

Briefing for Planning, Transport & Environment Policy Development and Scrutiny Panel - 13 September 2011

Subsidised bus services

1 Background

1.1 The Transport Act 1985 places duties on us (as the local transport authority) to secure the provision of bus services that we consider appropriate to meet any public transport requirements within the area which would not be provided otherwise. In carrying this out, we must have particular regard to the transport needs of the elderly and disabled.

1.2 Most bus services (roughly 85% of the total) outside London are operated on a commercial basis, i.e. the operator decides where and when to run, then sets fares to cover the operating costs and bring in a profit. We have no control over commercial bus services, other than the general powers of a highway authority.

1.3 In London, the public transport system operates under different legislation and receives substantial financial support from the Government.

2 Current spending

2.1 Our budget for bus revenue support in 2011/2 is £970,000. This enables us to buy a wide range of bus services that are not provided commercially. Many parts of Bath & North East Somerset, particularly the rural areas, would not have public transport in the absence of this support.

2.2 This budget is separate to the provision of home-to-school transport and client transport but there is close liaison between the teams responsible for transport provision to maximise efficiency and value for money. The Corporate Transport Services Group meets regularly to co-ordinate such activity.

2.3 Where possible, we make use of external funding too. The Royal United Hospital makes a substantial contribution towards the cost of the Odd Down to RUH Park & Ride service. We obtained over £450,000 from a Section 106 Agreement connected to the new Sainsbury supermarket at Odd Down, which has bought three new vehicles for supported services 20A & 20C and enabled the frequency to be increased.

3 Contracts

3.1 We have 39 contracts and *de minimis* arrangements with 8 bus operators to provide local bus services.

3.2 Local bus service contracts are awarded following a competitive tender process under EU procurement rules through the “Supplying the South West” portal.

3.3 Contracts can be let for periods of up to eight years. End dates are selected to maintain a rolling programme of review and re-tendering, with contracts grouped together logically to obtain best value. Longer contract lengths provide greater security for operators and encourage them to invest.

3.4 We have some flexibility to award short-term contracts in emergencies (such as to ensure continuity of a commercial service that is being withdrawn).

3.5 We set the route, timetable and maximum fares on contracted services. In cases where a contracted service complements a commercial bus service (such as an evening or Sunday service), the route and fares are generally consistent with the commercial service, to avoid confusion to passengers.

3.6 Most contracts are awarded on a “net subsidy” basis under which contractors keep the revenue from fares. This gives them an incentive to attract more passengers.

3.7 Where there is a significant degree of uncertainty over likely revenue, we may award contracts on a “gross cost” basis under which all the fares income comes to us and the tender price covers all the operating costs. There is a moderate financial risk in awarding such contracts but, equally, we stand to benefit if the revenue is better than anticipated by tenderers.

3.8 Contract prices are adjusted annually to reflect changes in bus industry costs over the preceding year. The maximum fares are adjusted similarly.

3.9 Local bus service contracts may be terminated at 3 months’ notice by either party.

3.10 Contractors are required to supply us with patronage and revenue data on a monthly basis. We use this information together with census data to help us assess the relative value of the service in socio-economic terms.

3.11 Monitoring of contracted services takes place on an *ad hoc* basis, generally in reaction to complaints. We do not have a specific resource for carrying out monitoring, so it is done by officers and casual staff.

3.12 When contracts approach their end date, we carry out passenger surveys using casual staff. This helps us build a picture of current use and gives us valuable information to help us review the contract.

4 Tendering

4.1 Prior to tendering, a consultation exercise is carried out to seek the views of passenger groups, ward members, parish and town councils and other stakeholders.

4.2 Tender documents are sent to all local bus operators who have expressed an interest.

4.3 We received an average of 7.5 bids per contract for our most recent tender and 4.1 bids per contract for the previous one. The national average in 2010 was 3.6 bids per contract. Contracts for evening and Sunday services invariably attract fewer bids than those for daytime services.

4.4 Contracts are generally awarded to the lowest tenderer but quality factors are taken into account too. The previous performance of contractors is highly relevant in this regard.

5 Cross-boundary issues

5.1 The network of bus services does not fit conveniently into local government boundaries. Bus services run to meet the needs of users.

5.2 The Council has various arrangements with Bristol City, South Gloucestershire, North Somerset and Wiltshire Councils to share the cost of providing fifteen supported bus services that run across the boundaries. Generally, such arrangements are on the basis of the proportion of route mileage in each council's area.

6 National issues

6.1 The Competition Commission has been carrying out an investigation into the bus industry on the instructions of the Office for Fair Trading. It has covered all aspects of competition in the bus industry and many submissions from operators, transport authorities and stakeholders have been published on its website. We contributed evidence based on our experience of how the local bus market works in Bath & North East Somerset.

6.2 Reimbursement rates to bus operators for concessionary fares were reduced in April 2011 in line with new government guidance.

6.3 The Government has announced that Bus Service Operators' Grant (which all operators can claim and is based on the amount of mileage operated) will be reduced by 20% in April 2012, although a premium of 8% will be paid to operators who have equipped their vehicles with "smart" ticket machines.

7 The future

7.1 At a time of unprecedented pressure to reduce public spending, many transport authorities have been reduced their bus revenue support this year or are planning to do so. Cambridgeshire County Council proposed phasing it out altogether but is now facing a legal challenge.

7.2 The growth in retail activity on Sundays over recent years and consequent growth in demand for bus services suggests that prices for Sunday contracts should be getting lower in real terms. Following the withdrawal of revenue support by Somerset County Council for Sunday buses, First is running a number of Sunday services commercially for an experimental period.

7.3 Dorset County Council recently pioneered a different method of procurement for all its transport services. We will be looking closely at that to see whether there are lessons for us.

8 Our achievements

8.1 Over the last three years, we have re-tendered all our local bus service contracts. A few parts of the supported bus network that were not demonstrating good socio-economic value have been abandoned. On the other hand, we have replaced several former commercial bus services that operators were no longer able to operate viably. In 2011, supported bus services operate more mileage and carry more passengers than in 2008 but the cost in real terms is 19% lower.

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