

**BRISTOL CITY COUNCIL  
CABINET  
4 October 2012**

**Report of:** Interim Strategic Director – Neighbourhoods & City Development

**Title:** Bus Quality Contracts

**Wards: Citywide**

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**RECOMMENDATIONS**

That a business case is developed for a Quality Contract Scheme to include the potential benefits, costs and risks and that appropriate budgetary provision is made in the Passenger Transport 2013/14 revenue budget.

That local bus operators are invited to enter discussions about, and prepare proposals for, an alternative partnership approach to the improvement of the local bus network.

That engagement with the West of England partnership authorities is undertaken regarding the introduction of a QCS given the wider network implications.

**Summary**

**The significant issues in the report are:**

- 1) The legislative framework for local bus services – the 1985 and 2000 Transport Acts and the 2008 Local Transport Act**
- 2) The introduction of Quality Partnerships and Quality Contracts**
- 3) The process for introducing a Quality Contract Scheme**
- 4) Bristol Transport Policy and the local bus network**
- 5) The Partnership approach to improving bus services**
- 6) Consideration of a Quality Contract scheme for Bristol**

## **Background**

### **Legislative Framework for Local Bus Services – the 1985 Transport Act**

1. The local bus market in England was deregulated in 1986 through the Transport Act 1985, this opened up the market to commercial bus operators. Since this time the basic position is that, outside London, any licensed bus operator can run any commercial services it chooses as long as it gives at least 56 days notice of the introduction of a new service, withdrawal of a service or timetable changes. Services are registered with the Traffic Commissioner (TC) and a copy is sent to the Local Transport Authority (LTA). The TC is the industry regulator and licenses operators and has a responsibility to ensure they provide the services as registered. The TC can impose sanctions if they do not.
2. LTAs (county and unitary authorities) and Integrated Transport Authorities (ITAs) in the former metropolitan counties) can subsidise additional services that are not commercially registered. Services are normally competitively tendered but there is an option to procure some by negotiation under the de minimis rules.
3. In London the registration of commercial services is not permitted, rather the whole network is planned and specified (including fares) by Transport for London (TfL). Operators compete to operate packages of routes with all the fare revenue risk being borne by TfL. This is the model that prevails in most of the European Union.
4. During the 1990's a body of opinion considered that the deregulated market was not delivering the intended improvements to bus services. Issues included a continued decline in patronage outside London, fares increasing ahead of inflation, a lack of competition in many areas with the big groups creating area monopolies and, where there was competition on the street, an excessive number of buses on some routes leading to congestion and sometimes danger. There was also a perception that, in areas with little or no competition, operators were not registering services that would produce a commercial return in the expectation that the LTA would tender them, thereby producing additional profit.

### **The Transport Act 2000 and Local Transport Act 2008 – Introducing Quality Partnerships and Quality Contracts**

5. The 2000 Act sought to rein back the deregulated bus market outside London. However, the government didn't consider deregulation a total failure as it believed it had controlled industry costs, encouraged innovation, and improved responsiveness to passenger needs. It therefore didn't turn the clock back to the 1986 position. The Act introduced two measures, Quality Partnership Schemes (QPS) and Quality Contract Schemes (QCS), which LTAs could implement to provide improvements to local bus services and increase bus use.
6. A QPS is a scheme made by the LTA under which it provides highway facilities for the use/benefit of bus services and in return the operators

wishing to use them commit to providing services of a particular standard.

7. A QCS is a franchise power under which the LTA can specify all aspects of the bus network, eg routes, frequencies and fares over the whole or part of its jurisdiction, and invite tenders to operate the network. The maximum time period for a QCS is 10 years, potentially renewable for up to a further 10. No local bus services may be provided within the area other than those specified in a quality contract, except where specific exclusions are specified in the scheme or where an operator applies to register a service and the LTA provides a clearance certificate. The powers are similar to those held by TfL.
8. As a result of a lack of take up of both powers, the 2008 Act expanded the matters that could be specified within a QPS to include maximum fares, service frequencies and timings, and amended/simplified the criteria/approval process for a QCS (although it still involves a significant burden of justification and a time consuming process with opportunities for legal challenge).

### **Recent Take up of QPS and QCS Powers**

9. Since the 2008 Act, many LTAs and ITAs have taken up the QPS powers. Locally, QPS schemes have/are being put in place on the corridors upgraded by the Greater Bristol Bus Network (GBBN) project. However, as yet, no QCS are in existence anywhere in the country.
10. Currently the West Yorkshire (Metro) and the Tyneside (Nexus) ITAs are each intending to make a QCS but South Yorkshire ITA, who were considering doing so, have now decided to adopt a voluntary partnership approach with operators to network improvement.

### **2011 Competition Commission Study**

11. The Competition Commission conducted a study on local bus competition which reported in December 2011. This found that head to head competition in the supply of bus services was uncommon although it could provide significant benefits to passengers where found. Four features of the market effectively made head to head competition uncommon and limit the effectiveness of potential competition and new entry. These being: -
  - The existence of high levels of concentration
  - Barriers to entry and expansion
  - Customer conduct in deciding which bus to catch
  - Operator conduct by which operators avoid competing with each other in their 'core territories' leading to geographic market segmentation.
12. The Commission recommended a number of measures to remedy these problems. They did not recommend franchising as a solution whilst acknowledging that they '...would not wish to rule out its future application in particular local markets where the respective legislative requirements are met.' They also recognised '...that LTAs have wider social and policy objectives that are not relevant to this investigation,

but which may legitimately lead them to take a different view on the desirability of introducing franchising in relation to local bus markets for which they are accountable.'

## **The QCS Statutory Criteria and Process**

### The Public Interest Criteria

13. Before making a QCS an LTA must be satisfied that the five 'public interest' criteria defined in the legislation are met. These are that the proposed scheme will: -
  1. Result in an increase in the use of bus services
  2. Bring benefits to persons using local services by improving the quality of those services
  3. Contribute to the implementation of the LTAs local transport policies
  4. Contribute to the implementation of those policies in a way which is economic, efficient and effective
  5. Ensure that any adverse effects on operators will be proportionate to the improvement in the well being of persons living or working in the area.
14. Essentially the LTA needs to determine whether greater benefits could be achieved through it planning and specifying the network and then tendering it rather than could be achieved through a partnership arrangement with the bus operators. It also needs to be satisfied that this provides value for money and the public benefits are greater than the adverse effects on operators.

### QCS Board

15. If it concludes in favour of a QCS, the LTA must then follow a legally specified process which includes the establishment of a QCS Board to consider the scheme and form an opinion as to whether the public interest criteria are satisfied and the statutory process followed correctly and, if not, recommend actions to remedy the situation. The Board is constituted by the Senior Traffic Commissioner (STC) for England & Wales and comprises a traffic commissioner plus two other persons selected by the STC drawn from a panel appointed by the Secretary of State for Transport. The Board has the power to consider both written and oral evidence. Oral evidence will normally be given in public.

### The Statutory Process

16. Statutory guidance on the making of a QCS was published in 2009. This makes clear that a LTA is expected to undertake considerable consultation with interested parties prior to making a decision on whether to formally embark on making a QCS. If it then decides to go ahead, and following a period of statutory public consultation, the LTA needs to convince the QCS Board that the scheme will satisfy the statutory criteria. However, even if in the Board's opinion the criteria are not met, the LTA can make the scheme anyway but will need to satisfy itself that they have. If the QCS Board has endorsed the

scheme then there is no right of appeal by statutory consultees except on points of law. However, if it has not been endorsed, then the right of appeal to the Transport Tribunal by statutory consultees is not limited in any way. The whole process is likely to take at least 3 years and is summarised in the flow chart at Appendix A.

### Geographical Coverage

17. A scheme can cover all or part of an LTA's area. It can also be cross boundary with two or more LTAs acting jointly. Given that the Bristol continuously built up area and its bus network extends beyond the Bristol administrative area into South Gloucestershire it would be highly desirable for any scheme to incorporate the entire Bristol area and a significant part of South Gloucestershire. There may also be a case for including all or parts of the remainder of the West of England area but this would need further consideration and the support of the other LTAs.

### Sub Regional Transport Policy

18. The Joint Local Transport Plan's (JLTP3) Vision for Public Transport is for 'A comprehensive, high-quality, integrated public transport system that meets the needs of all potential users and is accessible, affordable, clean, comfortable, inclusive, punctual, reliable and safe and contributes to a reduction in greenhouse gas emissions.'
19. Growth in the use of public passenger transport services, both in absolute numbers and as a proportion of modal share, is a core objective of JLTP3. As the major public transport mode, growth in bus use is particularly important.
20. To achieve this growth, improvements to bus services are focused on:-
  - Completing the GBBN corridors
  - Upgrading non GBBN routes but with a lower level of investment
  - Working with the bus operators through QPS schemes on GBBN corridors supported where necessary with voluntary partnership agreements (VPAs) to achieve a stable core network with maximum frequencies and fewer service changes
  - Potential use of Quality Contracts will be kept under review in the light of progress with QPS
  - Punctuality Improvement Partnerships to work alongside QPS and VPAs
  - Co-ordination of services (within and between modes)
  - Work with operators to reduce the average age of the fleet and promote green means of propulsion
  - Seek voluntary agreements with operators on fare levels and zoning and integrated smart ticketing
  - Upgrading passenger facilities, raised platforms, shelters, parking/loading enforcement at stops
  - Enhance information provision together with marketing/promotion
  - Improving personal security on the network
  - Creating a rapid transit system

## **The Bristol Local Bus Network in Context**

21. This section sets out the situation pertaining to local bus services in Bristol with particular reference to some of the key factors that help determine whether there could be a case for pursuing a QCS. Where possible, a comparison is also made with London, which has a QCS based system, and with West Yorkshire where the ITA is pursuing a QCS.

### **Competition**

22. First dominate the market for the provision of local bus services in Bristol and the sub region although in recent years there has been some increased competition. In 2011 they accounted for 88% of bus journeys in Bristol. A number of small operators have always provided some limited services either commercially, by finding a 'niche' not served by First, or by competing for LTA contracts. A significant change occurred in 2007 when the Rotalla Group entered the local market by winning two of the Bristol Park & Ride contracts. From this foothold and trading as Wessex Connect they competed for other LTA contracts in the sub region, as well as the University of West of England funded services. Wessex now hold a substantial portfolio, albeit they have lost some in the last year to other operators, including to First. In 2011, CT Plus, a social enterprise company, also entered the local market, again by winning two of Bristol's P&R contracts, and have expanded to take on some home to school contracts (not registered as local bus). The present situation is that competition for LTA contracts involving free standing services is satisfactory (an average of 5 bids for P&R services and generally two for other freestanding services in Bristol in 2011) and has kept prices down, but there is no competition for the provision of additional journeys on otherwise commercial routes (First was the only bidder in 2011).
23. Nevertheless, despite these two major new entrants, on the road competition, ie between commercial services, is extremely limited being confined to just a few corridors, eg Stockwood to City Centre (Abus) and Nailsea to Bristol (North Somerset Coaches). Therefore, when considering the operators, by far the most significant impact of a QCS in Bristol would be on First.

### **Passenger Numbers**

24. After years of decline, bottoming at 25.86m in 2005/06, passenger numbers have started growing again and have shown five years of continuous growth since 2007/08. In 2011/12 they stood at 28.49m, up 9.2% on their low point. Although First have recorded an increase, their market share has slipped by about 2% since 2007/08.
25. In England, bus passenger journeys increased between 2004/05 to 2008/09 by 16% (mainly due to the free concessionary travel scheme) since when they have been broadly flat. London experienced a 30% increase between 2004/05 and 2011/12 but the ITA areas had a 6% decrease (occurring in 2010/11 & 2011/12). West Yorkshire's has been on a steady decline since the late 1990's.

26. These figures suggest that a QCS is not essential to achieving passenger growth but that where one exists it can produce big gains. An ITA would also appear not to be a prerequisite, and that subsidiaries of the same major group have experienced different passenger volume outcomes within the same deregulated context.
27. Reasons for the steady increase in Bristol could be the bus route upgrades undertaken over this time and, possibly, in an area of relatively high car ownership and use, the recession combined with higher fuel prices has made some people reduce their car use and switch to bus. Some observers have suggested that the reason for the decline in West Yorkshire is due to the significant investment in the relatively extensive local rail network, passenger numbers on which increased by 43% between 1999/00 and 2006/07 (source Metro Facts 2009/10) and have further increased since (directly comparable data is not available)
28. In the context of bus deregulation, effective in 1986, bus passenger figures for the former Avon area peaked in 1989 at around 63.6m journeys. This compares with the reported figure for the West of England partnership authorities for 2010/11 of 51.1m journeys.

#### Passenger Satisfaction

29. Reflecting the increase in passenger numbers, satisfaction with bus services amongst passengers in Bristol as measured by the annual National Highways & Transport Network (NHT) has increased significantly. Nevertheless in absolute terms it remains at a low level having increased from 33.1% in 2008/09 to 41.4% in 2011/12. However, it should be noted that the passenger satisfaction surveys undertaken by Passenger Focus in 2009 showed significantly higher figures with an overall satisfaction level of 84% (80% peak, 89% off peak).
30. Despite the low overall rating within the NHT surveys, most aspects of Bristol bus services generally have a satisfaction rating in excess of 50%. On some factors, such as bus stops, satisfaction is significantly over 60%, however, satisfaction with fares is very low at 19.8%. This drags the overall satisfaction rating down and may colour people's perception of other aspects of the service.
31. In London, TfL report an 80% passenger satisfaction score for their bus services in 2011/12 and in West Yorkshire, the ITA reports a similar 8 out of 10 score for 2010 (the most recent year for which stats are available) despite the continued decline in passenger numbers.

#### Fares & Ticketing

32. As mentioned above, satisfaction with fares in Bristol is very low both in absolute and relative terms. Nationally, compared to other aspects of bus travel, it is also low; the NHT survey reveals a satisfaction of 40%. Table 1 below compares fares in Bristol with those in London, which is the only place in the England with a Quality Contract type regime,

together with those in West Yorkshire which in June 2012 made the decision to progress a QCS.

**Table 1 - Bus Fare Comparison August 2012**

£	Bristol First Zones 1&2	W of England First	London All Services	Leeds <sup>1</sup> First	W Yorkshire All operators
Single Cash	1.70, 2.30 2.90, 3.30	N/A	2.30	1.00, 2.00, 2.80 <sup>2</sup>	N/A
Single Card	N/A	N/A	1.35	N/A	N/A
Day	4.00	7.00, 7.20 <sup>3</sup>	4.20	4.60	5.20
7 Day	18.50	24.00	18.80	19.50	21.00
Year	840.00	1,250	752.00	630.00	815.00

<sup>1</sup> Single & Day fares are for the Leeds network, 7 Day & Year are valid for the whole First's W Yorkshire network

<sup>2</sup> £1 up to 4 stops, £2 over 4 stops but not to or through Leeds City Centre, £2.80 peak to/through Leeds City Centre (£2.50 after 09:30)

<sup>3</sup> £7 First only; £7.20 multi-operator introductory offer, £7.50 after offer.

Sources, Websites of FirstGroup and West Yorkshire PTE (Metro) on 5 August 2012

33. Compared to London, short distance cash fares in Bristol are cheaper as are the day and 7 day tickets although the annual is £88 more. However, most passengers in London use the Oyster card which provides single journeys for only £1.35 with a daily cap at £4.20.
34. Comparing Bristol with Leeds in West Yorkshire, which operates under a similar legislative regime as Bristol and where First is also the principal operator, the situation is less good. Cash fares in Bristol are higher and although some period tickets are cheaper, the First Leeds tickets are valid on First services throughout West Yorkshire. Significantly, the First Leeds annual ticket is £210 cheaper. For those needing to travel further afield, the all operator tickets in West Yorkshire are good value for money and significantly cheaper than the West of England tickets.
35. These figures show that, in general, fares in Bristol are relatively expensive although the picture is mixed and the day ticket is reasonable value. While fares in London are generally lower, the difference is not as large as perhaps is the perception and this despite fare levels being in the control of TfL. Fares in Leeds and W Yorkshire generally offer better value than those in Bristol despite neither currently having a QCS regime in place. It is possible that competition with the local rail network has kept a lid on fares in West Yorkshire.
36. Concerning ticketing, the situation in Bristol is unsatisfactory. The experience in London and elsewhere has shown that the public respond positively to an integrated ticket available on all services. Because TfL sets the fares and carries the financial risk it has been able to introduce such a ticket (Oyster Card) relatively easily.
37. The Bristol and West of England situation is very different. It took years of discussion to introduce the multimodal/operator Freedom Travel Pass, the take up of which has been low due to the high price insisted upon by the operators. In July 2012 the bus operators announced



plans for a similar bus only ticket called the Avon Rider. However, the price is again higher than for any existing single operator pass and it is only available for the whole West of England area not just, for example, the Bristol network. Furthermore in developing the scheme the operators did not engage with the LTAs which has created a problem with contracted services for which the LTAs carry the revenue risk.

### Revenue Support & Operator Returns

38. Table 2 compares revenue support levels in the three areas. When considering the figures it must be borne in mind that London and West Yorkshire have a much greater proportion of their public transport network being rail based.

**Table 2 - Bus & Rail Services Net Revenue Support 2012/13  
(Excludes Concessionary Travel)**

	Bristol	London	W Yorkshire
Population	428,200	8,174,100	2,242,000
Bus Service Contracts <sup>1</sup>	£3,295,000	£374,000,000	£22,328,000
Rail <sup>2</sup>	£205,000	£33,000,000	£0
Total Expend. on services	£3,500,000	£407,000,000	£22,328,000
Per head Bus	£7.70	£45.75	£9.96
Per head Rail	£0.48	£4.04	£0
Per head Total	£8.18	£49.79	£9.96
Relative to Bristol Bus	1	+5.9	+1.3
Relative to Bristol Total	1	+6.1	+1.2

<sup>1</sup> Includes P&R, does not include bus stations, on-street infrastructure or information

<sup>2</sup> BCC is for Severn Beach Line, other local services are cross subsidised through the Great Western franchise; London is for Underground, DLR, Tram & branded Overground; W Yorks Rail funded via DfT grant (£75.407m) so £0 net expenditure.

Sources BCC 2012/13 Budgets, Transport For London 2012/13 Budget, W Yorks PTE 2012/13 Budget, Office for National Statistics 2010-based Sub national Population Projections issued 21 March 2012

39. This shows that, on a per capita basis, W Yorkshire currently spends 70% net, and London 610% net, more than Bristol on public transport service support (on bus service contracts 30% and 590% respectively).
40. Regarding operator profitability, recently reported operator margins for 2010/11 show that First's West Yorkshire operation is their best performing subsidiary with 20.6%, with Bristol also amongst the better at 13.7%. The average for English metropolitan areas being 11.4% and the best individual return being Stagecoach Midland Red South at 27.8%.

### Service Stability

41. Passengers value stability as many make decisions about where to live, work, be educated etc on the basis of the availability of public transport services. However, services that do not adapt to meet society's changing requirements run the risk of losing passengers and becoming increasingly costly to operate. A balance therefore needs to

be struck so that people have some certainty in the short to medium term regarding the network and have the opportunity to comment on any changes that are proposed. They also need timely warning of when changes are to be made. Some flexibility with timetabling is needed to deal with unexpected issues, eg heavy traffic on a route due to diversions. Locally, First have sometimes engaged in public consultation on potential service changes but the position is patchy.

42. As a result of concerns over the very frequent changes to routes and timetables, a code of conduct was agreed in 2011 between the West of England councils and the bus operators. This makes provision for changes to take place on four fixed dates each year plus, for rail-connected services, the two national rail timetable dates, it also sets down notice periods over and above the statutory minimum. The code of conduct forms an annex to all Quality Partnership Schemes that have been made in the West of England area.
43. It could be argued that this number of changes is too many and that any major changes should take place much less frequently, eg annually or even less frequently and that the public should be made aware of when a service is next due for review. However, operators in a competitive market where, at least in theory, new entrants could appear at 56 days notice are unlikely to agree to this. It should also be borne in mind that, while they have a much greater network, TfL made significant service changes in 45 months out of 50 between May 2008 and January 2012. For most passengers it is the frequency of changes on the route nearest their home that is probably the most important aspect.

#### Vehicle Quality

44. First and Wessex have made a significant investment in new vehicles, such that the average age of their fleets are 8 and 7 years respectively, and 91% and 100% respectively are low floor. In London TfL specifies that all vehicles must be low floor and the average age of the fleet in 2010/11 was 5.9 years. This compares with 7.9 years in metropolitan areas and 8.8 years elsewhere. Whilst age does not exactly correspond to quality, the lower the figure the better the emissions performance and the greater the proportion of low floor vehicles. Coupled with ticketing systems, vehicle specification has a significant impact on stop dwell time. Following the provision of additional bus priorities and improved enforcement, stop dwell times are a major cause of delay on many routes in Bristol. Unlike almost all commercial operators whose priority is maximising revenue collection, TfL specifies multi door vehicles to minimise dwell times coupled with an inspection and penalty fare system.

#### Partnership Working

45. The JLTP puts an emphasis on partnership working between LTAs and the operators. It is true that this has had some significant successes such as the GBBN project. However, even here and despite the large public sector investment, operators have been unwilling to share patronage data. An attempt at network planning in Bristol some 5 years

ago ultimately came to nothing and changes are frequently made to commercial services with little or no consultation with the LTA or passengers. Operators are even more reluctant to involve the LTAs in discussions about fares. LTAs can only specify vehicle types on services that are wholly contracted and have little or no influence on vehicles operated on commercial services (sometimes the local operating company doesn't either and have to accept what HQ deems appropriate). There has also been a reluctance to develop new markets without public funding, eg Hengrove Park.

46. It is important nevertheless to understand that the commercial operators are simply operating within the system laid down by the legislation. They need to make a profit to provide a return to investors and to undertake capital investment. Whilst it is often the case that maximising profit is compatible with maximising patronage this will not always be the case.

### **Should Bristol Pursue a QCS?**

#### **Potential Benefits**

47. Working with bus operators has delivered a significant improvement to bus services and has delivered increased patronage but there remain substantial issues particularly around fares and ticketing, vehicle specifications, changes to services with little or no consultation, and profit maximisation rather than patronage maximisation. A QCS does have the potential to provide significant benefits through the provision of; -
- A stable, high frequency, marketable network
  - Integrated, attractive ticketing using smart media
  - An ability to set fare levels to achieve policy objectives
  - An ability to specify vehicle types, eg to reduce stop dwell times through multi door vehicles and to specify propulsion to limit emissions
  - Consistent customer service standards
  - Competition for the market
  - Avoiding service duplication (limited in the current circumstances)
  - The ability to use revenue surpluses from some routes to cross subsidise those requiring support
  - A better framework for long term planning to meet the city's social and economic needs including integration with land use planning

#### **Costs & Risks**

48. Whilst the above benefits could be achieved and should meet the first three of the legal criteria, the question is at what cost to the public finances and would this provide value for money (criteria 4). Consideration would need to be given as to how criteria 5 could be assessed.
49. The principal policy objective for bus services is to increase their use through a range of improvements. Demonstrating that a QCS would increase use is also one of the criteria essential to justify its introduction. The analysis of Bristol's situation relative to London with

its wholly contracted arrangement is that, while London has had stronger passenger growth and has generally lower fares, this is achieved at the cost of revenue support running at some 6 times higher per capita. London levels of support are unlikely to be affordable with the current state of local government finances. The present profitability of the local First subsidiary suggests that there may be scope for some cross subsidisation of services but this is very unlikely to achieve a step change improvement to the network.

50. Regarding passenger satisfaction levels, while London and West Yorkshire are around the 80% level, the Passenger Focus study suggests this is also the case in Bristol. However, the NHT study indicates satisfaction levels of half this and that the perception, and in some instances the reality, that high fares are a significant part of this. This suggests that a focus on providing attractive fares and ticket products, coupled with an extensive marketing campaign could improve perceptions in Bristol and further increase patronage. This could potentially be undertaken in either a partnership or a QCS arrangement.
51. Arising from the Government's 'Green Light for Better Buses' published in March 2012, the DfT has recently published a consultation document on Bus Subsidy Reform. The reforms proposed include the devolvement of Bus Service Operator Grant (BSOG) to local authorities, changes to eligibility and the establishment of Better Bus Areas. The Government intends to designate a number of geographical areas as Better Bus Areas, via a competitive process. Better Bus Areas would receive a grant covering devolved BSOG for all services in the area, as well as a "top up" grant, proportional to the size of the devolved BSOG grant. The document is clear that successful bids for Better Bus Area designation would demonstrate close partnership working between local authorities and bus operators. As a result, it is proposed that any authority that has introduced a Quality Contract Scheme in their area would not be eligible to become part of a Better Bus Area and so not receive any additional funding that goes with it. However, it does not exclude authorities with plans for a QCS, but as stated above, strong partnership between authority and bus operators is an essential criterion for assessing bids. The authority would need to demonstrate how their plans could be taken forward with and without a QCS in place. The benefits of Better Bus Area designation and the scale of additional funding this could attract will need to be investigated further.
52. The Third Report of Session 2012-13 of the House of Commons Transport Committee into Competition in the local bus market has also recently been published. The report considers the 'Franchising' option open to Local Authorities, of implementing Quality Contract Schemes, and summarises that 'local authorities should be free to decide what is best for their area, on the basis of robust local evidence'. In addition, the report (which predated the Bus Subsidy Reform Consultation) recommends that the Government should make Better Bus Area funds available to support both Partnership and Quality Contract Schemes.

53. Factors that also need to be taken into account before determining whether to go ahead with a QCS: -
- **Cost/Commitment** of getting to a full understanding of cost and risk. Initially this requires consultants to be commissioned to work up the business case. If it is then to be progressed a project team will need to be established. Estimated cost of developing the business case £25k-£30k
  - **Cost of Making the scheme.** The set up costs associated with establishing a scheme, including developing and planning the network are estimated at around £1-2m.
  - **Running Costs.** The management of the quality contracts will necessitate a significant increase in staff resource. As per estimations made in the Competition Commissions December 2011 report into the local bus market, this could be up to £1m per annum.
  - The ongoing cost of a QCS to the LTA would be dependent on the nature of the contract(s) specification, but it is likely that risks would be transferred to the LTA from the bus operators.
  - Would existing operators co-operate? How to manage the transitional period? On Tyneside, Stagecoach has threatened to withdraw all its services and not make its depot facilities available to other operators.
  - Would South Gloucestershire Council join in with a QCS to cover the whole of the continuously built up area? Whilst it could be possible to proceed without this, the scheme would be considerably more valuable with their involvement.
  - **Reputation.** In a QCS the LTA, not the operators, would be primarily responsible any deficiencies in the bus services, However, there is already a common misconception that the whole bus network is contracted by the Council.
  - **Political Commitment.** Based on West Yorkshire's experience the whole process could take up to 5 years. This would require a continuing political commitment over this time within Bristol and South Gloucestershire. Unless the new Mayor supports making a QCS and there is also cross party support, there will be a significant risk that the process is not seen to a conclusion, incurring very high levels of abortive costs.
  - The need to ensure measures are put in place to avoid the network becoming 'fossilised' and that it can respond to external changes in a timely manner.

#### Continue with a Partnership Approach?

54. With its West of England partners, the Council has just completed the GBBN project and is now poised to implement further improvements to infrastructure ticketing and marketing. This is through the Better Bus Area Fund, its own capital resources, LSTF funding and, not least, the

BRT project. QPS schemes have, and are being made, on the upgraded corridors and are proposed for the central area.

55. In the circumstances it is suggested that, before making a definite decision on whether to pursue a QCS, the success of at least some of these initiatives needs to be evaluated. Furthermore, the operators should be invited to come forward to engage with the West of England LTAs with a view to making a partnership agreement that provides a real commitment to implement clearly defined actions to improve the network, particularly in respect of fares and ticketing.

### **Other options considered**

56. The main recommendation is that the Council engages consultants to develop a business case for a Quality Contract scheme. However, a further recommendation is to continue to work in partnership with local bus operators to improve local services. As such, it does retain all the current options for continuing to improve and provide services. A decision over the most appropriate option is therefore deferred pending a better understanding of the Quality Contracts process.

### **Risk Assessment**

57. **The main risk(s) of not agreeing to this course of action are as follows:**  
That the Council does not gain the benefit of a fuller understanding of the issues around the implementation of a Quality Contract scheme, particularly the full financial implications and risk of adopting such a scheme.
58. **The main risk(s) of agreeing to this course of action are as follows:** On the basis that the recommendations do not at this stage commit the Council to pursue one particular course of action over another, there is no significant risk associated with agreeing to this course of action.

### **Equalities Impact Assessment**

59. An Equalities Impact Assessment screening form has been completed and is at Appendix B. Whilst it is deemed unnecessary to proceed with further sections of this EqIA due to the fact that this report is solely seeking to appoint consultants to investigate the business case for developing a Quality Contract Scheme in Bristol, it is recognised that there could be potential impacts for equality groups on further development of any scheme so a full Equalities Impact Assessment will be undertaken at this stage.
60. It is therefore recommended that appropriate consultation / participation of equality groups are involved in the Equalities Impact Assessment process when necessary.
61. The EqIA has been signed off at this stage based on the comments above.

## **Environmental Impact Assessment**

62. This proposal is to develop a business case for a bus Quality Contract Scheme, which in itself, does not generate any significant environmental impacts. A QCS, if implemented, has the potential for a range of significant environmental impacts, which if well managed, should lead to improved environmental outcomes. Appropriate environmental criteria will be included within any future contract.

## **Legal and Resource Implications**

**Legal:** The general legal position is covered elsewhere in this report. Detailed legal advice will be required if the Quality Contract Scheme proposal proceeds further.

Legal advice given by: Peter Malarby, Senior Solicitor  
(Highways & Transport)

**Finance:** The only finance implication of the report is the commissioning of consultants to develop the business case for a Quality Contract Scheme at a cost of up to £30k which will be allocated from within the Passenger Transport revenue budget.

**Revenue:** £25-30,000

**Capital:** None

Financial advice given by: Chris Williams

**Land:** None

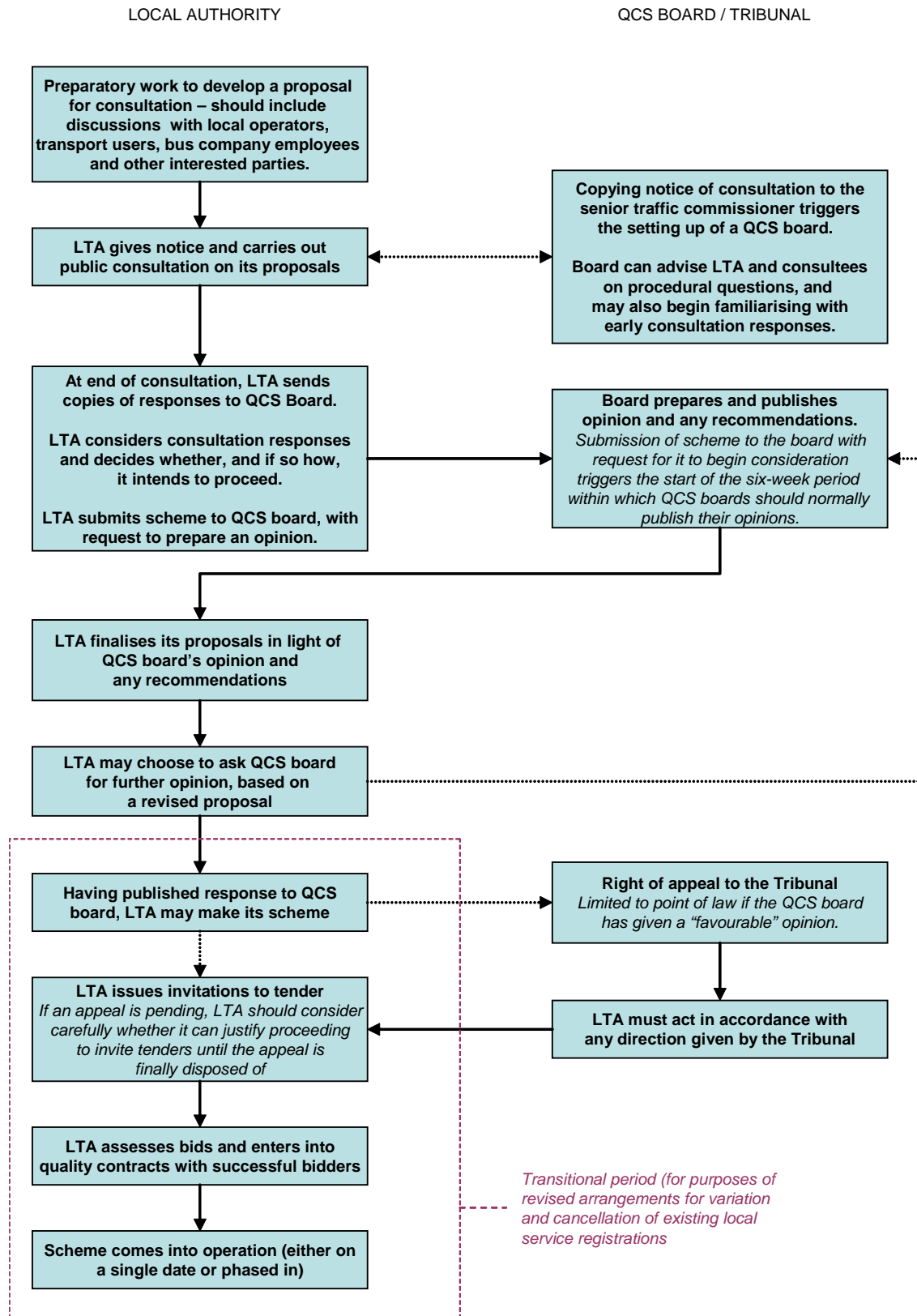
**Personnel:** None

## **Appendices:**

Appendix A: Summary of Process for Implementing and Quality Contracts Scheme

Appendix B: Equalities Impact Assessment Screening

## Appendix A: Summary of process for introducing a Quality Contract Scheme







## **Bristol City Council Equality Impact Assessment Form**

### **Bus Quality Contracts**

**Directorate:** Neighbourhoods and City Development

**Service:** Transport

**Lead officer:** Pete Woodhouse

**Start date for EqIA:** 7<sup>th</sup> September 2012

**Estimated completion date:** 7<sup>th</sup> September 2012

Step 1 – Use the following checklist to consider whether the proposal requires an EglA

**1. What is the purpose of the proposal?**

Please summarise what is planned.

The proposal is for the Council to engage Consultants to develop the business case for a Bus Quality Contract scheme in Bristol, including the potential benefits, costs and risks. A Quality Contract Scheme is a power under which the Local Authority can specify all aspects of the bus network such as routes, fares and frequencies, that are procured through tendered contracts. Whilst the powers to introduce these schemes have existed for a number of years, no Local Authority has implemented such a scheme. It is therefore proposed to complete a study that will enable the Council to fully understand the requirements and implications, and to decide whether to proceed further.

2. Could this be relevant to our public sector equality duty to:		<b>Medium</b>	<b>Low</b>
	<b>High</b>		
a) Promote equality of opportunity			<b>X</b>
b) Eliminate discrimination			<b>X</b>
c) Promote good relations between different equalities communities?			<b>X</b>

**If you have answered 'low' to question 2, please describe your reasons**

**The full implementation of a quality contract scheme would be highly relevant to the public sector equality duty and a big impact across the equalities strands. However, the proposal at this stage is merely to appoint consultants to investigate the business case for developing such a scheme in Bristol. Should the business case be proven and there is approval to proceed in the further development of a scheme, a full Equalities Impact Assessment would be produced.**

**3. Could the proposal have a positive effect on equalities communities?**

No

**Please describe your initial thoughts as to the proposal's positive impact**

**The proposal itself is a study into the business case for a Quality Contract Scheme. On its own this will have no or negligible effect on equalities communities. However, as above, if the Council was minded to proceed with the scheme, it would indeed have a significant impact. The business case will therefore include a full Equalities Impact Assessment.**

**4. Could the proposal have a negative effect on equalities communities?**

No

**Please describe your initial thoughts as to the proposal's negative impact**

**The proposal itself is a study into the business case for a Quality Contract Scheme. On its own this will have no or negligible effect on equalities communities. However, as above, if the Council was minded to proceed with the scheme, it would indeed have a significant impact. The business case will therefore include a full Equalities Impact Assessment.**

**Additional comments**

Whilst it is deemed unnecessary to proceed with further sections of this EqIA due to the fact that this report is solely seeking to appoint consultants to investigate the business case for developing a Quality Contract Scheme in Bristol it is recognised that there could be potential impacts for equality groups on further development of any scheme so a full Equalities Impact Assessment will be undertaken at this stage.

It is therefore recommended that appropriate consultation / participation of equality groups are involved in the Equalities Impact Assessment process when necessary.

The EqIA has been signed off at this stage based on the comments above.

Signed:

Signed:

Service Director:

Equalities Adviser:

Date:

Date: