

RECORD OF DELEGATED OFFICER DECISION

SUBJECT: LOCAL BUS SERVICES

TITLE OF REPORT: RE-TENDERING OF LOCAL BUS SERVICE CONTRACTS AND  
AWARD OF NEW CONTRACTS – NOVEMBER 2012

PURPOSE OF ATTACHED REPORT:

To consider a number of matters relating to the outcome of the Council's recent re-tendering of its local bus service contracts and the award of new contracts.

In accordance with the Council's Scheme of Delegation, this report has been prepared to accompany the intended decision of the Group Director, Environmental Services.

DELEGATED DECISION (Date):

It is recommended that:

- (a) the outcome of the re-tendering exercise is noted.
- (b) For the reasons set out in this report, and in the context of the current financial situation, the Council awards all the local bus service contracts as set out in Appendix B and renews all the De Minimis Service Subsidy Agreements as set out in Appendix C, but states that this decision is conditional and subject to the level of funding available in the budget in 2013/2014.

*D.G. Jones*

Chief Officer Signature

*Georgie Jones*

Print Name

*17/1/13*

Date

The decision is taken in accordance with Section 15 of the Local Government Act, 2000 (Executive Functions) and in the terms set out in Section 5 of Part 3 of the Council's Constitution

*A. Morgan*

CONSULTEE CABINET MEMBER SIGNATURE

*17/1/13*

DATE

*W. Nelson*

OFFICER CONSULTEE SIGNATURE

*17/01/13*

DATE

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# RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

## MUNICIPAL YEAR 2012-13: REPORT TO ACCOMPANY A DECISION OF THE GROUP DIRECTOR, ENVIRONMENTAL SERVICES

Part 1	Item No.
<b>RE-TENDERING OF LOCAL BUS SERVICE CONTRACTS AND AWARD OF NEW CONTRACTS – NOVEMBER 2012</b>	

### 1. PURPOSE OF THE REPORT

- 1.1 This report considers a number of matters relating to the outcome of the Council's recent re-tendering of its local bus service contracts and the award of new contracts.
- 1.2 In accordance with the Council's Scheme of Delegation, this report has been prepared to accompany the intended decision of the Group Director, Environmental Services.

### 2. RECOMMENDATION

- 2.1 It is recommended that the outcome of the re-tendering exercise is noted.
- 2.2 For the reasons set out in this report, it is also recommended that in the context of the current financial situation, the Council awards all the local bus service contracts as set out in Appendix B and renews all the De Minimis Service Subsidy Agreements as set out in Appendix C, but states that this decision is conditional and subject to the level of funding available in the budget in 2013/2014.

### 3. BACKGROUND

- 3.1 The Council's local bus service contracts expire at the end of March 2013. As there are key deadlines to meet prior to the commencement of the new contracts on 1<sup>st</sup> April 2013, such as complying with EU regulations governing the tendering process and the registration/de-registration of services with the Traffic

Commissioner, the Integrated Transport Unit (ITU) had invited tenders during September and October 2012 covering the operation of new contracts. An evaluation of the tender bids has recently been completed.

3.2 A substantial number of these contracts were originally awarded in 2006 and commenced operation on 1<sup>st</sup> April 2007. Consequently they have been in operation for approximately 6 years with an annual price adjustment applied on 1<sup>st</sup> April of each year.

3.3 For several years, the Council had been exercising its option to extend the operation of these contracts for the following reasons:

- Potential collaboration with other local authorities in Sewta – the Welsh Government has indicated its desire for the local authorities in Wales to work closer together and achieve greater efficiency savings with their service delivery. One area, where greater co-ordination and more collaborative working could potentially achieve this aim, is through the procurement of local bus services. The extension of the Council's existing local bus service contracts provided an opportunity to explore these possibilities further within Sewta.
- Better utilisation of the Council's in-house fleet of passenger carrying vehicles – a major study has examined the scope for achieving better utilisation of the Council's in-house fleet of passenger carrying vehicles. In particular, reducing the level of vehicle downtime that exists which could enable new journeys to be operated, such as local bus services currently operated by contractors on behalf of the Council. Similarly, the extension of the Council's contracts provided an opportunity to consider and potentially implement the findings of this study.
- Financial Constraints - the Welsh Government has already reduced the amount of grant money that it pays to local authorities and bus companies (through the Local Transport Services Grant and Bus Service Operators Grant respectively) by 10% in 2012/2013. Although the two grant schemes will be combined into a single funding stream in 2013/2014, the Welsh Government has indicated that a further reduction in payments of 17% will be made. This announcement has created a lot of uncertainty amongst local authorities and bus operators as to whether the local bus network can continue to be viable in its present form and whether the Council's existing expenditure commitments, supporting the local bus network, can be maintained.

3.4 In the light of these developments, the preferred course of action for the Council would have been to extend the contracts for a further 12 months from 1<sup>st</sup> April 2013. This would have enabled a clearer picture to emerge as to the impact that the Welsh Government's announcement will have on the local bus network in

Rhondda Cynon Taf and the changes needed in the context of the available budget. However, in accordance with advice issued by the Council's Procurement Section, who were concerned that a legal challenge could be mounted over the continued extension of the Council's local bus service contracts, the re-tendering of these contracts has had to proceed amidst considerable uncertainty.

- 3.5 As a consequence, this report summarises the outcome of the re-tendering exercise. It also considers the financial implications that will arise for the Council if it proceeds with the award of new local bus service contracts ahead of the 2013/2014 budget to support local bus services being finally set.

#### 4. RE-TENDERING EXERCISE

- 4.1 The initial stage of the re-tendering exercise involved a review of all the existing contract routes and timetables in order to identify the potential for combining or 'repackaging' contracts. This sought to achieve efficiency savings whilst, at the same time, not disadvantaging those operators with a small fleet of vehicles. In addition, minor re-timings were made to improve connections with other services and to enable a regular pattern of departures to be provided along a route. This would improve reliability and assist passengers in using the services.
- 4.2 An opportunity was also taken to introduce other changes in response to feedback and requests received from bus surgeries, local residents, Members and community groups. To enable the Council to assess the impact of these changes on the overall cost of supporting the new contracts, several contracts had alternative timetable and/or route options. A summary of the proposed improvements to be introduced from 1<sup>st</sup> April 2013 is summarised in Appendix A.
- 4.3 A tender, covering the operation of 33 contracts, was invited through the Council's Alito electronic tendering system. Due to the uncertainty surrounding the level of funding that will become available in 2013/2014, operators were invited to submit bids on the basis of the Minimum Subsidy arrangement (whereby they would retain the fares income from passengers – as at present) and Gross Cost arrangement (whereby the Council would retain the fares income from passengers, together with other grants and concessionary fares reimbursement).
- 4.4 The rationale behind this was to enable a common basis against which to assess the tenders. Bids were submitted by a total of 8 operators, and from a proportional comparison of their respective Minimum Subsidy and Gross Cost prices, all seem to be well aware of the impending changes in bus funding and have made similar pricing assumptions in respect of the 25% cut in BSOG. A detailed evaluation of these bids was undertaken on the basis of price (60%) and quality (40%). An operator's fleet profile and resources, the management of breakdowns, maintenance and staff absenteeism, as well as the level of passenger and network

benefits (such as through journey opportunities), ticketing and compatibility with other services were all taken into account in assessing quality.

- 4.5 It should be noted that the award process is further complicated as some operators tend to tender for more work than they have the capacity to operate. In order to mitigate the risk of contractors not having the capacity to take on the work, the number of vehicles covered by their PSV Operators Licence is checked beforehand against the maximum number of vehicles required to simultaneously operate the contracts they have successfully tendered for with their other work. In these circumstances, a decision over the award of a new contract is considered on the basis of the most economically advantageous offer to the Council.

## **5. MATTERS ARISING & AWARD OF NEW LOCAL BUS SERVICE CONTRACTS**

- 5.1 The outcome of the re-tendering exercise is summarised in Appendix B, which lists the successful tenderers for each new contract – on the basis of the Minimum Subsidy arrangement. The Council has a number of De Minimis Service Subsidy Agreements with operators. These provide extensions, diversions or link in with commercial sections of a bus route, ensuring that the maximum network benefits can be retained for passengers.
- 5.2 It is intended that negotiations for their ongoing operation will commence at the same time as the Council notifies both the successful and unsuccessful tenderers of the outcome of their tender bids. This will allow the operators to see how the work fits in with their potential commitments under the re-tendering exercise. A ceiling increase of 3.5% would seem reasonable, given the tendering process and current level of indexation.
- 5.3 Under EU regulations, there is a 10 day "standstill" period which allows the tenderers to consider the outcome before the award of the new contracts can be made formally. It should be noted that whilst the successful tenderers have all confirmed that they have the resources to operate the new contracts, in the event of any of them subsequently turning down an award, it may become necessary for the ITU to make approaches to the other operators that have submitted a bid in order to ensure that the service could continue to operate, with no disruption to the travelling public.
- 5.4 Appendix B shows that the total cost of the new local bus service contracts over a full financial year (under Minimum Subsidy) is estimated to be £874,600. This figure represents a reduction of nearly 6%, when compared to the current cost of supporting the existing contracts over the same period. An analysis of the tender prices received for the new local bus service contracts reveals that like for like contracts with little or no change to the timetable experienced an increase of 3.5%, whilst those that were re-scheduled to provide a more customer focussed standard pattern or more efficient vehicle workings saw reductions of up to 12%.

- 5.5 However, there are a number of issues that need to be highlighted as they will have a bearing as to whether the Council can meet its expenditure commitments and maintain the operation of all the existing contracts and de minimis service subsidy agreements from 1<sup>st</sup> April 2013. In particular:
- The settlement in 2013/2014 for the combined LTSG and BSOG has not yet been confirmed by the Welsh Government, but the LTSG element that can be used to additionally support local bus services will see the removal of a further £124,458 from the Council's allocation.
  - Based on an analysis of the tender prices received for the new local bus service contracts, the renewal of the De Minimis Service Subsidy Agreements (see Appendix C), the timetables for which are already to a standard pattern and vehicle efficient could result in an increase in costs of no more than 3.5% (from £403,589 to £417,714 per annum).
  - The successful tenderers may turn down the award of one or more contracts. This may result in the Council making approaches to the other tenderers who may have submitted a higher bid.
- 5.6 After factoring in the issues highlighted in the previous paragraph, and assuming no growth in the Council's funding support, it is estimated that there will be a shortfall of £40,000 - £50,000 between maintaining its projected expenditure commitments and the level of funding that it will have available in its combined local bus service budget in 2013/2014. This could be met from earmarked reserves.
- 5.7 However, a further call on the earmarked reserves could arise if the bus operators decide to withdraw certain commercial services which no longer remain viable as a consequence of the final phase of what will have amounted to a 25% reduction in their funding from the Welsh Government. Considerable inconvenience and hardship may arise amongst residents if they have no alternative service and the Council may have to consider the withdrawal of certain lesser used supported services in order to fund more viable replacement services.
- 5.8 This level of uncertainty places the Council in a difficult position as it cannot predict the extent to which the commercial bus operators will react to the forthcoming reduction in funding from the Welsh Government. Also, it cannot assume that it will have sufficient earmarked reserves in the second and third year of the contracts in order to meet potential shortfalls in its budget.
- 5.9 At this stage, if the Council decides to either not award a number of contracts, nor renew several de minimis service subsidy agreements, then there is a risk that this action could have unintended consequences and create instability across the commercial local bus network. The loss of subsidy could pre-empt the operators

into withdrawing those commercial journeys that are linked or interworked with journeys currently supported by the Council which may result in significant inconvenience and hardship arising amongst residents if no replacement service is provided.

## 6. SUGGESTED COURSE OF ACTION

- 6.1 The Council is committed to the support of local bus services within the community and in better financial times, the outcome of this tendering exercise would enable more innovative services to be considered, However, to maintain the current network well within the level of earmarked reserves is a positive outcome. For this reason, it is recommended that the course of action to be taken by the Council is to award the new local bus service contracts in full and renew the De Minimis Service Subsidy Agreements, as set out respectively in Appendices B and C.
- 6.2 Guidance from the Council's Procurement Section indicates that all the local bus service contracts could be awarded (as set out in Appendix B) and the De Minimis Service Subsidy Agreements could be renewed (as set out in Appendix C) but, in the context of the current financial situation, the Council states that this decision is conditional and subject to the final setting of the Council of the level of funding available in the local bus services budget for 2013/2014.

## 7. CONCLUSION

- 7.1 Over the longer term it can be seen that the re-tendering of the Council's local bus service contracts has achieved value for money for the Council whilst, at the same time, it has enabled the Council to implement improvements to a number of contracts and address quality issues in the procurement of transport services. Even if there was no real term increase in the budget in 2013/2014, the overall cost of the re-tendering exercise could have been accommodated within the level of funding that would have become available.
- 7.2 However, if account is taken of the unprecedented level of cuts being announced by the Welsh Government in providing financial support for local bus services, the commercial local bus network is not likely to remain stable and the Council is likely to face some difficult decisions over the coming weeks. In particular, whether certain supported services are affordable and can continue to operate in their present form or whether some of this funding is withdrawn and re-invested in services that were carrying more passengers but have now become commercially unviable.



RHONDDA CYNON TAF



## APPENDIX A

### PROPOSED IMPROVEMENTS TO CONTRACTED LOCAL BUS SERVICES

1. Extra journey to Ysbyty George Thomas, Treorchy in the afternoon from Treherbert and Treorchy (service 121 Tonypandy – Blaenrhondda).
2. Longer period of operation during the day on service 121 (Tonypandy – Blaenrhondda).
3. Extra journey on a Sunday between Pontypridd – Ynysybwl – Fernhill (service 25).
4. Extra journey on a Sunday in both directions between Bridgend – Talbot Green – Royal Glamorgan Hospital (service 44).
5. Earlier journeys on a Sunday for shoppers and leisure travellers on services 6A (Aberdare – Rhigos/Penderyn), 25 (Pontypridd – Ynysybwl – Fernhill) and 44 (Bridgend – Talbot Green – Royal Glamorgan Hospital).
6. Three extra journeys in the late afternoon on Mondays to Saturdays on the Talbot Green and Llantrisant local service (service 47).
7. Monday to Saturday evening and Sunday journeys on the Glyncoch – Pontypridd – Rhydyfelin service extended to the Tesco Store in Upper Boat (service 102).
8. Extra journey during early Saturday morning between Penrhys Estate – Clydach Vale (service 171) and between Clydach Vale – Tonypandy – Trealaw – Porth (service 175).
9. Extra journey during Monday – Saturday evenings between Tonypandy – Trealaw – Porth (service 175).
10. Extra journey during late Sunday evening between Pontypridd and Porth (service 130).
11. Last journey on Sunday evening from Gilfach Goch extended to Porth from Tonyrefail (service 150).
12. Extra journey during Monday – Saturday evening between Tonypandy and Blaenllechau (service 171).
13. Last journey on Mondays to Saturdays from Aberdare – Glynhafod departs 25 minutes later at 2300.

## APPENDIX B

### LIST OF LOCAL BUS SERVICE CONTRACTS TO BE AWARDED

CONTRACT NO. AND DAYS OF OPERATION	PREFERRED TENDERER	ROUTE (S)
1001-4 (Mon – Sat evening)	Stagecoach	Tonypandy – Blaenllechau
1002-3-A (Mon – Sat morning and daytime)	NAT Group	Tonypandy – Tonyrefail; Tonypandy – Gilfach Goch; Clydach Vale – Porth via Penygraig; Tonypandy – Porth via Trealaw; Porth – Coronation Terrace
1003-4-B (Mon – Sat morning and daytime)	Stagecoach	Penrhys – Clydach Vale; Clydach Vale – Porth via Trealaw; Porth - Ferndale
1004-4-B (Mon – Sat evening)	Stagecoach	Porth – Tonypandy via Trealaw; Tonypandy - Cardiff
1007-2-A (Mon – Sat evening)	NAT Group	Porth – Tonypandy – Clydach Vale
1009-3 (Mon – Sat daytime)	NAT Group	Tonypandy - Blaenrhondda
1011-4 (Mon – Sat evening)	NAT Group	Tonyrefail – Coedely; Porth – Gilfach Goch; Tonypandy – Gilfach Goch
1012-2-A (Mon – Sat daytime)	Stagecoach	Treorchy – Cwmparc
1014 (Mon – Sat daytime)	Stagecoach	Porth – Trehafod; Porth – Coronation Terrace
1102-3 (Mon – Sat evening)	Stagecoach	Aberdare – Ty Fry; Aberdare – Rhigos & Penderyn Aberdare – Glynhafod
1103-2 (Mon – Sat evening)	Globe Coaches	Aberdare – Abernant; Aberdare – Bwlfa Dare; Aberdare – Cwmbach
1106-2-B (Daily evening)	Glamorgan Bus	Aberdare – Tonypandy – Tonyrefail - Bridgend; Bridgend – Porthcawl
1108-3 (Mon – Sat daytime)	Globe Coaches	Penrhiwceiber – Mountain Ash - Cefnpennar
1111-1 (Mon – Sat evening)	Glamorgan Bus	Aberdare – Pontypridd
1112 (Mon – Sat early morning)	Stagecoach	Aberdare – Tonypandy – Tonyrefail - Bridgend
1201-2 (Mon – Sat evening)	NAT Group	Pontypridd – Oaklands; Pontypridd - Treforest
1202-3 (Mon – Sat evening)	NAT Group	Pontypridd – Ynysybwl – Mountain Ash - Fernhill; Pontypridd – Beddau via Penycoedcae
1204-4 (Mon – Sat daytime)	NAT Group	Ty Rhiw - Pontypridd
1206-3 (Mon – Sat evening)	Creigiau Travel	Royal Glamorgan Hospital – Llanharan - Bridgend

## APPENDIX C

### LIST OF DE MINIMIS SERVICE SUBSIDY AGREEMENTS TO BE RENEWED

CONTRACT NO. AND DAYS OF OPERATION	OPERATOR	ROUTE (S)
4004-2 (Sundays)	Stagecoach	Blaencwm – Blaenrhondda - Treherbert
4008-2 (Mon – Sat)	Stagecoach	Ferndale - Maerdy
4013-2 (Mon – Sat)	Stagecoach	Pontypridd – Porth – Blaenrhondda & Blaencwm Porth – Wattstown, Heol Y Twyn
4015-2 (Mon – Sat)	Stagecoach	Maerdy – Porth – Royal Glamorgan Hospital - Cardiff
4016-2 (Mon – Sat)	Stagecoach	Cardiff – Royal Glamorgan Hospital – Porth - Maerdy
4031 (Sundays)	Stagecoach	Maerdy – Wattstown, Heol Y Twyn - Porth - Pontypridd
4033 (Mon – Fri)	Stagecoach	Blaencwm – Blaenrhondda - Tonypany
4102-2 (Mon – Sat)	Stagecoach	Heol Y Mynydd – Ty Fry
4106-2 (Sundays)	Stagecoach	Aberdare - Maerdy
4107-2 (Mon – Sat)	Stagecoach	Cwmdare – Bwlfa Dare
4110-1 (Mon – Sat)	Stagecoach	Cefn Rhigos – Rhigos – Hirwaun
4111-1 (Mon – Sat)	Glamorgan Bus	Diversion of journeys between Aberdare and Pontypridd via Carnetown, Glancynon, Bryntirion Estate and Nant-y-Fedw Estate.
4201-2 (Mon – Sat)	Stagecoach	Diversion of journeys between Blackwood and Pontypridd via Cilfynydd
4212-1 (Mon – Sat)	NAT Group	Diversion of journeys between Pontypridd and Ynysybwl via Coed Y Cwm Estate
4213 (Mon – Sat)	NAT Group	Pontypridd – The Common