

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY

ITA EXECUTIVE BOARD

DATE: 30 APRIL 2010

AGENDA ITEM NO: **7**

SUBJECT: DEVELOPMENT OF A BUS QUALITY CONTRACT SCHEME

Report of the Passenger Transport Executive

1. MATTER FOR CONSIDERATION

- 1.1. Progress in developing the Bus Quality Contract scheme and an overview of operator responses.

2. INFORMATION

- 2.1. The WYITA meeting of 20th November 2009 endorsed the development of a Bus Quality Contract Scheme, whilst remaining receptive to partnership approaches that achieved similar outcomes.

Bus Quality Contract Scheme Development

- 2.2. Work has progressed in developing the proposed Bus Quality Contract Scheme in line with the programme considered at the WYITA meeting of 20th November. The decision of the Authority has resulted in national and local media coverage, which has been mostly favourable.
- 2.3. Liaison meetings have been held with each of the five West Yorkshire District Councils to engender support for this approach to capture local policy objectives.
- 2.4. A briefing / consultation meeting has been held with PCC members. Further market research was undertaken in March and was supportive of the service quality enhancements, as endorsed by the Authority in November, that have been incorporated into the service specification.
- 2.5. There has been communications with the three main party transport politicians as part of a lobbying approach in advance of the general election. A wider communications strategy is being developed for implementation later in the year.
- 2.6. The functionality of the SIMBUS model, developed on behalf of all PTEs, has been enhanced and the model is now being used to assess the likely outcomes of different future scenarios.

- 2.7. The SIMBUS model indicates that in a 'business as usual' scenario bus operating costs will increase, in part due to traffic congestion, and without significant policy interventions operators will seek to maintain profitability by reducing service levels and increasing fares.
- 2.8. A 'first cut' Quality Contract scenario has also been developed and is being modelled. This scenario involves hypothecating some of the financial benefits of service rationalisation and the lower margins expected in Quality Contract environment for investment in service quality and support for lower fares.
- 2.9. The modelling of the Quality Contract scenario will also reflect the management costs as well as patronage gains from network stability, fares initiatives, smartcard ticketing, branding and marketing.
- 2.10. The impact of congestion on operating costs and work is also being undertaken to define the extent of supporting bus priority and demand management measures that would be required to support the service improvements delivered by the Quality Contract regime. These supporting measures will be significant in managing the future cost base and providing attractive and reliable service operation.
- 2.11. Work has also commenced work on the Quality Contract Scheme Public Interest Statement, including the very important consideration of the 'proportionality' test.
- 2.12. Work on other elements, such as contract structure, potential depot locations and TUPE and pension issues, is scheduled for later in the year once the likelihood of changes in national policy is clearer.

Operator Responses

- 2.13. A briefing session with major operators on the aspiration for improvements to bus services (as set out in the report approved by the WYITA) was held on 7th January.
- 2.14. Subsequent informal discussions have been held with larger operators to explore their likely responses and to inform the development of any partnership offers that would address the objectives of the proposed Quality Contract scheme.
- 2.15. These discussions have been mainly positive and have identified a new willingness to address many of the aspirations, including network stability, consistency of customer service, vehicle and driver standards and some incorporation of service type branding.
- 2.16. Ticketing remains a key issue and discussions are continuing in order to explore further the extent to which smart-media technology could be used to develop an integrated ticket range with associated reimbursement methodology.

- 2.17. These further discussions will also consider a more structured and objective led approach to a rolling programme of network reviews, linkages to the third Local Transport Plan programme and the balance between private and public sector funding for bus service provision.
- 2.18. Discussions have also been held with smaller operators, who are both concerned about the loss of business as well as seeing opportunities for growth. The impacts on large and small operators will be carefully considered through the proportionality test element of the Public Interest Statement. The approach to contract structure is designed to avoid excluding any operator from being able to bid for contracts awarded under a Quality Contract Scheme.

Next Steps

- 2.19. A further update, including a review of operator responses and an analysis of the gap between partnership offers and the desired outcomes, as well as an evaluation of the risks associated with alternative approaches, will be provided for consideration at the ITA Executive meeting of 18th June.
- 2.20. Major operators have requested the opportunity to present partnership approaches to the ITA. It is proposed that these presentations be programmed for the ITA Executive meeting on 18th June.
- 2.21. This approach will allow the ITA to consider subsequently the outcome of the initial work of the Quality Contract Scheme development, including the Public Interest statement, in the context of operator responses.
- 2.22. The quality assurance process associated with the Quality Contract Scheme development has identified the need to set a deadline for operator partnership proposals before entering into a more formal consultation process and to use the SIMBUS model to evaluate the effectiveness of these proposals in meeting the Scheme's objectives. The impacts of these steps, and the proposed meetings with major operators, on the overall programme will extend the overall timescales for making a Scheme. A revised programme will be presented to the ITA Executive meeting of 18th June.

Competition Commission

- 2.23. Metro is responding to requests for information from the Competition Commission, who are investigating local bus service provision. Quality Contracts are one of the potential remedies arising from this investigation.

3. FINANCIAL AND LEGAL IMPLICATIONS

3.1. None as a result of this report, although the legal and financial implications arising as a result of progressing a Quality Contract scheme will require future detailed consideration.

4. STAFFING IMPLICATIONS

4.1. None as a result of this report

5. EQUAL OPPORTUNITY IMPLICATIONS

5.1. None as a result of this report

6. RECOMMENDATIONS

6.1. That the report be noted.

Director General
West Yorkshire Passenger Transport Executive