

AGENDA ITEM 9**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY
CABINET****26 JULY 2019****REPORT OF THE
HEAD OF TRANSPORT****PORTFOLIO: TRANSPORT****BUS NETWORK DELIVERY OPTIONS****SUMMARY**

The Combined Authority has been considering options to deliver a new bus service offer in isolated rural communities where the current absence of a service can make it difficult for residents to access essential services and employment opportunities. It is therefore proposed that a new demand responsive model is piloted to provide better access for some of the rural communities in Darlington, Hartlepool and Redcar and Cleveland.

The Combined Authority has also been exploring bus network delivery options in light of the Bus Services Act 2017 (the 2017 Act). The 2017 Act strengthens arrangements for partnership working between bus operators and local authorities, through new Advanced Quality and Enhanced Partnership schemes, and introduces bus franchising powers. This report provides a summary of these new options and an update on developments within the Mayoral Combined Authorities in England. At this stage it is proposed that the Combined Authority explores further a new partnership agreement with bus operators, whilst continuing to monitor franchising developments across the country. A Technical Note with further detail is included as **Appendix 1**.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Notes the proposal to pilot a new demand responsive model to provide better access for some of the rural communities in Darlington, Hartlepool and Redcar and Cleveland.
- ii. Notes the proposal to explore further a new partnership agreement with bus operators.

DETAIL**Demand responsive model**

1. The Strategic Transport Plan recognises the importance of buses and includes an implementation plan that sets out the key improvements that will be pursued (see

separate Strategic Transport Plan report on the agenda). One of the key challenges is providing coverage in rural areas and one of the ways in which other parts of the country have responded to this challenge is through the provision of demand responsive transport.

2. A demand responsive model is one where vehicles alter their routes based on transport demand rather than following a fixed route or timetable.
3. Services operate in response to pre-booked requests and passengers generally book their transport in advance of travel either on-line via a website or smartphone app, or over the telephone.
4. The model is typically served by small vehicles providing a shared taxi ride type of experience. Where effective, the service works by co-ordinating bookings to try and ensure a sufficient volume of passengers for each journey.
5. The proposal is to pilot a demand responsive model to provide better access for some of the rural communities in Darlington, Hartlepool and Redcar and Cleveland. The proposed geographic areas have been chosen on the basis that they are not well served by commercial services. These geographic areas have been discussed at the Transport Advisory Group and with officers in the respective local authorities (Darlington, Hartlepool and Redcar & Cleveland). It should be noted that the proposed geographic areas are indicative at this stage and will be confirmed following the procurement.
6. The principle, which will be tested through the procurement, is that passengers can be collected from any location (closest corner to requested pick-up point) within the defined geographic area for travel to a primary destination within the defined area, a secondary destination outside the defined area, or a hospital. Passengers can then undertake the return journey and be picked up at a primary destination, a secondary destination or a hospital and taken to any point in the defined area (closest corner to requested drop off point).
7. The primary destinations are predominantly villages/towns, whilst the secondary destinations are predominantly transport hubs therefore facilitating onward travel by bus/rail/coach.
8. A service specification has been developed and a procurement is being undertaken. The anticipated timeframe, which will be confirmed through the procurement, is for the new model to be operational by the end of 2019.
9. The challenge is that in rural areas demand responsive transport services often rely on public subsidy, the level of which is determined by a range of factors including geographical coverage, frequency, fares etc. This presents a challenge in terms of ensuring the long-term sustainability of such a model. As part of the procurement process the Combined Authority is emphasising that whilst it anticipates the service will initially require financial support, the expectation is that bidders outline how they intend to grow patronage and commercialise the service over time. The market response to this requirement will become clear during the procurement.

10. An initial funding allocation of £150K for 2019/20 has been included in the Integrated Transport Programme (see separate Strategic Transport Plan report on the agenda which is seeking approval for this 2019/20 spend).
11. The evaluation of the pilot will be critical in informing future provision and there is the potential in the future to extend the demand responsive model into other rural and possibly urban areas, where there is an evidence base to support intervention.

Partnership working

12. The previous Tees Valley Bus Quality Partnership Agreement lapsed in 2015 on completion of the Tees Valley Bus Network Improvement major scheme and has not been replaced.
13. The 2017 Act strengthens arrangements for partnership working between bus operators and a Local Transport Authority (LTA) through a new Advanced Quality Partnership (AQP) and Enhanced Partnership (EP) scheme.
14. New EP and AQP powers provide the framework for a LTA to work side by side with bus operators to set a shared vision for bus services in their area. Under both of these partnerships services continue to be operated by commercial bus operators, but new standards are set which some or all of the bus operators in the area are required to meet.
15. There is also the opportunity to establish a more informal partnership arrangement with bus operators that does not rely on the powers within the 2017 Act.
16. The success of any bus partnership arrangement depends on good working relationships between the LTA and bus operators. There needs to be consensus on what needs to be done and a degree of trust that everyone will deliver 'their part of the bargain'.
17. Within this context, the LTA commits to take steps to support local bus services, for example the provision of improved bus passenger waiting facilities, integrated travel information and ticketing, highway network improvements and measures to encourage an increase in bus patronage. In exchange the bus operators are required to meet specific local standards, for example minimum service frequency, maximum fares, better buses etc.
18. There are differences in the range of outcomes that can be achieved through the two different types of formal partnership. An EP can deliver a broader range of outcomes than an AQP and usually covers a larger geographic area.
19. For both types of formal partnership there is a statutory process to follow in terms of publishing draft proposals, undertaking consultation and seeking agreement from the operators. There are provisions that effectively mean scheme requirements cannot be imposed on bus operators by the LTA. An informal partnership arrangement does not involve a statutory process.
20. There has been early dialogue with the operators on the opportunities a new partnership arrangement could offer and it is proposed that this continues to be explored to determine what type of partnership arrangement is most appropriate. The

Integrated Transport Programme includes a project to improve bus corridors which could form part of the LTA's commitment to a new partnership agreement (see separate Strategic Transport Plan report on the agenda).

Franchising

21. The 2017 Act also provides Mayoral Combined Authorities with the powers to implement bus franchising in their area, similar to the system operated by Transport for London. Under a franchising scheme, bus services would continue to be operated by private bus operators, however, they would do so under the direction of the Combined Authority.
22. The implementation of a bus franchising scheme would represent a major overhaul of the way bus services are delivered and would be on a scale not seen since buses were deregulated in 1986. A bus franchising scheme would be a unique project, having many attributes of a major transport scheme, but also requiring the Combined Authority to intervene and regulate an industry.
23. Although a Mayoral Combined Authority has access to franchising powers under the 2017 Act, it cannot just invoke them. There is a clear and formal process that needs to be followed to take up franchising powers.
24. Given the complexity of this process, it is estimated that it would take around two and a half to three years from inception to delivery of a franchised bus operation, assuming there were minimal delays.
25. All of the major public transport operators within the Tees Valley (and across the North) are involved in Transport for the North's (TfN) Integrated and Smart Ticketing programme. Therefore, a truly integrated and fairer ticketing system (one of the most likely benefits of franchising) should be in place anyway before the implementation of any franchising scheme.
26. There would also be the challenge of demonstrating value for money should a franchising option extend into rural areas. HM Treasury and Department for Transport guidance is often biased towards areas where there are large numbers of existing users as opposed to assessing the benefits of growing a market or addressing market failure, which means that making the case for wider services in rural areas is more challenging in practice.
27. The total estimated cost of implementing a bus franchise scheme in the Tees Valley could be around £4 million.
28. Therefore the Combined Authority proposes to:
 - a) Continue dialogue with bus operators around a new partnership agreement; and
 - b) Continue to monitor the progress made by other Mayoral Combined Authorities in response to the 2017 Act.

FINANCIAL IMPLICATIONS

29. Preparing the Technical Note has involved the use of external resources, and the Combined Authority has used its delegated funding for this purpose. Development of a new partnership agreement will use internal Combined Authority and Local Authority Partner resources, with the potential for external support as necessary. The Integrated Transport Programme includes an allocation for Demand Responsive Transport in 2019/20.

LEGAL IMPLICATIONS

30. The procurement of the demand responsive model shall be conducted in compliance with the applicable procurement regulations and shall be subject to appropriate contractual terms.

RISK ASSESSMENT

31. This item is categorised as low to medium risk at present. Existing management systems and daily routine activities are sufficient to control and reduce risk.
32. Given the demand responsive model is new there is uncertainty around how well the services will be used. The pilot approach will enable the Combined Authority to better understand the market and tailor any future services accordingly.

CONSULTATION & COMMUNICATION

33. There has been discussion at the Transport Advisory Group, Chief Executives Group and the Transport Committee.

EQUALITY & DIVERSITY

34. The demand responsive model should have a positive impact in terms of improving accessibility for residents in rural areas that are not well served by commercial bus services.
35. The specification for the contract stipulates that all vehicles used must be wheelchair accessible.

LOCAL ENTERPRISE PARTNERSHIP

36. This item has been considered at the LEP meeting in advance of it coming forward to Cabinet.

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Appendix 1 – Bus Service Delivery Options – Technical Note