive. Whilst Metro has access to some operator data, it can only be used within the confines of the relevant data share agreement.
- 2.33. Metro has, in partnership with other PTEs, developed a model (known as SIMBUS) of bus service operating costs and revenues. The costs are derived from published values for variable costs (such as drivers, fuel, maintenance, depreciation and insurance) and estimates of fixed costs and overheads. Assumptions on the margins operators would seek in operating contracted services can be made, using evidence from bus operating contracts in London and in Europe.
- 2.34. It is most unlikely that operators would provide route specific patronage and revenue data and therefore the SIMBUS model estimates these for different types of service.
- 2.35. Further work will be required to assess the benefits of better service integration and proposed features such as integrated ticketing and enhanced marketing activities. It will also be necessary to model different fare and ticketing strategies.
- 2.36. The key challenge will be to ensure ongoing financial viability. The role of the third Local Transport Plan and the activities of District Councils in highway network management and demand management initiatives will be important, as will future programmes of smarter choices activities.

### **Risk**

- 2.37. The Authority should recognise that the development of a Bus Quality Contract Scheme involves a high degree of risk, principally in relation to a future change of government policy, raised expectations in a financially constrained environment, potential operator responses (including legal challenge), creating a level playing field for procurement, and the management of contracts within a Quality Contract scheme where revenue risk lies with the Authority. There is also a risk on timescales, including a failure of the Department for Transport to progress final guidance and processed relating to a Quality Contract Scheme Board.
- 2.38. It is proposed that the Bus Working Group should oversee a process for considering these risks, their relative weight and strategies to mitigate their effects.

2.39. Some key risks are discussed below.

A future change of government policy

2.40. There is a significant risk of a change in government policy as a new government, or a hung Parliament, are possible outcomes of the general election to be held before June 2010.

2.41. The Conservative Shadow Transport Minister Stephen Hammond has on a number of occasions expressed opposition to Bus Quality Contract Schemes and stated that a Conservative Government would repeal that part of the Transport Act 2008.

2.42. The reasons for this position are not fully understood as it would appear to conflict with other Conservative policy statements relating to devolving power to local government and the role of elected Mayors. *pteg* is continuing to lobby all major political parties on behalf of ITA/PTEs and the LGA SIG is undertaking further lobbying activity.

2.43. It is not possible to complete the process described in Appendix 1 before the date of the general election in 2010. There is therefore the risk that

- The legislation relating to Bus Quality Contract Schemes is repealed before a Scheme can be made.
- Scheme is revoked and de-regulation re-introduced into the area of a Bus Quality Contract Scheme.

2.44. This risk will be mitigated by avoiding any significant expenditure on aspects that have no value in partnership discussions before the outcome of the next election and any potential changes in Government policy are known. The proposed work programme will be broken down into three phases, with the first phase of developing proposals being undertaken within existing resources. This first phase will also be enable the consideration of alternative partnership approaches proposed by operators. Progression to subsequent phases to progress a Quality Contract Scheme would be subject to further decisions by the Authority.

Operator Responses

2.45. Whilst most operators nationally have publicly expressed opposition to Bus Quality Contracts, some are believed to see it as an opportunity for growth. The largest incumbent operators in West Yorkshire are understood to be strongly opposed to Quality Contracts (even though much of their Group revenue is received through London and overseas bus contract payments and rail franchise payments) as they see the process as business confiscation.

- 2.46. It is important that the Authority recognises that operators have understandable concerns about their businesses. A key message therefore is that the reasons for seeking a Bus Quality Contract scheme is not linked to views on any individual operator but is seen as necessary in order to achieve the integration and other objectives set out in this report. The Authority will be mindful of the public interest criterion relating to the proportionality of adverse impacts. Incumbent operators should be in a strong position to submit competitive bids within their current operating areas and, although losing some commercial freedom, would derive some benefit from a higher degree of certainty about future revenues.
- 2.47. Another key message would be that contractual arrangements can be a very strong basis for partnership activities, as has been the case with local rail operators Arriva Trains Northern and Northern Rail.
- 2.48. A further key message will relate to the protection of jobs. The draft guidance covers TUPE and pension protection issues. The Authority should be mindful of some recent significant job losses in the bus industry and that a Bus Quality Contract Scheme that brings more stability and growth will also protect jobs.
- 2.49. Nevertheless incumbent operators make seek to challenge Bus Quality Contract scheme development at every stage, including legal challenge outside the process described in draft DfT guidance (as summarised in this report). Operators could also adopt spoiling tactics involving fleet degradation, service withdrawals and excessive fare increases. However, local bus operators who might adopt these tactics are large multi-nationals with professional and talented local management and national and international reputations to protect.
- 2.50. The Authority should also recognise that the day-to-day working relationships with bus operators may also be damaged by what they would perceive as the threat of a Bus Quality Contracts scheme. Operators would be requested, and expected, to maintain current high levels of professionalism and to maintain positive day-to-day working relationships in the interest of passengers. It is also important that Metro continues to be as transparent and clear as possible with operators about the reasons for developing a Bus Quality Contract Scheme and the desire to protect passenger interests during any development and transition period.

#### Creating a level playing field for procurement

- 2.51. The incumbent operators have an inherent advantage through their knowledge of local costs and revenues and through having depot facilities.

- 2.52. The experience of the dummy tendering undertaken by SYPTTE and Nexus suggests that Metro would have to take revenue risk for the first years of contracts as detailed information on patronage and revenue would not be available to bidders (the data on commercial services is held by current operators who would not make it available for this purpose). The further work proposed would also consider whether Metro should retain responsibility for fares and ticketing, which would be likely to require retention of revenue risk.
- 2.53. New market entrants or current operators seeking to expand would need to find depot facilities. Metro has undertaken some initial work to identify potential new depot sites across West Yorkshire. Depot location is very important to minimise 'dead' mileage (i.e. running to and from the depot out of service) which can represent a significant cost.
- 2.54. Other PTEs have shared depot designs and costs with Metro.
- 2.55. The proposed further work on developing a Bus Quality Contract scheme would include the development of a depot strategy, including refining site identification and, potentially, seeking planning consents for depot construction.

#### Understanding Customer Needs

- 2.56. The Audit Commission have praised the work that Metro does to understand customer needs. This provides a good building block for further market research and consultation to ensure that proposals are informed by a strong insight to the needs and aspirations of both users and current non-users.
- 2.57. Metro would also propose to build upon the knowledge that operators have of customer needs and the best private sector practice in identifying and responding to these. Metro would therefore seek a constructive dialogue with operators in developing a Bus Quality Contract Scheme. Metro would also consider the potential role for operators in bringing their knowledge and expertise to network design and service scheduling, with an initial preference for a 'lighter' touch approach than the Transport for London model and a recognition that different approaches may be appropriate in different contexts ( eg the approach to a specifying a busy urban route may well be different to that for a rural service with demand responsive elements).

#### The Management of Contracts

- 2.58. The draft guidance identifies the need to ensure that the disbenefits to incumbent operators are proportionate to the benefits of the scheme. The guidance indicates that these objectives can be achieved by ensuring incumbent operators having multiple opportunities to win contracts awarded through the Bus Quality Contracts Scheme.
- 2.59. The proposed further work would develop current thinking on tendering, contract structure, contract award and management.

- 2.60. The current thinking is based upon 14 operating areas within West Yorkshire, related to proposed depot locations to minimise dead mileage, and 50 (possibly more) individual contracts. These contracts would reflect the different service types within the network specification (i.e. the MetroLocal and Metro10 contracts described in Appendix 2 would be tendered separately) and be designed to meet the guidance that incumbent operators (large and small) have multiple opportunities to win contracts.
- 2.61. The further work will also develop current thinking on performance incentives and penalties, the role of customer satisfaction surveys, and the degree of risk transfer. It may be necessary for Metro to retain certain risks as an alternative to paying heavily to transfer these risks to bidders.
- 2.62. The Authority should note that Bus Quality Contract Schemes would mean that members of WYITA may, depending on contract structure, be potentially required to take difficult and potentially unpopular decisions on fares and service levels in order to meet budget targets.

### **Next Steps**

- 2.63. The Authority is requested to consider and endorse work to develop a Bus Quality Contract Scheme for West Yorkshire. Further decisions would be required regarding progression to formal consultation, submission to the Quality Contract Scheme Board and making the Scheme.
- 2.64. The work plan and timescales to the process are set out below

<b>Activity</b>	<b>Time period (Indicative as final guidance has yet to be received)</b>
Briefing report for the West Yorkshire and Leeds City Region Leaders	From December 2009
In depth discussions with the five West Yorkshire District Councils to gain further support for this work and ensure local policy objectives are considered	From December 2009
Further lobbying of major political parties about the need to retain the Quality Contract Option as part of all parties stated desire to devolve decision making and encourage better transport governance in the major conurbations	From December 2009

Proposal development, including informal consultation operators, transport users, bus company employees and other interested parties.	February 2010 to June 2010
WYITA gives notice and carries out formal consultation for a period of 13 weeks	June to September 2010
Evaluation of consultation responses and finalisation of scheme	September to October 2010
WYITA sends scheme to QCS Board for evaluation, QCS Board evaluates proposal	October to December 2010
WYITA finalises proposals in light of QCS Board comments	December 2010 to January 2011
LTA makes the scheme	February 2011
Operator appeal	Depends upon the nature of the appeal
Scheme commences implementation, dependant on appeals procedure (on a rolling basis)	September 2011

### **Partnership Options**

2.65. It is proposed that bus operators be advised that partnership approaches that achieve the objectives and outcomes of a Bus Quality Contract Scheme will be considered as this work progresses. Metro will therefore be continuing dialogue with operators in parallel with the development of the proposed Bus Quality Contract scheme.

## **3. FINANCIAL AND LEGAL IMPLICATIONS**

- 3.1. It is likely that major Operators may consider legal challenge to the Quality Contract Scheme if they feel it threatens their business and revenue. The larger operating companies would have significant resource to devote to steps such as:
- seeking a court order that the QCS was unlawful and had not been implemented by Metro in accordance with the legislative framework and guidance. As there has never been a QCS before, there are likely to be untested ambiguities in the legislation itself that could give operators scope to delay matters significantly;
  - challenging the procurement framework ultimately decided upon for the scheme contracts under European and UK legislation to frustrate the implementation of the scheme;

- 3.2. External legal advice may be necessary in view of the scope and incentive for legal challenge, but would not be required until the ITA had taken a decision to make a Scheme.
- 3.3. The first phase of the proposed development work (to June 2010) would be undertaken within existing resources. Progression to subsequent phases to progress a Quality Contract Scheme would be subject to further decisions by the Authority on resource allocation.

#### **4. STAFFING IMPLICATIONS**

- 4.1. The initial work (to June 2010) on developing a scheme would be undertaken within existing staff resources.

#### **5. EQUAL OPPORTUNITY IMPLICATIONS**

- 5.1. The development of a Bus Quality Contract Scheme would reflect equal opportunity considerations.

#### **6. RECOMMENDATIONS**

- 6.1. That the Authority note the statements of dissatisfaction with local bus service provision from a number of District Councils and the resolution in favour of Bus Quality Contracts from Kirklees Council.
- 6.2. That the Authority notes the integration and other duties contained within the Transport Act 2000.
- 6.3. That the Authority note the recent publications, such as the OFT report and Urban Transport policy documents, which identify the potential role of Bus Quality Contracts in the major conurbations.
- 6.4. That the potential integration and other benefits of making a Bus Quality Contract Scheme are noted.
- 6.5. That the need for affordability and the risks in both making and implementing a Bus Quality Contracts scheme are noted.
- 6.6. That the Authority endorses the objectives of a Bus Quality Contract Scheme as set out in this report.
- 6.7. That the Authority endorse further work to develop a Bus Quality Contracts Scheme, with a view to being in a position to submit a Public Interest Statement and scheme proposals to the Quality Contract Scheme Board in autumn 2010.
- 6.8. That this further work avoids abortive expenditure by retaining partnership options and encouraging bus operators to offer alternative models for achieving the objectives of the proposed Bus Quality Scheme and draft specification set out in Appendix 2.

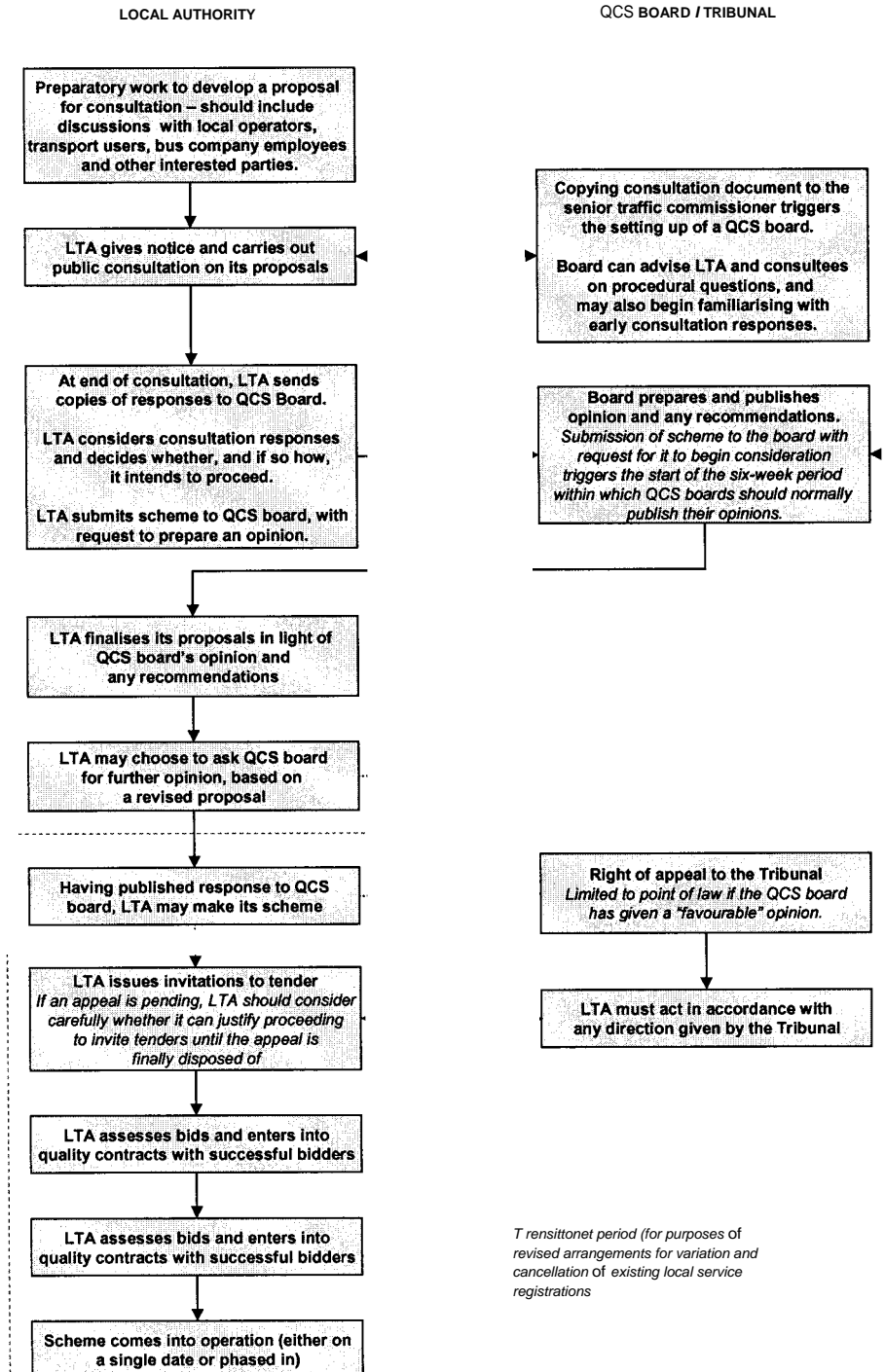
- 6.9. That the Authority undertakes lobbying of the Shadow Transport Front Bench on the importance of the Bus Quality Contract scheme as part of local determination of transport policy, and supports further ITA SIG activities.
- 6.10. That the Leaders of the West Yorkshire and Leeds City Region Councils be briefed on the proposed approach.
- 6.11. That the Authority undertakes early consultation with District Council partners to develop a more complete understanding of how a Bus Quality Contract Scheme would help to achieve local objectives and seek support for this approach.
- 6.12. That bus operators are advised of this approach and that Metro remains receptive to alternative partnership approaches that would achieve the objectives and outcomes of a Bus Quality Contract Scheme.

Director General  
West Yorkshire Passenger Transport Executive

# APPENDIX 1

## CONSULTATION DRAFT

### ANNEX A - SUMMARY OF PROCESS FOR IMPLEMENTING A QUALITY CONTRACTS SCHEME



### INDICATIVE APPROACH TO SPECIFICATION

#### Network Design

1. Metro's market research reveals that people, especially occasional users and non-users, find bus services difficult to understand. This is in part due to network instability in parts of West Yorkshire but also because there is no coherent presentation of the 'bus offer'. The bus industry in general has too many brands (e.g. "Hoppas", "Bees",), meaning customers potentially have difficulty in knowing what to expect.
2. The proposed Bus Quality Contract scheme approach would involve a hierarchical network design with service attributes for distinct services types, as set out below (the service brands are provisional and will be subject to further development work). The proposed service types are:
  - Express limited stop services (Metro Express) with highest quality vehicles (e.g. leather seats, WIFI)
  - A core network of high-frequency services (Metro10) with low floor DDA vehicles. There would be clearly identified key hubs (interchange points) where the more local Metro Connect services would feed into the core high-frequency network
  - Less frequent services (Metro Connect), in many cases serving local centres as well as connecting into the Metro10 core network and local rail services. These may be operated with smaller vehicles. The service headway would in general be 20 minutes, 30 minutes or 60 minutes.
  - Dedicated home-to-school services (MyBus). The MyBus concept would be rolled out to more home-to-school services over time
  - The NGT scheme for three corridors in Leeds, with the concept being extended elsewhere as funding becomes available.
3. This hierarchical approach to network design would facilitate better marketing of bus services to occasional and new users. The process of simplification may mean the loss of some local links and the MetroLocal concept (of a community focussed adaptable local service meeting key accessibility needs) would be extended to ensure a 'safety net' was available for local communities that might otherwise be isolated.
4. MetroLocal services have been successfully piloted in Kirklees as a 'proof of concept'. The model involves in depth community engagement to design a service that meet local accessibility needs. The service may only be available on one or two days a week but would still provide a safety net for needs such as trips to local supermarkets and health centres. MetroLocal has been developed as a complementary service to AccessBus. The relationship of MetroLocal to AccessBus will be considered further as part of the proposed Quality Contract Scheme development work.

### Network Stability

5. Network stability is important to customer confidence and to allow the provision of high quality printed information at bus stops and shelters. There has also been considerable frustration about instances of District Councils installing raised kerbs or Metro installing new bus shelters only for the bus service to be withdrawn.
6. The proposed approach would be to work towards limiting route changes to one date per year, whilst also allowing for the introduction of new services to development areas (for example) at other times.
7. The benefits of using real-time monitoring data to improve punctuality would be recognised through the use of six dates per year for minor timetable (not route) changes for the purpose of improving punctuality through more realistic scheduling.

### Operational Performance

8. There would be an incentive / penalty regime within the individual contracts for bus service operation.
9. Bus punctuality would be monitored through the *Yournextbus* realtime information system. The operators for the larger contracts would be required to maintain their own schedule adherence monitoring capability. Metro would provide reports to operators of smaller contracts.
10. Bus operators would be required to support the service cancellations features in the *Yournextbus* realtime information system and to declare lost mileage (cancelled journeys) to Metro. There would be contractualised penalties for failing to declare lost mileage.
11. Further work will be undertaken on the balance between incentives and penalties within contracts for bus service operation.

### Fares and Ticketing

12. The proposed Bus Quality Contract scheme approach would involve the use of ITSO smartcards as the basis of an integrated ticketing system. Only multi-operator products would be available –no operator only products permitted.
13. Modelling would be undertaken to assess the financial viability of a simplified fare structure, possibly based on time (rather than distance) for single journeys, with a flat fare concession for young people. Area based zonal tickets would also be considered, as would differential between time bands, including reduced fares for group travel in evening and on weekends.
14. The modelling would also assess the impacts of incentives to encourage much higher levels of off-bus payment and pre-payment for period tickets.

## Revenue

15. Metro would need to take revenue risk in order to be able to mandate an integrated and simplified fare structure.

## Vehicles

16. The contracts would specify different vehicle standards for different types of service. Accessibility standards and quality aspects would be more important than vehicle age.
17. There would be a deadline for all vehicles to be DDA compliant and meet or exceed Euro 3 standard for emissions.
18. The costs of requiring on-bus next stop displays and audio announcement will be considered further.

## Driver Standards

19. Drivers will be trained to a minimum of NVQ Level 2 or equivalent with additional training on accident reduction, dealing with difficult customers, how to deal with young people, greener driving and disability awareness.
20. Specific client training and HR policies would be mandated as part of contracts.

## Customer Care

21. It is intended that there would be a single point of contact for people to make comments or complaints when things go wrong or suggest improvements for services.
22. Information on how to complain would be available on all buses
23. 'You said we did' and performance reports published
24. Mystery Traveller and customer satisfaction surveys would be undertaken and used as the basis for service improvement.
25. Common compensation policy and complaint appeals procedure would be introduced.