

## **Cabinet**

**15 October 2014**

### **Tyne & Wear Bus Strategy Delivery Project**



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## **Report of Ian Thompson, Corporate Director, Regeneration & Economic Development Councillor Neil Foster, Cabinet Portfolio Member for Regeneration**

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### **Purpose of the report**

1. To inform Cabinet of proposals under consideration by the Combined Authority to change the way in which bus services are managed in Tyne & Wear; and to highlight agreed working arrangements to mitigate any potential impacts on the bus network in County Durham.

### **Background**

2. Bus services outside London, were 'deregulated' under the Transport Act 1985. Subject to certain safety and quality standards, bus operators decide which services to run, the fares to charge and other such matters, without recourse to the local authority.
3. Local Authorities have powers to supplement these services, filling gaps in the commercial network, by inviting tenders for supported services (known as 'secured services' or 'tendered services').
4. Whilst bus usage in the North East remains the highest in the Country (outside London), patronage has been in decline for many years and the gradual withdrawal of non-profitable routes, or sections of route, has contributed to a reduction in accessibility to local jobs and services.
5. Furthermore, reductions in Local Authority funding are also putting pressure on the ability of Tyne & Wear to continue to support the existing tendered bus services and discretionary concessionary fares.

### **Tyne & Wear Bus Strategy Delivery Project**

6. Recognising the importance of the bus network to the local economy and in light of the above trends, the Tyne & Wear Integrated Transport Authority (ITA) adopted a Bus Strategy with three key objectives:
  - Arrest the decline in bus patronage;
  - Maintain (and preferably grow) accessibility; and

- Deliver better value for public money.
7. In pursuit of this bus strategy, the ITA instructed its Executive (Nexus) in 2011 to prepare a draft Quality Contracts Scheme (QCS), and also to explore the scope for a meaningful Quality Bus Partnership.
  8. The roles and responsibilities of the Tyne & Wear ITA passed to the Combined Authority in April 2014. The constitution of the Combined Authority reserves the decision on a QCS to the Leaders Board.

### **Quality Contract Scheme**

9. A QCS allows the local transport authority to specify routes, timetables and fares over a specified operating area and tender these routes out as contracts. In effect, this becomes an exclusive franchising scheme, where no other bus company is allowed to operate within the QCS area (this is similar to the way Transport for London operates) unless a specific exemption is granted.
10. The rationale behind the proposed use of a QCS would be to apply competitive pressure to the profits earned by operators through competitive franchising; and in the process, use the income from the most profitable bus services to cross subsidise the socially necessary services and control fares.
11. It is Nexus' intention to recommend inclusion of most of the cross-boundary bus services in the QCS, including those elements operating outside of Tyne & Wear. Discussions have been taking place with Nexus to explore and better understand the implications of the possible adoption of QCS proposals on bus services in County Durham.

### **Implications for commercial bus operators**

12. If leaders choose to support the QCS option and, following the necessary procedures, a scheme is put in place, the Tyne & Wear QCS scheme would be the first in the country to use the powers introduced in the Transport Act 2000, and would have significant implications for commercial bus operators. The existing operators potentially face losing their Tyne & Wear business, as they have no guarantee of winning work under the procurement exercise that would take place to award Quality Contracts. Some operators have indicated that they will mount a strong legal challenge against the introduction of a QCS scheme.
13. Operators of cross boundary routes would face similar issues. Once a QCS area has been established, it precludes any non-QCS service from running within the QCS area unless a specific exemption has been granted, which is envisaged for all existing cross-boundary services that are not already covered by the QCS.

## **Implications for the bus network in County Durham**

14. Approximately 25% of bus operations in County Durham start or finish in Tyne and Wear (in Northumberland this figure rises to approx 75%). These cross boundary routes are believed to be among the most profitable services in County Durham and help to support the less profitable local networks, through sharing of depot overheads etc.
15. It was therefore recognised that the potential removal of revenue from cross boundary routes could impact on the viability of local networks/depots. Work has been undertaken to mitigate the risk of any potential withdrawal of routes or parts of routes in County Durham that are unrelated to the QCS, but which are currently only marginally profitable.
16. A QCS also has the potential to influence the frequencies, routing, quality and fares of local bus services, where the Tyne & Wear services thin out and mix with residual network. In this respect, it is recognised that there may be a need to commit resources to patching together the two regimes where they overlap.
17. A feasibility study was undertaken into the possibility of widening the area of any QCS to cover the whole of County Durham. In addition to the considerable timescale required to re-prepare a full QCS, it was noted that there is a lower level of profitability within the more rural bus network operating in County Durham. Nevertheless it is proposed that Durham (and Northumberland) County Council and the Combined Authority keep this under review as a potential longer term option.

## **Voluntary Partnership Agreement (VPA)**

18. In parallel to the QCS proposals Nexus have challenged the bus operators to put forward partnership arrangements that would deliver similar outcomes as a QCS. This alternative option (ie the VPA) is also to be considered by the Combined Authority in October.

## **Cross Boundary Collaboration Agreement**

19. In order to manage the risk of any adverse impacts that a decision to implement a QCS might raise in County Durham, officers have developed a Cross Boundary Collaboration Protocol with Nexus (see appendix 2). This protocol would form part of the overall policy position of the Combined Authority and would provide reassurance that the County Council would be reimbursed for any reasonable expenditure required to maintain the current levels of accessibility on local bus services in the event of a QCS being introduced and proving to have an adverse impact on existing services.
20. The agreement also gives a commitment to working together on joint ticketing initiatives between County Durham and Tyne & Wear under the direction and guidance of the Combined Authority. This would allow ticketing products to operate more seamlessly across the Combined Authority area.

21. The same commitment to joint working would apply under partnership arrangements, should the Combined Authority choose to pursue a VPA for Tyne & Wear, although the Cross Boundary Collaboration Agreement itself would not be required to support a VPA.
22. Cabinet can therefore be reassured that the interests of service users in County Durham would be adequately protected if the Combined Authority were to determine that a change to existing arrangements were in the best interests of the Tyne and Wear area.

### **Decision making process**

23. It is proposed that the Combined Authority Leadership Board will be asked to make a decision on whether to progress a QCS or VPA at its meeting on 21 October.
24. Briefing sessions are being arranged for elected members from all of the constituent authorities in advance of the Leadership Board meeting. The briefings for Durham Members were held in County Hall on 30 September.

### **Recommendations**

25. Cabinet are asked to note that the Combined Authority Leadership Board is due to consider the introduction of a Quality Contract Scheme or Voluntary Partnership Agreement in Tyne & Wear at its meeting in October.
26. Cabinet are also asked to note that a Cross Boundary Collaboration Protocol has been developed which will mitigate any detrimental financial or operational impacts of the proposals on bus services in County Durham.
27. If the Leadership Board is minded to approve either a Quality Contract Scheme or a Voluntary Partnership Agreement then Cabinet is asked to agree to support these arrangements, subject to the agreement by the NELB of the cross boundary collaboration protocol.

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## **Appendix 1: Implications**

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### **Finance**

Any direct impact of a QCS on the Council's tendered bus service budget will be reimbursed through the Cross Boundary Collaboration Agreement.

### **Staffing**

None

### **Risk**

The Cross Boundary Collaboration Agreement mitigates risks to bus network, budget and passenger services.

### **Equality and Diversity**

None

### **Accommodation**

None

### **Crime and Disorder**

None

### **Human Rights**

None

### **Consultation**

Consultation held with Portfolio Holder and Members briefings arranged 30 September.

### **Procurement**

None

### **Disability Discrimination Act**

None

### **Legal Implications**

Legal services have been involved in developing the Cross Boundary Collaboration Agreement.