

Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	14 March 2012	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2329
TITLE:	Award of Contract for Bath Park & Ride services	
WARD:	All	
AN OPEN PUBLIC ITEM LIKELY TO BE TAKEN IN EXEMPT SESSION		
List of attachments to this report:		
Appendix A – Schedule of tenders received (exempt)		
Appendix B – Schedule of consultation responses received		

1. THE ISSUE

- 1.1 To agree the award of contracts for Bath Park & Ride services operating from sites at Newbridge, Lansdown, and Odd Down.

2. RECOMMENDATION

The Cabinet agrees:

- 2.1 That Appendix A is an exempt item and is not for publication, by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.
- 2.2 To note the tender prices received as set out in Appendix A, and to agree the award of contracts as recommended in 5.8 below.

3. FINANCIAL IMPLICATIONS

- 3.1 The Park & Ride services are registered bus services within the meaning of the 1985 Transport Act. Under the English National Concessionary Travel Scheme (ENCTS), concession pass holders travel free, with re-imbursement to the operator made by the Council. The existing contracts are gross cost (the Council keeps all revenue from the service), and the Council therefore receives revenue in respect of journeys undertaken by holders of ENCTS passes, forecast to be £537,726 in 2011/12 (2010/11: £555,830).

The Council will continue to retain ENCTS revenue under the new contract and therefore the financial implications of the decision only consider the impact on costs and cash revenues of the services.

- 3.2 The base contract for Park & Ride operation has an annual (2011/12) cost of £1,048,781. Additional services are contracted for some Bank Holidays, pre-

Christmas services, Sundays, evening services and special events such as the Bath Half Marathon. The total cost of bus service operation in 2011/12 is forecast to be £1,077,545 (2010/11: £1,032,292). Contract prices are indexed by a weighted basket of inflation indices related to bus service operation. The contract price will rise by 5.6% from April 2012.

- 3.3 Cash is collected on the services for return trips (£3.00 or £2.50 on Saturdays). Alternatively customers can purchase a ticket for 10 single journeys for £12.00. Forecast revenue for 2011/12 from both ticket types is £1,563,926 (2010/11: £1,523,250). The 2011/12 forecast includes the full year impact of the ticket price increase in September 2010.
- 3.4 The service is projected to generate an operating cash surplus of £486,381 in 2011/12 before marketing and site management costs are taken into account. This is below the revenue target for the year. Additional revenue is also generated by the sale of advertising space on the buses and sites. Overall the service generates a surplus that supports other Council transport policy related activities.
- 3.5 The recommended contract award will result in an operating cash surplus of £632,843 per annum at September 2012 prices. This sum will be paid by the operator to the Council, and will be indexed annually using a weighted basket of inflation indices related to bus service operation.

The Council will continue to retain all revenue from advertising on the P&R buses and at the P&R sites. Marketing costs will be reduced as the operator bears these costs.

- 3.6 As part of the Bath Transportation Package (BTP) supported by the DfT, the Council would increase services in order to meet increased P&R demand following expansion of the sites. The costs of these service increases were anticipated to be £292,683 per annum and were assumed to be fully covered by additional income from the extended P&R sites. Under the terms of the recommended contract these costs will be entirely borne by the operator, but the Council will not benefit financially from any patronage increases following the expansion of the P&R sites.
- 3.7 The increase in operating surplus will offset the additional revenue costs, other than bus costs, that will be incurred following implementation of the BTP, and were also assumed to be covered from additional P&R income. The capital costs of the BTP are separately budgeted for, and are not impacted by this contract.
- 3.8 Under the terms of the recommended contract the Council will forgo the flexibility of raising fares to manage Council revenue budgets. The operator may increase fares, but only annually, in line with a basket of inflation indices.
- 3.9 The introduction of P&R services on more Sundays and Bank Holidays will have an adverse impact on Council revenue from car parks. This impact is estimated at between £20,000 and £40,000 per annum

4. CORPORATE OBJECTIVES

- 4.1 The Corporate objectives are:

- Promoting independence and positive lives for everyone
- Creating neighbourhoods where people are proud to live

- Building a stronger economy

4.2 The Council developed the Bath Transportation Package (BTP) as an holistic approach to the city's transportation problems. The aims of the BTP are:

- To create a high quality public transport system to ensure that attractive alternatives exist to the use of the private car;
- To reduce congestion and improve air quality;
- To improve accessibility;
- To secure environmental improvements;
- To create an effective and efficient transport system that will encourage the Bath Western Riverside regeneration project and other future developments

The expansion of the existing Park & Ride sites is a key element of the BTP, recognising that these are an important part of creating an effective transport system both for visitors to Bath and for developments within the city.

4.3 The Council has developed an Air Quality Action Plan in recognition of the legal requirement on the local authority to work towards air quality objectives under Part IV of the Environment Act 1995. The Environmental Audit Commission and DEFRA are encouraging local authorities to consider climate change and air quality together because of the relationship between air quality, greenhouse gas emissions and carbon emission.

Bath and North East Somerset Council has adopted a target of 30% reduction in their own Carbon emissions on 2008 levels by 2014; and 45% for all emissions across the district by 2026.

4.4 The proposals meet the objectives of the BTP by delivering high quality public transport services that are used extensively by employees, B&NES residents, and visitors to Bath. The proposals include incentives to increase the usage of the Park & Ride facilities in line with the expansion of the sites. The adoption of the most up to date vehicle technology for these services will further reduce emissions and help improve air quality on the corridors where these services operate. The introduction of Sunday and Bank Holiday services increases the attractiveness of Bath as a visitor destination, and supports the retail and leisure economies of the city.

The Park & Ride services replace hundreds of thousands of car journeys that would otherwise add to congestion and pollution in the city and its suburbs. By providing these services traffic congestion is reduced, air quality enhanced, and neighbourhoods across the city of Bath are improved. These proposals help make Bath & North East Somerset an even better place to live, work, and visit.

5. THE REPORT

5.1 The Park & Ride services operate under a gross cost contract to the Council, where all revenue from the service is retained by the Council. The contract was originally let in 2006, and extended to accommodate the decision process for the BTP. The contract now expires at the end of August 2012.

5.2 In addition to the core Monday-Saturday operation, additional services are contracted by competitive tender each year for extra services at Christmas (Sundays, evenings, and Saturday extras), and for the Bath Half Marathon.

- 5.3 A consultation exercise was carried out (see section 10 below). The specifications for services were drawn up in the light of the consultation responses, patronage data, and other information available to the Public Transport Team.
- 5.4 The contract specifications developed as a result of this exercise included a number of options that Operators were requested to price. These included:
1. The award of contracts of up to eight years duration on the basis of using new double deck diesel buses operating to the EEV (Enhanced Environmentally-Friendly Vehicle) emission standards.
 2. The award of contracts of up to eight years duration on the basis of using new double deck buses using hybrid diesel/electric technology.
 3. The award of contracts of up to four years duration on the basis of using double deck buses under 10 years of age operating to Euro III emission standards (as per the current fleet).
 4. For any fleet option (1-3 above), the costs of additional services on Sundays, on some Bank Holidays, and for later operation in the evening.
 5. For any fleet and service option (1-4 above), the costs of operating on a gross cost basis (where revenue would be retained by the Council).
 6. For gross cost contract options (5 above), the additional costs that would be incurred to increase vehicle provision and service frequency in response to increased demand following the implementation of the site expansions in the BTP.
 7. For any fleet and service option (1-4 above) the sum that would be paid to the Council in respect of an exclusive licence to operate the services from the Park & Ride sites in return for the operator retaining the revenue from the services (a net subsidy form of contract).
- 5.5 Analysis of contract revenues and patronage was undertaken to forecast future revenues and enable evaluation of gross cost bids.
- 5.6 An open tender was initiated on the 14th November 2011 with responses required by 3rd January 2012. The tender was advertised in the Official Journal of the EU, with tender documentation made available using the electronic portal "supplyingthesouthwest.org.uk". A total of 6 operators tendered for at least one of the options available.
- 5.7 The tenders received are summarised at Appendix A.
- 5.8 It is proposed that a contract be awarded as follows:
1. With effect from 3rd September 2012 for a period of eight years the Park & Ride services will be operated under contract by First Somerset & Avon on a net subsidy basis.
 2. The service will operate using new diesel/electric hybrid powered double deck vehicles, fitted with leather seats, Wi-Fi Connectivity, and Real Time Information tracking.

3. The service will include operation on all Sundays except for Easter Sunday.
4. The service will include operation on Good Friday, Easter Monday, early May Bank Holiday, Spring Bank Holiday and Summer Bank Holiday, as well as weekday Bank Holidays in lieu of Christmas Day, Boxing Day, and New Year's Day where those dates fall on a weekend.
5. The service will include operation of all special event services, including the Bath Half Marathon and extra services, including evenings, provided at Christmas.
6. The Council will retain all concessionary travel payments due from the ENCTS, but the operator will otherwise retain the revenue collected on or attributed to the service.

6. RISK MANAGEMENT

- 6.1 The report author and Lead Cabinet member have fully reviewed the risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance.
- 6.2 The extension of Park & Ride services to Sunday operation will abstract from Council car park revenue on Sundays. It is recognised, however, that visitors will make their choice of where to park based on a number of factors. At present those choices include free on-street parking on Sunday. The introduction of Sunday Park & Ride services will potentially enable the wider enforcement of parking restrictions on Sunday.
- 6.3 The Council will lose the ability to set Park & Ride fares as a means of managing its revenue budgets, although the Council has already pledged to keep fares unchanged this year. This is offset by the immediate financial benefits of the recommended award.
- 6.4 The Council will lose the ability to set prices for Park & Ride services as part of a coherent package with parking charges. The restrictions on fare increases are however, considered likely to incentivise Park & Ride usage in comparison with car park and on-street parking charges.
- 6.5 There is an existing risk to the future of the commercial bus service 2 (operating on Lansdown Road) following the announced closure of the MOD site at Ensleigh. The introduction of integrated bus/Park & Ride ticketing on services using this corridor could have an impact on this service.

7. EQUALITIES

- 7.1 A proportionate equalities impact assessment has been completed and the report will be published on the Council website.
- 7.2 The contracts proposed retain the use of low floor vehicles on services where these currently operate, enabling greater access to the bus network for elderly and disabled passengers.

8. RATIONALE

- 8.1 All the Park & Ride services operate along major roads that form part of the Bath Air Quality Management Area (AQMA). The Bath Air Quality Action Plan (published in February 2011) included the trial of a diesel/electric hybrid powered bus on the Park & Ride services. The Action Plan also included a commitment to identify and promote the cleanest available vehicles for public transport. The selection of a hybrid powered fleet supports this element of the plan, and has the benefit of significantly improving fuel consumption (nearly 50% better mpg) compared to standard diesel powered vehicles.
- 8.2 The additional costs of using new hybrid powered buses for the Park & Ride services is £43,191 per annum, compared to the cost of using new diesel powered (EEV standard) buses for the same services. This is considered to be good value for money.
- 8.3 There was very widespread support from the consultation exercise for the expansion of the Park & Ride services to operate on Sundays and Bank Holidays. There is widespread recognition that the appeal of Bath as a retail, tourist, and leisure destination is enhanced by Park & Ride provision. The additional cost of extending the current services to the level detailed in 5.8(3)(4) above is £6,180 per annum which is considered to be very good value for money.
- 8.4 The award of a net subsidy contract offers substantial financial benefits to the Council compared to the best gross cost offers on the services concerned.
- 8.5 The award of a net subsidy contract incentivises the operator to increase usage of the Park & Ride services, and to promote and market those services effectively. The operator is incentivised to develop and market integrated tickets that promote usage of bus services, including Park & Ride services. The operator is also required to introduce multi-operator tickets at the instruction of the Council.
- 8.6 The award of a net subsidy contract avoids significant financial risks that would arise under a gross cost contract from the need to commit additional expenditure in the future to increase service levels following the site expansions planned as part of the BTP. The net subsidy contract is fully consistent with undertakings made to the DfT as part of the BTP submission.
- 8.7 The Council will retain a significant degree of control over operating timetables through approval of an operating plan for the service. The current first/last journey times are a contractual commitment, as is a minimum frequency of 15 minutes (Mon-Sat) between departures for all sites.
- 8.8 The initial operating plan stipulates that there will be no change to the current timetables before 31st March 2013.
- 8.9 The award of a net subsidy contract ensures that no fare increase can take place before 31st March 2013, and that any future fare increases are indexed, using a weighted basket of inflation indices, to the last price increase in September 2010.

9. OTHER OPTIONS CONSIDERED

- 9.1 There was support for extending the Park & Ride services to operate later in the evening and prices were requested for this service option from bidders. This

option cannot be taken up at the start of the contract due to planning restrictions on lighting of the sites.

- 9.2 Prices were sought for continuing the service using vehicles of the same standard as currently operated. This would not have required new vehicle purchase and was designed as a low cost option in the event that bids for new vehicles were unaffordable. It has not been necessary to pursue this option.

10. CONSULTATION

- 10.1 Ward Councillor; Cabinet members; Parish Council; Town Council; Stakeholders/Partners; Other Public Sector Bodies; Section 151 Finance Officer; Monitoring Officer

- 10.2 In September 2011 all Ward Councillors, and all B&NES Town and Parish councils were invited to comment on the specifications for the future tender round. Further advice was also sought from the management of the Bath Business Improvement District as an organisation representing the retail and leisure industry in the city centre. Bus Operators were briefed on the specifications and invited to comment, further meetings were held with operators in advance of finalising the tender specifications. A summary of consultation responses is attached as Appendix B.

11. ISSUES TO CONSIDER IN REACHING THE DECISION

Social Inclusion; Customer Focus; Sustainability; Corporate.

12. ADVICE SOUGHT

- 12.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	