

## Cabinet

7 March 2012

## Bus Service Retendering



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### Report of Corporate Management Team

Ian Thompson, Corporate Director Regeneration and Economic Development

Councillor Neil Foster, Cabinet Portfolio Holder for Regeneration and Economic Development

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#### Purpose of the Report

- 1 To outline the planned programme for retendering of bus services during the coming year and highlight the key issues and risks.

#### Background

- 2 The County Council has a duty under the Transport Act 1985 to “*secure the provision of such public passenger transport services as the council consider it appropriate to secure to meet any public transport requirements within the county which would not in their view be met apart from any action taken by them for that purpose*”.
- 3 To fulfil this duty, the County Council spends £3.3m per annum securing bus services that would otherwise not operate, as they do not carry enough passengers for the fares revenue to cover the cost of operation. This was reduced from £4.5m in 2011 as part of the MTFP budget reduction measures. No further reductions in Council funding are included in the 2012/13 budget.
- 4 The provision of secured services includes a mix of wholly subsidised daytime bus services, contracts which extend the operational hours, days or route of otherwise commercial bus services and de minimis arrangements, for say, single early morning journeys on commercial routes. Secured services account for around 20% of the bus network; the other 80% are run as commercial operations without any financial support from the County Council.
- 5 Local bus service contracts are awarded following a competitive tender process under EU procurement rules. The specification sets out quality standards that must be met by all tenderers. The contracts are generally awarded to the lowest priced tenderer.

- 6 The current bus service contracts are let for a four year period. This gives some stability in the network and greater certainty for operators, so as to encourage investment in their fleets etc. Contract prices are adjusted annually to reflect changes in bus industry costs over the preceding year. This is common practice amongst local authority bus service tenders as it de-risks the contractors from issues such as fuel cost increases, which leads to lower tender prices.

### Tender Proposals

- 7 Around eighty percent of our bus contracts (those covering the East and South/West of the County) are due to be renewed in the coming year. These have a current net cost of around £2.5m/annum (£3.2m gross).
- 8 We are also retendering Home to School transport contracts across the same area, at the same time. This maximises the opportunity to make more efficient use of resources by allowing operators to link vehicle and driver schedules between public bus services and scholar services.
- 9 The timescale for the contract tendering and award process is as follows.

9 February	Tenders documents to legal for checking
24 February	Out to tender
5 April	Tender return date
9 weeks for tender analysis / reporting / decisions (prices can be held for up to 120 days)	
8 June	Award contracts
6 weeks for operators to arrange	
6 July	Registration with Traffic Commissioners
2 September	New contracts start

- 10 As part of the process we are contacting all 80 of the bus operators registered with the County Council to ensure they are aware of the tenders and have the opportunity to bid for contracts.

### Key Issues

- 11 It is likely that inflationary pressures in the transport industry will lead to higher tender prices than those currently in operation. This is due to ongoing increases in fuel and insurance costs, but has also been compounded by the Government's announcement that Bus Service Operators Grant (BSOG - formerly known as fuel duty rebate) will be reduced by 20% in April 2012. We estimate that this reduction in BSOG

will cut between £0.75m and £1.0m from the annual income of bus operators in County Durham.

- 12 It is anticipated that the above financial pressures will increase the overall cost of our public transport contracts by around 5%. This represents approximately £170k worth of bus services; equivalent to around five full weekday bus services or the cost of 3 hours evening operation across 20 bus routes.
- 13 The home to school transport contracts are less likely to see increased costs as they are not eligible for BSOG and there is also greater competition in this market from within the coaching and taxi sectors. It is not anticipated that home to school tender prices will exceed their current values.
- 14 We are not anticipating that the operators will make any further significant changes to their commercial services over the next year. However, should there be a further contraction of the commercial bus network, this would create additional pressure, as there would be an expectation that the County Council would react to maintain service provision.

### **Concessionary Fares**

- 15 We are currently in discussions with the bus operators regarding concessionary fares reimbursement for 2012/13. The two main operators have once again expressed a willingness to enter into a fixed payment arrangement, which gives greater budget certainty to both sides. Negotiations are ongoing.

### **Conclusions**

- 17 A further report will be presented to members in early May detailing the results of the tender exercise.

### **Recommendations**

- 18 Cabinet are recommended to note the timetable for retendering local bus services, and agree to receive a further report on the outcome of the tendering process.

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## **Appendix 1: Implications**

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### **Finance**

The current budget of £3.3m to support bus services is fully committed and the retendering exercise is likely to increase costs by around £170k.

### **Staffing**

None

### **Risk**

There is a strong likelihood that tender prices will exceed the available budget.

### **Equality and Diversity**

Equalities issues are built into the tender specification for public transport and home to school transport contracts.

### **Accommodation**

None

### **Crime and Disorder**

None

### **Human Rights**

None

### **Consultation**

None

### **Procurement**

EU procurement in line with the Council's corporate procurement procedures

### **Disability Discrimination Act**

None

### **Legal Implications**

Legal services involved in procurement exercise