

## **Bath and North East Somerset Council**

### **The potential for a bus Quality Contracts Scheme (QCS) in B&NES**



**A review by the Community Transport & Environment  
Policy Development & Scrutiny Panel**

**Interim briefing report of key findings**

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## **1. Purpose of interim report**

The Communities Transport and Environment PDS Panel are exploring the opportunities that a Quality Contracts Schemes (QCS) would give in furthering local transport policies. This interim report provides an update on the steering group's progress. The key aspects of a QCS are outlined before looking at the current performance of the bus network. Local transport policy, potential boundaries and risks of a QCS are then considered.

## **2. Background**

At the Council meeting on 15<sup>th</sup> January 2015 on a motion proposed by Councillor John Bull, and seconded by Councillor Eleanor Jackson, it was resolved that:

1. Council notes that buses are a key part of the B&NES Transport Strategy yet the current services often do not serve the needs of residents and are viewed as expensive and unreliable.
2. Council further notes the powers contained within the Transport Act 2000, as amended, to set up a Quality Contracts Scheme (QCS) which would allow the Authority to plan the bus route network, set the fares and award contracts to run services or local networks.
3. Council recognises, however, that under a QCS there is a revenue risk to the Council in that it would be responsible for meeting any shortfall in fares income to cover the operating costs of the contracts.
4. Council also recognises that where a decision has been made to proceed with a QCS in the North East, this has been a joint decision between multiple local authorities.
5. For the reasons outlined in 3 and 4 (above), Council believes that significantly more work is required to determine whether a QCS is the best way forward for the provision of buses in B&NES.
6. Council therefore asks, in the first instance, the Planning, Transport and Environment Policy Development and Scrutiny Panel to undertake further work into the potential, including advantages and disadvantages, as well as cost implications and any financial risk to the Council, of a QCS in B&NES with a report back to the new Council preferably by July 2015 but by the end of the calendar year at the latest.

The motion was supported by members of all political parties with three members abstaining. There was a cross party view that there was value in referring the issue to PDS review

After the general elections in May 2015 the newly formed Communities Transport and Environment PDS Panel at their first public panel meeting on 13<sup>th</sup> July 2015 received an update on the Government proposed Buses Bill.

The Communities Transport & Environment Panel in July 2015 confirmed the desire to undertake a piece of scrutiny work about QCS. The panel welcomed the opportunity to consider the potential, including advantages and disadvantages as well as cost implications and any financial risk to the Council, of a QCS in B&NES.

### **3. Aims and objectives**

The aim of this work is to consider the initial advantages and disadvantages of using a bus QCS in order to help develop local transport policies in Bath & North East Somerset.

The scrutiny review set out to:

- understand what a QCS is and how it works;
- how other local authorities have explored QCS;
- gather local bus performance data to evaluate how the local population is served;
- identify how a QCS could help further local transport policy;
- feed into similar joint work with neighbouring authorities; and
- to explore current (and evolving) legislation.

### **4. Methodology**

The Steering Group collected information from sources internal and external to B&NES Council. Desk based work was used to collate the majority of the data. Contact was made with other local authorities to understand which areas have recently considered a QCS. A phone conference was held between the Chair Cllr Bull and Nexus to further inform this report. The steering group may pursue further consultation further to this draft interim report.

### **5. Steering Group**

Councillors: Cllr John Bull (Chair), Cllr Neil Butters, Cllr Jonathan Carr and Cllr Brian Simmons  
Service Officers: Andy Strong and Peter Dawson  
PDS Officers: Donna Vercoe, Emma Bagley

### **6. What is a Quality Contract Scheme (QCS)?**

#### **Legislative context**

Currently, operators can effectively choose where they offer a service, as long as it is registered with the Traffic Commissioner. A QCS would offer a different model for the local bus system. The transport authority<sup>1</sup> could contract bus operator(s) to provide bus services in a given scheme area. In doing so, the authority has the power to determine which bus services are delivered, to what standard, and any additional services and facilities desired. Operators who are not part of a contracted scheme would no longer be able to operate in the scheme area. This scenario can be described as an exclusive franchise, where the authority may make payment to the operator(s) in return for them providing bus services.

#### **Current bus market in B&NES**

Local bus services in B&NES are currently provided in the main by companies such as First, Wessex Bus etc operating in a competitive commercial market. Only a small part of the market (roughly 15%) is subsidised through public funds.

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<sup>1</sup> The transport authority can be a local authority acting alone; or together with others to form what is called a combined authority. For instance, in Tyne & Wear a number of authorities work together as the North East Combined Authority (NECA).

## The process

Once a transport authority has decided to propose a QCS in the area, it needs to seek the opinion of an independent 'QCS Board'. There are legal provisions that guide how this is done. The Board looks at the case for a QCS, and provides an opinion about whether "public interest" criteria (as set out below)<sup>2</sup> and due process have been met. (The latter relates to the correct legal notices and appropriate consultation been made by the transport authority). The Board may take written evidence, and hold oral hearings to help it form an opinion about a proposed scheme. For instance, if having considered the transport authority's consultation, the Board may ask interested parties to submit further evidence. The QCS board acts impartially, and being independent of government has discretion in determining how it performs duties.

Once the Board has considered the proposed scheme, it will send the transport authority its opinion (together with the reasons for it). However, if requirements have not been met, the Board will recommend what the transport authority can do to remedy the situation. Having received the opinion of the Board, the transport authority will decide whether it wants to go ahead and pursue the scheme.

Whilst the Board can give its opinion, it is for the transport authority to decide if it will proceed with a QCS.

## Public interest

A transport authority would need to satisfy itself that 'public interest' conditions are met before proceeding with a scheme. Information exploring how the five conditions are met should be submitted to the Board. Substantial work is often required in preparing a submission to the Board, including information gathering, analysis and consultation.

The relevant "public interest" conditions are that:

- the proposed scheme will result in an increase in the use of bus services in the area to which the proposed scheme relates;
- the proposed scheme will bring benefits to persons using local services in the area to which the proposed scheme relates, by improving the quality of those services;
- the proposed scheme will contribute to the implementation of the local transport policies of the LTA; and
- the proposed scheme will contribute to the implementation of those policies in a way which is economic, efficient and effective; and
- any adverse effects of the proposed scheme on operators will be proportionate to the improvement in the well-being of persons living or working in the area to which the proposed scheme relates.

## Initial advantages and disadvantages of a scheme

The advantages and disadvantages of a contracted bus system were outlined in a bus consultation paper as early as 1999<sup>3</sup>. The suggested advantages were:

- stable network and services;

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<sup>2</sup> For further discussion of the conditions see pp16-21, Department for Transport (2009) 'Local Transport Act 2008 - Quality contracts schemes: statutory guidance'.

<sup>3</sup> Department for Transport, 'From workhorse to thoroughbred: a better role for bus travel', cited in House of Commons (2012) Buses: Franchising, Standard Note SN624.

- control of fares;
- able to specify service quality and quantity<sup>4</sup>
- able to set out bus connections; and
- the argument that revenues from busier routes can subsidise quieter routes.

The disadvantages of contracting include:

- less decision making by operators, which may result in services becoming less responsive, flexible and innovative to passengers;
- smaller operators might get squeezed out of the market by larger ones; and
- the costs to local authorities of setting up Quality Contracts<sup>5</sup>, and monitoring them.

## 7. The current network of bus services in B&NES

### Performance

By evaluating how the current bus network is performing, it is possible to identify what challenges there are, and a rationale for pursuing a QCS. The data could also give initial indications about whether the conditions for a QCS are met. We have examined the below key areas in our bus network:

- Punctuality and reliability of services
- Frequency of services in relationship to population density
- Co-ordination of services between operators
- Ticketing interavailability and flexibility
- Cost of travel (average fares)
- Extent of bus priority measures
- Passenger satisfaction
- Bus patronage

### Punctuality and reliability of services

The steering group wanted to know whether buses showed up on time and were reliable:

Punctuality data has been collected for what are classed as frequent and non-frequent services. Services defined as “frequent services” are those scheduled to run at least every 10 minutes. There are only a few of these in B&NES (e.g. services 10, 14, U1). The majority of buses in B&NES area are non-frequent.

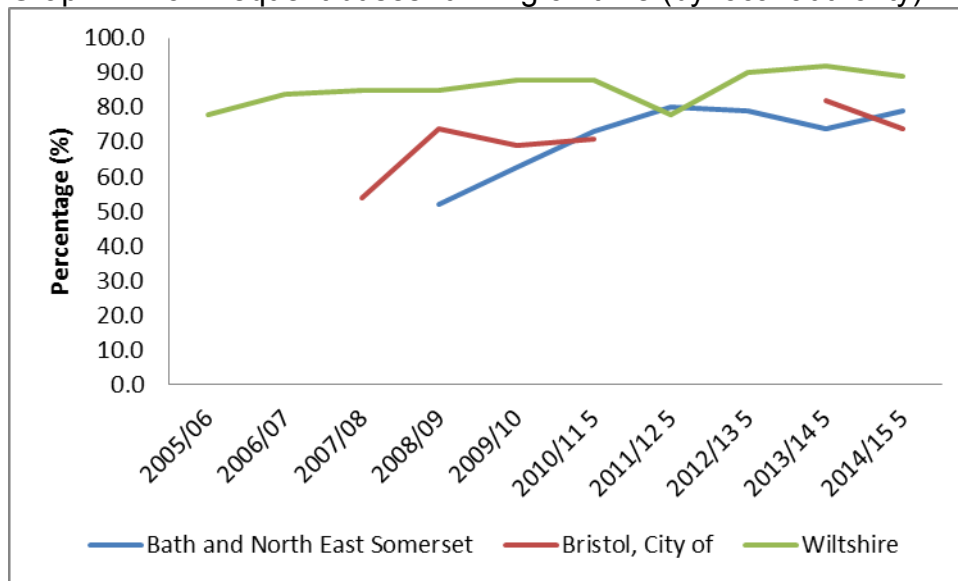
Graph 1 shows how non-frequent buses run on time in B&NES, Bristol and Wiltshire. This graph shows punctuality is improving in B&NES. Punctuality appears on a par with Bristol, but below Wiltshire. These trends suggest passengers are waiting less for non-frequent buses.

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<sup>4</sup> The actual benefits in B&NES would be defined by the contract agreed with operator(s)

<sup>5</sup> The Competition Commission estimated the cost of implementing a QCS in 2011, as being up to £1 million, with the same in running costs per annum (Source: House of Commons (2012) Buses: Franchising, Standard Note SN624 )

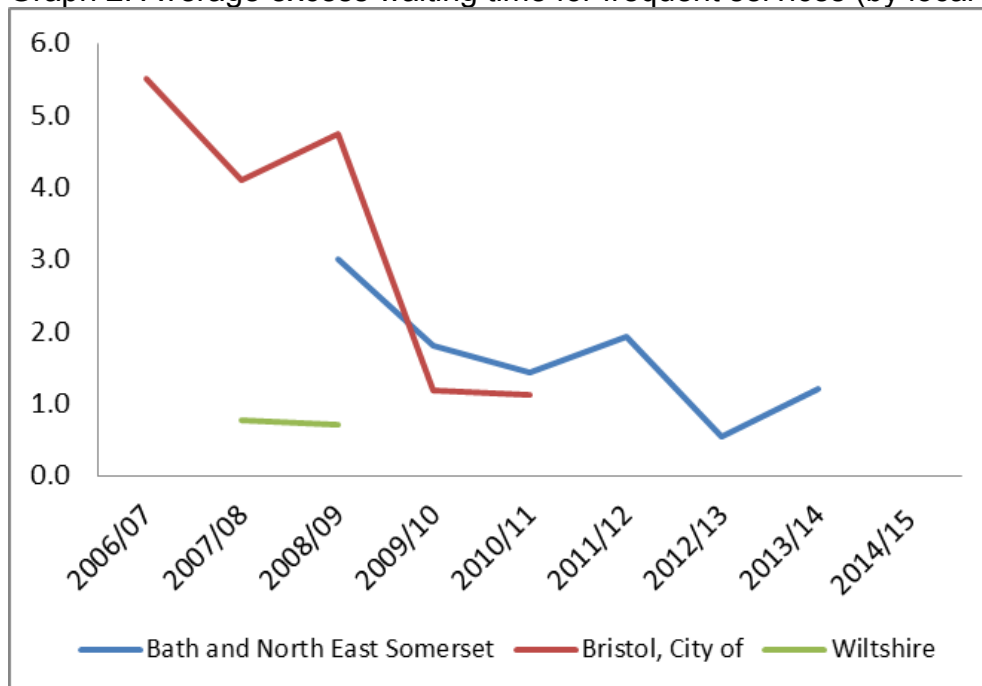
Graph 1: Non-frequent buses running on time (by local authority)



(Source: Data extracted from DfT Statistics Table BUS0902, Available online at: <https://www.gov.uk/government/collections/bus-statistics> [Accessed on 27/11/15]).

Graph 2 considers if what the average excess waiting time is for frequent buses in B&NES. longer. Excess waiting time in this context has a specific definition, being the difference between the average waiting time actually experienced by passengers and the waiting time one would expect from the schedule. The graph shows excess waiting time in B&NES has reduced.

Graph 2: Average excess waiting time for frequent services (by local authority)



(Source: Data extracted from DfT Statistics Table BUS0903, Available online at: <https://www.gov.uk/government/collections/bus-statistics> [Accessed on 16/9/15]).

The B&NES Real Time Information<sup>6</sup> (RTI) system does generate more specific data but this can only be released by operator's agreement (due to data sharing agreements).

### Frequency of services in relationship to population density

There is a perception that certain parts of B&NES are better served than others. There was difficulty in analysing and drawing meaningful conclusions from currently available data about population density and bus routes. Without a more detailed study having been made, more importance was placed instead on passenger satisfaction data (see later). Transport Focus does consider reasons for bus use. Whilst data may not be available for this interim report, it would be material to consideration of a QCS scheme.

### Co-ordination of services between operators

Passengers benefit from public transport systems that have regular timetables. First and Abus have agreed to co-ordinate some aspects of their bus services, and work together to improve those services between Bristol and Keynsham. The operators arrange schedules to operate departures with a common interval on journeys<sup>7</sup>.

### Ticketing Inter-availability and flexibility

In addition to the co-ordination above, Abus and First have also agreed a multi-operator individual ticket agreement<sup>8</sup> which allows the operators to accept each other's tickets. Whilst First and Abus are currently the only parties to the agreement, additional operators could join the scheme if they operated similar services.

### Cost of travel (average fares)

The public often perceive public transport as expensive. Graphs 3 shows how bus fares have changed in and outside London during the last 20 years. The below graph suggests that bus fares have risen greater than inflation during this time:

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<sup>6</sup> An RTI system monitors buses whilst active, and is better known for data seen on rolling signs at bus stops (arrival time etc.).

<sup>7</sup> Services 178, 38, 39 and 349

<sup>8</sup> Services 178, 38, 39, X39 and 349

Graph 3: Local bus fares index (in constant prices not adjusted for inflation)



(Source: Data extracted from DfT Statistics Table BUS0405a, available online at: <https://www.gov.uk/government/collections/bus-statistics> [Accessed on 30/11/15])

At a local level, passengers sometimes want to make a lot of journeys on the same day. The cost of buying individual tickets could be expensive. Cost savings may be made when passengers use 'day' tickets that offer unlimited travel in a defined area. The **BathRider** ticket offers unlimited travel within the area that broadly covers the Bath urban area. There are nine participating operators<sup>9</sup> who sell multi-operator tickets – valid for a day or week; for Adults, Students / Children. Services such as National Express and tour buses are excluded. For passengers travelling further afield, the **AvonRider** ticket offers unlimited travel within a larger defined area (covering the former Avon sub-region: B&NES, Bristol, South Gloucestershire and North Somerset). Tickets can be used with 16 participating operators<sup>10</sup> using similar categories of tickets and exclusions as with the BathRider; although airport buses are excluded from the scheme.

The cost of frequent travel in **Bath** over a period of time may be reduced by use of a season ticket. First offers a Bath Inner Zone season ticket at the cost of £4 (Day), £17 (Week), £66 (One month) and £650 (Year). This option could be attractive to regular commuters.

It is also worth considering that First have reduced fares across most of **Bath**, and introduced 50% child and 30% student discounts across the board (separate from their competitive fares approach at the University). This offers a child season ticket for £8.50/week which is cheap for travel to school. The child fares reduction is a significant factor in the increase in cash paying customers.

Table 2 shows that ticket prices in Bath were found to be comparatively priced to those sold in **other similar cities**. The comparison was made using multi-operator bus day tickets (with coverage as detailed). This table shows the price of this type of ticket is within 50p of those sold in similar cities.

<sup>9</sup> Abus, Bath Bus Company, Bugler Coaches, B&NES Passenger Transport, CT Coaches, Faresaver, First West of England, Somerbus and Wessex

<sup>10</sup> BathRider operators plus Bakers Dolphin, Carmel Bristol, Citistar, Crosville, CT Plus, Severnside Transport and Webberbus

Table 2: Day ticket prices in comparator cities in England<sup>11</sup>:

City	Ticket	Price	Coverage
Oxford	Oxford Smart Zone 1 Day	£4	A defined area that broadly outlines Oxford City
York	All York Day	£4.50	Within the City of York boundary
Bath	BathRider Day	£4.50	The Bath urban area
Nottingham	Kangaroo 1 Day*	£4.50	Greater Nottingham area
Plymouth	Skipper Day	£4	Inner and outer Plymouth

(\*All multi-operator bus tickets except Nottingham, where the closest comparison is the Kangaroo ticket which covers bus, train or tram)

The currently available data does not suggest that fares are expensive in B&NES.

### Extent of bus priority measure

There are a number of reasons why a bus might run late. These could range from adverse weather or roadworks through to sheer weight of traffic. Different types of bus priority infrastructure are used in B&NES to help buses move more freely along congested routes. These measures include bus lanes and traffic signal priority technology. Table 3 highlights the extent of bus priority measures across the district. Whilst the majority of work has been in and around Bath, improvements have also been made in the Keynsham area. This table shows that there has already been some investment in keeping buses moving.

Table 3: Bus priority infrastructure

<b>Bus lanes:</b> <ul style="list-style-type: none"> <li>• A4 Keynsham Bypass (near Hicks Gate roundabout), Keynsham</li> <li>• A367 - Wellsway (Lower), Bath</li> <li>• A367 - Bear Flat, Bath</li> <li>• A367 - Midford Rd to Red Lion</li> <li>• A367 - Odd Down, Bath</li> </ul>		<ul style="list-style-type: none"> <li>• Argyle St, Bath</li> <li>• Green Pk Rd</li> <li>• High St, Bath</li> <li>• A4 London Road, Bath</li> <li>• New Bond St, Bath</li> <li>• Northgate St, Bath</li> <li>• Pulteney Bridge, Bath</li> </ul>	<b>Traffic signal priority (using selective vehicle detection):</b> <ul style="list-style-type: none"> <li>• A4 Bristol Rd / A36 Lower Bristol Rd, Bath</li> <li>• A4 Upper Bristol Rd / Windsor Bridge Rd, Bath</li> <li>• A 36 Lower Bristol Rd / Windsor Bridge Rd, Bath</li> </ul>
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### Passenger satisfaction

The steering group were interested to find out if passengers were happy with the local bus system. At the sub-regional level, Transport Focus<sup>12</sup> data shows West of England Partnership 'journey overall' satisfaction is consistently high at 82% (2012), 83% (2013) and 84% (2014). Other factors such as 'punctuality of the bus' and 'on bus journey time' have remained stable. There has however been a step change in 'value for money' satisfaction from 35% (2012), 48% (2013) through to 60% (2014) (note: fare payers only) following the fare reductions by First in 2014.

Passenger satisfaction has also been measured by B&NES Council on the three major bus corridors of Bristol-Bath, Bristol-Midsomer Norton and Bath-Midsomer Norton during 2007, 2011 and 2012. Graph 4 shows respondents answering 'satisfied' and 'very satisfied' about 'the overall quality of the bus service' has increased over the 5 year period. There was a slight dip in

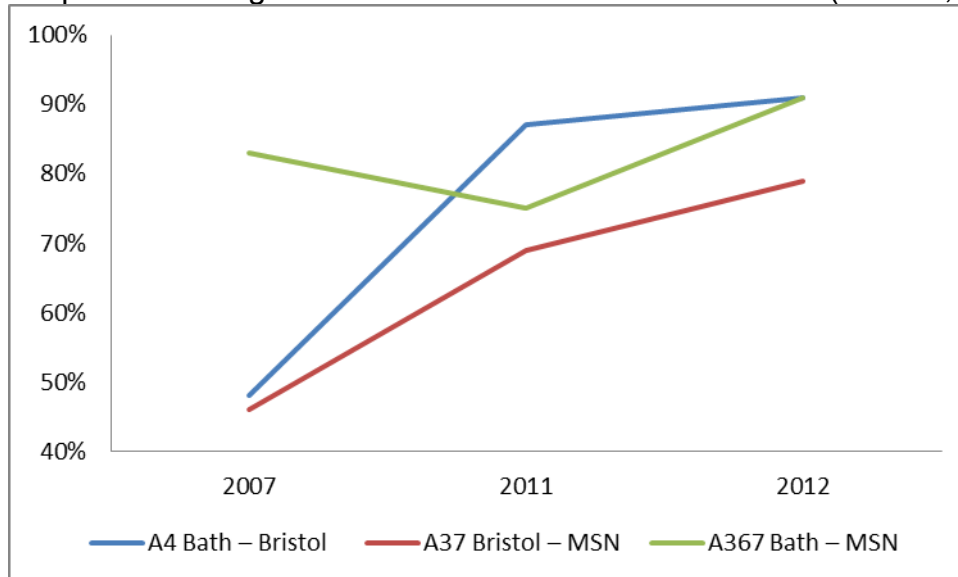
<sup>11</sup> Source: from Oxford Bus Company, itravel, Travelwest and Kangaroo (Nottingham) websites [All accessed on 30/11/15]

<sup>12</sup> Data extracted from Transport Focus, available online at [www.transportfocus.org.uk](http://www.transportfocus.org.uk) [All accessed on 9/9/15]. The survey was designed to be representative at the West of England Partnership level. Anything below this level will be less representative, more so where response numbers are below 200.

satisfaction for 2011 on the Bath-Midsomer Norton corridor, although satisfaction rallied the year after.

Taking the satisfaction data as a whole, the evidence suggests that passenger satisfaction with bus services is improving.

Graph 4: Passenger satisfaction on B&NES bus corridors (in 2007, 2011 and 2012)

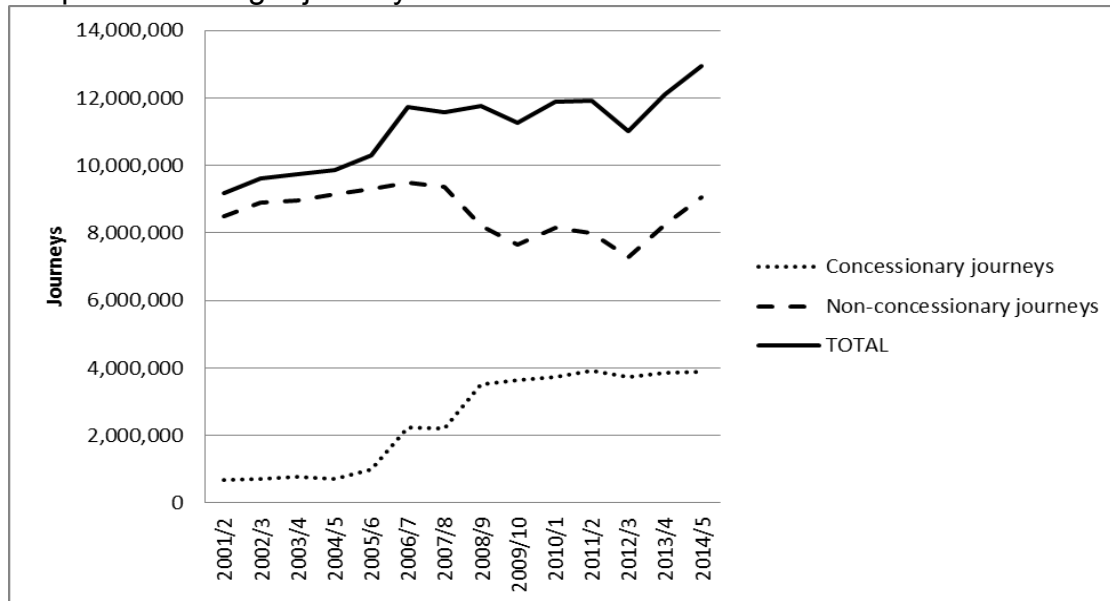


(Source: Major corridor and GBBN satisfaction surveys, B&NES. Note: Satisfaction of respondents answering 'satisfied' and 'very satisfied' about 'the overall quality of the bus service').

### Bus patronage

Members wanted to understand whether bus use was in decline in B&NES. Graph 5 shows the opposite is in fact happening, with an upward trend in total journeys over the last decade. This is highly significant bearing in mind the first public interest test, which requires B&NES to be satisfied that the proposed scheme will result in an increase in the use of bus services.

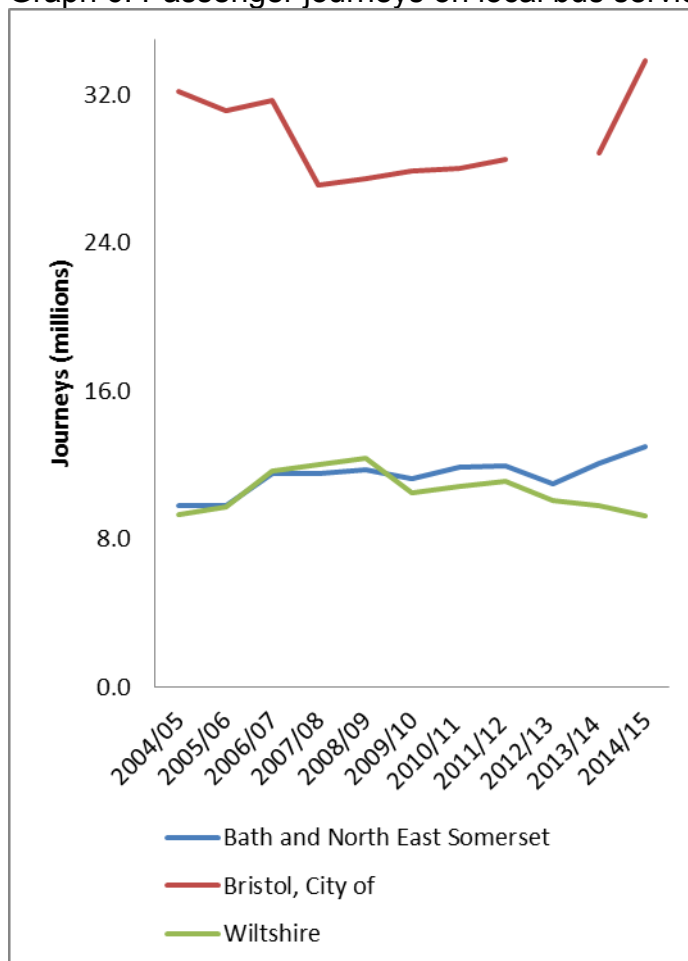
Graph 5: Passenger journeys on local bus services in Bath & North East Somerset



(Source: Based on information supplied by operators and reported to DfT (former NI 177). Note: Figures relate to the period from 1 April to 31 March the following year for all boardings within B&NES on registered local bus services including school services that are registered as local bus services).

Next comparing patronage across neighbouring authorities; B&NES and Bristol have both seen an increase in passenger journeys, whereas Wiltshire has seen a slight decrease.

Graph 6: Passenger journeys on local bus services by local authority



What both graphs 5-6 suggest is an uptake in bus use in B&NES.

## 8. Existing local transport policy and identified problems

There is lots of work already going on within the Council that is looking at ways in which we can improve and develop our vision for transport in and around the district. The steering group found that any future consideration of a QCS model would need to support the aspirations of local transport policy. This work should ideally overcome identified problems in the bus service network. A summary of the key strategies that have an impact on our transport delivery are provided below, these include the following:-

### Bath

'Getting Around Bath' sets out the transport strategy adopted by B&NES Council in November 2014, following a high level review of existing transport policies and commitments, and in light of the Council's commitment to housing and economic growth within the city. The Strategy developed a set of policies to support this growth. The strategy also sets out a long term vision for transport covering the period up to 2029 to reflect the period for the Council's agreed Core Strategy. The vision is that "Bath will enhance its unique status by adopting measures that promote sustainable transport and reduce the intrusion of vehicles, particularly in the historic core. This will enable more economic activity and growth, while enhancing its special character and environment and improving the quality of life for local people"<sup>13</sup>. The Bath Strategy covers the city and its immediate surroundings (but not the whole of the Bath and North East Somerset administrative area) and it recognises that bus services in and around the city are numerous and generally of good quality.

The following policy and actions in respect of the bus network were given in this strategy:

Policy GABP9: Improved bus services, with ticketing and other improvements and measures to improve reliability, will provide alternative travel options to car use, promoted through travel plans and comprehensive marketing.

Action GABA19: Prioritise funds to improve the reliability of bus travel and continue to engage with bus companies.

Action GABA20: Build on the improvements implemented by the Bath Transport Package and support real-time information, smartcard and review of bus routes to develop enhanced and more frequent services with the aim of a half-hourly service on cross-city routes.

Action GABA21: Provide new dedicated facilities for buses when developments allow, e.g. from Bath Riverside adjoining Green Park into the city centre.

Action GABA22: Encourage bus operators to adopt Euro 6 standard engines and take opportunities to run electric or hybrid buses.

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<sup>13</sup> Bath and North East Somerset Council (2014) 'Getting Around Bath' - A Transport Strategy for Bath, Bath, available online at [http://www.bathnes.gov.uk/sites/default/files/sitedocuments/getting\\_around\\_bath\\_transport\\_strategy\\_-\\_final\\_issue\\_web\\_version.pdf](http://www.bathnes.gov.uk/sites/default/files/sitedocuments/getting_around_bath_transport_strategy_-_final_issue_web_version.pdf) [Accessed 26/10/15].

More work was advocated at the time of the Strategy to deal with an apparently declining fare paying (non-concessionary) market. This part of the Strategy however was written when the most up to date bus data was from 2012-13, and it showed a decline in fare payers. More current data earlier in this report shows that this has not since been the case.

### Keynsham

'Getting around Keynsham'<sup>14</sup> sets out a transport strategy for the town. The Strategy looks to reduce the existing problems caused by congestion and support delivery of the Core Strategy, enabling growth and builds on the policies and measures included in successive Joint Local Transport Plans. The Keynsham Transport Strategy was taken to the Council's Cabinet for approval during July 2015. The Cabinet approved the vision document subject to an exhibition in Keynsham to allow local residents, commuters and visitors to discuss and understand the proposals. Any changes to the Keynsham Transport Strategy that are identified through the exhibition will be delegated to the Cabinet Member for Transport in conjunction with council officers.

As it stands, the Strategy picks up various existing issues such as differing access to a bus service in different parts of the town and a declining core market. The draft transport strategy contains the following key action in respect of bus services:

Improve bus services, with ticketing and other measures, in order to improve reliability and create better linkages between bus and rail services. This will provide viable alternative travel options to car use, promoted through travel plans and comprehensive marketing. Continued support for community transport as not everyone can use conventional public transport.

### Somer and Chew Valley

A budget was earmarked at the February 2015 Full Council meeting for production of a transport strategy for both Somer Valley and Chew Valley. The CTE PDS Panel last received an update on progress of this work at the September 2015 meeting.

### Total Transport Pilot

The Council received an award from the government's Total Transport Pilot Fund to carry out an investigation into all passenger transport provision in the Chew Valley area - including public transport, community transport, home-to-school transport and non-emergency patient transport - to see whether any efficiencies would be possible by integrating some of those services. The report is expected in Spring 2016.

### Bath Transportation Package

The Bath Transportation Package has the aim of providing a significant upgrade of Bath's transport network. The various projects, funded through both council and Department for

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<sup>14</sup> Bath and North East Somerset Council (2014) 'Getting Around Keynsham' - Transport Strategy, Keynsham, available online at [http://www.bathnes.gov.uk/sites/default/files/siteimages/Parking-and-Travel/getting\\_around\\_keynsham\\_-\\_draft\\_transport\\_strategy\\_rev\\_o\\_12\\_06\\_15.pdf](http://www.bathnes.gov.uk/sites/default/files/siteimages/Parking-and-Travel/getting_around_keynsham_-_draft_transport_strategy_rev_o_12_06_15.pdf) [Accessed on 26/10/15]

Transport (DfT) money represent £27 million of investment including improvements to nine main bus routes in Bath including:

- Raised pavements to ease access on and off buses for older disabled people, and those with prams;
- Electronic information at the busiest stops; and
- New bus shelters at some stops.

### Network challenges

1. Unwillingness of operators running competing commercial services on several bus route corridors to co-ordinate their timetables (e.g. Bath – Chippenham, Bath – Melksham, Bath – Frome and Oldfield Park – University of Bath).
2. Lack of an Oyster-style ticketing system.
3. Delays to bus services caused by disruption on the highway network for essential maintenance or utility works.
4. Bus network planning being carried out entirely by operators to suit their own commercial ends with little consideration of the strategic view of the local transport authority and no co-ordination with competing operators.
5. Lack of cross-subsidisation of non-commercial services by those that are viable (e.g. operators may be unwilling to operate an evening service without subsidy on a route that is viable during most of the day).
6. Slow boarding times at bus stops, as a consequence of the number of cash transactions and the slow read times of some smart cards.
7. Lack of powers to enforce certain moving traffic offences which cause delays to bus services (e.g. box junctions).

### 9. Boundaries and extent of a potential quality contract scheme

The B&NES bus network does not work in isolation of neighbouring authorities. A B&NES-only QCS would therefore not be logical or viable. Consideration would have to be given to the optimum size and geography for a potential QCS scheme (see Table 4). Of the 117 registered local bus services in B&NES (as at 1 Nov 2015), three are supermarket services, seven National Express coach services, two tour bus services and one race day service. As these services are not really part of the bus network, they would be unlikely to fall within the scope of a QCS. The remaining 104 (including 4 park and ride services and 19 services to schools and universities that only run in term times), could form the content of a QCS.

Table 4: Potential QCS scheme areas

Local authority areas in QCS (B&NES plus....)	Coverage (no. of services, from max.104) <sup>15</sup>	Further services involving another local authority
None	42	n/a
Bristol	56	10
Wiltshire	58	4
Bristol & S Glos	60	10
Bristol & S Glos & N Somerset	63	14

The optimum area for a QCS from a B&NES perspective may potentially be the four West of England authorities plus the part of Wiltshire that forms part of the Bath travel-to-work area. These estimates are made using publically available data, so further modelling would be needed if a more rigorous analysis is needed.

## 10 Financial and risk factors

If a QCS model were proposed to improve just a minor part of the bus network, the five public interest conditions may be hard to sustain. In compiling a case, further consultation, modelling and analysis of provision would clearly be needed. One public interest condition of concern to B&NES Council is that “the proposed scheme will contribute to the implementation of .... policies in a way which is economic, efficient and effective”. This section of the report illuminates the issues of financial revenue and risk.

### 10.1 Existing operator revenues

In assessing the economies of a QCS, the financial performance of local operators was explored<sup>16</sup> (see Table 5). The steering group wanted to use available financial information to identify operating costs and revenues of services that operate within the potential scheme area(s).

The district is currently served by a number of different operators including; First Bristol Ltd, First Somerset & Avon and Wessex Ltd<sup>17</sup>. When comparing an operator’s profit / loss against turnover over several years, no significant trends appear - ranging from First Bristol Ltd 2011-12 at 17.7%, through to First Somerset & Avon Ltd 2012-13 at -4.6%. This shows there is a fluctuation on returns, and between operators, in the area.

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<sup>15</sup> The figures do not take into account all the other services in the neighbouring authority areas that would be involved, nor the cross-border issues at the perimeter of the QCS area (e.g. Wiltshire/Hampshire border or South Glos/Gloucestershire border). As the Bristol urban area encompasses a significant part of South Glos, any QCS involving one of them would logically need to include the other too. Worth noting is that the inter-urban bus network radiating from Bath includes routes to towns in North and West Wiltshire like Bradford-on-Avon, Melksham and Chippenham. These towns have their own “secondary” bus network of town services and rural services as well as school transport.

<sup>16</sup> Using publically available information from Companies House filed accounts

<sup>17</sup> Now called Wessex Bus, parent company Rotalla plc

Table 5: Analysis of profit / loss against turnover of operators by year

First Somerset & Avon Ltd	2011-12	2012-13	2013-14
Turnover	43251.0	40061.0	41166.0
Operating profit / loss	4925.0	-1862.0	335.0
Ratio % - Profit / Turnover	11.4	-4.6	0.8

First Bristol Ltd	2011-12	2012-13	2013-14
Turnover	45908.0	45655.0	47150.0
Operating profit / loss	8144.0	6700.0	6083.0
Ratio % - Profit / Turnover	17.7	14.7	12.9

Wessex Ltd	2011-12	2012-13	2013-14
Turnover	Not available	23179.0	20741.0
Operating profit / loss	Not available	1216.0	1587.0
Ratio % - Profit / Turnover	n/a	5.2	7.7

(Source: Data extracted from Companies House filed annual returns, all available online at: <https://www.gov.uk/get-information-about-a-company> [Accessed on 29/9/15]. Note: All figures in £'k)

## 10.2 Existing bus subsidy

Roughly 15% of the existing bus network is subsidised through public funds. Table 6 shows the sources and amount of money used to subsidise contractors in B&NES.

Table 6: Bus revenue support

Payments to contractors for bus revenue support:	1,624,774
Income from carriage of scholars entitled to home-to-school transport:	9400
Income from s106 contributions earmarked for bus revenue support:	464881
Bus Service Operators' Grant (BSOG) devolved from Government:	126565
Contribution from N. Somerset Council for x-boundary service:	20300
Fares income on gross cost contracts:	34000
Concessionary travel reimbursement on gross cost contracts:	52000
Income from contract penalties for non-operation etc:	5000
Total income	712146
Net spend on bus revenue support:	912,628

(Source: B&NES financial data - year 2015-16. Note: All figures in £'s)

## 10.3 Identified risk through initial research

There may be risks (financial or otherwise) of pursuing a QCS, both foreseen and unforeseen, of which some may prove outside of B&NES Council's control. Those initially foreseen include:

- the costs of developing a full business case for a QCS that satisfies 'public interest' conditions;
- the cost of seeking the opinion of the QCS Board (officer, contractors or legal);

- the resources needed to set-up and a QCS, and monitor it;
- there may also be higher operating costs associated with a higher specification of service (as envisaged by a QCS);
- any additional governance as necessary may attract a cost. This would inherently depend on the catchment area of a scheme; and
- future changes to QCS legislation may also impact.

## 11 Progress of other local authorities in exploring QCS

North East Combined Authority (NECA) is the only transport authority to have submitted a proposal to the QCS Board. The hearings took longer to convene as Nexus; the operating arm of NECA needed more time to respond to operators. The QCS Board published their opinion in early November 2015. Nexus' submission was found to have failed three of the five public interest criteria, so will discuss next steps with NECA (see case study below).

West Yorkshire Combined Authority covers a large area of the bus network. The authority previously did a lot of work around QCS in 2010-12, but is not actively pursuing one at the moment. WYCA are currently developing a new bus strategy for the next 10-15 years. The Buses Bill will inform which delivery options WYCA will propose.

The Sheffield City Region has already agreed heads of terms for a second devolution deal linked to mayoral powers. The city region currently uses ground breaking voluntary partnerships including network design rules and stability clauses, complimented with multi-operator inter-available tickets and timetable coordination through qualifying agreements.

The Partnership has been used in Sheffield now for 3 years, seeing growth in adult fare payers on 10%, and Rotherham for almost 18 months (approx. 7% growth in adult fare payers) and other areas are in the pipeline. Whilst partnerships have historically been used, the city region has not made a policy decision not to pursue a QCS and would consider the option of a QCS or franchising should the circumstances necessitate, with the devolution deal seeking powers to make this more achievable.

Liverpool City Region has not taken-up QCS either, instead pursuing partnerships through a bus alliance. They also await the Buses Bill to see if alternative models are proposed.

The Government has announced several devolution packages and of those agreed by the end of November 2015, seven included the option of bus franchising powers: Greater Manchester CA, Cornwall Council, Tees Valley CA, North East CA, Sheffield City Region CA, West Midlands CA and Liverpool City Region CA. The powers to franchise bus services will be given in the forthcoming Buses Bill but is by no means clear that all these authorities will take up the powers.

Bristol held a Scrutiny Inquiry Day about Integrated Public Transport during March 2015. One of the recommendations was to work collaboratively with neighbouring authorities on spatial and transport planning. Direct control through a QCS was mentioned as one possible model but no firm recommendation was made to pursue this.

Cornwall's devolution bid is worthy of note, being the first to seek a bus franchise as part of its bid.

### Case study: - North East Combined Authority (NECA)

*The steering group consulted Nexus (the executive arm of NECA) about their expectations of a*

QCS, and experiences of submitting a proposal to the QCS Board. A teleconference was made between Nexus (who led the QCS bid) and B&NES to provide members with further information to inform the group's overall findings and final conclusions. The key findings of this discussion, and shared documents were:

#### Aspirations:

The local Bus Strategy 2010-12 set out objectives including improvements to patronage, access and value for money together with a list of deliverables that included vehicle standards, integrated ticketing <sup>18</sup>etc.

#### Why choose a QCS?

Whilst all delivery options were explored, the NECA believed the QCS model offered the best approach. Nexus recognised there were funding constraints, and a QCS offered a way of maintaining a network without additional funds from the public sector whilst also delivering wider passenger benefits. For example, the QCS included a significantly simplified, affordable ticketing offer. There was no call for a QCS due to reasons such as passenger dissatisfaction or how well the operators operated.

#### How did they prepare?

Nexus described the four stages they took in preparing a QCS bid over the last four years:

- i. Feasibility report (for management team);
- ii. Informal consultation;
- iii. Formal statutory consultation (includes operators, etc.); and
- iv. QCS Board.

#### What challenges did they face?

Nexus met challenges during the QCS process, for instance:

- Being the first transport authority to use / test the legislation and the lack of precedence – especially given the complexity and scope of their proposal;
- The lack of data to inform the development of the proposal – despite requests from Nexus, the commercial operators were reluctant to share operational and revenue data that would inform many assumptions;
- The process became quite adversarial as incumbent Operators challenged the QCS proposal; and
- The need to supply more detail and evidence than was initially expected.

#### Decision:

The QCS Board published its opinion early November 2015. The submission was found to have met two of the five public interest criteria, but did not meet the remaining three (increase in the use of bus services, proportionality and value for money). The Board also said the statutory requirements for consultation had not been met.

#### Next Steps:

An initial report concerning the QCS Board's opinion was taken to NECA in mid-November. At that early stage Nexus said that they did not agree with many aspects of the QCS Board's opinion, and set out four future options: progress, modify, wait for the Buses Bill or take a partnership approach.

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<sup>18</sup> The potential for integrated ticketing: In the North East a passenger could for example, receive a 'simple' ticket offer with zone tickets (across bus operators), and / or tickets that allow travel across different modes of transport (say bus together with 'Metro' light-rail).

- *Progress - NECA could introduce the QCS as it currently stands, and respond to the QCS Board's recommendations;*
- *Modify - The QCS proposals and supporting evidence could be revised to address the QCS Board's concerns. Change to the QCS itself would require further statutory consultation, and a further review by the QCS Board;*
- *Wait for the Buses Bill - Introduce bus franchising using powers in the future Buses Bill, and as referenced in their devolution agreement. Nexus says that aspects of the original QCS could be used to inform a bus franchising scheme; or*
- *Partnership approach – NECA to continue discussions with operators to the proposed Voluntary Partnership Agreement.*

*The NECA has requested Nexus to further develop all four options and submit a second report containing more detailed analysis and a clear recommendation. There is uncertainty about what powers the Buses Bill will provide, so further discussion may be needed to clarify how and when next steps could be made. Nexus are clear that they still want to improve the bus offer, as they still have a strategy to work towards.*

## 12 Devolution

Work is going on at the time of writing (December 2015) between officers of the four West of England authorities on the possible next stage of a devolution bid. Consideration is being given to the priorities for transport investment to facilitate economic development and the governance structure that would be needed. Consideration is also being given to whether the local bus market in its present form can meet the needs of the community and, if not, whether it would be necessary for the authorities to acquire powers to franchise bus services to ensure that needs are met.

## 13 Future legislation - the Buses Bill

Whilst franchising of bus networks is more common in Europe, it is recognised that the current legislation in this country is not working as intended because the process takes much longer than envisaged and the preparatory work requires a great deal of resource. One proposal is to repeal the existing legislation and replace it with new franchising powers<sup>19</sup>.

A Buses Bill is due to be presented during the 2015-16 parliamentary term. The DfT held a series of Bus Reform Workshops for bus operators, local transport authorities and passenger representatives to help shape the content of the Buses Bill. The DfT published a Background Document<sup>20</sup> to the Bus Reform Workshops which sets out some initial ideas and issues on the way franchising could work, associated improvements that could be made to the existing law and an update on a number of wider bus policies.

The Background Document recognises that the deregulated market is not delivering improved bus services in some places. It sets out the main aims of the Buses Bill and they are to:

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<sup>19</sup> For consideration of QCS and the Buses Bill see p19, Department for Transport (2015) 'Bus reform workshops background document –Moving Britain ahead' available online at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/462225/buses-reform-workshops-background.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/462225/buses-reform-workshops-background.pdf) [Accessed 30/11/15].

<sup>20</sup> As above.

- (i) enable local authorities in England, outside London, to franchise their bus networks where they have agreement from Government;
- (ii) preserve the commercial and innovative strengths of private sector operators; and
- (iii) ensure there is a good package of measures to improve local bus services in areas that may not wish or feel able to move to franchising.

The message from Government seems to be that it is prepared to consider giving bus franchising powers provided there is clear democratic accountability. There are several key principles which are likely to inform the approach to implementing franchising which arise from the Government's policy on devolution. Whilst the Background Document states that there will be no set template for receiving bus franchising powers, all references to democratic accountability in the document refer to individual unitary authorities or a combined authority with an elected mayor. One suggested approach to deciding on whether or not to pursue franchising powers is to use HM Treasury's guidance for public sector bodies, which contains a "Five Case Business Model." The five cases are strategic, economic, commercial, financial and management. Social factors are not mentioned as an explicit case but referred to in the guidance notes.

#### 14 Impact of the review

This work may feed into current work on the Joint Local Transport Plan, Joint West of England transport studies, future discussions concerning devolved powers and has recognised where similar work has been undertaken by neighbouring authorities.

#### 15 Next steps

After considering the emerging evidence, the steering group suggests that B&NES Council wait before considering or pursuing a QCS because the Buses Bill could amend current legislation or offer franchising powers.

Franchising could offer a way of determining how the network operates in a more streamlined way, and potentially without the need for the QCS Board. It is anticipated that franchising would still however have to demonstrate public interests. This new approach of franchising may depend on devolution, to a unitary authority or a mayor. If neither of these apply, B&NES may look to joint working with neighbouring authorities.

Further work would need to be done if there is a desire to consider franchising in the West of England area because our local bus network does not respect local authority boundaries, so a form of joint structure on a sub-regional basis would need to be considered.

If franchising were not to be used, the authority would need to explore other powers that the Buses Bill may give, and take a view with our neighbouring authorities (as the current partnership working with bus operators seems to be working well on the whole).

The latest information suggests the Buses Bill will be published in February 2016, although it is too early to say when legislation will complete passage through Parliament.

The draft interim report will therefore be presented at the Jan 2016 CTE PDS panel for members to:

- (1) consider the current findings; and

(2) to review findings when the Buses Bill and potential West of England devolution deal have been further developed.

The current findings of this scrutiny review will however be submitted to the current West of England Joint Transport Study consultation which closes at the end of January 2016.

Once all stages of this scrutiny review have been made, a final report with conclusions and recommendations will be drafted.