



## Tyne and Wear Integrated Transport Authority Scrutiny Advisory Group

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Meeting to be held on Thursday 10 October 2013 at 1.00 pm in a Gateshead Civic Centre

Membership: D Tate, N Padgett, Wiper, Schofield, S Fairlie, M Graham, T Graham, R Porthouse, B Watters, B Caithness, J O'Shea and D Huddart

Contact Officer:

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### AGENDA

#### Page

**1. Welcome and Introductions**

**2. Apologies for Absence**

**3. Declarations of Interest**

(If any Member has a personal/prejudicial interest please complete the appropriate form and hand this to the Democratic Services Officer before leaving the meeting. A blank form can be obtained from the Communities Officer at the meeting).

Members are reminded to verbally declare their interest and the nature of it and, if prejudicial, leave where appropriate at the point of the meeting when the item is to be discussed.

**4. Minutes of Previous Meeting Held on 11 July 2013**

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**5. Bus Strategy Delivery Project**

**7 - 94**

Report of Policy and Information Officer

Cllr D Wood, Chair of the ITA will attend to outline the proposals discussed by the ITA at its meeting on 26 July 2013. A copy of the ITA report is included with the agenda.

**6. Updates**

**(a) Tyne Pedestrian & Cyclist Tunnels - Phase 3 Improvement Works**

**95 - 100**

Project Director to the New Tyne Crossing

(b) **Rail Devolution** **101 - 108**

Presentation (hard copies provided)

(c) **Combined Authority**

Verbal Update from Scrutiny Officer

(d) **Task and Finish Group - Passenger Information Systems**

Verbal update from scrutiny Officer and participating members.

**7. ITA Scrutiny Advisory Group - Work Programme 2013/14** **109 - 112**

**8. Date and Time of Next Meeting**

The next meeting is scheduled for 16 January 2014, 1.00pm at Sunderland Civic Centre



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## Tyne and Wear Integrated Transport Authority Scrutiny Advisory Group

11 July 2013  
(1.00 - 3.15 pm)

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### **Present:**

Councillors: N Padgett (Chair), D Tate, A Schofield, S Fairlie, T Graham, R Porthouse, B Caithness and J O'Shea, J Wiper (observer)

### **In attendance:**

K Christon	- Policy and information Officer, Newcastle City Council
G Robinson	- Business Improvement Officer, Nexus
J Fenwick	- Director of Finance and Resources, Nexus
Huw Lewis	- Head of Corporate Communications, Nexus
R Johnstone	- Director Designate of Rail and Infrastructure, Nexus
<b>L Camsell</b>	- Democratic Services

### **11. ELECTION OF CHAIR**

#### **RESOLVED** - that

Councillor N Padgett be elected Chair of the Tyne and Wear Integrated Transport Authority Scrutiny Advisory Group for the year July 2013 – July 2014.

### **12. ELECTION OF VICE CHAIR**

#### **RESOLVED** – that

Councillor D Tate be appointed as Vice Chair of the Tyne and Wear Integrated Transport Authority Scrutiny Advisory Group for the year July 2013 – July 2014.

### **13. WELCOME AND INTRODUCTIONS**

The Chair welcomed everyone to the meeting and those members and officers present introduced themselves.

### **14. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor M Graham and Councillor Watters

### **15. DECLARATIONS OF INTEREST**

All members declared a general interest as they all held a concessionary travel pass. Other declarations were noted and members reminded that all declarations were now held with the individual authorities.

**16. MINUTES OF PREVIOUS MEETING HELD ON 14 FEBRUARY 2013**

**RESOLVED** - that

The minutes of the previous meeting held on 14 February 2013 were agreed as a correct record and signed by the Chair.

**17. ITA SCRUTINY ADVISORY GROUP - TERMS OF REFERENCE**

Submitted: Report by Policy and Information Officer (previously circulated and a copy attached to the Official Minutes).

K Christon outlined the report the purpose of which was to note the terms of reference and consider it in the development of the work programme to be discussed later in the meeting. Section 3.1 of the report set out the Terms of Reference.

A member queried whether or not the Advisory Group could make recommendations to the ITA that would improve services for local people and it was confirmed that is in its remit.

Another member asked if the Advisory Group could call-in items that had been discussed by the ITA. The Policy and Information Officer advised that as the ITA had not adopted executive arrangements and had retained a traditional committee structure, it didn't have the same powers as local authority scrutiny had, and therefore wasn't able to call-in ITA decisions.

**RESOLVED:** That the role and remit of the ITA Scrutiny Advisory Group be agreed.

**18. POLICY UPDATE**

Submitted: Report by the Clerk to the ITA (previously circulated and a copy attached to the Official Minutes).

J Fenwick and G Robinson presented the report the purpose of which was to provide members with a brief overview of current national transport policies, funding opportunities and outline some of those wider national policies that have a direct link to transport and the ITA's ability to meet its objectives.

The following points were noted and discussed:

**Better Bus Areas –**

Officers were still considering the recent announcement on how BSOG is to work and who is eligible to claim it that was published by DfT on 5 July.

**Aviation Policy Framework –**

A question was asked as to whether there could be an integrated travel system between Newcastle Airport and other areas, without travelling into Newcastle city centre first ie links to



new housing developments and coastal area of Seaton Sluice, stopping at various towns en route; members felt that an extension of the Metro system would serve the purpose.

In response officers replied that any route extension proposals would be considered by the ITA (or the Combined Transport Authority) in terms of their engineering, operational and financial aspects. The Chair queried the possibility of a progress report to a future meeting to which officer's advised that a report outlining current thinking and the broader strategy for longer term developments/route extensions would be possible but emphasised that there would not be any detailed information for some time.

Members asked about the Combined Authority and when it would come into operation. J Fenwick explained that the Leaders of the 7 Local Authorities had agreed a start date of 1 April 2014. The ITA and all of its sub committees and advisory groups will then be dissolved. The Chief Executive at Newcastle City Council is to lead a transport work stream that will look at future transport governance arrangements.

In relation to the Transport Board of the Combined Authority, J Fenwick explained to members that existing/proposed models being applied/developed for the Combined Authorities in Greater Manchester, Leeds and Sheffield were being examined and the LA7 Leaders were still deciding which model to use locally. It was likely that there will be some type of Transport Committee but as yet it was not known what form or composition this would be.

#### Cycle Safety Grants –

G Robinson explained that Newcastle City Council's Gosforth Great North Road and High Street scheme and North Tyneside's North Shields – Beach Road scheme were two of seventy eight safety projects nationwide that have received a share of DfT grant. The successful schemes were required to provide match funding and must be completed in the next twelve months. The DfT also published its Door to Door strategy in March. The strategy aims to ensure that journeys made by sustainable transport are supported by cycling and walking and sets out how this may be achieved, acknowledging the need to consider the entire journey from door to door.

A member asked if this now meant that passengers could take cycles onto the Metro. G Robinson replied that Nexus were providing more safe parking for cycles at Metro stations and, once all Metrocar refurbishment works are complete, there will be joint working with local cycling groups to develop a pilot scheme to address the issue of cycling and the Metro. The Chair added that the biggest problem was exiting stations where provision for cyclists did not exist ie the Monument Station.

Referring to the current modernisation works at Newcastle Central Station a member enquired about the impact of these works on older people and if technology in the station will link to local real time transport information. Nexus advised that they were not directly involved in the modernisation works, but understood that street works outside of the station would result in more of a focus on pedestrians. As a result of the works, there has, and would be some changes to buses stopping at the station.

#### Strategic Road Network -

The schemes awarded funding include A1/Lobley Hill improvement scheme, New Tyne Crossing and A1/A19 Interchange at Seaton Burn.

#### Rail Devolution

The report described how in the north east officer groups were meeting to discuss future franchising. Discussions have taken place with colleagues across the Northern PTE, the outcome of which is hoped will be a Northern franchise with the administration of the contract being devolved.

#### Rail Franchising

The committee were informed that the DfT outlined the government's revised approach to rail franchising on 26 March 2013.

#### Other – HS2

Members were updated on the Exceptional Hardship Scheme consultation, the policy update on The Heseltine Review and

#### The Heseltine Review

#### Local Major Scheme Devolution

**RESOLVED** - That the report be noted.

### 19. **ITA SCRUTINY ADVISORY GROUP - WORK PROGRAMME 2013/14**

Submitted: report of the Policy & Information Officer (previously circulated and a copy attached to the Official Minutes).

The purpose of the report was to provide members with background information to help inform development of the work programme for 2013/14.

Section 2 of the report set out the main areas discussed in 2012/13. Appendix B provided details of a draft work programme for consideration and discussion.

Members were interested in the possibility of a time limited task and finish group, the purpose of which would be to carry out in depth work on a particular topic i.e. better information systems for transport in Tyne & wear. Members would report back to a future meeting of the Advisory Group and, pass any relevant information/suggestions back to the ITA to consider. K Christon confirmed that the group could instigate this and experts in particular fields could be brought in to assist. J Fenwick informed the meeting that Nexus was acting as Programme Manager for the implementation of Real Time Information across the north east and would participate in a Task and Finish Group if established.

A member referred to Smart Ticketing and queried whether group tickets were available to schools for outings with the children. H Lewis confirmed that group tickets were available and could also be purchased by community organisations. Members requested that this information be circulated after the meeting.

In response to a query from another member the meeting was informed that transport users holding a Metro Gold card could now purchase this product and load it onto their ENCTS smartcard.

**RESOLVED –That**

- i) The work programme as set out in Appendix B be agreed.
- ii) A Task and Finish Group be set up to discuss better information systems for transport in Tyne & Wear. Nexus be invited to assist discussion. Each authority to nominate one member.
- iii) Information regarding the purchase of group tickets for the Metro be forwarded to members.

**20. BUS STRATEGY DELIVERY PROJECT**

K Christon updated the meeting on the Bus Strategy Delivery Project and explained that the ITA is to receive a report making recommendations for consideration on the proposed approach, on 26 July. A web link to the ITA Committee could be sent to members when the papers were published. A member felt that the Scrutiny Group should have a role in scrutinising the decision of the ITA and bus operators should be invited to attend a future meeting. Members were advised that the bus operators could mount a legal challenge depending on the decision made by the ITA. However Queens Council has been sought and that advice will be put to the ITA to assist them with their discussions. With regards to the role of the scrutiny group, J Fenwick commented that it would be fitting for members to discuss the decision reached by the ITA.

Other comments made by members –

- Each local authority had received a presentation from the relevant bus operator in their area.
- Was there time to consider the report? J Fenwick confirmed that the Advisory Group might wish to consider how the ITA reaches any decision at its Special meeting on 26 July next time it meets.

**RESOLVED – That**

- i) On publication of the papers for the Bus Strategy Delivery Project the web link be sent to members.
- ii) The Scrutiny Advisory Group to consider the Bus Strategy Delivery Project as part of the consultation exercise.

**21. METRO LINE CLOSURE**

Members received a presentation on the Metro Line closure and bus replacement services from R Johnstone and H Lewis, Nexus

The main concerns of members was adequate buses for disabled users, acceptance of metro passes, bikes on the buses and policing the lines whilst works are carried out. Officers' assured members that all Nexus staff have received extensive equality and diversity training and

posters will be displayed directing passengers to the correct bus stops for the replacement service. The same policy for cycles as operates on Metro would apply to replacement buses.

**22. DATE AND TIME OF NEXT MEETING**

The next meeting of the ITA Scrutiny Advisory Group was scheduled to be held on 10 October 2013 ant Gateshead Civic Centre.



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**DATE:** 10 October 2013

**SUBJECT:** Bus Strategy Delivery Project – Cover Report

**REPORT OF:** Scrutiny Officer

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## PURPOSE OF REPORT

To provide Members of the ITA Scrutiny Group with an overview of the current position in respect of the Bus Strategy Delivery Project, following a meeting of the Tyne & Wear ITA on 26 July 2013; and to provide members with a summary of the key documents considered by the ITA in reaching a decision to progress to the next stage in the process.

## RECOMMENDATIONS

The Scrutiny Advisory Group is recommended to review the information, considered by the ITA on 26 July, to:

- a) Note the content of the report; and
- b) Consider whether there are any comments which it would wish to bring to the attention of the ITA.

## BACKGROUND DOCUMENTS

Copies of all consultation documents referenced to in this paper are available from the Tyne & Wear ITA website at: <http://www.nexus.org.uk/busstrategy>

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## IMPACT ON OBJECTIVES

To support economic development and regeneration	Positive
To address climate change	Positive
To support safe and sustainable communities	Positive



## **1 Executive Summary**

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- 1.1 This report provides an update for members on the progress the ITA has made in respect of the Bus Strategy Delivery Project including extracts of the papers considered at its meeting on 26 July.
- 1.2 At that meeting, the ITA decided that, at this stage, the draft Quality Contract Scheme (QCS) proposal represented the most effective possible means of delivering the objectives of its Bus Strategy, and that it should carry out a formal statutory consultation exercise on the QCS proposal.
- 1.3 The ITA agreed that Nexus should manage that consultation exercise on behalf of the ITA, which will encompass bus companies, local authorities, trade unions, passenger groups and other stakeholders. During this time Nexus will also maintain a dialogue with the bus operators on further development of their Voluntary Partnership Agreement (VPA) proposal. Any further stages in the development of a QCS or VPA will be subject to additional consideration and approvals by the ITA.
- 1.4 The ITA is the first Local Transport Authority in the country to commence formal consultation on such a proposal, which (if the ITA ultimately decides to proceed with the Scheme) would allow it to use powers under the Transport Act 2000, to take public control of bus services, replacing the deregulated market which has existed outside London since 1986.
- 1.5 The proposed scheme would make the ITA responsible for all aspects of all bus services in Tyne & Wear for a ten-year period, beginning during 2015. Bus services would still be operated by private companies, who would be paid a fee for providing a specified service the public under contracts of 7-10 years.

## **2 Background**

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- 2.1 In 2011 the ITA instructed Nexus to prepare a draft QCS proposal for Tyne & Wear and explore with bus operators the potential for development VPA as a possible alternative. The key objectives would include arresting the decline in bus patronage, maintaining (and preferably growing) network accessibility and delivering better value for money.
- 2.2 A QCS is a scheme under which the transport authority determines what bus services should be provided in the area to which the scheme relates and any additional facilities or services which should be provided in that area.
- 2.3 The alternative VPA proposal is a voluntary partnership agreement between a transport authority and one or more operators of local bus services whereby the authority undertakes to provide particular facilities or do anything else for the



purpose of bringing benefits to persons using local services, and the operators undertake to provide services of a particular standard.

- 2.4 Members will be aware that the Scrutiny Advisory Group has been kept informed of progress on the Bus Strategy Delivery Project, at its previous meetings and was briefed on early QCS proposals as part of an informal consultation exercise, in 2012.

### **3. Key Information considered by the ITA**

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- 3.1 The complexity and detail of both a Quality Contract Scheme and Voluntary Partnership Agreement is significant. To ensure ITA members, in their role as the decision making body, are suitably informed on all matters both ITA members and officers have received regular and extensive briefings.
- 3.2 In the period from the initial instruction on 24th November 2011 to the meeting on 26<sup>th</sup> July 2013, Nexus has provided briefings via reports, policy seminars and presentations relating to the general progress and specific aspects of the project. Examples of the latter include a detailed comparison of the QCS and VPA and an enhanced awareness of the risks of a QCS. Additionally, members have met with NEBOA (North East Bus Operators Association) to develop an understanding of the partnership offer.
- 3.3 To further assist members and provide assurance regarding accuracy in process and content, ITA officers have met and directly questioned Nexus' external legal advisors and the independent Quality Assurance representative for the Bus Strategy Delivery Project.
- 3.4 To ensure the ITA reached an appropriate decision on 26<sup>th</sup> July 2013, it was required to consider a series of reports and extensive supporting documentation. A full copy of the supporting papers, which include the full QCS Proposal and draft scheme, are available on the Nexus website at: <http://www.nexus.org.uk/itadocuments>
- 3.5 In considering the information provided to the ITA (copy attached), the Scrutiny Advisory Group should review a number of papers that provide a summary of the current position and details of both the QCS and VPA proposals. This includes:
- a) A summary report prepared by the Clerk and the Treasurer to the Authority for the ITA on 26 July (ITA papers, page 1)
  - b) A summary report prepared by the Director General of Nexus for the ITA on 26 July (ITA papers, page 19).
  - c) Section 3 from the QCS proposal outlining the strategic case for change, including the 'do minimum' option (appendix 1).



- d) The 'Because buses matter' consultation document, which provides a summary of the QCS proposal (appendix 2) and the Executive Summary document reported to the ITA on 26 July (ITA papers, page 30).
- e) A copy of the VPA proposal (ITA papers, page 94).
- f) Analysis of the relative benefits of the VPA proposal compared with the 'do minimum and QCS proposal (ITA papers, page 183).
- g) A copy of recent consultation responses received from the public and the Tyne & Wear Transport Passengers Users Group (appendix 3).

#### **4 Next Steps**

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- 4.1 The statutory consultation exercise will run for a period of 14 weeks until 5 November. During this period, the ITA asked Nexus to maintain a constructive dialogue with the bus operators and give due regard to any further proposals for a VPA which they may bring forward.
- 4.2 At this stage, the ITA has not committed itself to progress with a QCS. A further report will be considered by the ITA in January, following the end of the consultation process, in order that the ITA can consider the feedback and any other matters arising.
- 4.3 Should the ITA decide to continue with the QCS (with or without modifications) it will first be required to refer the proposal to the QCS Board, an independent panel of experts appointed under the terms of the Transport Act 2000 (as amended) . The QCS Board will consider whether the public interest criteria, statutory notice and consultation requirements are met or whether further amendments are required. Only after their consideration will the ITA finally be able to decide whether or not to proceed with making the Scheme. The earliest opportunity for the ITA to make such a decision is March 2014 , with any new scheme then becoming operational in August 2015.





## **Proposal for a Quality Contracts Scheme in Tyne and Wear**

Developed by Tyne and Wear  
Passenger Transport Executive  
(Nexus)

July 2013



### 3. STRATEGIC CASE

3.1 This chapter introduces the strategic case for a QCS in Tyne and Wear. It does so by setting out the ITA's objectives as detailed in the Local Transport Plan (LTP), explaining the importance of buses to the area and highlighting the problems encountered in today's deregulated market. It also identifies certain assumptions that underlie Nexus' assessment and which have fed into its modelling.

#### 3.2 An introduction to public transport in Tyne and Wear

3.2.1 Tyne and Wear is a predominantly urban area in the North East of England, encompassing the metropolitan districts of Newcastle, Gateshead, North Tyneside, South Tyneside and Sunderland. The travel to work area extends beyond the administrative boundaries of Tyne and Wear, predominantly including towns and villages close to the border of Tyne and Wear in the adjoining unitary authorities of Durham and Northumberland.

3.2.2 Buses are the principal mode of public transport across Tyne and Wear and its environs, accounting for just over 139 million bus passenger journeys per year in and around the area, the vast majority of which are operated on a commercial basis. The Tyne and Wear Metro, a light rapid transit system, accounts for in excess of 37 million journeys per year. The Metro system as a whole is managed and the railway infrastructure is maintained by Nexus, with Metro services presently operated under contract by the Concessionaire. In addition, public transport in the area includes local passenger rail services operated by Northern Rail and the Shields Ferry, operated by Nexus between North and South Shields across the river Tyne.

- 3.2.3 At the time of writing there are approximately 400 different bus services registered to provide a network of links in Tyne and Wear (of which around 210 services comprise the main network and around 150 are dedicated Scholars' Services, with the remainder being bespoke Works Services or infrequent services). Of the main network, approximately 70% provide services wholly within the boundaries of Tyne and Wear, and the remaining 30% operate between Tyne and Wear and neighbouring local authority areas (principally Northumberland and Durham).
- 3.2.4 Local Commercial Bus service provision in Tyne and Wear is dominated by three main Operators – Go North East (approximately 50% of market share), Stagecoach (approximately 40% of market share) and Arriva (10% of market share). Only five other commercial services are currently operated by smaller Operators (of which only one is wholly within Tyne and Wear). A limited number of small Operators additionally tender for Secured Bus Services. Locally there are approximately 13 small Operators in total at present, although this changes from time to time.
- 3.2.5 The means by which bus service provision is funded is an important aspect of service provision in Tyne and Wear. The Annual Report for District Leaders (2011/12) attached at Appendix C – The Annual Report for District Leaders (2011/12), provides details of Nexus' funding, activities and expenditure. The report includes details on the level of public subsidy provided to Operators by Nexus from the ITA levy. A further c£12m is provided directly to Operators from central government in the form of BSOG. This total public subsidy accounts for almost 40% of the Operators' annual turnover.



- 3.2.6 Where a service is provided on a commercial basis, all aspects of service provision are determined by the Operator without any statutory duty to consult with the ITA or any other public body, other than by means of the prescribed process to register the bus service with the Traffic Commissioner, which normally requires the giving of 56 days' notice.
- 3.2.7 Two areas of Tyne and Wear are covered by existing Voluntary Partnership Agreements with local Operators: East Gateshead and South Tyneside. The East Gateshead Quality Bus Partnership comprises Go North East, Nexus and Gateshead Council. South Tyneside is covered by two geographically overlapping Voluntary Partnership Agreements, one comprising Stagecoach, Nexus and South Tyneside Council, and the other comprising Go North East, Nexus and South Tyneside Council. The Voluntary Partnership Agreements set out a number of commitments that each party agrees to, including some aspects of service standards and their management, for example a commitment from Operators to consult the Partnership Board in respect of network changes in advance of registering these with the Traffic Commissioner.

3.2.8 The Voluntary Partnership Agreements have delivered some benefits by providing a forum for greater dialogue and understanding between the parties. It is notable, however, that customer satisfaction monitoring has not shown any appreciable consistent difference between the areas covered by partnerships and the rest of Tyne and Wear, nor does bus patronage appear to have grown in those areas compared to elsewhere. The Partnership Boards are limited in that they do not take final decisions in terms of the network and fares to be charged; rather they are used as forums for change proposals to be discussed and to discuss remedies for poor punctuality performance. While Nexus accepts that Voluntary Partnership Agreements can and have delivered some benefits, it does not follow from this that they are a preferred alternative to a QCS.

3.2.9 In total, Nexus's estimates, derived from the annual accounts of Operators, suggest that the annual cost of operating the bus network in Tyne and Wear in 2010/11 was £142 million, and the income earned by Operators in that year was £162 million, which includes a public sector contribution of £62m. The principal sources of income are fares, Concessionary Travel Reimbursement, and Secured Service payments (whether from Nexus or from other bodies). Some costs are offset by the BSOG paid by the Department for Transport.<sup>3</sup>

3.2.10 Each Operator, as well as Nexus for Metro, Shields Ferry and Secured Bus Services, offers a range of fares valid over its own services. Multi-Operator, multi-modal ticketing for travel within Tyne and Wear is

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<sup>3</sup> Approximately £12m of fuel duty is currently reclaimed by Operators as BSOG. The figures quoted above include this £12m, both as a cost and as an income.

provided by Network Ticketing Ltd, trading as Network One. Its tickets are valid over the services of all of its members, and revenues collected from ticket sales are distributed among its members through agreed reimbursement arrangements.

- 3.2.11 The proposed area of the QCS set out in this Proposal follows the boundary of Tyne and Wear, incorporating the five Local Authorities making up the ITA Area (see **Figure 1** below – QCS Area). In addition, it is proposed that a number of cross-boundary services, fares and ticketing options will extend into County Durham, Northumberland and Hartlepool.



Figure 1 - QCS Area showing the five constituent metropolitan district boundaries



### 3.3 ITA objectives

3.3.1 Tyne and Wear was designated a Passenger Transport Area in 1974 by Order under the Transport Act 1968 (the name was subsequently amended to 'Integrated Transport Area' through provisions in the Local Transport Act 2008), and the ITA is the statutory body responsible for the development of policies relating to integrated transport in Tyne and Wear. The Passenger Transport Executive is responsible for developing proposals for the implementation of those policies as regards passenger transport. Nexus is the trading name of the Passenger Transport Executive, which also has the responsibility to secure the provision of local bus services where they are deemed socially necessary and would not otherwise be provided. The ITA may also seek and have regard to the advice of Nexus in formulating its policies in respect of public transport.

3.3.2 The ITA, through its Local Transport Plan, has three overarching objectives:

- (a) Supporting economic development and regeneration;
- (b) Addressing climate change; and
- (c) Supporting safe and sustainable communities.

3.3.3 These objectives support the ITA's vision for its Local Transport Plan:

*'Tyne and Wear will have a fully integrated and sustainable transport network, allowing everyone the opportunity to achieve their full potential and have a high quality of life. Our strategic networks will support the efficient movement of people and goods within and beyond Tyne and Wear, and a comprehensive network of pedestrian, cycle and*



*passenger transport links will ensure that everyone has access to employment, training, community services and facilities*<sup>4</sup>

3.3.4 In order for buses to contribute to these overarching objectives, three specific objectives have been set in the Bus Strategy:

- (a) Arrest the decline in bus patronage;
- (b) Maintain (and preferably grow) Accessibility; and
- (c) Deliver better value for public money.

### 3.4 **Proposed Combined Authority**

3.4.1 There is currently under review a proposal for a combined authority which will include the existing local authorities encompassed by the ITA as well as Durham and Northumberland County Councils. It is currently proposed that this will lead to the creation of a new regional transport body which will have responsibility for the delivery of public transport services across the enlarged region. The precise form and timing of the new regional transport body is currently unknown, although Nexus expects that some form of new regional transport body will be created during the lifetime of the proposed QCS.

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<sup>4</sup> LTP3: The Third Local Transport Plan for Tyne and Wear, Strategy 2011-2021.

- 3.4.2 Nexus has consulted with both Durham and Northumberland County Councils in developing the current QCS Proposal to ensure that it does not conflict with the transport objectives of those bodies. As a result of this consultation, Nexus and the two county councils have agreed, at officer level, Heads of Terms in respect of a Collaboration Agreement to govern arrangements relating to the interface between the QCS and the areas currently overseen by Durham and Northumberland. Given the uncertainty concerning the timing and form of any new regional transport body, and the ability of that new transport body to review or amend any QCS in the future, Nexus does not consider that the proposals for a combined authority provide a sound justification for delaying the Proposal. This is of course a matter on which others will be able to express a view during any formal consultation. This matter does not impact on the ITA's assessment at this stage of whether or not the QCS meets the relevant statutory criteria.
- 3.4.3 In addition Nexus would be concerned that any material delay in the development and introduction of the QCS pending the introduction of a new combined authority could be detrimental, as this may well lead to some of the significant adverse effects which the QCS would avoid. These include termination of Secured Bus Services in the QCS Area, leading to a significant reduction in patronage, with related adverse economic and social consequences across the region. For a list of Secured Bus Services please see Appendix D – Nexus Secured Services (November 2012).
- 3.4.4 Nexus has concluded that the QCS as currently proposed remains the preferred option and is justified on its own merits in the current circumstances. If at some stage during the life of the proposed QCS the new authority, as the relevant Local Transport Authority, decides that

the scope of the QCS should be changed then this can be achieved through the powers of the relevant body under the Transport Act 2000.

### 3.5 The importance of buses to Tyne and Wear

- 3.5.1 Buses are absolutely essential to the economic and social wellbeing of the Tyne and Wear area. There were just over 139 million recorded passenger trips taken by bus in Tyne and Wear in 2011/12. Of these, 31% were to access employment or education, 40% for shopping and access to essential services, and 29% for leisure or other activities.<sup>5</sup>
- 3.5.2 According to the DfT's National Travel Survey, the North East in 2009/10 continued to have by far the lowest levels of car ownership (except London) of any English region, despite relative growth in ownership over preceding years. By contrast in the same year it had the highest number of trips per person taken on local buses (74 on average) of any English metropolitan area (except London). This emphasises the crucial importance of buses to local people and the local economy.
- 3.5.3 The Bus Strategy details the importance of buses to the region, emphasising the significance of improving people's ability to access convenient and sustainable public transport provision. Key points include:
- (a) The value of the bus is recognised by Government in its policy paper 'A Green Light for Better Buses'<sup>6</sup>. The following examples are taken from the introduction to the policy paper, and their particular relevance locally is identified:

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<sup>5</sup> The ITA Bus Strategy for Tyne and Wear, 2012

<sup>6</sup> DfT, Green Light for Better Buses, March 2012



*'Many people rely on their local bus to get to school, to work, to the doctor's, to visit their friends and family, or to go shopping'.* As stated above, more than 139 million journeys are made on buses in and around Tyne and Wear each year.

*'Given their importance in providing employers and businesses access to labour markets, buses are important for a well-functioning and growing economy.'* As approximately 40% of workless households in the Tyne and Wear area do not have access to a car<sup>7</sup>, the importance of the bus in connecting people to potential employment opportunities, and thereby helping to stimulate the economy, is self-evident.

- (b) Congestion in urban areas costs the Government £10.9 billion per year<sup>8</sup>. Reduced congestion will also support economic vitality and growth. An effective network of bus services can attract people away from their cars, especially for trips between 2 and 5 miles in length, and thereby reduce congestion in and around the main centres of economic activity where road-space for the delivery of goods and services is at a premium.
- (c) Car travel is the largest source of transport carbon emissions in the UK.<sup>9</sup> Modal shift from car to sustainable modes such as the bus can play a major role in reducing carbon emissions and improving air quality.

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<sup>7</sup> The ITA Bus Strategy for Tyne and Wear, 2012

<sup>8</sup> Cabinet Office, An Analysis of Urban Transport, 2009

<sup>9</sup> DfT statistic table ENV0201 'Greenhouse gas emissions by transport mode 1999-2009', 2012

### 3.6 Problems today and the need for urgent action

#### 3.6.1 Do Minimum: what is expected to happen without intervention

- (a) The Bus Strategy outlines the current trends and issues in the bus industry. This section establishes a Do Minimum case in which an assessment is made regarding the local bus market if no intervention takes place, and therefore current trends continue.
- (b) Nexus is presently running a significant, albeit planned, budget deficit. Through its 'Medium Term Financial Strategy' agreed with the ITA, Nexus continues to provide a constant level of output in terms of Secured Bus Service network coverage and discretionary concessions despite being in a growing budgetary deficit position. This follows a cumulative loss of funding calculated at £10.200 million, equating to £5.500 million in 2013/14 growing to an estimated £7.630 million in 2014/15. The Treasurer and Nexus' report to the ITA dated 24 January 2013 is attached at [Appendix E – ITA Report: Medium Term Financial Strategy (24.01.2013)]. This report details the budget and levy requirements for the ITA in 2013/14, together with the medium term financial strategy and indicative funding requirements for 2014/15. The budgetary deficit position is, however, not sustainable. The ITA is legally required to set an annual budget which enables it to operate without a deficit. It has been able to do this over the last two years only because it has drawn upon its financial reserves in order to make up what would otherwise have been a budget deficit. It will not have sufficient reserves to do this beyond 2014/15. Secured Bus Services and discretionary concessions will therefore need to be radically cut as detailed in 3.6.2(k) below unless an alternative way is found to eliminate its planned budget deficit. This will reduce local peoples'

access to key facilities, services, education and employment, and reduce the number of jobs available for bus company employees. As a consequence there would be a loss of certain routes, and a disproportionate impact on particularly vulnerable groups (including, for example, services for the elderly, school bus provision and specialist services for the disabled). Further detail on funding pressures is set out later in this chapter.

(c) The Department for Transport's 'A Green Light for Better Buses' policy paper highlights four key factors which are relevant at a national and Tyne and Wear level:

- (i) *'Bus passenger numbers have been in a slow, long term decline...This decline is particularly apparent in our largest cities';*
- (ii) *'Fares are increasing above inflation, with real impacts on the young and lower income groups';*
- (iii) *'In many areas, there is little direct competition for bus passengers';*
- (iv) *'Local councils often spend significant amounts of money putting on services for communities not well served by commercial services, at a time when they are under pressure to deliver savings'.*

(d) Each of these factors is considered below in its local context with an estimate of the projected forward trend to explain the Do Minimum case.



### 3.6.2 Public funding

- (a) The Coalition's Programme for Government set out in 2010 that deficit reduction, and continuing to ensure economic recovery, is the most urgent issue facing Britain. As a result, government has set out measures in successive budgets to reduce the national budget deficit.
- (b) As part of those measures, funding to Local Government has been reduced. The five councils in Tyne and Wear have responded to reductions to the grants they receive from central government by seeking to reduce expenditure. While protecting frontline services as much as possible Sunderland reduced its spending by £58 million in 2011/12 and by £28 million in 2012/13, and will reduce its spending by a further £37 million in 2013/14<sup>10</sup>. Newcastle will make £90 million of cuts over the next 3 years<sup>11</sup>. Gateshead, North Tyneside and South Tyneside Councils are facing similar budgetary pressures.
- (c) Nexus is concerned that the five councils in Tyne and Wear are subject to underfunding of the statutory English National Concessionary Travel Scheme (ENCTS). Using a conservative set of assumptions Nexus estimates the extent of underfunding to be at least £7.600 million in 2013/14, rising to an estimated £17.000 million over the next four years<sup>12</sup>. This arises both from the government's formula used to allocate Concessionary Travel funding on a national basis, and from recent cuts by government to the funding streams to councils of

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<sup>10</sup> <http://www.sunderland.gov.uk/index.aspx?articleid=6849>

<sup>11</sup> <http://www.newcastle.gov.uk/your-council/budget-and-annual-report/budget-proposals-2016>

<sup>12</sup> Tyne and Wear ITA Report: Concessionary Travel Funding, Update and Next Steps, March 2013



which Concessionary Travel Reimbursement funding is a part. Since 2006 the ITA has repeatedly pressed the case for a fairer funding settlement so that resources required for Concessionary Travel Reimbursement in Tyne and Wear is properly reflective of the requirement for it to meet its statutory reimbursement obligations. However, to date this has not led to any change in the government's position. Although the ITA will continue to press its case with government, Nexus believes that it is therefore likely that underfunding will continue until such time as the conditions of the English National Concessionary Travel Scheme itself are revised, with the consequence that the Tyne and Wear councils will continue to expend significantly more on Concessionary Travel through the ITA levy than they receive from government.

- (d) The Coalition's Programme for Government states that: 'We will protect key benefits for older people such as the winter fuel allowance, free TV licences, free bus travel, and free eye tests and prescriptions.' Nexus has therefore assumed that the duty imposed on local Operators to carry ENCTS pass holders free of charge, and the ITA's duty to provide statutory reimbursement, will continue for the life of the current Parliament. For the purposes of this Proposal, Nexus has assumed that the duty will continue for the duration of the QCS.

- (e) In recognition of the severe pressures placed on councils' funding availability, the ITA determined in 2011 to adopt a three-year financial strategy (that was 'prepared on the basis of absorbing cost pressures and achieving a levy reduction of 5% in 2011/12; a further 5% reduction in 2012/13, with a cash freeze in the levy in 2013/14. The reduction in levy income [was] to be split equally between Nexus and the ITA, i.e. both the Nexus grant and the ITA budget contribution from the levy will be reduced by 5%'.<sup>13</sup> This has resulted in an overall reduction to Nexus's grant income from the ITA of £10.200 million<sup>14</sup> since 2010/11. In addition to the levy reductions, a further £2.000m revenue cash contribution to be made by Nexus to the five district councils in 2013/14 was agreed by the ITA in January 2013<sup>15</sup> A further cash freeze in principle for 2014/15, together with the £2.000m revenue cash contribution has since been discussed by the ITA in the context of the development of either a QCS or a VPA, although this still requires absolute confirmation.
- (f) Nexus has assumed that, in the absence of a decision by the ITA to invest in the development of either a QCS or a VPA that produced long-term savings, the ITA's levy would be immediately reduced by £2.000m in order to baseline the revenue cash contribution made by Nexus to the five district councils in 2013/14 and 2014/15 and following that, at best remain frozen (in cash terms) until 2021/22 at

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<sup>13</sup> Tyne and Wear ITA Report: Financial Strategy 2011/12 – 2013/14, January 2011

<sup>14</sup> This includes £1.400 million in DfT Concessionary Travel special grant that was retained by the five district councils when this grant was subsumed into CLG's funding formula in 2012

<sup>15</sup> Tyne and Wear ITA Report: ITA Budget 2013/14 and Medium Term Financial Strategy, January 2013

which point the remaining levy funding is only sufficient to cover the cost of the statutory Concessionary Travel Reimbursement paid to Operators, after which it is assumed that it will rise in line with the required increase in Concessionary Travel Reimbursement<sup>16</sup>. A range of alternative scenarios to the above scenario exists, including:

- (i) An increase to the levy, which Nexus believes is highly unlikely because of the councils' need to achieve further budgetary savings, and the fact that a very significant increase to the levy (currently estimated at £7.630 million, or 11.4%) would be required in the first year to prevent service cuts, followed by continued increases every year thereafter;
- (ii) A return to the previous 5% cuts to the levy seen in 2011/12 and 2012/13, which Nexus believes is quite possible because of the councils' need to achieve further budgetary savings, and the fact that the current financial strategy links the continuation of a levy freeze to a successful outcome to the delivery of the Bus Strategy;
- (iii) Greater reductions to the levy than the aforementioned 5% per annum cut, which Nexus believes is also a possibility;

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<sup>16</sup> Funding outlook for councils from 2010/11 to 2019/20, Local Government Association, June 2012 (which estimates that by 2019/20, the modelled cash cut for discretionary services is in excess of 90%)



- (iv) However without further information on which to base a scenario, a continuation of the current levy freeze, together with the revenue cash contribution appears to Nexus to be the most reasonable assumption and is the scenario which has been modelled in the Do Minimum.
- (g) Accordingly whilst Nexus would seek to protect its ability to continue delivering services, having considered the above alternatives, Nexus has concluded that the scenario on which it has based the Do Minimum scenario is the most probable.
- (h) The scenario described in Section (f)(ii) above has also been modelled. In comparison to the Do Minimum, this alternative scenario increased the withdrawal of the Secured Services budget, which was removed completely by 2017/18 but delivered a reduction in the levy imposed on the Tyne and Wear local authorities of £21m. The choice of Do Minimum scenario has no material impact on the Value for Money appraisal undertaken for the Proposal. The net benefits of the alternative scenario are around 3% higher than the base scenario. Therefore the choice of scenario is a prudent one.
- (i) Nexus has managed the reduction in its funding from the ITA without reducing front-line public transport services by implementing a range of efficiency measures (including two successive 10% reductions in staffing), as well as using revenue reserves ( £1.900 million in 2012/13, and an estimated £5.500 million in 2013/14 and £7.630 million in 2014/15). However managing a budget deficit in this way is not sustainable over the long-term, a position that is recognised in the Medium Term Financial Strategy which notes that 'the sustainability

of the reduction in the levy is therefore heavily dependent on being able to deliver long term savings in the cost of the bus network(...).<sup>15</sup>

- (j) In order to reach a sustainable budgetary position, Nexus will need to reduce its levy-funded expenditure by an estimated £7.630 million starting from 2015/16. The two largest levy-related items of expenditure affecting Nexus' budget are Concessionary Travel (£49.200 million in 2013/14, of which £37.600 million is for the reimbursement of the statutory scheme<sup>17</sup>) and Secured Bus Services (£12.799 million in 2013/14, of which £10.600 million is for the provision of Secured Bus Services).

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<sup>17</sup> Although part of this reimbursement, expenditure relates to older and disabled concessions on the Tyne and Wear Metro where it is assumed that in the absence of that particular scheme, there would be a consequential increase in reimbursement made to Operators as part of the ENCTS.

- (k) In the Do Minimum scenario the discretionary Child Concessionary Travel scheme will need to be removed in its entirety in 2015/16. The funding spent on Secured Bus Services (including Miscellaneous Workings) will reduce significantly from 2015/16 onwards. These will reduce broadly in the same proportion that other items of levy-funded discretionary expenditure (for example, the Shields Ferry, disabled taxi services, the Companion Card Scheme, provision of information and the Metro Gold Card) are reduced to meet the funding gap, albeit in reality there will be some political discretion as to what is reduced first<sup>18</sup>. By their nature Secured Bus Services are uneconomic to run on a commercial basis, and so it is assumed that all of these services would be lost to the local bus network. The modelled reduction in vehicles and operating hours during the 10-year period is shown in Figure 2.

Year		Secured Services		Miscellaneous Workings	
		Operating Hours	Peak Vehicle Requirement (PVR)	Operating Hours	Peak Vehicle Requirement (PVR)
Pre-Scheme		234,169	58	133,734	95
Year 1	2015/16	103,766	26	133,734	95
Year 2	2016/17	67,776	17	133,734	95
Year 3	2017/18	27,798	7	133,734	95
Year 4	2018/19	0	0	119,334	85

<sup>18</sup> Report to Tyne and Wear Leaders ITA Budget and Medium Term Plan 2013/14 and 2014/15, December 2012

Year 5	2019/20	0	0	67,553	48
Year 6	2020/21	0	0	13,367	10
Year 7	2021/22	0	0	0	0
Years 8-10	2022/25	0	0	0	0

Figure 2: Secured network effect of Do Minimum scenario

- (l) This forecast level of reduced service hours will result in a decrease in patronage of 23 million passengers over the 10-year period.
- (m) Although Nexus publishes a scheme for Concessionary Travel Reimbursement in line with statutory government guidance, historically it has reached a voluntary settlement with the main local Operators in order to provide budgetary certainty to both Nexus and the Operator concerned. This has led to financial stability in Nexus's Concessionary Travel expenditure in recent years.



- (n) In order to successfully negotiate a voluntary settlement, Nexus relies on Continuous Monitoring data to monitor trends in patronage and average fares. More recently Nexus has been able to access Smartcard data through the North East Smart Ticketing Initiative (NESTI) project, which has allowed it further to improve the accuracy of its calculations. As a result of this and through negotiated settlements, the total value of its Concessionary Travel Reimbursement payments is expected to reduce in 2013/14 compared to the previous year. Whilst it is possible that Concessionary Travel Reimbursement payments may continue to decline through a process of commercial negotiation, Nexus believes that having now introduced use of Smartcard data, it is reasonable to assume that further significant savings are not possible and therefore the outcome of its negotiations with the Operators in 2013/14 should form the base position for Concessionary Travel settlement for future years.
- (o) Therefore in the Do Minimum scenario Nexus has assumed that Concessionary Travel Reimbursement in future years will increase because of the effect of increasing commercial fares, at 3% above the RPI (shown in 3.4.4 below). As a result of the manner in which the Concessionary Travel no better, no worse Reimbursement is calculated, and assuming that 2013/14 should form the base position, this is translated into a 1.5% increase in Concessionary Travel Reimbursement in each year – also assuming that ENCTS boardings remain static.
- (p) The increase in Concessionary Travel Reimbursement is therefore projected to exceed the availability of levy funding from 2021/22 onwards, despite the absence of any other discretionary spend by that point in time. Consequently in the Do Minimum scenario Nexus has



assumed that the levy will need to rise by 3.56% in 2021/22 and in line with the expected increase in Concessionary Travel Reimbursement from 2022/23 onwards in order to comply with its statutory obligations.

(q) Nexus has considered a range of alternative budgetary scenarios to avoid cutting Secured Bus Services as follows:

- (i) Reduce other items of levy-funded discretionary expenditure in greater proportion than secured bus. Given the relative scale of the secured bus budget when compared to other items of non-statutory expenditure and given overall assumptions on the level of discretionary funding available in future, Nexus considers that this scenario would be unlikely to produce the level of savings required.
- (ii) Remove non-statutory Concessionary Travel payments to Metro and the Tyne Ferry. Nexus offers a 'Gold Card' to Concessionary Travel pass-holders which, for a £25 fee, allows them unlimited travel after 0930 on Metro and the Cross Tyne Ferry. However, in the event that this concession was removed, Nexus considers that the vast majority of trips would simply transfer from Metro and the Cross Tyne Ferry to bus - given that Gold Card holders are also ENCTS pass holders and are therefore entitled to free bus travel. As outlined in footnote 9 above, the consequence of this would be increased payments to Operators. However, the situation is exacerbated because this transfer of resources to external Operators will deny the Tyne and Wear Metro and the Cross Tyne Ferry of a source of fare revenue, necessary in order to help fund

operations, which will need to be addressed through implementing a range of service reductions.

- (iii) Make Concessionary Travel payments based upon the published scheme rather than through a negotiated voluntary settlement. Nexus considers that this scenario may occur, particularly if Operators no longer wish to participate in the process of negotiating voluntary settlements. However in this scenario it is highly likely that all major Operators would appeal against the basis of the level of reimbursement made under the published scheme. Based on Nexus's limited experience of the appeals process to date, and despite Nexus having robust arrangements to calculate reimbursement within the parameters of its published scheme, there can be no certainty in the possible outcomes of the appeals process. Consequently it cannot be assumed that this scenario would produce any further savings over the current process of negotiating voluntary settlements. Moreover, even if it did, Nexus would expect that in the long run, Operators would reduce the size of their network in order to mitigate the loss of Concessionary Travel revenues.
- (iv) Increase Metro, secured bus and the Shields Ferry fares to meet the funding gap. In addition to levy funding and other grants (notably Metropolitan Rail Grant from DfT), Nexus is able to generate income through fare revenues collected on Metro, secured bus and the Shields Ferry services. Nexus considers that it is highly unlikely that additional fare income could be raised by increased fares on Metro, secured bus and Shields Ferry services given that such significant increases

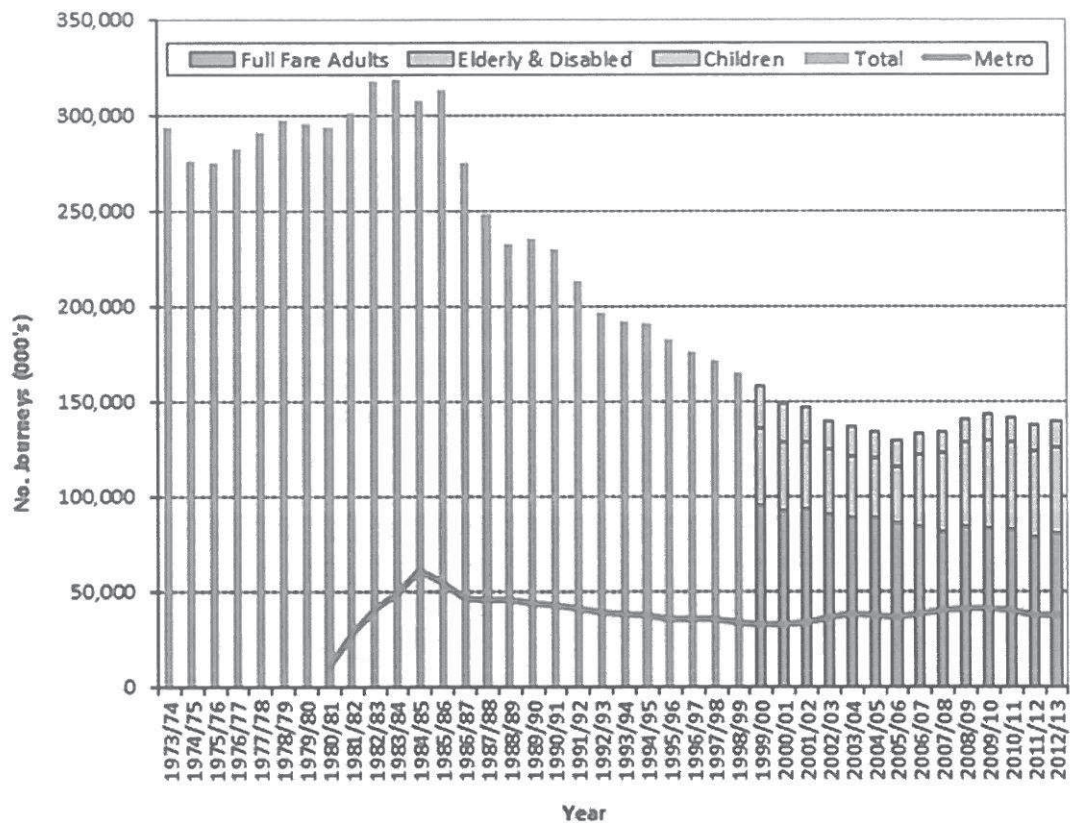
would be needed that patronage itself would reduce significantly because of the elasticity of demand.

### 3.6.3 Declining bus patronage

- (a) In Tyne and Wear, adult fare-paying bus patronage is in long-term decline. This is demonstrated in Figure 3 below and is further examined in the Public Interest Test (section 6). In recent years the introduction of the ENCTS has seen growth in free ridership, which has masked declines in fare-paying ridership by indicating stability in overall passenger numbers.
- (b) These trends are shown in Figure 3, Figure 4 and Figure 5, taken from Nexus' Continuous Monitoring survey data. Total Metro ridership has been added to Figure 3 to provide context in light of informal dialogue feedback. It is acknowledged that individual Operators may have experienced annual growth, and on occasion all Operators may have seen short term growth within this period, but the underlying trend is of overall decline. In the last financial year the market as a whole appears to have enjoyed an increase in patronage, however Nexus considers this to be temporary and primarily a result of:
  - (i) recovery of unusually high losses in patronage in 2011;
  - (ii) a number of high profile special events, e.g. the Olympics and concerts in Sunderland;
  - (iii) extensive maintenance work on the Metro causing a transfer of patronage between transport modes.



- (c) It is also noted that in past years, some years have shown an increase compared to the previous year, but not so as to affect the overall trend. Further information in support of the trend that bus patronage in Tyne and Wear is declining is detailed in Appendix F – Bus Patronage Trends in Tyne and Wear.



\*\* forecast figure for 2012/13 (Note: passenger type breakdown not available prior to 1999)

Figure 3: Bus and Metro patronage 1973/74 to 2012/13 in Tyne and Wear

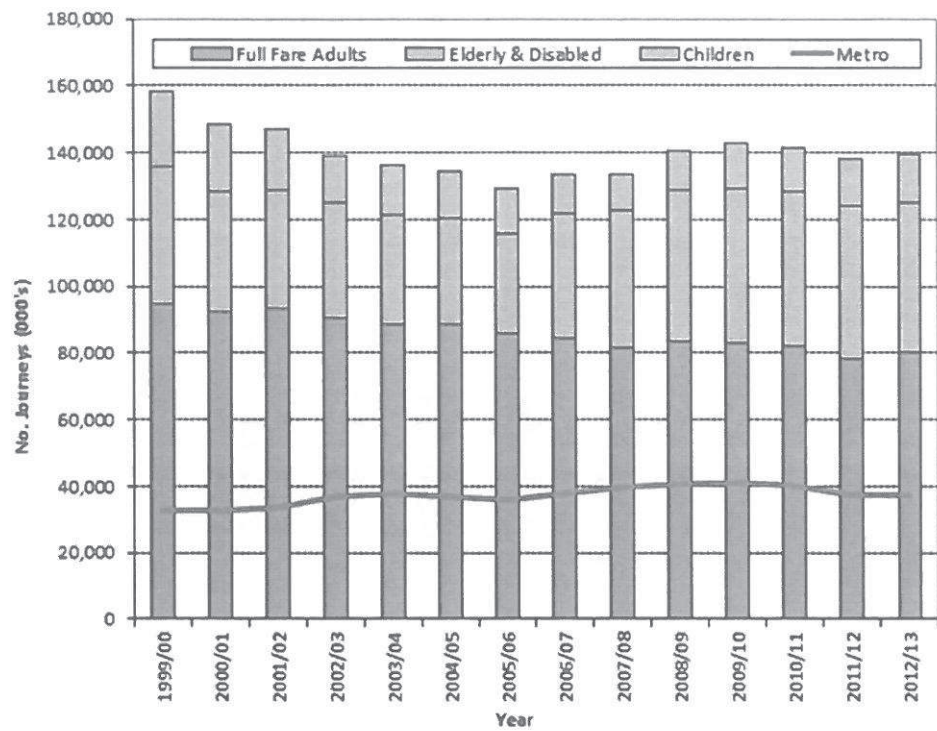
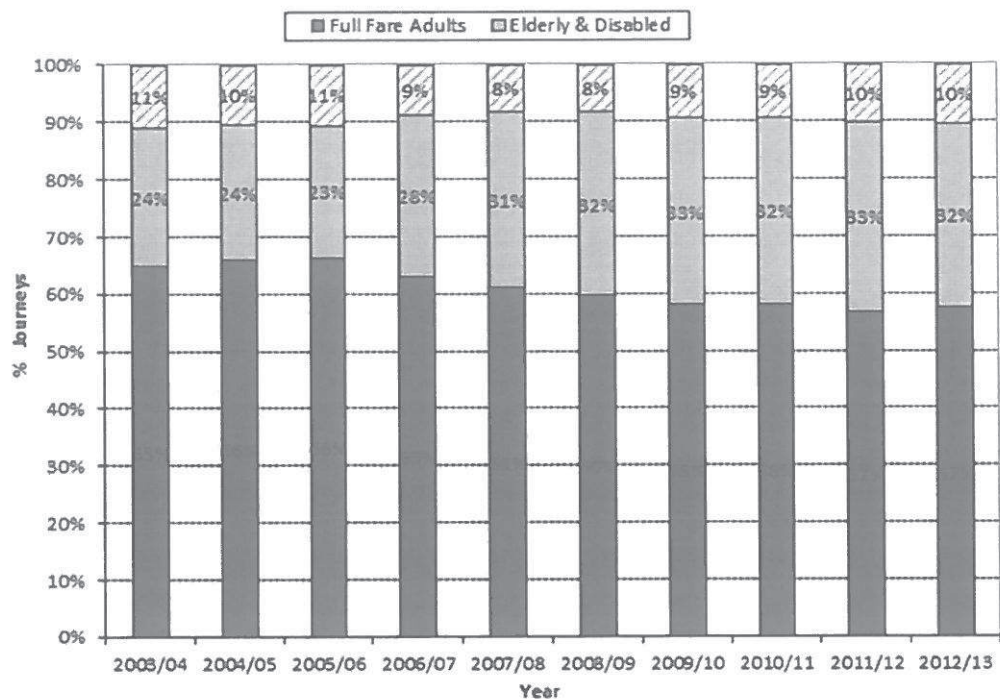


Figure 4: Bus and Metro patronage 1999/2000 to 2012/13 in Tyne and Wear split by passenger type



Note: forecast figure for 2012/13

Figure 5: Bus patronage breakdown by passenger type 2003/04 to 2012/13 in Tyne and Wear

- (d) This Proposal assumes that the following factors have the greatest impact on changes in bus patronage:

Population	Car Ownership – Work Journeys
Employment – Work Journeys	Service Supply (Km run)
Employment – Non-Work Journeys	Fares – short term
GDP Growth	Fares – long term
Car Ownership – Non-Work Journeys	Generalised Cost Change

Figure 6: Factors affecting bus patronage

- (e) Please see section 6.3.2 Test (a) for a description of how these factors have been identified and how they are used to model changes.
- (f) The National Trip End Model (NTEM) forecasts and the TEMPro (Trip End Model Presentation Program) software are used for transport planning purposes by the DfT. The forecasts include population, employment, households by car ownership, trip ends and simple traffic growth factors based on data from the National Transport Model (NTM). In the Do Minimum scenario the following assumptions taken from the NTEM have been made regarding those factors:



	2011	2024
Population Under 16	190,388	204,283
Population 16-64	719,135	719,249
Population 65 and over	172,825	216,117
Population Total	1,082,348	1,139,649
Households	485,936	533,859
Jobs	530,326	558,363
Workers	490,332	514,090
Households with No Car	162,642	153,666
Households with 1 Car	229,849	266,445
Households with 2 Car	78,658	95,736
Households with 3+ Car	14,787	18,010
Total Cars	434,483	515,551

Figure 7: NTEM Do Minimum assumptions

- (g) Whilst the increase in population leads to an increase in bus patronage this is more than offset by the reduction in patronage caused by the increase in access to cars.
- (h) The changes in demographic factors in the table above are projected to result in a decrease in patronage of 16m over the 10-year period.



#### 3.6.4 Above-inflationary fare increases

- (a) The Bus Strategy notes that since Deregulation in 1986, the greatest increase in the cost of bus travel has been in the PTE areas. There is no publicly available information on the differences in Operator costs depending on urban areas compared to non-urban and so it is impossible to know precisely what the cause of this trend might be. However according to TAS Partnership Ltd, Operator profit margins in 2007/08 were higher in PTE areas than elsewhere<sup>19</sup> and the Competition Commission concluded that in the majority of urban areas, a significant number of routes were highly likely to be subject to an AEC (Adverse Effect on Competition)<sup>20</sup>.
- (b) Regardless of the discrepancies between PTE areas and elsewhere, fares in Tyne and Wear have often increased at a rate which is considerably higher than RPI as shown in Figure 8.

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<sup>19</sup> The Economics of Bus Operation and the prices people pay, TAS Publications 2009, paragraph 4.8

<sup>20</sup> Local Bus Service market Investigation: A report on the supply of local bus services in the UK (excluding Northern Ireland and London), Competition Commission, 2011, p.10

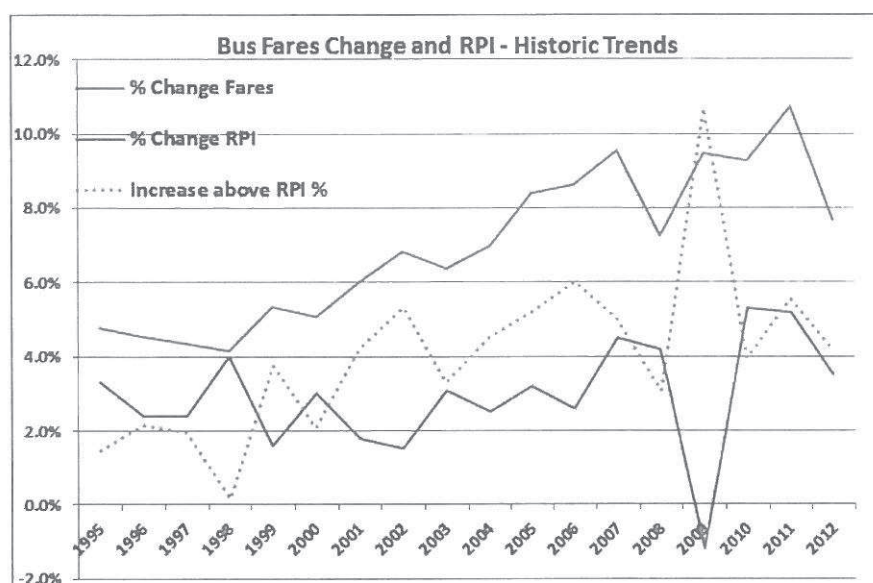


Figure 8 – Annual percentage change in fares and RPI

- (c) On the assumption that the causal factors behind increases being above the RPI will not change (broadly, industry costs continue to rise above inflation and profit expectations remain constant), the Do Minimum assumes an average fare increase of 3% above the RPI (noting that all of the fare increases since the year 2000 have exceeded this).
- (d) This forecast level of fare increase is projected to result in a decrease in patronage of 70m passengers over the 10-year period.

### 3.6.5 Limited competition

- (a) In December 2011, the Competition Commission (CC) published its final report into its investigation of the local bus services market outside London. It concluded that there are four features of local bus markets which mean that effective head-to-head competition is uncommon and which limit the effectiveness of potential competition and new entry. These features are the existence of: high levels of

market concentration of Operators; barriers to entry and expansion; customer conduct in deciding which bus to catch; and Operator conduct by which Operators avoid competing with other Operators in 'Core Territories' (certain parts of an Operator's network which it regards as its 'own' territory) leading to geographic market segregation. The CC found that this conduct occurred specifically in relation to two Operators in parts of the North-East of England. The CC found that the detriment to consumers and taxpayers as a result of the adverse effects on competition (AEC) in the operation of local bus services (both commercial and tendered services) and the tendering of supported services was considerably in excess of £70 million a year and was likely to be between £115 million and £305 million a year. Further detail is referenced in Appendix G – ITA Bus Strategy for Tyne and Wear 2012. Nexus accepts that the CC did not consider that a QCS would address its specific concerns relating to the market at that time, although it acknowledged that LTAs may have legitimate reasons for introducing a QCS and that it did not wish to rule out the future application of a QCS into the local market. Nexus notes that the CC received submissions and made its decision before Nexus had drawn up any specific QCS Proposal. Nexus' own view is that the QCS would introduce competition "for" the local bus market, though not "in" the local bus market.

- (b) This Proposal is not specifically designed to remedy the AEC identified by the Competition Commission; the ITA's Bus Strategy has objectives that are intended to ensure that buses play a central role in providing a simple, affordable and integrated public transport system in Tyne and Wear. An effect of this Proposal, however, would be to introduce

competitive tendering across all routes covered by the QCS thus generating competition for the local bus market.

- (c) The Do Minimum assumes that the current situation of market concentration in Tyne and Wear will continue, although no monetary or quality impact has been assigned to this aspect in terms of comparing to a QCS.



### 3.7 Feedback from users and non-users

- 3.7.1 On-board surveys reveal relatively high levels of bus user satisfaction in Tyne and Wear compared to other parts of the UK<sup>21</sup>. Nevertheless there are many areas of improvement that customers would like to see brought forward<sup>22</sup>, and the fact remains that fewer journeys are undertaken by bus – the views of former customers, or potential customers, are not reflected in passenger satisfaction surveys.
- 3.7.2 Research into value for money for bus users<sup>23</sup> notes that different factors constitute good value for money for current users. Across the customer base, the most influential aspects are service reliability, punctuality, frequency, fares and, to a lesser degree, journey time. The Bus Strategy notes that user perception of punctuality and reliability is poor in Tyne and Wear as only 64% of customers consider buses to be on time whereas actual measured performance considerably exceeds that level.
- 3.7.3 Additional aspects contributing to customers' perception of value for money are hours of operation, driver attitude and behaviour, good access and coverage. The Bus Strategy identifies that there has been a reduction in bus mileage and a decrease in the number of people who have access to frequent bus services. As noted previously, it is these frequent services which have the power to influence mode choice for those with an alternative and are highly valued by those who don't.

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<sup>21</sup> Passenger Focus (2012), Bus Passenger Surveys, March 2012

<sup>22</sup> SMS (March 2010), Customer Service Strategy Market Research Report

<sup>23</sup> MVA -What the Public Want – Value for Money for Bus Users, June 2012



On-bus quality aspects such as journey comfort and vehicle cleanliness also play a role, but have less influence on passengers' perceptions of overall service quality and value for money than punctuality, reliability and frequency.

- 3.7.4 At the heart of much of the feedback from passengers is the desire for:
- (a) more frequent and more reliable services;
  - (b) greater consistency of ticketing and clearer advertising of the cheapest ticket; and
  - (c) greater simplicity of ticketing that will generate confidence and trust amongst passengers.
- 3.7.5 A similar picture has emerged for potential users. Perceived barriers to bus use focus on the key levels of service around reliability, frequency, journey time and fares.
- 3.7.6 If there was a significant improvement in perception of bus service levels amongst current non-users, then there would be considerable potential for a significant shift towards bus use, primarily from the car. A significant percentage (44%) indicated a willingness to consider switching to bus use when they perceive it to be substantially improved compared to current perceptions.<sup>24</sup>
- 3.7.7 Research<sup>25</sup> also identifies that Tyne and Wear residents do not feel consulted in advance of changes to bus services, timetables and routes,

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<sup>24</sup> MVA – What the Public Want: Value for Money for Bus Users, June 2012

<sup>25</sup> Evaluating Performance: Bus Priorities Research, March 2011, MVA Consultancy for Nexus

or adequately informed after such changes. 91% of respondents stated they had not been consulted on changes to bus services in the past.

- 3.7.8 As discussed above, buses are extremely important to Tyne and Wear because of the opportunity they provide for local people and visitors to access employment, education, retail and key health and leisure facilities. The current structure of the market is deficient in a number of ways however, and continuation of current trends will lead to the ITA failing to meet its strategic objectives over the next ten years as fewer bus services are provided and other discretionary expenditure is cut, see section 3.6.2 above. This Proposal therefore seeks to take positive action to intervene in what would be an unacceptable cycle of decline.

### 3.8 Informal engagement/consultation

- 3.8.1 In November 2011, the ITA requested that Nexus investigate two potential options for delivery of the Bus Strategy, namely a draft Quality Contract Scheme for Tyne and Wear and a meaningful quality bus partnership. Informal Stakeholder Engagement was then completed by Nexus over a three-month period between December 2011 and February 2012 considering options for the future delivery of the bus network in Tyne and Wear. The results of this process are attached Appendix H – Informal Stakeholder Engagement Results.
- 3.8.2 The informal dialogue consisted of meetings with councillors in all five districts plus up to three meetings in each district for invited stakeholders, as well as a series of meetings for Operators. There were also a number of meetings for specific interests including Northumberland and Durham councils, regional MPs, Trades Union representatives and others. In addition, information about the proposals and an opportunity to respond was available on the Nexus website.
- 3.8.3 Feedback was sought at the meetings, via a feedback form in the information brochure and via the website. In total, 234 people attended councillor and stakeholder meetings and 111 written responses were submitted. Except for the Operators, the responses showed a substantial majority positive reaction to the proposals, with a potential Quality Contracts Scheme receiving substantially more support than Voluntary Partnership Agreements.
- 3.8.4 Based on the results of the informal stakeholder consultation, Nexus then went on to complete development of its previous QCS proposal in July 2012 and which was shared with local Operators, trades unions and



adjacent authorities on 1<sup>st</sup> August 2012, inviting comments on or before 24 October 2012. This informal dialogue has helped Nexus to assess the likely impacts of its previous proposals (including costs, benefits and adverse effects on Operators). Attached (at Appendix I- Informal Dialogue and Response) is a summary of the informal dialogue responses, together with an explanation of how they have influenced the development of this Proposal.

- 3.8.5 The informal dialogue with local Operators resulted in extensive dialogue between Nexus and the large Operators in particular. As part of this process Nexus provided the Operators with details of its modelling, and responded to requests for information and clarification. Except where there were justifiable reasons for withholding information, Nexus complied with the requests that it received. Nexus also made requests for information from the Operators in order to assist it with its assessment of the QCS, in particular in relation to the impacts of the Proposal on the Operators themselves. Although some information was provided, the Operators were generally not forthcoming with the detailed information to back up their position on the alleged impacts of the QCS which Nexus had requested. Requests for detailed information were made prior to the drafting of the consultation material, and during the informal dialogue itself. Nexus also gave clear assurances that it would maintain the confidentiality of material disclosed to it.
- 3.8.6 In addition to the consultation on the QCS, Nexus' officers held numerous meetings with the Operators to discuss the joint development of the VPA, and have continued to do so.

3.8.7 As a result of the informal dialogue exercise, Nexus reconsidered its proposal for a QCS, taking full account of the feedback it received. The changes resulted in a new QCS proposal, which is the Proposal described in this document. The principal difference between the previous QCS and the present QCS are:

- (a) **Network:** During informal dialogue, the proposed network was designed to improve overall Accessibility and simplicity for passengers. In response to feedback that the QCS may be unaffordable due to unknown passenger demand, the QCS Network to be provided at QCS Commencement will be the commercial network at the point of QCS Adoption.
- (b) **Excluded services:** In response to feedback these have been clarified and classified so they are transparent and easy to identify (see section 4.5.2 for further details on Excluded services).
- (c) **Cross boundary services:** Cross boundary services providing important passenger movements within the QCS Area will be tendered as Quality Contracts to ensure that the benefits of the QCS are preserved for the entire route. Services considered as complementary to the QCS Network (which primarily serve neighbouring authority areas) have been excluded from the QCS. In response to feedback that the QCS would affect Operators outside Tyne and Wear disproportionately, certain cross boundary services have been excluded from the QCS despite providing important passenger movements in Tyne and Wear, to ensure the impact on depots outside Tyne and Wear is kept to a minimum.
- (d) **Collaboration Agreement:** A Collaboration Agreement has been developed with Northumberland, Durham and Hartlepool Councils to



respond to concerns that the QCS may adversely affect the viability of services outside the QCS Area (see section 4.11.6 for further details on the Collaboration Agreement).

- (e) **Scholars and Works Services:** Scholars Services and Works Services have been included as Quality Contracts in the QCS Proposal to ensure Operators of all sizes can participate in the QCS bidding process.
- (f) **Fares and Ticketing:** The zonal fares and ticketing structure (see section 4.6.3) has been developed and the single fares revised to respond to an Operator's concerns that many of its customers would pay more under the previous QCS proposal. Fares in neighbouring authority areas have been adjusted following feedback that fares proposed may not be affordable and would lead to capacity issues in peak times. The fares proposed, whilst still attractive, have been adjusted in this Proposal.
- (g) **Procurement:** the procurement approach has been adapted to group together services currently operated from the same depot to minimise employee concerns that there could be significant disruption to their place of work. This approach also serves to alleviate Operator concerns regarding an overly complex TUPE process.
- (h) **Allocation Arrangements:** these have been developed to provide greater detail and clarity in response to Trade Union concerns regarding allocation of employees to Quality Contracts.

- (i) **Vehicle standards:** Following further consideration, Nexus considers the Euro III engine emission standard specified during informal dialogue is too low. This has been reviewed and analysis of the current fleet has been completed. The vehicle specification in this Proposal for each Quality Contract will require all vehicles to have engines which, as a minimum, are compliant with Euro V engine emission standards.



time for change?

# Because buses matter

## Proposals for the future of bus services in Tyne and Wear



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# Introduction

The Tyne & Wear Integrated Transport Authority (ITA) is developing a proposal to introduce a bus Quality Contracts Scheme, through which the local bus market in Tyne and Wear would be both secured for the future and improved to deliver services in a way familiar to people in London and many European cities. This will deliver a simple fare structure, better value for young people, a single source for information and customer services, integrated Smartcards to make payment more flexible and encourage new users, and improvements in journey quality. Local people will also have a greater say in reviewing performance and suggesting changes to routes in their communities. These are all features of a modern integrated urban transport system that will provide the best possible value for money and contribute to social and economic wellbeing.

These improvements will be achieved through a single public body planning and managing routes, setting and collecting all fares, and re-investing a greater proportion of the profit generated into maintaining and improving bus services. In the current market public bodies have very limited influence over fares, timetables, routes and customer service standards which are set in large part by the companies which operate bus services, based on their own commercial considerations.

A Quality Contracts Scheme (QCS) would make the ITA responsible for all aspects of almost all bus services in Tyne and Wear for a ten-year period, intended to begin during 2015. Bus services would still be operated by private companies, which would be paid a fee for providing a specified service to the public under contracts of 7 to 10 years let by Nexus on the ITA's behalf, through a competitive process designed to get the best value for money.

The proposed QCS offers a way to improve bus services while providing significantly better value for money for taxpayers. The likely alternative is very unappealing – because of the reduction in public spending Nexus cannot afford to provide the range of services it now delivers using funds from local councils provided to the ITA for this purpose. To prevent a budget deficit from 2015 onwards it will be forced to withdraw concessionary child fares and cut many socially-necessary (but unprofitable) bus services, including buses to schools, which currently only run because they are paid for by Nexus, as well as other bus related services, including transport information.



Based on its assessment so far, the ITA believes a QCS is the best way to ensure buses continue to play a central role in providing a simple, affordable and integrated public transport system. It would result in significant change for bus passengers, local bus companies and their employees within Tyne and Wear and outside where those routes included in the QCS also serve parts of Northumberland, County Durham and Hartlepool. The ITA has therefore asked Nexus to undertake a statutory consultation on its behalf with the organisations and groups the ITA considers will be most affected and/or who are likely to have a material interest in the QCS Proposal. The ITA has also directed Nexus to ensure that the wider public in Tyne and Wear are kept informed about the QCS Proposal and consultation process.

This brochure is a summary intended to provide members of the public with information about the proposed QCS. It is not a consultation document. If you wish to take part in the consultation or require a more detailed understanding of the scheme you are recommended to read the full Consultation Document, which can be found at [www.nexus.org.uk/busstrategy](http://www.nexus.org.uk/busstrategy).

References within this text refer to the complete QCS Proposal, part of the Consultation Document, at appropriate points.

For alternative formats please contact Nexus on 0191 20 20 747, email [bus.strategy@nexus.org.uk](mailto:bus.strategy@nexus.org.uk) or write to Bus Strategy, Nexus House, 33 St James Boulevard, Newcastle-upon-Tyne NE1 4AX.

# Vision and objectives

The proposed QCS seeks to deliver the ITA's vision to ensure that buses continue to play a central role in providing a simple, affordable and integrated public transport system in Tyne and Wear. In order to deliver this, three key objectives are identified in the ITA's Bus Strategy:

## **Arrest the decline in bus patronage**

Over the 10 years covered by the QCS, an additional 127 million bus passenger trips would be generated compared to a continuation of today's trends.

## **Maintain (and preferably grow) accessibility**

Accessibility is a measurement of how easy it is to access city centres, employment sites, hospitals, and local services by public transport. The introduction of the QCS would immediately halt the trend of declining local bus services, and would grow them by an additional 2%. Any future changes to bus services will be determined by the ITA, taking any impact on accessibility into full account.

## **Deliver better value for public money**

Bus companies in Tyne and Wear now receive £62 million per annum in public support, subsidy or payments, the bulk of which comes from local councils through Nexus to fund the English National Concessionary Travel Scheme for older and disabled people. The balance includes the cost of secured bus services provided by Nexus, and Bus Service Operator Grants from the Government. The proposal would reduce public expenditure by Nexus on bus services by £7 million per annum from the start of the QCS, by achieving better value through competitive tendering of all bus services rather than just the secured bus services which is the case at present.

We have compared this to the consequences of not taking the proposal forward, a so-called 'Do Minimum' scenario. In this scenario, the local bus market would continue as it is with no intervention taking place, and therefore it is considered that current trends should continue. We have used these current market trends and industry and government data to forecast the situation most likely to occur with no intervention. In this scenario:

- Annual bus patronage on the services covered by the Proposal would fall progressively from 127 million today, to 109 million by the end of the 10-year period ;
- Commercial bus fares would continue to rise by 3% above the Retail Price Index each year;
- Secured Bus Services (including Scholars' Services) would be severely reduced in 2015/16, and would cease to exist by 2021/22;
- The discretionary child concessionary fare would cease to exist in 2015/16; and
- Because Nexus has a statutory duty to reimburse bus companies under the English National Concessionary Travel Scheme, the need for public funding would grow from 2021/22, despite the withdrawal of all other spending on bus services.

In this 'Do Minimum' scenario smaller buses companies would be likely to go out of business or would have to scale back their businesses to survive, due to the loss of contracts with Nexus which would cease to exist by 2021/22. The QCS represents a lifeline to such businesses as it is the only realistic option through which contracts that represent a critical element of their income can continue to be let.

# Main features of the QCS

The main features of the QCS fall into the categories of Network; Customer Proposition; Fares and Ticketing; and Information and Branding. These are summarised below:

## The network of services

The proposed QCS will cover the whole Tyne and Wear metropolitan area, which incorporates the local authorities of Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland. This is known as 'the QCS Area'. A number of QCS services will extend in and out of County Durham, Northumberland and Hartlepool although these Councils fall outside the QCS Area. The scheme is based on the current route network and it is proposed that all local bus services operating within the QCS Area when the scheme is made, except where they have been specifically excluded or have been granted a 'clearance certificate' (see Annex 2, below), will be included in the final QCS. This will ensure that virtually all bus services in Tyne and Wear are operated to a consistent standard with a common fare structure, and are managed with a standard approach to monitoring performance and governing future changes.

This network will replicate as closely as possible the existing deregulated bus network in place at the point that the QCS is formally adopted, although it will be improved by an immediate growth in bus resources of 2% (approximately 18 vehicles).

Any future changes to the QCS Network will be considered on their merits at the relevant time, will take full account of the ITA's objectives, and shall only be determined following a clear and transparent governance process. To maintain stability and improve customer confidence in the local bus network and thus increase patronage, service changes will be kept to a minimum, all of which support the objectives of the ITA.

This is set out in more detail in Annex 2 of this brochure and section 4 of the QCS Proposal, part of the full Consultation Document.



## Customer Proposition – standards and performance

A Customer Charter will state clearly what customers can expect, what performance targets have been set, and how services are performing against these. Regular performance reports will be presented in accessible formats branded and standardised to complement existing Metro charter information, reflecting an integrated public transport network. The charter will also provide information on how to contact Nexus and who will respond and resolve complaints where customers are dissatisfied.



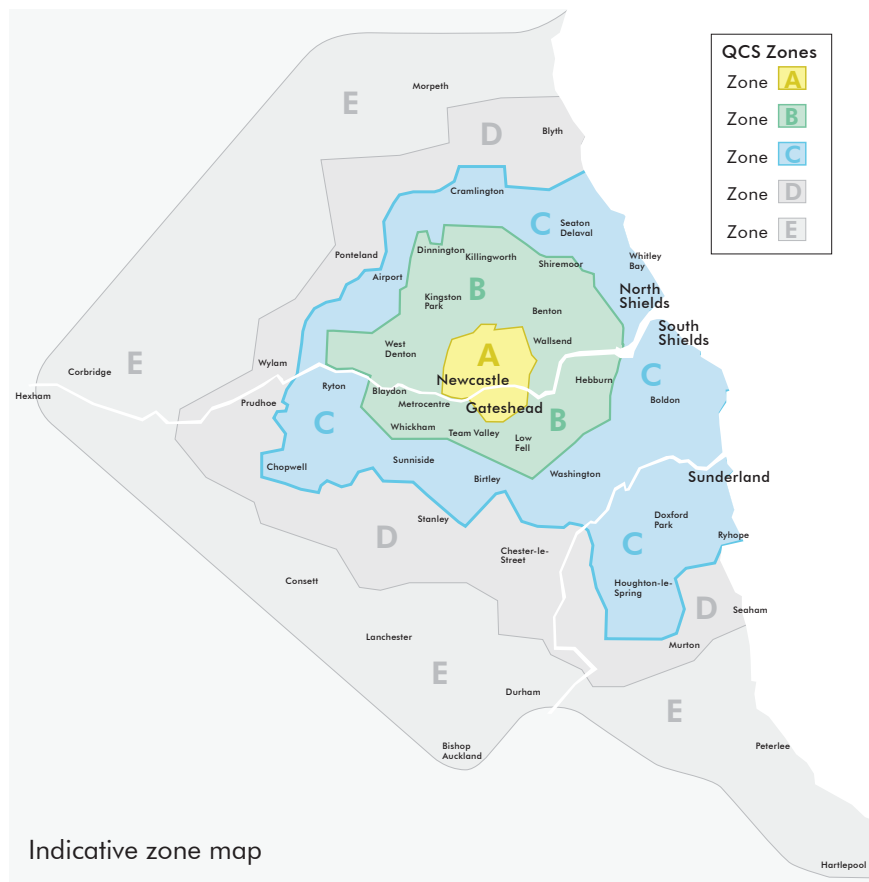
Service commitments will include: easy to identify vehicles, a minimum standard for vehicles including compulsory low-floor access and reach a certain emissions quality, extended real time information, Smart Ticketing, a central point of customer contact, consistent and improved standards of customer service and care, and enhanced marketing.

Performance standards will include: reliability, punctuality and customer satisfaction.

A bus Performance Management System (PMS) will be included in all contracts with bus operators to incentivise them to deliver a high quality and high value for money service. The PMS will focus on measures that are most important to passengers. Poor performance will be penalised and good performance incentivised, while the PMS could influence whether bus operators are eligible for contract extensions.

## Fares and ticketing

The proposed QCS includes a completely new fares structure that consists of: single trip, all day, weekly, four weekly and annual tickets. The fares structure, including products and pricing, will be exactly the same for all bus services, Metro and other public transport services. Each ticket type will have two variants: single mode and multi-mode. All ticket products will be zone based, making prices simple and easy to understand. There will be five large fare zones with three of these covering an area broadly within Tyne and Wear, and the remaining two cover services operating in Durham, Northumberland and Hartlepool.



This fares package will apply throughout the route of a bus service should this extend outside Tyne and Wear. Smart Ticketing will be available on all buses and will include fare capping, providing customers with a “best price guarantee” capped at the cost of the equivalent day ticket.

Discounted tickets with a single low price for all public transport will be available to children under 16, and for the first time for young people aged 16 to 18 and students, regardless of where they live.

The detailed fares structure and examples of fares for each zone and for different age groups, based on prices at November 2012, is set out in more detail in Annex 1 of this brochure and section 4 of the QCS Proposal, part of the full Consultation Document.

The overall fares package will affect approximately 81 million fare paying bus journeys per annum. The proposed adult ticket prices should maximise the number of bus trips where the price will reduce or stay the same, keeping any increased costs to a minimum. The average fare paid will reduce by 2.5% (£0.03) in Tyne and Wear based on the most recent recorded patronage. Based on current data, 69% of adult fares in Tyne and Wear will cost less than now, 12% will cost the same, 17% will cost up to £0.50 more, and 2% will cost over £0.50 more. It is intended that for the 10-year duration of the QCS, subject to exceptional and/or unforeseeable cost pressures, average fare increases will be no more than the Retail Price Index and will only change once per year.

Customers eligible for free travel under the English National Concessionary Travel Scheme (ENCTS) will continue to be carried free of charge. There will be a new local enhancement to the ENCTS, permitting all day travel on bus, Metro, Ferry and Sunderland to Newcastle local rail for an annual fee, replacing the existing Metro Gold Card and available to any cardholder regardless of home address.

## Information and branding

The identity for buses will use an already established red “Buses” brand seen at bus stops and online across all marketing and information, which fits in with other modes like Metro. Buses themselves will take on a new identity based on this during the first year of a QCS. The use of this brand is aimed at marketing and promoting confidence in bus travel within a wider and integrated public transport use.



Nexus will be the single point of contact for public transport information, enabling customers to receive advice and information from a single source for a fully integrated public transport system, and give feedback or complain when things go wrong.

Information for all public transport journeys will be available in many ways including: Travel Shops, a local-rate customer services helpline, and digital media, as well as at bus stops, interchanges and on buses themselves.

Nexus intends to provide real-time information for all buses, so passengers can see when the next departure is due at their stop, in some cases through on-street information or via a smart phone or website.



## **How decisions will be made**

The ITA intends that customers and community representatives will have a much greater say in how services are run, including a transparent consultation process for suggested changes to routes and timetables. Under the proposed QCS an ITA Bus Committee will be responsible for overseeing the operation of the QCS Network in a way that achieves the ITA's objectives equitably, economically, efficiently and effectively within the budget established by the ITA.

Local Bus Boards will be established as advisory working groups to monitor and review the performance of the network at a local level, advising the ITA Bus Committee and developing local approaches to improving bus service delivery including punctuality and reliability. A Local Bus Board will be established in each of: Gateshead, North Tyneside, Newcastle, South Tyneside and Sunderland.

The QCS Network will be reviewed each year through an annual development cycle led by the ITA and taking account of consultation and recommendations from local Bus Boards. This will provide a consistent approach to decision making, allowing for transparency within a process that includes customer involvement. If there is a need to change routes or timetables outside this cycle an emergency process will allow this to take place, in order to continue delivering the QCS bus services within available resources.

The ITA Bus Committee will consult with 'Cross-boundary Groups' set up to oversee the interface with adjacent areas before taking any decisions which may impact on services which extend into neighbouring authority areas.

## **Procurement of contracts**

The QCS as a whole will be made up of a large number of individual contracts let by Nexus on behalf of the ITA, to bus companies. It is proposed that these will be structured as follows and let in two rounds, though all will start at the same time:

### **Round one:**

- 3 multi-service contracts of between 227 and 275 vehicles each.

### **Round two:**

- 25 mini/midi bus contracts of between 1 and 8 vehicles each;
- 8 taxi bus contracts for 1 vehicle each; and
- 95 works and services to schools contracts for 1 vehicle each.

This structure will provide realistic opportunities to bid for individual contracts to operators of all sizes. Round one contracts will be awarded on the basis of the most economically advantageous tender, one which balances quality and cost; whereas compliant bids for Round two contracts will be evaluated on price only. Contract durations will be for 7 years plus an extension of up to 3 years.

The contracts will be let on a gross cost basis. The ITA will determine the fare structure and pricing approach to ensure integration and therefore will also collect all fare revenue and retain the risk in doing this, while also being able to re-invest surplus money. Bus companies are forecast to be able to make a reasonable profit from the payments they would receive, while being incentivised by the Performance Management System to deliver a high quality service.



# Issues around setting up a QCS

## Risks

In drawing up this proposal we have identified the key potential risks to successful delivery of the QCS so these can be assessed and mitigated where appropriate. Nexus is satisfied that the QCS is affordable and deliverable within acceptable tolerances.

The key risk identified is in the day to day management of the individual contracts and ensuring that these are performed in accordance with their terms. Nexus is a public body with experience of managing large and complex contracts, including the current concession to operate Metro trains and stations, which is similar in size to each of the three large contracts within the QCS Proposal. It also delivers an annual asset renewal programme of c.£35m on the Tyne and Wear Metro involving programme management of multiple complex projects delivered through a large number of high value and complex works contracts, and secured bus service contracts with a combined gross value of £15m a year, while the ITA manages the contracts for delivery and operation of the Tyne Tunnels.

A QCS will only proceed if the ITA is satisfied that contracts can be let at a price that is affordable and it provides the benefits it is seeking. If the QCS were abandoned immediately prior to contract award the wasted cost of developing the scheme could be in the region of £1.5m, but we believe the chance of this is low and the risk acceptable. This estimate does not include extraordinary costs that might arise from any legal challenge or other factors outside our control.

There is a risk that an existing bus company could withdraw some or all services while a QCS is being established. While we believe the risk of this is low and there is a reasonable prospect that another operator would take the opportunity to fill any gaps in service created, Nexus will as a last resort make contingency arrangements to procure services on a temporary basis if required.

In managing bus services the ITA must ensure that income generated from fares and other sources is greater than the cost of providing services, to avoid a budget deficit. Nexus will be responsible for forecasting and managing fare revenue of around £100m a year to achieve this. It is well-placed to do this having managed a 'revenue risk' on Metro since 1980 that now stands at around £37m a year; it also manages revenue risk of £3.5m a year on secured bus services and the Shields Ferry. Bus services as a whole in Tyne and Wear generate a profit at the moment and the proposed QCS is aimed at making improvements to maintain and possibly grow passenger numbers, and with that fares income.



The proposal allows for £78m in risk contingency over the 10 year duration of the scheme, to allow for costs associated with fare revenue or inflation being different to that forecast, costs associated with employees transferring to new jobs as contracts are set up, and responsibilities under collaboration agreements with neighbouring authorities (see below). If some or all of this contingency was not required this would add to the overall benefit from the QCS. In addition, contracts will be let in such a way that a small degree of flexibility will be permitted in terms of modifying operating costs from year to year.

Our forecasts are based on current levels of funding from Government for the English National Concessionary Travel Scheme and Bus Service Operators Grant. If funding for the English National Concessionary Travel Scheme changes during the life of the QCS we may have to review the requirements of the QCS, but this would have an equally serious impact on the 'Do Minimum' scenario. If Operator Grant funding was to change we may have to review fares and the bus service network to take account of this.

## **Impact on bus company employees**

In the 'Do Minimum' scenario we estimate that over 300 bus employees' jobs – approximately one in seven drivers across affected depots - will be at risk as secured service contracts including school buses are withdrawn from 2015 onwards. By contrast, under a QCS there will be more local bus employees' jobs created as the overall number of services begins to grow. The proposal provides job security with companies that would have contracts of at least seven and up to ten years with Nexus. Improvements in customer service will depend on a stable, professional and experienced workforce with employers making a commitment to develop staff.

All bidders for contracts under the QCS will have to explain how they will maintain a stable, high quality workforce, including past experience of looking after TUPE transfers and recruitment policies. Training and standards will be made consistent across different contracts. Trades union representatives will be invited to join Local Bus Boards and attend the ITA Bus Committee when relevant items are to be debated.

The Transport Act 2000 (as amended) protects the interests of bus company employees as a Quality Contracts Scheme comes into force, should their employer fail to secure contracts for the local services where they are employed.

A legal protection called 'The Transfer of Undertakings (Protection of Employees) Regulations' 2006 or TUPE applies to anyone principally connected with services which move to a new company, including drivers, maintenance staff and others. This means those employees would automatically move to any new operator with their existing terms and conditions. In the case of a QCS, a new operator would also have to provide the same or broadly similar pension benefits, something which does not normally apply under TUPE. It would also have to recognise all union and collective bargaining agreements in place.

Where existing services move to a new depot there will be consultation with existing operators and unions on the detail of allocation arrangements that determine which employees move to what new contracts, particularly where this might mean a change of depot. Protection will be put in place to minimise the risk of compulsory redundancies for employees principally connected with local services within a QCS; for example a company with too few drivers will be obliged to offer vacancies to a 'surplus pool' of existing employees from other companies before recruiting elsewhere. The details for this protection will be established in consultation with unions, but it effectively provides a guarantee of no compulsory redundancies to impacted staff during the transition period.

A union representative will be recruited to work alongside a Nexus facilitator in completing the allocation of employees to operators and depots, where these change. There will be travel allowances or payments for any employee required to move to a different depot at the start of a QCS, set up in consultation with unions.

### **Bus Services in Durham, Northumberland and Hartlepool**

Care has been taken when designing the QCS to ensure that its introduction does not of itself adversely impact the provision of bus services in any other local authority areas. However it does introduce the potential for unforeseen risks to occur in adjacent areas, and so a proposed Collaboration Agreement is set out in the proposal, to which it is intended that the ITA, Nexus, Northumberland, Durham and Hartlepool Councils will be parties. The proposed Collaboration Agreement has been designed to provide stability and protect services in neighbouring authority areas.

### **Proposed Combined Authority**

There is currently under review a proposal for a combined authority which will include the existing local authorities encompassed by the ITA as well as Durham and Northumberland County Councils. Nexus has concluded that the QCS as currently proposed remains the preferred option for the area covered by the QCS and is justified on its own merits and that this conclusion is unlikely to be affected by the proposed introduction of a combined authority.

## Affordability

Based on the best available estimate of the likely cost and revenues, forecasts made using established commercial analysis confirm that the proposal is affordable. The ITA and Nexus are required to set a balanced budget in advance of each financial year, and any surplus or deficit arising from the proposed QCS will be taken into account in the budget setting process. To provide for any unforeseen circumstances, a level of risk contingency, considered to be appropriate, has been included within an affordability model.

This is set out in more detail in section 5 of the QCS Proposal, part of the full Consultation Document.

## The Public Interest Test criteria

Under the Act, an authority making a QCS must be satisfied that five “public interest” criteria are met. These criteria are that:

- the proposed QCS will result in an increase in the use of bus services in the QCS Area;
- the proposed QCS will bring benefits to persons using local services in the QCS Area, by improving the quality of those services;
- the proposed QCS will contribute to the implementation of the local transport policies of the ITA;
- the proposed QCS will contribute to the implementation of those policies in a way which is economic, efficient and effective; and
- any adverse effects of the proposed QCS on Operators will be proportionate to the improvement in the well-being of persons living or working in the QCS Area.

This is set out in more detail in section 6 of the QCS Proposal, part of the full Consultation Document.

The ITA is of the view that the five public interest criteria are met by the proposed QCS summarised above and that if it was taken forward, the scheme would be proportionate under section 124(1)(e) of the Act. Further detail is available in section 6 of the QCS proposal, part of the full Consultation Document.



On this basis the ITA decided to enter into a statutory consultation on the proposed QCS. This consultation must take place with those organisations set out in the Transport Act 2000. The list of statutory consultees is:

- all persons operating local services in the QCS Area, bus operators (actual services);
- all other persons holding a PSV operator's licence or a community bus permit who would, in the opinion of the authority or authorities, be affected by it;
- such organisations appearing to the authority or authorities to be representative of users of local services as they think fit;
- any other relevant local authority any part of whose area would, in the opinion of the authority or authorities, be affected by it;
- the traffic commissioner for each traffic area covering the whole or part of the QCS areas;
- the chief officer of police for each police area covering the whole or part of the QCS Area; and
- such other persons as the authority or authorities think fit. The Tyne and Wear ITA has included trades unions with members employed in the bus industry.

This consultation will be open from Tuesday, 30 July to Tuesday, 5 November 2013. A summary of the consultation and any suggested changes to the QCS Proposal arising from it will be presented to the ITA once it is completed.

This brochure is a summary intended to provide members of the public with information about the proposed QCS. It is not a consultation document. If you wish to take part in the consultation or require a more detailed understanding of the scheme you are recommended to read the full Consultation Document, which can be found at [www.nexus.org.uk/busstrategy](http://www.nexus.org.uk/busstrategy).

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# Annex 1

## Fares and Ticketing

## Proposed adult single ticket prices

Single trip on one mode of transport

1 zone	2 zone	3 zone	4 zone	5 zone
£1.30	£1.90	£2.50	£3.20	£4.20

## Proposed adult multi-trip ticket prices

Multi-trip on one mode of transport

	1 or 2 zones	3 zone	4 zone	5 zone	All modes add-on
Day	£3.50	£4.40	£5.40	£6.40	+£1.60
Week	£12.50	£15.50	£19.00	£22.50	+£8.00
4 Week	£44.00	£55.00	£66.00	£78.00	+£24.00
Annual	£485.00	£605.00	£726.00	£858.00	+£264.00

All tables in Annex 1 give indicative prices for the most common fares at November 2012 prices.

# Annex 1

## Fares and ticketing

### Key principles

A new simple ticketing structure is proposed consisting of: single-trip, all-day, weekly, 4-weekly and annual tickets. This structure will also be introduced to all forms of public transport already within the ITA's control and will therefore cover: bus, Metro, Shields Ferry, and National Rail travel between Newcastle and Sunderland. Each ticket type will have two variants: single-mode (for example for travel on bus only or Metro only) and multi-mode (for travel on a combination such as bus and Metro, or bus, Metro and Ferry). This will be easier to promote and will help to attract new users to the bus network, as part of an integrated transport system.

It is proposed there will be five large fare zones covering the QCS Network. Three of these zones cover an area broadly within Tyne and Wear, and the remaining two cover services operating in Durham, Northumberland and Hartlepool. A zonal structure offers the best potential to grow patronage while being affordable for both customers and the QCS.

The fare charged will depend on the number of zones to be travelled through. The fare paid does not vary based on the actual zone – in other words a trip wholly within zone B costs the same as a trip wholly within zone C, and a trip from zone A to zone C (3 zones) costs the same as a trip from zone C to zone E (3 zones).

All tables in Annex 1 give indicative prices for the most common fares at November 2012 prices.

In the tables 'one mode' means the customer can choose a single mode of travel (bus, Metro, Shields Ferry and Sunderland-Newcastle rail) and the ticket will be valid only on that mode. By purchasing an 'all modes add-on' to a day or season ticket, the customer can make it valid for all public transport. There will be a separate fare structure for the small number of night bus services that now exist.

Weekly tickets are priced at 3.5 times the cost of a daily ticket, and four weekly tickets at 3.5 times the price of a weekly ticket, to appeal to regular travellers. Annual tickets are priced at 11 times the price of a 4-weekly ticket offering a discount in return for loyalty and up-front payment.

This section provides more detail of fares and ticketing in the proposed QCS.

This is set out in more detail in section 4 of the QCS Proposal, part of the full Consultation Document.



The indicative fare tables do not necessarily represent the actual fares that customers would pay were the QCS to be adopted. If the ITA decides to formally adopt a QCS it will set up a Bus Committee which will consider changes to proposed QCS fares which may be appropriate for when contracts start (for example because of inflation), at which point the fare structure and approach to ticketing will be introduced. When a QCS starts; season tickets bought from Network One, and all bus company weekly and four-weekly tickets, will remain valid on new QCS services until they expire. Holders of bus company annual tickets will be required to obtain a refund from the ticket issuer, and buy a new annual ticket from Nexus for QCS services.

Proposed ticket prices have been established to maximise the number of trips where prices either fall or stay the same, while keeping any increased prices to a minimum. Overall the average fare paid would reduce by 2.5% (£0.03) in Tyne and Wear at the start of a QCS, based on recent recorded patronage.

Based on current data, 69% of adult fares in Tyne and Wear will cost less than in the current situation, 12% will cost the same, 17% will cost up to £0.50 more, and 2% will cost over £0.50 more.

## Fares for children and young people

A key benefit of the existing universal child concessionary fare scheme provided by the ITA is that the 'Child All Day' (CAT) ticket provides multi-modal travel at a fixed price, valid in all zones but currently limited to Tyne and Wear. Since 2008 this has helped increase the number of journeys made by young people on public transport.

The ITA proposes to extend this scheme to anyone of eligible age, regardless of their home address, using a Smartcard to prove eligibility. It will be valid on any form of public transport under the ITA's control, including QCS services operating in Northumberland, Durham and Hartlepool for any journey along their routes. Indicative (2012) fares for children under the age of 16 remain as today, along with a new fare for children not in possession of a Smartcard.

### Proposed fares for children under the age of 16

Ticket Type	Under 16 with photocard (multi-modal, all zones)	Under 16, no photocard (multi-modal, all zones)
Single	£0.60	£0.80
Day	£1.10	£1.50
Week	£7.50	-
4-week	£30.00	-

Young people aged 16-18 will benefit from new fares open to all, regardless of their home address or educational status, again using a Smartcard. Fares for 16-18 year olds will cover all public transport under the ITA's control, including QCS services operating in Northumberland, Durham and Hartlepool for any journey along their routes. Indicative (2012) fares are as follows:

### **Proposed fares for 16-18 year-olds**

Time Period	16-18 (multi-modal, all zones)
Week	£7.50
4-week	£30.00

Students aged over 18 will benefit from new fares priced per zone. To qualify, students must prove that they are in full-time education in a recognised educational establishment and apply in advance for a Smartcard (with a photo).

### **Proposed fares for students in full-time education**

	1 or 2 zones	3 zone	4 zone	5 zone
Week	£10.50	£14.00	£16.50	£18.50
4 Week	£42.00	£47.50	£54.00	£61.00
Term	-	-	-	£140.00

## **Fares for older and disabled passengers**

Customers eligible for free travel with an ENCTS card for older and disabled people will continue to be carried free of charge. A new local enhancement is proposed, permitting all-day travel on bus, Metro, Shields Ferry and Sunderland-Newcastle local rail for an annual fee of (currently) £25. This would replace the existing Metro Gold Card which is valid for off-peak travel only. Other local enhancements to ENCTS in Tyne and Wear, Durham and Northumberland are proposed to continue unchanged.

## **Fare changes and how tickets will be sold**

Fares will be reviewed each year by the ITA in consultation with Local Bus Boards, and Northumberland, Durham and Hartlepool councils. For the duration of the QCS the ITA will consider an annual general increase to come in each April, and weighted to be no more than the Retail Price Index measure of inflation measured in October of the previous year, except where there are exceptional and/or unforeseeable cost pressures.

Single, day and weekly tickets will be sold on board buses as cash or Smartcard 'pay as you go' products. A daily price cap will ensure a smart 'pay as you go' customer does not pay more than the relevant daily ticket for the zones and travel modes used. Four-weekly and annual tickets will be available on Smartcards and sold through 'Payzone' retail outlets including local shops in the region, on-line and at Metro Ticket Machines and Nexus Travel Shops.

Nexus will offer an expanded range of corporate and bespoke products under the QCS, replacing those currently sold to businesses and employers by bus companies and Network One, with discounts for bulk purchase. This will also include match-day travel tickets for football fans.

Operators providing Category B excluded services will be required to accept valid QCS multi-trip and concessionary tickets, for which they will be reimbursed. They will be free to set their own fare structures for all other ticket types.

# Annex 2

## Network



# Annex 2

## Network

This section describes which bus services would be included in a QCS Network and therefore come under the control of the ITA, which would collect all fares revenue and through Nexus set and manage performance standards and quality.

All local buses that operate within the county of Tyne and Wear will be included in Quality Contracts, unless the ITA chooses to exclude a specific service, or grants it a Clearance Certificate. The QCS Network does not include any local buses whose route is wholly outside Tyne and Wear, although the ITA may deem it appropriate to work with other local councils to provide such services.

The base bus network assumed in the proposal is that which existed on 12 November 2012. There have and will be some changes to this network by current bus operators before the date on which any QCS may be formally made. On the assumption these will be modest Nexus suggests that if the ITA decides to formally adopt a QCS, it should adopt the network at that date, providing reassurance to customers and key stakeholders and minimising financial risk. If there are larger unforeseen changes they would need to be taken into account, and their effect on the QCS assessed.

At the point of QCS Adoption the number of vehicles required to deliver the base QCS Network will be confirmed, and then a 2% increase applied, providing around 18 additional vehicles when contracts start. This will provide an immediate improvement in the network. The deployment of these vehicles will be determined by the ITA Bus Committee in consultation with the Local Bus Boards.

The QCS Network will evolve through time in order to maintain or grow accessibility and financial sustainability. Future changes will be made in accordance with the governance process and based on public consultation.

This section sets out in more detail the network in the proposed QCS.

Please see section 4 of the QCS Proposal, part of the full Consultation Document.

There are two types of service, labelled Category A and Category B, which it is proposed will be excluded from the QCS scheme.

Category A includes excursions, sightseeing tours and buses for people going to specific events, community services such as weekly links from sheltered accommodation to supermarkets, rail, Metro and ferry replacements, buses to and from places outside Tyne and Wear that only stop a few times in the area, national coach services not allowing travel solely within the area, and local buses operated under contracts to Durham or Northumberland County Councils which also serve parts of Tyne and Wear.

Category B includes (as of 12 November 2012) 27 services considered complementary to the Tyne and Wear network but which predominantly serve County Durham and Northumberland, and four services to and from Blyth and Ashington which are considered integral to the Tyne and Wear network but which have been excluded following consultation with employee representatives and Northumberland County Council. These can continue to operate within Tyne and Wear as long as they meet vehicle quality standards and accept valid QCS multi-trip and concessionary tickets, for which the operator will be reimbursed. Future variations to routes, timetable and stopping locations in Tyne and Wear will only be allowed where these do not have an adverse impact on QCS services.

Once the QCS has started, new services that private companies wish to introduce would have to apply for a Clearance Certificate. This is a certificate which permits the delivery of a registered local bus service within the defined QCS Area. It is provided when the Local Transport Authority is of the view that a new commercial service will not have an adverse impact on the QCS.



Find out more  
**[nexus.org.uk/busstrategy](https://nexus.org.uk/busstrategy)**

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time for change?

## Bus strategy consultation responses

Reference and date	Response
<b>Ref PIP005</b> 31 August 2013	<p>About time...</p> <p>Child fares have just gone up by 20% from 70p to 85p. I have to pay £5 per child to purchase a pass for the privilege of buying them a return ticket. My husband occasionally catches the bus to work - he has to take either 2 buses or the metro and the bus. The only feasible ticket option he can buy is an all day ticket from one bus operator, but he is then stuck with that operator for the entire journey, with no flexibility over which bus co he uses for the second bus, often waiting for several other buses to pass before one turns up he can use.</p> <p>We've lived for 10 years with the threat of our local bus service (33) disappearing as it is not profitable - profit on individual routes should not matter. Bus companies are supplying a service, this should come first. They make enough profit from all bus users in the city overall, so one "unprofitable" route that serves several local communities should not be under threat at all.</p> <p>Anything that makes it easier, more flexible and cheaper for everyone to catch a bus has to be a good thing for this city.</p>
<b>Ref PIP006</b> 1 September 2013	<p>I am a user of buses in Newcastle and wish to make the following comment about the bus strategy that is being consulted on.</p> <p>As part of the quality requirements, I as a bus passenger, would want advertising that covers or part covers bus windows to be banned, or severely restricted. In recent years some buses have had the whole of some windows covered in adverts, with only small holes to permit light to enter. This creates a dingy and grey view of the world. This is particularly disruptive at the front of the top of double decker buses which otherwise can provide a very pleasant and attractive view. Preventing such covering of windows would improve quality for passengers and, at least in my case, make me more likely to use buses.</p>







time for change?

## Bus strategy consultation responses

Reference and date	Response
<b>Ref PISC001</b> 13 September 2013	<p style="text-align: center;"><b>Submission by Tyne and Wear Public Transport Users Group</b></p> <p>PTUG continue to back Quality Contract Schemes (QCS) as the best way forward for bus passenger, the other two options Do Minimum (DM) and Voluntary Partnership Agreements (VPA) would cost more and lead to a further decline in the numbers of people who both travel on, and pay bus fares in Tyne and Wear.</p> <p>For those who made the 9.5 million journeys in Tyne and Wear aged under 16 on buses each year their Concessionary Travel Card will only be protected by supporting the QCS, because both (DM) and (VPA) would faze them out in 12015/16</p> <p>Those who made the 9 million bus journeys in Tyne and Wears, on bus services which are secured and not commercial bus services will also back QCS, because both DM VPA would stop them in 2021/22</p> <p>Those who made the 45.7 million journeys in Tyne and Wear each year, with their English National Concessionary Travel Scheme (ENCTS) card, will back the QCS because the DM and VPA would make it unaffordable by 2021/22, also an enhanced ENCTS scheme would give all day travel on buses, Shields ferries, Metro and Newcastle to Sunderland trains for £25 with QCS. Plus only the QCS would retain the Taxi Card Services membership for the 3,000 Tyne and wear disabled travellers beyond 2021/22.</p> <p>Children who travel on secured buses to school, and workers who use secured buses to get to work, will be pleased their services will be retained and also have a special QCS of their own, which will be different from a commercial bus QCS, as will disabled members who are registered with the Taxi-Card Service.</p> <p>QCS will stop and reverse the decline in bus usage by 17 million journeys over 10 years, DM will lose 110 million journeys over the same period, and VPA 105 million. If you want more fare paying bus passengers you would back QCS and reject both DM and VPA.</p> <p>QCS will save £7 million each year for 10 years, a saving for the people of Tyne and Wear of a total of £70 million, the VPA would save more than DM by £360k plus inflation each year for 10 years, a total saving for the people of Tyne and Wear of £3,600k. If you want value for money you would back QCS and reject both DM and VPA.</p> <p>Tyne and Wear Public Transport Users Group has representatives of the under 16 year olds, and those eligible for ENCTS, plus disability groups, workers and children who use secured bus services, and that is why we support QCS and reject DM and VPA.</p> <p>We as an established community organisation, with a base in all five boroughs in Tyne and Wear, and an organisation representing a wide range of public-travellers in Tyne and Wear, request a couple of places on the ITA Bus Committee, and a couple of places on each of the five Local Bus Boards.</p>





time for change?

## Bus strategy consultation responses

Reference and date	Response
<b>Ref PIP007</b> 10 September 2013	<p>I am not quite sure you are the right addressees for some of my suggestions, but as I live in the Wingrove Ward, I thought I'll just share my views with you.</p> <p>After having been abroad for a while in the last months, on my return to Newcastle I was again struck by the impracticality of the public transportation system here: why can't we get an Oyster-Card style system to use around the town? Surely the situation can't be more complex than that in London or Berlin? The way it is done at the moment with 29 different tariffs (!!!!) on the Nexus site is just off-putting and byzantine. Why can't we have an overall pass, that one can charge and use as one goes on Bus and Metro, with a maximum cap for the day, without taking a monthly pass or one of the mutually excluding dayrider systems? Or why can't we buy carnets? In fact buying tickets with the driver considerably slows down bus travelling. It has practically disappeared all over Europe in favour of pre-paid Oyster-style cards, or carnets that one can buy in local shops. Could we not take a similar route and modernise the system, rendering it more efficient and attractive?</p> <p>Secondly, what will be the outcome of the money the government promised for cycling paths? Will Newcastle get some decent cycling paths, and will there be one along Nuns Moor Road? I love cycling, but the absence of cycling paths has deterred me from taking the bike more often. Finally, I have a folding bike: folded up is not bigger than a small bag you take on a plane. Yet some bus drivers have refused to take me on their bus despite the fact, that it was properly folded up and the bus practically empty. Why can folding bikes go on the tube in London, but not on the bus in Newcastle, why can they take baby buggies but no folding bikes? I do not get this at all. I think that the aim everywhere should be to encourage 'green travel' not to discourage it. I am not asking for Dutch standards (.... or for 'Boris bikes'....), but it would be good to get away from the totally retrograde mentality that deters people from using the public transportation system and/or cycling</p>



Ref PIP008

13 September 2013

1 of 3

**BUS STRATEGY DELIVERY PROJECT.**

April 2012

I am sending you this communication on behalf of the  
**Older People's Forum (North Tyneside).**

Two recent consultation events on the 19<sup>th</sup> and 22<sup>nd</sup> of March organised by the Older Peoples Forum were devoted to consideration of Public Transport in general, with particular reference to bus services in North Tyneside and their impact on the quality of life of older people. In excess of 50 older people attended altogether and the meetings benefited from contributions by representatives of the Integrated Transport Authority, NEXUS and both elected members and officers of North Tyneside Council.

A significant part of our discussion related to consideration of options currently under consideration for reorganisation of bus services in our area.

At both meetings the overwhelming majority favoured the **Quality Contracts** approach, rather than a **Voluntary Partnership Agreement**, which was regarded as a no change, no improvement option.

**Broadly the main reasons for our preference are:-**

- We believe that the partnership of Nexus, in conjunction with council elected members and officers and, importantly with the involvement of bus passengers as service users, will provide a better basis for achieving a service that will meet the needs of public transport service users.
- The successful TFL (Transport for London) model was frequently quoted as a good example of what could be achieved.
- Cooperation is preferable to competition in the provision of an equitable public transport service. An integrated network for transport provision has to be better than independent operators bidding for customers.
- Any operating surplus will be ploughed back to improve the service rather than to fund profits for the bus operators.
- An integrated timetable along with a single pricing and ticketing system will be fairer as well as less confusing than the present arrangements.
- And, of course, there will still be a need for accountability and close monitoring of performance.

There was broad support for the 14 key benefits set out in the Bus Strategy Delivery Project document under the headings of Transparency, Simplicity and Value for money.

However, many people attending our meetings were clearly **not** happy with the quality of service currently being experienced and were looking for a significant improvement.

**Availability, reliability and accessibility** of bus services were all seen as major problems. As requested, I am attaching a simple listing of the main issues and concerns raised at the meetings.

**Ref PIP008**

13 September 2013

**2 of 3**

## **Why we agree with Quality Contracts for Our Buses in Tyne and Wear**

Nexus and the ITA give the bus operator £62 million each year, this is money Nexus receives from the five Councils in Tyne and Wear, and this is for secured bus routes and concessionary travel.

Nexus and the ITA want to introduce a London style integrated transport system in partnership with the bus operators, with tickets useable on all forms of public transport, and all at the same price, easy to use and understand instead of the 105 pricing and ticketing arrangements the public now have to endure in Tyne and Wear. Today the bus operator are required to give only 56 days for consultation about a change of a bus route and if as little as 19 people vote to change the routes as suggested by the bus operator and say 9 opposed, the change would proceed. Nexus want an annual consultation carried out in depth and over a much longer period of time before bus routes are changed.

Should the bus operators exclusively run our bus service in Tyne and Wear, bus operators have to serve the interests of their shareholders and directors as well as the travelling public, or should Nexus and the ITA establish an equal and complementary partnership, which could agree the best deal for bus passengers.

We as bus passengers welcome the role offered to us in law on Quality Contracts, which gives bus users and groups representing bus users a major role in shaping the public service that the bus industry is.

The only way that any group can represent public transport users is if they are independent of bus operators, and able to add their voice to any good proposals the Nexus policy advisors come up with. If we say the bus operators don't need to hear what we the bus users say because they know better than bus users what we want from a bus service, then there is no need for a transport users group, equally if we don't have a policy of supporting or opposing proposals from Nexus, we would lose our independence ,

Bus users and especially those who take the time to join a public transport users group see that the bus operators have a lot of detailed knowledge essential to running a public bus services, and so has Nexus/ITA and the present system is too un-coordinated and needs planning, if we are to ever get a bus service on par with London it will only come with Quality Contracts agreed in Partnership.

We as bus users must use this opportunity to say the consultation afforded to us from the bus operators thus far is inadequate, and we see a chance to have a better relationship with the bus operators in advising them and Nexus on how to improve our bus services in Tyne and Wear with Quality Contracts



**Ref PIP008**

13 September 2013

**3 of 3**

I am sending you this communication on behalf of Friends of the Earth (North Tyneside).

Following attendance at recent consultation events and further discussion at our own meetings, we thought it was important to let you, as our North Tyneside Council representatives on the Integrated Transport Authority, know our views.

At last week's meeting it was unanimously agreed that we favour the **Quality Contracts** approach, rather than a **Voluntary Partnership Agreement**, which we regard as a no change, no improvement option. We will, of course, be sending our views to Nexus but would be grateful for your support. We would welcome the opportunity of discussing this important issue with you face to face if that could be arranged.

Broadly the main reasons for our preference are:-

We believe that the partnership of Nexus, in conjunction with council elected members and officers and, importantly with the involvement of bus passengers as service users, will provide a better basis for achieving a service that will meet the needs of public transport service users.

Cooperation is preferable to competition in the provision of an equitable public transport service.

Any operating surplus will be ploughed back to improve the service rather than to fund profits for the bus operators.

An integrated timetable along with a single pricing and ticketing system will be fairer as well as less confusing than the present arrangements.

And, of course, there will still be a need for accountability and close monitoring of performance.



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REPORT FOR INFORMATION

**DATE:** 10 October 2013

**SUBJECT:** Tyne Pedestrian and Cyclist Tunnels (TPCT) – Phase 3 Improvement Works Update

**REPORT OF:** Project Director to the New Tyne Crossing

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## PURPOSE OF REPORT

This report informs members of progress with the Phase 3 Improvement Works and the associated arrangement to maintain this cross Tyne link for users.

## RECOMMENDATIONS

The Group is recommended to note the progress made to date.

## BACKGROUND DOCUMENTS

Report to the Authority dated 22 July 2010 TPCT – Investment Proposals

## CONTACT OFFICERS

*Paul Fenwick*

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*0191 211 6058*

## IMPACT ON OBJECTIVES

To support economic development and regeneration	Positive
To address climate change	Positive
To support safe and sustainable communities	Positive



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## **1 Executive Summary**

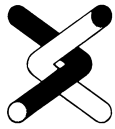
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- 1.1 This report informs the Group of progress on the Phase 3 Improvement works.

## **2 Introduction and background**

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- 2.1 The major maintenance liability for the TPCT was retained by the Authority in the Project Agreement entered into with TT2 Ltd on 23 November 2007. On 2 February 2010 the TWITA gave approval for the award of a contract for the modernisation of the lifts. Works duly started on site in March 2010 and were completed in December 2010. In the meantime, the escalators continued to experience difficulties (and in summer 2011 the last escalator in working order failed and has not operated since).
- 2.2 In July 2010 the Authority considered the future for the TPCT and in reaffirming their importance as a sustainable and important piece of transport infrastructure set a budget of £6m for the Phase 3 Improvement Works. These works primarily entail the removal of 2 of the 4 escalators and the installation of 2 inclined lifts and the complete overhaul/replacement of the Mechanical & Electrical systems.
- 2.3 The TPCT is a Grade II Listed Building and a Conservation Plan was developed by the New Tyne Crossing (NTC) Project Team in 2009. Any works to the fabric of the TPCT requires Listed Building Consent. The details for the Phase 3 Improvement Works were developed in early 2011 in sufficient detail to accompany an application for Listed Building Consent (LBC). An application was lodged with the Local Planning Authorities (LPAs) in April 2011. The application was given careful consideration and scrutiny by the LPAs and LBC was finally granted in October 2011 but with a number of conditions. The major elements of the conditions related to the inclined lifts – the major change to the TPCT in the Phase 3 Improvement Works.
- 2.4 The OJEU Notice for the procurement of the main contractor was issued on 18 November 2011 and the tender documents issued to the short-listed contractors on 20 July 2012. The tender documents returned on 3 September 2012 and were evaluated by the project team.
- 2.6 Details of the tender evaluations were presented in a confidential report to the Delegated Committee of the Authority on 12 October 2012. Approval was given to accept the tender submitted by GB Building Solutions (GBBS) and the overall budget was adjusted to £6.5m to reflect the tender returns and price fluctuations



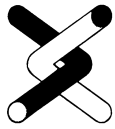
since July 2010.

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### **3 Progress**

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- 3.1 Photographs of work undertaken by GBBS to date will be available at the meeting.
- 3.2 On the 20th May 2013 the TPCT closed to the public, GBBS took control of the tunnels and TT2 Ltd, who are contracted to carry out the routine maintenance and operation of the TPCT under the NTC Project Agreement, ceased this activity. TT2 will not resume this duty until the tunnels are handed back in accordance with the Phase 3 Improvement Work Contract. The contractor was instructed to remove and replace the lining material on the underside of the rotunda roofs because of the presence of asbestos and the risk of it being dislodged during the works. This was not identified in the tender documents but, at this time, it is considered that the cost implications of this can be accommodated within the contingencies built into the contract price. GBBS have now completed the removal of this material and the underside has been treated with an encapsulating compound in preparation for the final replacement material which has yet to be agreed with the Planning Authorities. The rotundas were certified as being 'clean' and the scaffolding removed to allow the main works programme to proceed. GBBS have issued their revised programme which takes account of the removal of the asbestos material and indicates completion of the Phase 3 works to be 12 August 2014.
- 3.3 Following removal of the scaffolding, work commenced on the removal of the Warerite panels in the inclined escalator shafts and the lower landings. Work on stripping out the existing light fittings in the 2 tunnels is complete and the escalator motors have been boxed in to protect them from the main works operations. Investigations have been conducted on the caulking and bolt packing to the inclined lift shaft cast iron segments and this indicated that there is asbestos material present but it is in a safe and stable condition.
- 3.4 In July, GBBS and the NTC communications team undertook a site safety awareness session with children from Dunn Street School, Jarrow which included a safety poster competition. The 3 winning posters have been reproduced and are now displayed on the Jarrow side site hoardings. Similar events were organised with Stephenson Memorial School, Howdon during September 2013.



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#### **4 Shuttle bus**

- 4.1 To maintain the pedestrian/cycle cross Tyne link, a Shuttle Bus Service has been provided. It is operating between the hours of 06:00 and 20:00 every day until the tunnels are opened again for public use. The service is timetabled and free of charge for users and runs from Tyne View Terrace, East Howdon to Tyne Street, Jarrow (effectively rotunda to rotunda). The coach operator is Priory Coaches Ltd who were procured in open competition and their tender approved by the Authority's Delegated Committee on 12 October 2012. User reaction to the service has been favourable. In June/July 2013 there were two instances of pedestrians and one instance of a cyclist who, having arrived some time after the last shuttle bus at night decided to use the vehicle tunnels to cross the river. In each case they were detected quickly by the tunnel systems, escorted out of the tunnel and given the appropriate advice by TT2 personnel. Their actions were potentially very dangerous to themselves and to drivers using the tunnels at the time.

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#### **5 Night transport service**

- 5.1 There are a small number of TPCT users who relied on the tunnels to commute to work between the hours of 20:00 and 06:00. These are shift workers who have no other form of travel and consequently would experience hardship if this transport link was unavailable to them. The issue was discussed by the Tyne Tunnels Working Group and it was considered appropriate to provide a night service to transport these people across the Tyne between the rotundas.
- 5.2 TT2 Ltd now provides a driver and a suitable vehicle that can carry three people and their bicycles at a time throughout the night. Commuters wishing to use the scheme are required to pre-register and agree to abide by the terms and conditions of use of the scheme: abuse will result in a withdrawal of the service to the individual(s) involved. To date 65 people have pre-registered with the Authority to use this night transport service and on average 14 people per night are using it. User reaction to the service is very positive.

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#### **6 Next steps**

- 6.1 The Phase 3 works will be overseen by the NTC team based in TT2 Ltd's offices and





the Project Director regularly reports progress to the Authority.

- 6.2 The NTC communication team continue to action and maintain the Communication Plan, including continuing a dialogue with the adjacent communities, their representatives, pedestrian and cyclist groups and organisations and the local authorities.

## **7 Potential impact on objectives**

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- 7.1 The refurbishment/improvement of the TPCT will secure the future operation of this important transport link across the River Tyne. It provides specifically for pedestrians and cyclists and as such contributes positively to addressing climate change by encouraging non-motorised modes of travel. It also has the benefit of helping to reduce the number of motor vehicles on the roads – particularly on residential roads – to the benefit of local communities. The TPCT is also positive in terms of economic development and regeneration because it aids access to jobs in the A19 corridor for those who do not own a car.

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# Rail Devolution

ITA Members Inspection

22 August 2013

Bernard Garner, Director General

# Background



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## Previous briefings

- Rail Devolution – Localism agenda
- Rail in the North
- Government consultation
- ANEC responses
- Suspension of West Coast franchise award
- Government timescales
- Impact on refranchising Northern Rail/Transpennine
- Government's attitude to devolution

# The rail proposition...1



- 
- Decision-making for railways in the North should be devolved to the North
  - Our economies are ever more inter-dependent – railways play a key role
  - Focus should be on places in the North, their prosperity and passengers
  - Transport and rail must serve those places that are prospering, and those in need of regeneration
  - North of England authorities are best placed to understand how the substantial public funds invested in rail can drive better economic outcomes across the North



# The rail proposition...2



- Devolved rail decision-making elsewhere in UK has a very good track record – led to improvements that a Westminster-led specification would have neglected. Passenger satisfaction has improved.
- The two most recent reviews of rail (McNulty on efficiency and Brown on franchising) both recommended devolving decision-making
- A devolved railway will lead to rail increasingly being planned in conjunction with local transport, economic development and regeneration investment

# The rail proposition...3



- 
- 7-year franchise combining Northern and TPE – ***essential both are devolved***
  - Strategy for rail linked to a more productive economy
  - Output commitments must define both a baseline for services and a growth trajectory
  - Structure for decision-making that is efficient, inclusive and which protects interests of all authorities

# Relevant to North East



- 
- Bidders to have option to bid for one or both franchises
  - North East Business Unit proposition enshrined within Rail North proposal

# North East position as presented at July Leaders Meeting...1



- Welcome engagement, good progress being made, support for rail devolution where this would deliver real benefits and improvements.
- North East councils attach significant importance to having real and meaningful influence over the provision of rail services in the North East based on fair and robust governance.
- Pleased to be able to report we continue to support the principle of rail devolution.
- There are, however, questions which ANEC member authorities would like to explore further as a group and in further discussion with Rail North.
- Governance arrangements – important in the context of determining priorities, investment decisions and how any surplus funding would be allocated.

# North East position as presented at July Leaders Meeting...2

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- Leaders and Elected Mayors remain of the view that the franchises would be best kept separate.
- Question of risk and how that would be dealt with.
- Explore further detail around governance, risk and reward.
- Our view is that it is essential that the North East continue to participate in these discussions.
- Achieving stronger economic outcomes for the North East.

## ITA Scrutiny Advisory Group 2013/14

### Meetings:

2<sup>nd</sup> Thursday of each month, at 13:00

11 July 2013 – Newcastle

10 October 2013 - Gateshead

16 January 2014 - Sunderland

10 April 2014 - South Tyneside

### Membership:

Gateshead	Cllrs Malcolm Graham, Tom Graham
Newcastle	Cllrs Stephen Fairlie, Ann Schofield, Doreen Huddart
North Tyneside	Cllrs Bill Caithness, John O'Shea
South Tyneside	Cllrs Richard Porthouse, Bob Watters
Sunderland	Cllrs Neville Padgett, David Tate, John Wiper

### Purpose:

- To consider, and give advice or make recommendations to the ITA, on the discharge of its functions
- To review or scrutinise decisions made, or action taken, in connection with the discharge of the ITA's functions.
- To consider, and give advice or make recommendations to the ITA, on matters which affect Tyne and Wear or those who work, live or visit there and which relate to the ITA's functions.

### Work Programme:

Meeting	Item	Lead officer	Purpose
11 July	<i>Appointment of Chair &amp; Vice Chair</i>		
	<i>Terms of reference and draft work programme for 13/14</i>	<i>Karen Christon</i>	<i>For comment</i>
	<i>Policy update (6-monthly)</i>	<i>Graham Grant</i>	<i>For information</i>
	<i>Officer governance arrangements</i>	<i>Graham Grant</i>	<i>Review new working arrangements discussed at ITA in May, with updated info on task &amp; finish and theme groups and TOR.</i>
	<i>Metro – August line closure between South Gosforth and Jesmond.</i>	<i>Nexus</i>	<i>Look at assessment of impact and preparation for the closure, with particular focus on mitigating actions that have/will be taken in relation to the impact on passengers (particularly disabled users),</i>



Meeting	Item	Lead officer	Purpose
			<i>local businesses and connections to onward travel ie Central Station, Ferry Terminal, Airport. Note some elements have already been contracted by NEXUS and scrutiny will not be able to influence any changes on these.</i>
10 October	<i>Bus Strategy Delivery Project</i>	<i>Cllr Wood, Chair of ITA</i>	<i>Review decision of ITA on 26 July to progress to the consultation stage on the proposed for Quality Contract Scheme. Consultation due to end Nov 14.</i>
	<i>Rail devolution</i>	<i>Nexus</i>	<i>Continuation of previous discussion. A summary of the current position was circulated to members on 11 April 2013. NEXUS, to attend to provide members with an update.</i>
	<i>Task &amp; Finish Group – Passenger Information Systems</i>	<i>Karen Christon Group members</i>	<i>Verbal update on progress. Final report Jan 14.</i>
	<i>Combined Authority</i>	<i>Karen Christon</i>	<i>Verbal update for members on progress.</i>
16 January	Policy update (6-monthly)	Graham Grant	For information
	Smart ticketing	John Fenwick Tobyn Hughes	Review of implementation and roll out including links being made for other uses of the card.
	Cycles on the Metro	Tobyn Hughes	Trial is linked to completion of car refurbishment. However, members may wish to consider implementation of improvements to cycle parking provision etc to help integrate cycling and the Metro. Members may wish to invite a rep from the cycle users group to attend.
10 April	Review of the ITA work programme and delivery of key activities	Tbc	
	ITA Scrutiny Advisory Group annual report 12/13		For comment.

<b>Other potential areas to schedule during 2013/14</b>
Visit – Tyne Tunnel pedestrian tunnel refurbishment, due to be completed June 2014
Bus Strategy Delivery Project – due to be considered by the ITA in July
LTP Resources – use of unringfenced funding allocated across the districts for local transport schemes

<b>Areas for 2014/15</b>
Cycles on the Metro – Trail of cycles using the Metro. This is linked to Metro car refurbishment which is due to be completed by December 2015.

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