

Meeting: Economic Prosperity Sub-Committee

Date: 25 February 2016

Title: Tyne and Wear Bus Strategy Delivery

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Service: Environment, Housing and Leisure

Wards affected: All

1. Purpose of Report

- 1.1 The purpose of this report is to provide information for Members of the Economic Prosperity Sub-Committee in relation to delivery of the Tyne and Wear Bus Strategy and the proposal for a Quality Contracts Scheme (QCS) for bus services in Tyne and Wear.

2. Recommendations

- 2.1 Members are recommended to note the report.

3. Details

3.1 Background – bus services

Bus services in England, outside London, operate in a deregulated environment: bus operators choose the route, timetable and fares for their services, and may introduce or amend services at any time at their own commercial discretion.

Local transport authorities may provide financial support for the provision of services, usually on routes not served by commercial bus services or which would otherwise have no bus service at certain times, e.g. early mornings, evenings and Sundays. Local transport authorities are also required to reimburse bus operators in respect of journeys made by concessionary pass holders under the statutory English National Concessionary Travel Scheme (ENCTS).

The Transport Act 2000, as amended by the Local Transport Act 2008, allows local transport authorities to seek to introduce a Quality Contracts Scheme (QCS) by following a detailed process. If a QCS were introduced, the local transport authority would set the route, timetable and fares for bus services (with limited exceptions, e.g. longer-distance cross-boundary services), and tender for private companies to operate these services. To date, no QCS has been introduced anywhere in England.

3.2 Tyne and Wear – Bus Strategy Delivery Project

The key objectives of the Tyne and Wear Bus Strategy, approved by the former Tyne and Wear Integrated Transport Authority (ITA) in 2012, are to arrest the decline in bus patronage; to maintain (and preferably grow) network accessibility; and to deliver better value for public money.

In November 2011 the ITA instructed Nexus both to prepare a draft Quality Contracts Scheme (QCS) proposal for Tyne and Wear, and to explore with bus operators and local authorities the scope for developing meaningful voluntary partnerships as a possible alternative delivery route for better buses.

On 15 April 2014 the ITA was dissolved and its functions transferred to the North East Combined Authority (NECA). Nexus is the Passenger Transport Executive of NECA and has a statutory responsibility to secure the provision of such public passenger transport services as NECA considers appropriate within Tyne and Wear. Nexus is accountable to NECA and its performance is monitored by NECA.

3.3 The QCS Proposal

Formal statutory consultation on the QCS proposal prepared by Nexus was carried out between 30 July and 22 November 2013. Supplemental consultation, focusing on specific aspects of the QCS proposal, was carried out between 9 April and 4 June 2014.

On 21 October 2014, the North East Leadership Board considered a report which set out details of both the QCS proposal, and the Voluntary Partnership Agreement (VPA) proposal prepared by the bus operators following discussion with Nexus. The Leadership Board's decision included agreeing to progress the QCS proposal further, by referring it to the independent QCS Board, and determining that work on the VPA should not be progressed further.

3.4 The QCS Board's report

Under existing legislation, a QCS Board, chaired by a Traffic Commissioner assisted by two other people, is required to form an opinion as to whether a proposed QCS passes the public interest test as defined in the Transport Act 2000 (as amended) and whether the statutory consultation requirements have been met. The QCS Board may also make recommendations, if it wishes, where it considers that one or more criteria have not been satisfied.

Over the period October 2014-June 2015, Nexus, the bus operators, and several other interested parties provided evidence and witness statements to the QCS Board in preparation for oral hearings, which were conducted over a two week period in July 2015.

The QCS Board published its report on 3 November 2015. The report of the QCS Board reflects its own opinion, based on its interpretation of legislation and guidance.

The QCS Board considered that in its view two of the five public interest criteria had been satisfied while three had not been satisfied, as listed below. It also considered that Nexus had failed to comply with the statutory requirements for consultation, stating that Nexus should have re-consulted when significant changes to the economic appraisal were made.

Criterion (a): Increase in the use of bus services - considered not satisfied

Criterion (b): Improvement in service quality - considered satisfied

Criterion (c): Contribution to the implementation of local policies - considered satisfied

Criterion (d): Value for money - considered not satisfied

Criterion (e): Proportionality - considered not satisfied

The QCS Board concluded that in its opinion the negative impacts on the bus operators would be disproportionate to the benefits accruing to the travelling public of Tyne and Wear and more widely.

3.5 Consideration of the QCS Board's report

The North East Leadership Board at its meeting of 17 November 2015, shortly after the QCS Board's report was published, agreed to receive the opinion of the QCS Board; noted Nexus' initial response to the QCS Board's opinion; agreed that options for next steps should be developed further; and agreed to receive a further report once more detailed analysis of the QCS Board's opinion had been completed.

The report to the Leadership Board identified, in broad terms, four potential options for next steps (briefly summarised):

- a. In theory, NECA could introduce the QCS as it currently stands, setting out in a response to the QCS Board any actions taken to respond to its recommendations.
- b. To revise the QCS proposals and supporting evidence in such a way that seeks to address the QCS Board's concerns (may require further consultation and further review by the QCS Board).
- c. To seek to introduce bus franchising based on the forthcoming Buses Bill and the prospective North East devolution agreement.
- d. To continue discussions with the bus operators as to the previously proposed Voluntary Partnership Agreement (VPA).

Each potential option would have to be developed further and assessed in more detail before being presented to the Leadership Board in a future report.

3.6 Links to North East devolution proposals

The proposed devolution agreement between the Government and the North East, published on 23 October 2015, included the following statement in relation to bus strategy delivery:

"The Combined Authority will take forward, in accordance with the quality contract process, its existing proposals for the franchising of bus services from 2017, with the ambition for further extension to communities in Durham and Northumberland.

Government will work with the Combined Authority to support the delivery of effective bus services in the North East, with the option for the [North East] Mayor to use additional powers through the Buses Bill, subject to necessary legislation and local consultation."

A new Buses Bill is to be introduced in Parliament during 2016 and this, when published, is expected to set out various proposals in relation to bus service delivery, including details of the process by which bus franchising could be taken forward in areas with a devolution agreement.

3.7 Next steps

A report outlining next steps in regard to the Tyne and Wear Bus Strategy is expected to be considered by the North East Leadership Board on 24 March 2016.

4. Appendices

None

5. Background Information

The following documents have been used in the compilation of this report and may be inspected at the offices of the author.

Speech by Transport Minister Andrew Jones MP, 11 February 2016 – The Buses Bill
<https://www.gov.uk/government/speeches/the-buses-bill>

North East Leadership Board 17 November 2015 – Item 6 (on Supplemental Agenda no.1) Quality Contracts Scheme Update – via <http://www.northeastca.gov.uk/committee-meetings/north-east-leadership-board-background-information-papers>

QCS Board publishes report on Tyne and Wear scheme (3 November 2015) – on the Traffic Commissioners website: <https://www.gov.uk/government/news/qcs-board-publishes-report-on-tyne-and-wear-scheme>

Proposed Devolution Agreement between Government and the North East (23 October 2015) – via <https://www.gov.uk/government/publications/north-east-devolution-deal>

North East Leadership Board 21 October 2014 – Item 5 Improving Local Bus Services – Bus Strategy Delivery Project Update – via <http://www.northeastca.gov.uk/committee-meetings/north-east-leadership-board-background-information-papers>

Bus Strategy for Tyne and Wear (2012) <http://www.nexus.org.uk/busstrategy>