

## SUPPORTING LOCAL BUS SERVICES

Report By: Director of Environment

### Wards Affected

County-wide

### Purpose

1. To clarify the Council's policy on the allocation of bus service subsidies and to inform the Committee on the level of passenger use of subsidised bus services.

### Financial Implications

2. None as a result of this report.

### Background

3. **The bus industry.** Bus services outside London were deregulated by the 1985 Transport Act (although most of Herefordshire had been a trial area for the new system since 1981). Under the Act, bus operators were given the freedom to operate commercially, with networks and service levels being determined solely by commercial considerations. Bus services were opened up to competition between operators, whilst obligations to maintain uneconomic services were removed.
4. **The Council's role.** In recognition that commercial networks would not provide full coverage, either geographically or by time of day, local authorities retained the power to subsidise those services that they consider to be socially necessary. The Act, however, changed the basis on which subsidies could be paid and introduced a system of competitive tendering. Approximately 60% of bus services are provided commercially.
5. **Funding.** Subsidised services are funded from revenue budgets. The allocation in 2004/5 being £691,000. In 1998, the Government introduced the Rural Bus Subsidy Grant (RSBG), which is allocated to local authorities on the basis of the size of their rural populations, for the purpose of improving bus services in rural areas. The definition of "rural" for the purposes of the Grant allows it to be used for services throughout Herefordshire, except those wholly-within the City of Hereford. The county's RSBG allocation for 2004/5 is £803,000. At present, a further £203,272 per annum is spent on services funded through the government's Urban and Rural Bus Challenge Schemes, this funding having been obtained through a competitive bidding process. This funding source has not, however, been repeated by Government at present and the current allocations for Herefordshire are due to come to an end in March 2006.

### Current Policy

6. **Determination of the subsidised network.** The 1985 Transport Act places a duty upon local authorities 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..." (Section 63 (1) (a).) The Act also requires the council to formulate policies as to which services they will secure to discharge this duty. These policies are contained in the Bus Strategy, which forms part of the Local Transport Plan. Current policy is to:

a) Maximise the geographical coverage and frequency of the network within available resources.

b) To support services up to a cost limit of £2.14 per passenger journey (April 2004 prices). The figure is adjusted annually in line with inflation from a base of £1 per passenger as established by Hereford & Worcester County Council which, at the time of establishment, allowed 95% of the then existing contracts to be continued within the new criteria. Exceptions are made for journeys conveying people to work and for hospital visiting and a basic service of one return journey per week to the nearest market town will continue to be provided for rural communities, irrespective of the subsidy criteria, for as long as an identifiable demand exists.

c) To support services funded by Rural Bus Subsidy Grant up to a cost limit of £5 per passenger journey. In recognition of the need for time to develop new services in rural areas, such services will continue to be funded up to a cost limit of £10 per passenger journey provided that the long-term trend in subsidy requirement is towards the £5 limit.

### **Capital Measures Introduced through Local Transport Plan Programme**

7. The current Local Transport Plan has delivered a range of improvements to improve the attractiveness of bus travel in the County. This has included:
  - a. Provision of new bus shelters and raised kerbs for easy access to the bus at various bus stop locations throughout the County
  - b. Comprehensive refurbishment of the Hereford Country Bus Station and Leominster Bus Station
  - c. Low Floor Bus Project that has introduced 50 new wheelchair-accessible buses to improve the quality and accessibility of services in the County. This project has received national recognition and surveys have shown that the introduction of these buses has resulted in an average increase in passengers of approximately 6% and have been successful in attracting new passengers to using the bus.
  - d. Christmas Park and Ride service in Hereford. Detailed evaluation of the potential for permanent park and ride facilities is currently underway with a view to the possible inclusion of specific schemes in the next Local Transport Plan.

### **Securing Subsidised Services**

8. The 1985 Transport Act requires the council to secure subsidised bus services through a process of competitive tendering. The maximum length for any subsidy

agreement is 5 years, after which the contract must be retendered, and current policy is to award contracts for this maximum period.

Retendering of contracts takes place twice a year, with new contracts starting in September and February. A subsidiary tendering date in May each year is used, if necessary, for seasonal services and for contracts which do not fit the normal pattern. The timescale for tendering forms part of a Code of Conduct on Service Stability, whereby bus operators and the council have agreed to restrict the number of days in a year when timetables can change to give greater certainty to passengers. The retendering process is as follows:

- i. Establish from existing contractors that they do not intend to continue the service without subsidy.(20 weeks before contracts commence).
- ii. Information on patronage collected from operators' records and on-bus surveys. (20 weeks before contracts commence)
- iii. Bus operators invited to apply for tender documents. Notice inviting applications from operators placed in the Official Journal of the European Communities. (19 weeks before commencement of contracts)
- iv. Contract specifications drawn up. (19 – 17 weeks before commencement of contracts)
- v. Tender documents sent to operators that have applied for them. (17 weeks before commencement of contracts)
- vi. Tenders received from operators (14 weeks before commencement of contracts)
- vii. Analysis of tenders by Public Transport Manager and recommendations for tender awards approved by Transportation Manager. (14 - 11 weeks before commencement of contracts)
- viii. Contracts awarded as per Transportation Manager's approvals. (11 weeks before commencement of contracts)
- ix. Bus operators register details of new services with the Traffic Commissioner (8 weeks before commencement of contracts)
- x. New contracts commence.

- 9. Criteria for award of contracts.** Under the Transport Act, 1985 the Council is obliged to supply tender documents to any person requesting them, although a subsidy contract can only be awarded to the holder of a Public Service Vehicle Operator's licence. The criteria under which the council can award a subsidy contract are laid down by the 2000 Transport Act, which amended the 1985 Act. Under this Act the Council is required to award contracts having regard to "a combination of economy, efficiency and effectiveness" which allows a combination of cost and quality factors to be taken into account. This would allow the Council to withhold a tender from any operator considered, for whatever reason, to be incapable of operating the service. There is a requirement to publish the results of the tendering

process, together with the reasons for the award or non-award of any contract. Contracts are awarded in accordance with the subsidy criteria contained in the Bus Strategy provided that the available budget is not exceeded.

Recent experience has been that prices have risen greatly in excess of inflation when contracts are retendered. In the last tendering round (September 2004), prices rose by 36% in the case of core funded contracts and by 47% in the case of contracts funded through RBSG. In these circumstances it has not been possible to award all contracts within the available budget, even though they otherwise meet the criteria for subsidy. The results of the tendering exercise are not known until eleven weeks before contracts are due to commence, during which time it is necessary to decide on one of the following courses of action:

- a) Award the contracts and seek to identify savings elsewhere within the public transport budget.
- b) Retender the service at a reduced level of service.
- c) Abandon the service and inform affected communities of alternatives (if any).

This work has to be done against a deadline determined by the termination date of the contracts being retendered to ensure those services that are to be retained continue without a break in service.

## Numbers of People Benefiting from Services

10. **Numbers of passengers using** subsidised services are monitored through on-bus surveys and returns from operators. Ridership is measured against cost to determine "subsidy per passenger" figures so as to ensure that subsidies are allocated in accordance with policy. The following table shows the number of passengers carried in 2003/4 in Herefordshire by category of service. Figures for individual contracts are shown in Appendix 1 to this report.

### Passengers on Herefordshire bus services 2003/4

<b>Service funding</b>	<b>Total Passengers 2003/4</b>	<b>% of Total</b>
Core funded services	683,122	17%
RSBG funded services	361,472	9%
Bus Challenge services	551,471	14%
Total carried on subsidised services	1,596,065	40%
Commercial services	2,350,671	60%
Total carried on ALL services	3,946,736	100%
<b>SUBSIDY PER PASSENGER</b>		

Subsidy per passenger – Core funded	£1.14	
Subsidy per passenger – RBSG funded	£2.22	
Subsidy per passenger – Challenge funded	£0.36	
<b>Subsidy per passenger carried (all services)</b>	<b>£0.43</b>	

## Conclusion

11. The above report presents the current position regarding the Council's support for public bus services within the County. The development of the next Local Transport Plan offers an opportunity to consider future policy and improvements in relation to bus services. The Committee is invited to comment upon the current policy and indicate the issues that should be taken into account when developing the bus strategy for inclusion in the next Local Transport Plan.

## RECOMMENDATION

**THAT;**

- (a) Members note the content of this report.**
- (b) Make comments for the consideration of the Director of Environment and the Cabinet Member for Highways and Transportation when reviewing the bus strategy for inclusion in the next Local Transport Plan.**
- (c) The Cabinet Member reviews the contract award procedure with particular regard to circumstances in which existing procedure cannot be followed due to budgetary constraints.**

## BACKGROUND PAPERS

- Local Transport Plan 2001-2005
- Results of Bus service Tenders

## APPENDIX 1

Cost and patronage levels on subsidised local bus service contracts.

The tables show the Contract Number; Route; and Operator for each contract. The remaining columns show the number of passengers carried per annum; the annual subsidy for the contract and the "Subsidy per Passenger", which is the annual subsidy divided by the Annual Passengers.

## 1. Core funded contracts.

No.	Route	Operator	Annual Passengers	Annual Subsidy	Subsidy per pass.
51	Kington-Hereford	Sargeants Bros Coaches	22412	£42,020	£1.87
55	Pencombe-Hereford	Bromyard Omnibus Co	994	£1,157	£1.16
68	Hereford Access Bus	Sargeants Bros Coaches	12462	£9,058	£0.73
69	Hereford - Bartonsham	First Midland Red	47580	£33,676	£0.71
76	Ross-on-Wye - Monmouth	Stagecoach West	29224	£31,104	£1.06
83	Monmouth-Hereford	Dukes Travel	21880	£13,843	£0.63
84	Longtown Area Services	Abbey Cars	2098	£3,256	£1.55
87	Kington-Kingsland	Sargeants Bros Coaches	1134	£3,147	£2.78
89	Bromyard Locals	Bromyard Omnibus Co	6254	£6,780	£1.08
90	Bishops Frome-Hfd	Bromyard Omnibus Co	1225	£1,911	£1.56
91	Hereford-Brecon (Suns)	Yeomans Canyon Travel	2596	£4,496	£1.73
93	Hereford Evening Services	First Midland Red	41288	£56,960	£1.38
94	Hereford Sunday Services	First Midland Red	36972	£28,964	£0.78
96	Hfd-Credenhill/H Park E	First Midland Red	8736	£8,088	£0.93
97	Hfd-Belmont/Bbstock/NFm	First Midland Red	4420	£4,312	£0.98
99	Hereford - Newton Fm (S)	First Midland Red	416	£1,080	£2.60
101	Ledbury-Malvern	Newbury Coaches	56264	£26,847	£0.48
102	Ross Town Service	H&H Motors	36558	£17,325	£0.47
107	Kington Local Services	Sargeants Bros Coaches	2860	£4,312	£1.51
108	Burford-Leominster	R&B Travel	1087	£2,027	£1.86

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Further information on the subject of this report is available from Jim Davies, Public transport Manager on 01432 260948

112 Rotherwas Diversion	First Midland Red	23556	£7,876	£0.33
ρ113 Llangarron Diversion	K W Beard	329	£748	£2.27
117 Llangrove - Ross-on-Wye	George Youngs Coaches	1768	£2,380	£1.35
ρ118 M Marcle - Hereford (S)	George Youngs Coaches	520	£2,644	£5.08
119 Ross-Hoarwithy-Hereford	George Youngs Coaches	12116	£22,552	£1.86
121 Craswall/Longtown-Hfd	Nick Maddy Coaches	15600	£26,613	£1.71
122 Ledbury Area Services	George Youngs Coaches	4056	£7,144	£1.76
ρ123 Much Marcle - Hfd (Wed)	George Youngs Coaches	832	£2,380	£2.86
124 Newent - Hereford	George Youngs Coaches	2080	£2,380	£1.14
126 Bromyard - Hereford	First Midland Red	4680	£4	£0.00
127 Bromyard-Hereford (Peak)	First Midland Red	29744	£32,244	£1.08
128 Whitecross-Fairfield HS	Yeomans Canyon Travel	8360	£14,056	£1.68
129 Garway - Hereford	Dukes Travel	15678	£21,583	£1.38
130 Coleford - Ross	Dukes Travel	21101	£35,064	£1.66
131 Leominster Town Serv	Lugg Valley Travel	43264	£32,104	£0.74
132 Woolhope-Hereford	First Midland Red	59904	£24,564	£0.41
133 Ross-Gloster pks	Dukes Travel	8911	£9,296	£1.04
ρ135 Leo-Canon Pyon - Hfd	First Midland Red	22308	£68,984	£3.09
136 Ruardean - Ross	Dukes Travel	667	£1,009	£1.51
138 Hereford-Holmer	First Midland Red	33176	£28,400	£0.86
140 Newent - Ross-on-Wye	Stagecoach West	14352	£9,420	£0.66
	Total	683,122	£779,256	£1.14

## Notes:

ρ These contracts exceed the subsidy per passenger criterion of £2.14 for the following reasons:

87 – Patronage on this contract has declined since it was let in 2001. It will be reviewed at next renewal.

99 – The majority of passengers are making work related journeys and the subsidy criterion is therefore met.

113 – This service provides a weekly market town link for otherwise isolated communities.

118 – Patronage on this service has declined since the contract was let in 2003. It will be reviewed with a view to transferring funding to the Rural Bus Subsidy Grant.

123 – This service provides a weekly market town link for otherwise isolated communities.

135 – This service is part-funded by Rural Bus Subsidy Grant and meets the criteria for such funding.

Total expenditure shown, of £779, 256, exceeds the budget of £691,000 but includes sums recharged to neighbouring authorities in respect of cross-boundary services and other recharges.

## 2. Rural Bus Subsidy Grant funded contracts.

No.	Route	Operator	Annual Passengers	Annual Subsidy	Subsidy per pass.
105	Kington/Presteigne-Leominster	Lugg Valley Primrose Travel	21268	£121,728	£5.72
137	Kington Town Service	Sargeants Bros Coaches	2392	£5,720	£2.39
139	Madley - Hereford	First Midland Red	15220	£36,916	£2.43
1054	Ledbury - Ross	Bromyard Omnibus Co	794	£1,554	£1.96
1055	Madley-Hereford Early	Yeomans Canyon Travel	45084	£5,796	£0.13
1060	Bucknell-Bircher-Hereford	Lugg Valley Primrose Travel	910	£4,592	£5.05
1061	Monkland-CP-Hereford	First Midland Red	2912	£11,856	£4.07
1063	Hereford-Llandrindod W	Sargeants Bros Coaches	23400	£120,356	£5.14
1065	Hereford-Malvern (Su)	DRM Coaches	8493	£18,000	£2.12
1066	Hereford-Gloster Eves	Stagecoach West	21060	£52,896	£2.51
1067	Hereford-Ledbury Eves	DRM Coaches	25428	£42,712	£1.68
1071	Almeley - Hereford	Yeomans Canyon Travel	10000	£42,368	£4.24
1072	Leominster-Hereford	Lugg Valley Primrose Travel	57720	£100,656	£1.74
1074	Ledbury-Bromyard	Bromyard Omnibus Co	17680	£46,589	£2.64

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1075 Ledbury-Worcester	Bromyard Omnibus Co	25882	£33,837	£1.31
1081 Hereford-Cheltenham	I&S Coaches	1502	£6,748	£4.49
1084 Kington Night Owl	Roy Brown's Coaches	3224	£31,520	£9.78
1087 Hereford-Leominster-Ludlow	Lugg Valley Primrose Travel	40215	£69,812	£1.74
1094 Fromes Hill - Ledbury	Newbury Coaches	1456	£4,852	£3.33
1095 Hereford -Tillington	Yeomans Canyon Travel	16744	£29,846	£1.78
1097 Ledbury - Ross-on-Wye	Stagecoach West	3000	£4	£0.00
ρ1098 N W Herefordshire Rural	Yeomans Canyon Travel			
1099 Burford - Hereford (3rd Wed)	R&B Travel	315	£304	£0.97
1100 Hereford-Gloster Suns	Stagecoach West	14492	£14,672	£1.01
1103 Hereford-Worcester	Bromyard Omnibus Co	2281	£8,336	£3.65
	Total	361472	£803,334	£2.22

ρ Contract 1098 is a new contract which incorporates an Education Department contract and for which passenger figures are not yet available. The contract price represents a saving over the previous arrangements.

### 3. Contracts funded through Urban and Rural Bus Challenge Funds.

No.	Route	Operator	Annual Passengers	Annual Subsidy	Subsidy per pass.
81	Hereford Taxibus	Ace Coaches	5888	£23,240	£3.95
82	Leominster Taxibus	Little Bus Co	1273	£22,412	£17.61
150	Wyes Moves	First Midland Red	272155	£123,616	£0.45
151	Wyes Moves	First Midland Red	272155	£34,004	£0.12
		Total	551,471	£203,272	£0.37

Bus Challenge funding is specific to the contracts bid for and cannot be reallocated. The Leominster Taxibus service (contract 82) will be withdrawn when funding is exhausted.