



Tyne and Wear Integrated Transport Authority

Meeting to be held on Friday 26 July 2013 at 10.00 am in a Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

(Labour Group pre-meeting at 9:00am) (Opposition Group pre-meeting at 9:00am)

Membership: Curran, Errington, M Green, S Green, Hobson, Hodson, Lambert, Lott, Maughan, McCarty, McElroy, Miller, Smith, Stone, D Wood (Chair) and P Wood

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This agenda is available at www.twita.gov.uk

AGENDA

Page

1. Apologies for absence

2. Declarations of Interest of Members or Officers in any matter to be discussed at the meeting

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

3. Bus Strategy Delivery Project

(a) Bus Strategy Delivery Project

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Report of the Clerk to the Authority and the Treasurer to the Authority

(b) Bus Strategy Delivery Project Update

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Report of the Director General of Nexus

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DATE:	26 July 2013
SUBJECT:	Bus Strategy Delivery Project
REPORT OF:	The Clerk to the Authority and the Treasurer to the Authority

PURPOSE OF REPORT

This report updates Members on the progress made in respect of the Bus Strategy Delivery Project and seeks a decision on how to proceed.

RECOMMENDATIONS

The ITA is recommended to –

- a. carefully consider the findings of Nexus (as set out in the accompanying report from the Director General of Nexus) and also the assessment of the present position by ITA officers as set out in this report;
- b. agree that at this stage the draft QCS Proposal developed by Nexus represents the most effective possible means of delivering the objectives of the ITA's Bus Strategy as currently formulated;
- c. agree that the QCS Proposal as drafted currently satisfies each of the statutory tests set out in section 124(1) of the Transport Act 2000 (as amended) ("2000 Act"), taking into account the advice of ITA officers and external legal advice (including Counsel's opinion) on this issue;
- d. note the comments of the Treasurer as to the funding of the scheme as set out in section 6 of this report;
- e. agree that the ITA should carry out a formal statutory consultation exercise on the QCS Proposal pursuant to section 125 of the 2000 Act in accordance with the detailed steps set out at Appendix B to this report, and authorize the Director General of Nexus, in consultation with the Clerk, to take all necessary steps for that purpose; and
- f. agree to receive a further report at the conclusion of that consultation exercise.

BACKGROUND DOCUMENTS

The ITA's Bus Strategy for Tyne and Wear 2012

<http://www.nexus.org.uk/sites/nexus.org.uk/files/documents/page/ITA%20Report%202012>



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CONTACT OFFICERS

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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

- 1.1 This report updates Members on the progress made in respect of the Bus Strategy Delivery Project (“BSDP”) and seeks a decision on how to proceed.
- 1.2 Nexus, at the request of the ITA, have developed a proposal for a Quality Contracts Scheme (“QCS”) and considered the advantages and disadvantages of pursuing such a scheme. In particular, they have considered whether the requirements set out in the Transport Act 2000 (as amended) have been met, including the “public interest criteria” tests in section 124(1) of the Act. Nexus have also considered the advantages and disadvantages of a Voluntary Partnership Agreement (“VPA”) proposal which has been brought forward by the North East Bus Operators Association (“NEBOA”) as an alternative way in which the ITA could achieve the aims of the BSDP.
- 1.3 The views of Nexus on these matters are set out in the accompanying report from the Director General, which summarizes the proposal for a QCS which Nexus have developed (“the QCS Proposal”). In essence, Nexus conclude that the QCS Proposal would meet the public interest criteria in the 2000 Act and deliver significant benefits, both in terms of the provision of and financing of bus services throughout the Tyne and Wear area. Nexus also consider these benefits outweigh those of the current VPA proposal from NEBOA.
- 1.4 As set out in this report, officers of the ITA have reviewed the analysis carried out by Nexus and concur with their findings. On this basis, officers recommend that the ITA should commence the statutory process which is required before a QCS can be made and brought into effect. If the ITA agrees with this recommendation, the first stage of the process will be a formal consultation exercise. The process for making a QCS is outlined in this report but it should be noted at this point that a decision to carry out that formal consultation exercise does not commit the ITA to make a QCS in the future. A further report will be brought to the ITA after that consultation exercise so that the ITA may decide whether it wishes to continue with the process in the light of the consultation responses and all other relevant matters.

2 Background information

- 2.1 Members will recall that, in order to take forward the BSDP, the ITA instructed Nexus in November 2011 to prepare on its behalf a draft QCS and, at the same time, to explore with bus operators the scope for developing a meaningful VPA. As Members will be aware, 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. A VPA 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. Members have received update reports on the BSDP at the ITA meetings on 27 September 2012 and 14 January 2013. In addition, Members have also received briefings on the development of the QCS on 14 June 2013 and 5 July 2013, and a presentation from NEBOA in respect of their proposed VPA on 26 June 2013

- 2.2 The conclusions of the work undertaken by Nexus are set out in the report from the Director General which accompanies this report. That report summarizes the content of the QCS Proposal which has been developed by Nexus, and provides their assessment of the benefits and risks of proceeding with that Proposal. The report also sets out the present position with regard to the VPA Proposal developed by NEBOA, and it contains a comparison by Nexus of the relative advantages and disadvantages of the QCS and VPA proposals. The report also addresses the legal requirements which must be met before a local transport authority (such as the ITA) can make a QCS.
- 2.3 As set out in para 3.2 of the accompanying Director General's report ("Nexus Report"), the QCS Proposal has been developed by Nexus using its in-house team but supported by external legal, economic and bus industry advisers, together with independent quality assurance.

3 ITA Officers' Assessment

- 3.1 In considering the options available to it, the ITA needs to consider the relevant statutory tests for the introduction of a QCS, the importance of securing better outcomes and improved value for money in the light of pressures on public transport funding, the potential for legal challenge if a QCS proposal is progressed, and the potential future changes in the governance arrangements for transport responsibilities in the North East, which could see the responsibilities and powers of the ITA transferred to a new Combined Authority with effect from 1 April 2014.
- 3.2 Whilst the ITA has commissioned Nexus to prepare the QCS Proposal and explore the scope to develop a VPA with bus operators, the decision as to whether or not to proceed to make a QCS is ultimately a decision for the ITA. Therefore, the ITA must



satisfy itself that the findings set out in the Nexus Report are sound before deciding on what action to take. To this end, officers have reviewed the analysis undertaken by Nexus and discussed these matters with Nexus. Officers have also reviewed the findings of MVA Consultancy (who have provided independent quality assurance to Nexus) and had discussions with the external legal advisers, DLA Piper and James Pereira of Counsel. On this point, it should be noted that Counsel's advice (as to whether the statutory requirements have been met) is addressed to the ITA (see Appendix D of the Nexus Report).

- 3.3 In summary, officers concur with the findings set out in section 3 of the accompanying report as to the "Do Minimum" scenario (i.e. the baseline scenario without a QCS or VPA), and the anticipated benefits and risks of implementing the QCS Proposal. Similarly, officers agree with the conclusions reached by Nexus (in sections 4 and 5 of the Nexus Report) as to the VPA Proposal which has been put forward by NEBOA and its relative advantages and disadvantages as compared with the QCS Proposal. As noted in section 5.2 of the Nexus Report, the analysis is inevitably subjective by its nature and is based on Nexus's own estimates of the expected impacts and outcomes, based on the best information currently available to it. The analysis and the underlying assumptions have been shared with officers and are considered to be realistic. The sensitivity of different assumptions has been tested by Nexus and, while the values of the projections do change, the degree of change is not considered material enough to affect their conclusions. Again, officers consider that this is a reasonable assessment of the position.
- 3.4 Therefore, on the basis of the information currently available, officers agree that the QCS Proposal developed by Nexus represents the most effective means of delivering the objectives of the ITA's Bus Strategy as currently formulated. However, it is appreciated that the current VPA proposal put forward by NEBOA may be developed further and so the ITA will need to take account in its future decision-making of any such further developments.

4. Statutory Requirements

- 4.1 Under section 124 of the 2000 Act a local transport authority can only make a QCS if it is satisfied that the proposed scheme will meet the following criteria (collectively referred to as "the public interest criteria"):
- (a) the proposed scheme will result in an increase in the use of bus services in the area to which the proposed scheme relates;
 - (b) the proposed scheme will bring benefits to persons using local services in the area to which the proposed scheme relates, by improving the quality of



those services;

- (c) the proposed scheme will contribute to the implementation of the local transport policies of the authority or authorities;
- (d) the proposed scheme will contribute to the implementation of those policies in a way which is economic, efficient and effective; and
- (e) any adverse effects of the proposed scheme on operators will be proportionate to the improvement in the well-being of persons living or working in the area to which the proposed scheme relates and, in particular, to the achievement of the objectives mentioned in paragraphs (a) to (d).

- 4.2 As noted above, the recommendations in this report only relate to the first stage of the process of making a QCS, namely the carrying out of a statutory consultation exercise (NB: please see section 5 below for an overview of the process for making a QCS). However, as part of the consultation process, the Authority is required to issue a consultation document which sets out, amongst other things, a statement of the reasons why the authority is satisfied that the public interest criteria have been met.
- 4.3 As set out in section 3.11 of the Nexus Report, Nexus considers that the public interest criteria have been met. The detailed reasoning for this is set out in section 6 of the QCS Proposal itself. Counsel has confirmed, in an advice note addressed to the ITA (which, as noted above, is included at Appendix D to the Nexus Report), that he considers that the approach taken by Nexus is an appropriate one and provides a lawful basis upon which the ITA can make a decision as to whether or not to proceed with a statutory consultation exercise as the first stage in the process of making a QCS.
- 4.4 ITA officers have reviewed the analysis provided by Nexus and the external legal advice. As noted above, they have also had the benefit of the advice to Nexus from MVA Consultancy, who have provided independent quality assurance, and discussions with DLA Piper, the external solicitors instructed by Nexus, and advice from Counsel. In light of this analysis and external advice, ITA officers consider that, on the information currently available, the public interest criteria have been met.
- 4.5 As part of the consultation process, the Authority must also make clear in its consultation documentation how it will meet the costs of the scheme. These issues and the financial position overall are considered further in section 6 of this report.



5. Overview of the QCS Process

- 5.1 If Members accept the recommendations in this report and decide to commence the process for making a QCS, then the first stage is a period of formal consultation with all relevant parties. A list of the proposed consultees is set out at Appendix B to the QCS Proposal. It is proposed to allow 14 weeks for this consultation and that the process be conducted by Nexus on the Authority's behalf. (Appendix B to this report sets out in detail the role of Nexus in this regard.) At the end of that period, a further report will be brought to Members which will set out the consultation responses, update Members on any other relevant developments and set out recommendations as to whether the ITA should proceed further with making the QCS. If the ITA decides to do so, the next stage is to refer the consultation responses and the proposed scheme to the QCS Board (an independent expert panel established by the Senior Transport Commissioner).
- 5.2 The QCS Board's remit is to provide an opinion as to whether the public interest criteria and procedural requirements have been met and, if the Board considers they have not, to recommend actions that the Authority may take to remedy the situation.
- 5.3 The Authority must publish a formal response to the Board's opinion and any recommendations. This could potentially require the Authority to make modifications to the proposed scheme and carry out further consultation before it actually makes the scheme. Once the Authority makes the scheme, it can then proceed with the procurement of providers to deliver services under the quality contracts (NB: the decision to make the scheme is subject to a right of appeal to the Transport Tribunal).
- 5.4 An anticipated timetable for the QCS process is set out at section 9.2 of this report. It will be appreciated from that timetable that the formal decision to make the QCS may need to be taken after April 2014, which is after the anticipated date for the creation of the Combined Authority. Members will be aware from previous reports that, assuming the Combined Authority is established, then the ITA will be abolished and the Combined Authority will assume the role of local transport authority for the area of Tyne and Wear, and Durham and Northumberland.
- 5.5 On abolition of the ITA, the Combined Authority will assume the functions which the ITA previously exercised. It will therefore be able to continue with the QCS Proposal if it is satisfied that that is the correct decision. Obviously, the QCS will only relate directly to the Tyne and Wear region, although (as set out in the Nexus



Report) it is proposed that arrangements are put in place to mitigate the impact on any bus services which serve other areas, mainly in Northumberland and Durham. The current financial pressures being experienced by the ITA will also transfer to the Combined Authority. Given that ITA and Nexus reserves are currently being used to subsidize the existing transport network, delaying the process of finding a solution would use up more reserves and, therefore, is not considered to be a prudent option.

- 5.6 The timetable for making a QCS may also be affected by any challenges which interested parties (such as one or more of the bus operators) may bring at various stages of the process. Whilst this may potentially delay the timetable, the external legal advice provided to the ITA and Nexus indicates that the ITA should be able to successfully resist any such challenges to the decision on whether or not to commence formal statutory consultation. However, as noted above, it is important that the ITA maintains a constructive dialogue with the bus operators throughout the process and, in particular, gives due regard to any further proposals for a VPA which they may bring forward. As set out earlier in this report, a further report will be brought to Members after the conclusion of the consultation process so that a decision may be made as to whether to continue with the QCS Proposal. The timetable set out at section 9.2 also provides for a further report to Members of the ITA/or the Combined Authority, setting out the conclusions and the recommendation made by the QCS Board, at which point a final decision as to whether to formally make a QCS will be made.

6. Financial Implications and Views of the Treasurer

- 6.1 The ITA faces considerable funding pressure as a result of the Government's continued underfunding of the costs of the statutory Concessionary Travel scheme as well as the significant cash cuts made in the funding provided to the Metropolitan District Councils for transport services as part of the Government's deficit reduction strategy. Transport services have so far been protected in Tyne and Wear by limiting the level of the cut in the ITA's Levy and by the use of reserves. The latest information set out in the Spending Round 2013 envisages a further 10% real cut in funding to councils in England, which includes budgets relating to concessionary travel and bus support. The national budget in March 2013 also envisaged significant further cuts extending into 2016/17 and 2017/18. At this point it is unclear when the funding cuts to councils will end.
- 6.2 The use of reserves is a one off short term measure, while ways of delivering efficiency savings and achieving better value for money are found. The ability of



Nexus to use revenue generated under the QCS Proposal to support services to be delivered under the proposed Quality Contracts would appear to help significantly to address the funding shortfall and protect transport services. The ITA and Nexus will also continue to identify other efficiency savings to help balance the annual budget and protect key transport services.

- 6.3 If the ITA is to agree the QCS Proposal, Nexus will need a significant degree of confidence in the level of funding that it has available to enter into a 10 year contract. This requires the ITA and the Tyne and Wear districts that fund the ITA levy to agree in principle to a freeze in the ITA levy from 2015/16 to 2020/21 and accept a potential RPI uplift in the subsequent five years. The modelling carried out by Nexus assumed that the £2m temporary levy reduction agreed for 2013/14 and 2014/15 would be made permanent. This represents a 3% levy reduction, which is less than the cut in national funding and would reflect the priority given to public transport services in this region.
- 6.4 The costs of the consultation process and taking the project to its next stage will be met from the budget established for this project, which is held by Nexus. If necessary, further funding could be made available from the ITA, subject to its agreement, from its own reserves or from any agreed levy and other funding contributions available to the ITA in future years.
- 6.5 As Treasurer of the ITA, I have given careful consideration to the estimates made by Nexus of the affordability and sustainability of the QCS proposal contained in section 5 of the draft proposal document, and their estimates of the impact of proceeding with a VPA. Subject to the comments at paragraphs 6.6 to 6.8 below, I am satisfied that the assumptions appear to be realistic and I agree with the conclusions.
- 6.6 It is important to note that the details of the implications for transport services are indicative at this stage and should not be read as prejudging the budget and policy decisions that the ITA or the Combined Authority may have to take in future years, which will also take into account responses to any consultation on specific proposals for savings at such time. So for example, under the do minimum option, the assumption that the discretionary Child Concessionary fare would cease, is a highly likely outcome, but is not a foregone conclusion and it is not a decision that has been specifically considered by the ITA at this point in time.
- 6.7 In terms of the affordability of the QCS Proposal, as the Treasurer (Chief Finance Officer) of the ITA I am required under Section 125(1A)(e) of the 2000 Act to make a



statement about the affordability of the QCS Proposal. This statement is attached at Appendix A to this report and is also referenced as Appendix A in the draft QCS proposal document.

- 6.8 In coming to this conclusion I have taken into account the information currently available to me in the documents, and the explanations received in response to questions about specific aspects of grant funding, the risk contingency and the sensitivity of key assumptions. While the assumptions about the level of the future levy have been discussed with the Tyne and Wear district councils, these will need to be confirmed as being agreed in principle by the Tyne and Wear Districts and the ITA prior to any submission of the QCS Proposal to the QCS Board and will require formal approval in advance of any contractual commitment by Nexus to a QCS scheme. It is important to note that, as a matter of law, the precise levy for each metropolitan district council has to be set on an annual basis, taking into account the relevant populations of each district.

7. Legal Implications

- 7.1 The comments of the Legal Adviser have been incorporated in this report. As set out in the report, the ITA has had the benefit of Counsel's opinion on this matter which is included as Appendix D to the Nexus Report.

8. Risks

- 8.1 The Nexus Report sets out their assessment of the risks associated with the recommendation to commence the QCS process. Officers concur with this assessment.

9. Next Steps

- 9.1 If the ITA agrees the recommendations in this report, Nexus will commence (on the ITA's behalf) a 14 week statutory consultation. The results of the consultation will be analyzed and the results will then be the subject of a further report to the ITA , early in 2014

- 9.2 The anticipated timetable is as follows:

Statutory consultation	Jul - Nov 2013
Consultation responses duly considered (and any revisions to the scheme made)	Nov 2013 – Jan 2014



ITA decision as to whether to progress with the QCS and submit it to the QCS Board Jan 2014

If the ITA decides to continue with the QCS (with or without modifications):

Engagement with QCS Board	Feb - Mar 2014
ITA decision as to whether to make the scheme	Mar 2014
Procurement of operators	Apr - Dec 2014
Transition to new arrangements	Jan - Jul 2015
Scheme becomes operational	Aug 2015

10. Potential Impact on Objectives

10.1 Successful delivery of the Bus Strategy is intended to:

- support economic development and regeneration and safe and sustainable communities by maintaining or growing access to key facilities, services and employment sites by public transport;
- address climate change by increasing the use of public transport and thus reducing harmful emissions generated by use of the private car, and by promoting the use of fuel-efficient vehicles.



APPENDIX A

ITA CHIEF FINANCE OFFICER'S DECLARATION OF AFFORDABILITY

I confirm that, in my role as the chief finance officer for the Tyne and Wear Integrated Transport Authority ("the Authority") I have reviewed the proposal for a Quality Contracts Scheme in Tyne and Wear ("the Proposal") which has been developed by the Tyne and Wear Passenger Transport Executive ("Nexus") and, on the basis of the information currently available to me, including:

- (a) assumptions about the level of the Passenger Transport Levy in future years;
- (b) the level of risk contingency and reserves available to Nexus and the ITA; and
- (c) the flexibility within the proposed quality contracts to make changes in response to changing circumstances;

I now confirm that, having taken into account:

- (i) the estimated income from fares; and
- (ii) grants from Ministers of the Crown or government departments;

I am satisfied that any remaining funding required to implement the Proposal can be provided from other resources available to the Authority, including the funding set out in (a) to (c) above.

Signed: _____

Treasurer to the Authority

Dated:



APPENDIX B

PROPOSED DIRECTION AND GUIDANCE TO NEXUS ON CONSULTATION

1. GENERAL

Pursuant to a resolution of the ITA dated 26 July 2013 Nexus is directed and hereby authorised to conduct a formal consultation into the QCS Proposal referred to therein pursuant to section 125 of the Transport Act 2000 ("Act").

Subject to an overriding requirement to use its discretion to ensure that at all stages the consultation will comply with the requirements of the Act and all other legal requirements necessary for the conduct of a lawful consultation, Nexus is directed to:

- 1.1 use the QCS Proposal as provided to the ITA on 17 July 2013 in conjunction with such ancillary documents as may be required as the basis of the consultation document for the purposes of section 125(1)(A) of the Act;
- 1.2 send this Direction and Guidance document to all statutory consultees and to publish it on the QCS Website (established in accordance with paragraph 1.6 below) so that the basis on which Nexus has been directed by the ITA to consult is made known to all relevant parties and the procedure to be followed by Nexus is clear;
- 1.3 make available, in addition to the consultation document, to all consultees and the public by download from the internet copies of the following:
 - 1.3.1 the instructions to and legal opinion of counsel provided to the ITA for its meeting on 26 July 2013; and
 - 1.3.2 any other relevant documents not included in the QCS Proposal;

Provision of one hard copy of the consultation document to each statutory consultee shall be free of charge. As provided below, Nexus shall provide internet access to documents for all persons free of charge. Nexus will be entitled to charge a reasonable copying charge for the provision of hard copies to any non-statutory consultee who requests such a copy of any document and to statutory consultees who request additional hard copies of any document.



- 1.4 give notice pursuant to sections 125(1) and (2) of the Act in appropriate newspapers circulating in the Tyne & Wear region, such notices to be published on or before 30 July 2013;
- 1.5 liaise with the QCS Board (once formed) as required in respect of the consultation process
- 1.6 establish and maintain a QCS Website which will be accessible to all statutory consultees and the general public free of charge and should include as a minimum:
 - 1.6.1 all information provided to the statutory consultees;
 - 1.6.2 copies of all documents to be made available to the general public for information purposes relating to the QCS Proposal;
 - 1.6.3 once they have been reviewed and assessed by Nexus copies of all formal/substantive responses to the consultation process;
 - 1.6.4 the ITA's resolution and all formal documents of the ITA relating to the conduct of the consultation and the development of the QCS;
 - 1.6.5 the draft QCS Scheme and related documents once produced by Nexus;
 - 1.6.6 any revisions to the QCS Proposal and/or other reports and/or other documents prepared by Nexus and provided to statutory consultees during the consultation process;
 - 1.6.7 any other non-confidential documents that Nexus considers are relevant to the QCS Proposal and may properly be placed in the public domain;
- 1.7 commence the formal consultation process on 30 July 2013 or as soon as reasonably practicable after that date and to allow such process to run for a minimum of 14 weeks;
- 1.8 as provided in Appendix B to the QCS Proposal consult all the persons and bodies required to be consulted as expressly listed in section 125(3) of the Act and those additional persons and bodies included in the said Appendix for the purposes of sections 125(3)(d) and 125(3)(g) of the Act;
- 1.9 give due and prompt consideration to all reasonable requests for clarification and/or further information from persons participating in the consultation and



publish the request and Nexus's substantive response on the consultation website;

1.10 request consultees to provide substantive responses to the consultation by no later than 5 November 2013. Nexus should then:

1.10.1 review and analyse all the responses and place them on the QCS website;

1.10.2 make any revisions to the QCS Proposal or draft QCS Scheme Order necessary to reflect the outcome of the consultation responses;

1.10.3 consider whether it needs to refer any matters to the ITA or otherwise seek guidance from the ITA;

1.10.4 consider whether it needs to re-consult with any of the statutory consultees in relation to any changes made to the QCS Proposal or draft QCS Scheme Order;

1.11 keep under review the time period permitted for consultation and to give due consideration to extending that period in relation to:

1.11.1 any reasonable request from a statutory consultee or other interested party that the period should be so extended;

1.11.2 permitting other consultees to consider and respond to any responses made by Nexus to questions/requests for additional information during the consultation period;

1.11.3 allowing analysis and consideration of any additional data/information disclosed to Nexus by consultees during the consultation process; and

1.11.4 any amendments to the QCS Proposal or draft QCS Scheme Order made by Nexus following consultation.

In respect of sub-paragraph 1.11.4 above Nexus may, in its sole discretion, decide to close the initial period of consultation following the conclusion of the prescribed 14 week period and then undertake a second phase of supplemental consultation;

1.12 proceed on the basis that the consultation and all consultation responses shall be in the public domain save that:

1.12.1 Nexus may, upon the reasonable request of any consultee made at the time of or in advance of any



disclosure/communication, redact any commercially sensitive data or other information provided to it as part of the consultation provided that:

- 1.12.1.1 the un-redacted material may if requested be produced to the QCS Board and such redaction will not materially disadvantage other consultees; and/or
 - 1.12.1.2 to the extent that Nexus places reliance on the information or refers to it in any report or submissions to the QCS Board the nature of the reference and Nexus's reliance on such information can be properly and clearly understood despite the redaction; and
 - 1.12.2 Nexus may, also, redact the names of any private individuals referred to in any consultee responses for data protection reasons and redact any other sensitive information that is not required to be disclosed publically for the consultation process to be effective;
 - 1.13 proceed on the basis that any correspondence or document sent to Nexus that is marked private and confidential or legally privileged or the equivalent is not intended to be a response for the purposes of consultation and should not be processed by Nexus as such.
 - 1.14 seek, during the formal consultation period, to convene meetings to seek feedback and discuss issues relevant to the QCS Proposal or draft QCS Scheme:
 - 1.14.1 with the statutory consultees individually and/or in such groups as Nexus considers relevant; and
 - 1.14.2 with any other relevant public/interest groups who wish to obtain further information about the QCS Proposal or draft QCS Scheme and/or to provide feedback to Nexus.
- Nexus shall keep a record of all questions/feedback obtained from such meetings and shall publish that material on the QCS website and provide it to the QCS Board at the appropriate time;
- 1.15 prepare, following the conclusion of formal consultation, a report to the ITA reporting on all matters arising from the formal consultation process that Nexus considers relevant, including :
 - 1.15.1 an analysis of all relevant issues arising from the consultation responses and any data received during the consultation process;



- 1.15.2 any independent expert analysis required to analyse/comment on any consultation responses;
- 1.15.3 Nexus's responses to any key criticisms of the QCS Proposal or draft QCS Scheme and/or any suggested amendments or variations to the QCS Proposal or draft QCS Scheme;
- 1.15.4 Nexus's proposals for any amendments to the QCS Proposal and/or the Draft QCS Scheme following consultation;
- 1.15.5 Nexus's assessment of any revised draft Voluntary Partnership Agreement provided to Nexus for consideration;
- 1.15.6 having taken into account the consultation responses, Nexus's assessment of the compliance of the QCS with the section 124 Transport Act tests and, in particular, the proportionality of the QCS either in its current form and/or if any proposed amendments are adopted by the ITA; and
- 1.15.7 Nexus's recommendations to the ITA as to whether and if so how to proceed with the QCS and any proposed changes to this document and /or any draft resolutions that Nexus requests the ITA to consider.
- 1.16 submit the report to the ITA for submission to a meeting of the full ITA and shall provide all assistance necessary to the ITA's officers to prepare for such a meeting.

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REPORT FOR DECISION

DATE: 26 July 2013
SUBJECT: Bus Strategy Delivery Project Update
REPORT OF: The Director General of Nexus

Not confidential

PURPOSE OF REPORT

To report the outcome of the Bus Strategy Delivery Project

RECOMMENDATIONS

Members are recommended to note and consider :

- a) the Quality Contracts Scheme proposal developed by Nexus at the ITA's request
 - i. By way of introduction the Executive Summary (attached at **Appendix A**) of the Proposal for a Quality Contracts Scheme covering Tyne and Wear ('The QCS Proposal'). The full QCS Proposal will be available for viewing at www.nexus.org.uk/itadocuments concurrent with the publication of this paper and a hard copy printed version will be distributed to Members in advance of the meeting;
 - ii. A summary of informal dialogue and response (**Appendix B**);
 - iii. Three simplified modelling guides setting out Nexus' approach to modelling fares impact, affordability and value for money (**Appendix C**);
 - iv. Counsel's Opinion on the process used to assess the proportionality of the QCS Proposal (**Appendix D**);
 - v. A Quality Assurance statement from MVA Consultancy (**Appendix E**).
- b) the Voluntary Partnership Proposal ('The VPA proposal', attached at **Appendix F**) developed by NEBOA in liaison with Nexus as a potential alternative to a Quality Contracts Scheme;
- c) the schedule of comparative benefits between the Quality Contracts Scheme set out in the QCS Proposal on the one hand, and the VPA on the other (attached at **Appendix G**);
- d) the recommendation from Nexus to move forward to statutory consultation over the



QCS Proposal in line with section 125 of the Transport Act 2000 (as amended).

BACKGROUND DOCUMENTS

The ITA's Bus Strategy for Tyne and Wear 2012

http://www.nexus.org.uk/sites/nexus.org.uk/files/documents/page/ITA%20Report%202012_02%20pdf.pdf

CONTACT OFFICERS

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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
1.1	Nexus, at the ITA's direction, has completed development of a QCS Proposal and has held extensive discussions with local bus operators to develop a VPA Proposal.
1.2	Both documents are presented to the ITA in this report and, in Nexus's view, are sufficiently developed so as to be considered by the ITA.
1.3	In Nexus's opinion, the QCS Proposal delivers the best outcomes for the Tyne and Wear area as matters currently stand.
1.4	In Nexus's opinion, the current Proposal meets the statutory tests set out in section 124 of the Transport Act 2000 (as amended).
1.5	The ITA must form its own judgement regarding the next steps to be taken.
2	Background
2.1	<p>At its meeting in November 2011, the ITA instructed Nexus to:</p> <ul style="list-style-type: none">a) prepare a draft QCS proposal for Tyne and Wear; andb) explore with bus operators and District councils the scope for developing meaningful quality bus partnerships as a possible alternative delivery route for better buses. <p>These parallel workstreams have been taken forward by Nexus through a project known as the 'Bus Strategy Delivery Project' (BSDP).</p>
2.2	<p>The three Bus Strategy objectives that the project seeks to achieve are:</p> <ul style="list-style-type: none">• Arrest the decline in bus patronage• Maintain (and preferably grow) network accessibility• Deliver better value for public money
2.3	<p>The ITA may wish to consider the achievement of its Bus Strategy objectives in the context of its Medium Term Financial Strategy (MTFS) established in January 2013. The MTFS notes in paragraph 5.2 that '...a cumulative 10% reduction in the levy with effect from 1 April 2012 is being managed from a combination of efficiency savings and use of reserves in order to protect services in the medium term, subject to a more sustainable package of savings linked to the delivery of the bus strategy being achieved. The budget strategy aims to continue with an operating deficit of between £3m in 2013/14 and up to £5m in 2014/15.' Paragraph 5.8 goes on to say</p>



	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 (...).'
3	Draft Quality Contracts Scheme Proposal
3.1	<p>Nexus has completed development of a pre-consultation draft Proposal for a Quality Contracts Scheme covering Tyne and Wear ('The QCS Proposal'). An Executive Summary of the QCS Proposal is attached at Appendix A, and the full document and its appendices are available for download at www.nexus.org.uk/itadocuments .</p> <p>Printed copies of the full document and its appendices will be made available to Members in advance of the meeting.</p>
3.2	<p>The QCS Proposal has been developed by Nexus using an in-house team, in order to minimise external expenditure. The Nexus team has been supported by legal advisers (DLA Piper), economic advisers (Steer Davies Gleave) and bus industry matters (the TAS Partnership). In addition independent quality assurance has been provided throughout by MVA Consultancy. The cost to date of developing the QCS Proposal is £625k, covering both internal and external expenditure.</p>
3.3	<p>An initial working draft of a previous QCS proposal was shared by Nexus with local bus Operators, trades unions and adjacent authorities as part of the development process. This informal dialogue has helped Nexus to assess the likely impacts of its previous proposals (including costs, benefits and adverse effects on Operators). As a result of this informal dialogue exercise, Nexus reconsidered its proposal for a QCS, taking due account of the feedback it received. The changes resulted in a new QCS Proposal being developed. A summary of the informal dialogue, and how Nexus used it to develop the new Proposal is shown in Appendix B. There has been no informal dialogue on the new QCS Proposal by Nexus but if approved then this QCS Proposal will form the basis for formal statutory consultation.</p>
3.4	<p>A 'Do Minimum' scenario has been established and is set out in the QCS Proposal, describing the likely consequences for the bus network in Tyne and Wear if neither a QCS nor a Partnership is introduced. In the 'Do Minimum' scenario, assuming the current levy freeze continues:</p> <ul style="list-style-type: none">• A further 110m bus trips will be lost over the ten-year period• All secured bus services will be withdrawn by 2021/22 (along with other Nexus non-statutory levy-funded services)• There will be a requirement to raise the levy from 2021/22, at a rate higher



	<p>than the RPI, in order to meet the statutory duty to reimburse operators under the English National Concessionary Travel Scheme</p> <ul style="list-style-type: none">• See Chapter 3.6 of the QCS Proposal for more explanation.
3.5	<p>In Nexus's view, compared to the 'Do Minimum' scenario, the QCS Proposal:</p> <ul style="list-style-type: none">• Generates 127m more bus trips over the ten-year period;• Preserves the full bus network, with a slight uplift of 2% (18 vehicles) applied• Achieves an additional £2m levy saving compared to the position in 2013/14 (which itself is a £5m reduction from the levy position in 2010/11), without loss of service, until 2019/20 when an RPI-based inflation will be required• See Chapter 3.6 of the QCS Proposal for more explanation.
3.6	<p>Some of the quality improvements provided by the QCS Proposal are:</p> <ul style="list-style-type: none">• Network: based on the previous commercial network at the start of the QCS, enhanced by 2% (approx. 18 buses); there will be stability of network moving forward through a clear and accountable planning process• Adult fares: a simple zone-based structure covering Bus/Metro/Ferry/Rail; an average 2.5% price decrease; 81% of fares will cost the same or less as currently; future average fare increase will be capped at RPI• 16-18 fares: a new weekly ticket for all modes and zones, at a cost of £7.50• Students fares: low price zonal tickets for a range of time periods• Smartcard ticketing with price capping using the 'Pop' card on all modes of public transport• Improved performance through contractual mechanisms for punctuality, cleaning, and fleet renewal• Simple and clear integrated information• Single customer charter with clear accountability for performance• See Chapter 4 of the QCS Proposal for more explanation.
3.7	<p>The financial aspects of the proposed QCS are:</p> <ul style="list-style-type: none">• The expected cost of contracts under the QCS is £141m in year 1. This is assumed to grow with inflation using 'a blended rate' that takes account of bus operating costs.



	<ul style="list-style-type: none">• Additional set-up costs of £2m have been factored in to year 1.• On the ITA's behalf Nexus would assume responsibility for £103m commercial fare income in year 1. Fares would be increased by RPI on average each year.• The difference is funded by the levy. The current levy can be reduced by a further £2m, and then frozen until 2019/20, after which it will need to increase with RPI• A risk contingency of £78m in total across the ten years is held to deal with known risks such as inflation• See Chapter 5 of the QCS Proposal for more explanation.
3.8	<p>Key risks associated with the QCS Proposal are:</p> <ul style="list-style-type: none">• On-going affordability: The proposal sets out how this will be managed on an on-going basis, with significant contingencies held. Detailed modelling and appraisal has been carried out to demonstrate affordability and to provide assurance over the risks. Simplified modelling guides are set out in Appendix C to aid members' understanding of this aspect of the Proposal.• Contract management: Nexus has extensive experience in this area• Changes to the English National Concessionary Travel Scheme and Bus Service Operator Grant (BSOG): the revenue and cost risks associated with such changes are the same with and without a QCS• Employees: Nexus has endeavoured to design the proposal in such a way that TUPE can work as smoothly as possible, and proposes to work closely with the Trade Unions• Operator behaviour: there is the potential for 'irrational' behaviour during the transitional period; this would be managed by emergency contracts being let• Challenges to the procurement process: the procurement process has been made as simple as possible in order to reduce this risk• See Chapter 4.9 of the QCS proposal for more explanation.
3.9	<p>As the ITA is already aware Nexus understands that there is currently under review a proposal for a combined authority which, if agreed, 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</p>



preferred option at the present time and is justified on its own merits in the current circumstances. If at some stage during the life of the proposed QCS the proposed combined 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. A decision by the ITA at this stage to proceed to formal consultation on the QCS Proposal does not commit it to make a QCS and hence this matter can be kept under review. If a VPA is the preferred option then this may be amended or revised if the need arises to take account of any change.

- 3.10 The proposed QCS impacts on a number of bus services that serve Northumberland, Durham and Hartlepool in addition to Tyne and Wear. It is therefore proposed that the ITA enter into a Collaboration Agreement with the relevant Authorities to ensure that issues relating to cross boundary routes are properly managed and that:
- (i) the introduction of a QCS in Tyne and Wear does not result in worse services or other adverse effects for users of services in Northumberland, Durham or Hartlepool, or increased financial outlay for Northumberland or Durham County Councils or Hartlepool Borough Council;
 - (ii) where possible, the benefits of a Tyne and Wear QCS are extended to residents of and visitors to Northumberland, Durham and Hartlepool; and
 - (iii) a change management process is introduced to ensure that future changes to the QCS are fair and equitable for residents of Northumberland, Durham and Hartlepool as well as those in Tyne and Wear.
-

- 3.11 Nexus is of the view that, for the reasons given in the QCS Proposal, the proposed QCS achieves tests (a) to (d) and is proportionate within the terms of test (e) and that the adverse impacts on Operators are justified by the QCS's achievement of the tests under section 124(a) to (d) and the resultant improvements in the well-being of persons living or working in the area to which the QCS Proposal would relate. Moreover, the QCS is necessary if the benefits which it seeks to deliver are to be realised, and it would, in Nexus' view, strike a fair balance between achieving those benefits and the adverse impacts in question.
- This is a recommendation from Nexus and it is of course for the ITA to reach an independent judgement on these matters after careful consideration.
-

- 3.12 In order to provide the ITA with comfort over the process and approach employed by Nexus to develop the QCS Proposal and to assess proportionality, two



	<p>independent assurance statements are provided:</p> <ul style="list-style-type: none">a) A legal opinion provided by James Pereira, a barrister from the Francis Taylor Buildings , a barristers' chambers in the Temple , London (Appendix D)b) A Quality Assurance statement, provided by MVA (Appendix E)
3.13	<p>Section 125(2)(b) of the Transport Act 2000 (as amended) requires that a copy of the scheme be made available for inspection should the ITA give notice of a proposal to make a QCS. A draft Scheme is available to download at www.nexus.org.uk/itadocuments .</p>
4	Operator Partnership Discussions
4.1	<p>The North East Bus Operators Association (NEBOA) has put forward a proposal for a Voluntary Partnership Agreement.</p>
4.2	<p>Nexus has dedicated a significant amount of time in engagement with NEBOA regarding the development of a partnership alternative to deliver the Bus Strategy. This engagement has included many meetings, substantial correspondence, individual operator dialogue and a series of workshops to develop a partnership proposal.</p>
4.3	<p>On 10 May 2013 NEBOA provided its latest iteration of the VPA Proposal, although NEBOA have requested that it be noted that the VPA Proposal is still a working draft document and represents the stage that the discussions and workshops have reached to date; it ought not to be relied upon as a definitive position.</p> <p>The ITA should note by way of background that NEBOA is said to have 9 members. However, only 3 companies, all of whom are large operators, are currently listed as prospective signatories to the VPA.</p>
4.4	<p>The VPA Proposal is attached at Appendix F.</p>
4.5	<p>In Nexus' view, compared to the 'Do Minimum' scenario, the VPA Proposal currently:</p> <ul style="list-style-type: none">• Generates 5m more bus trips over the ten-year period;• Sees the majority of secured services being withdrawn by 2021/22, with the exception of services to the value of approximately £360k per annum which will be transferred to commercial operation.



	<ul style="list-style-type: none">• The requirement remains to raise the levy from 2021/22, at a rate higher than the RPI, in order to meet the statutory duty to reimburse operators under the English National Concessionary Travel Scheme.
4.6	<p>Quality improvements provided by the VPA Proposal are:</p> <ul style="list-style-type: none">• Bus-to-bus multi-operator tickets• Improved fares for 16-18 year olds through the introduction of 16-18 Bus-to-Bus products• A 'covenant' to operate all commercial services throughout the agreement• Marketing to grow bus patronage• Savings of £360k per annum by converting some secured services to commercial operation• A governance structure that gives effective 'right of veto' to Nexus/ITA over service changes
4.7	<p>Risks associated with the VPA Proposal are:</p> <ul style="list-style-type: none">• Enforceability: Lack of effective rights to enforce against an operator in breach other than termination. In any event, damages may not be a suitable remedy as it may be difficult to directly link quantifiable losses by Nexus or the ITA to any breach by an Operator.• Deliverability: VPA remains in draft and may require several more months to negotiate in full; there may be significant legal and competition hurdles to overcome; and it is unclear what would happen if a new major operator entered the local market or if national cuts are made to BSOG or Concessionary Travel funding.
5	Comparison of QCS Proposal versus VPA Proposal
5.1	<p>As set out in 2.1, the ITA requested that Nexus prepare a draft QCS proposal for Tyne and Wear, and explore with bus operators and District councils the scope for developing meaningful quality bus partnerships as a possible alternative delivery route for better buses. In Nexus's view both the QCS Proposal and the VPA Proposal are sufficiently developed for the ITA to be able to make a decision over whether it wishes to continue to develop one, both, or neither proposal.</p> <p>See Chapter 6.11 of the QCS proposal for a more detailed analysis of the VPA and comparison.</p>



5.2	In order to facilitate and inform the ITA's deliberation, Nexus, with the assistance of its legal and economic advisers, has produced a table comparing the benefits of both options as compared to the 'Do Minimum' scenario. This analysis is subjective by its nature, and is based on Nexus's estimates of the impact and outcomes of what is proposed in both Proposals based on the best information available to it.																
5.3	The comparison table is shown at Appendix G . In Nexus' opinion, the QCS Proposal delivers the best outcomes for the ITA as matters currently stand.																
6	Next Steps																
6.1	<p>If the ITA determines to begin formal consultation on the QCS Proposal, the following indicative timescale is suggested:</p> <table><tr><td>Statutory consultation</td><td>Jul-Nov 2013</td></tr><tr><td>Consultation responses duly considered (and any revisions to the QCS made)</td><td>Nov - Jan 2014</td></tr><tr><td>ITA decision as to whether to progress with the QCS and submit it to the QCS Board</td><td>Jan 2014</td></tr></table> <p>If the ITA decides to continue with the QCS (with or without modifications):</p> <table><tr><td>Engagement with QCS Board</td><td>Feb - Mar 2014</td></tr><tr><td>ITA 'makes' Scheme</td><td>Mar 2014</td></tr><tr><td>Procurement</td><td>Apr-Dec 2014</td></tr><tr><td>Transition</td><td>Jan-Jul 2015</td></tr><tr><td>Scheme begins</td><td>Aug 2015</td></tr></table> <p>It should be noted that this timescale is subject to refinement and may change as the project progresses.</p>	Statutory consultation	Jul-Nov 2013	Consultation responses duly considered (and any revisions to the QCS made)	Nov - Jan 2014	ITA decision as to whether to progress with the QCS and submit it to the QCS Board	Jan 2014	Engagement with QCS Board	Feb - Mar 2014	ITA 'makes' Scheme	Mar 2014	Procurement	Apr-Dec 2014	Transition	Jan-Jul 2015	Scheme begins	Aug 2015
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Engagement with QCS Board	Feb - Mar 2014																
ITA 'makes' Scheme	Mar 2014																
Procurement	Apr-Dec 2014																
Transition	Jan-Jul 2015																
Scheme begins	Aug 2015																



6.2 | If the ITA determines to further develop the VPA Proposal and abandon the QCS Proposal, NEBOA has suggested that an agreement could be in place within 6 months. It should be noted however that this is subject to Nexus, the ITA, District Councils and NEBOA being able to agree terms in that timescale.

7 | Potential impact on objectives

7.1 | Successful delivery of the Bus Strategy is intended to:

- support economic development and regeneration and safe and sustainable communities by maintaining or growing access to key facilities, services and employment sites by public transport;
- address climate change by increasing the use of public transport and thus reducing harmful emissions generated by use of the private car, and by promoting the use of fuel-efficient vehicles.

APPENDIX A: Executive Summary of QCS Proposal

EXECUTIVE SUMMARY

1.1 Introduction

- 1.1.1 This Proposal describes how, under a Quality Contracts Scheme (QCS), the local bus system in Tyne and Wear would be improved to deliver services in a way that will be familiar to users of buses in London and numerous European cities. Simple fare structures, better value for young people, the use of Smartcards to encourage more frequent travel, improvements in journey quality, and public accountability for performance are all features of a modern urban transport system that will provide the best possible value for money and contribute to social and economic wellbeing.
- 1.1.2 This Proposal delivers improved services for a reduced public financial contribution by introducing a system in which Operators bid competitively to run services. The alternative is very unappealing because of reductions in public funding, Nexus is presently substantially under-funded for the range of services it delivers. Without the implementation of this Proposal, funding for bus services must be radically cut from 2015/16 onwards in order to eradicate the budgetary deficit. This will see the withdrawal of the concessionary child scheme, the cessation of many socially necessary (but unprofitable) bus services, and other services such as the provision of public transport information.
- 1.1.3 This is a new QCS Proposal that has been developed by Nexus since November 2012. For reasons explained in more detail in the body of this Proposal Nexus decided not to proceed with its original Proposal following informal dialogue with Operators and with stakeholders. Nexus now recommends this Proposal as a basis for the ITA to decide to proceed to formal consultation on a potential QCS scheme.

1.2 Vision and objectives

1.2.1 The Proposal seeks to deliver the ITA's vision “to ensure that buses play a central role in providing a simple, affordable and integrated public transport system in Tyne and Wear” by achieving the three key objectives identified in the Bus Strategy:

(a) Arrest the decline in bus patronage

(i) Over the ten years covered by this Proposal, modelling shows that an additional 127 million bus passenger trips will be generated compared to a continuation of today's trends.

(b) Maintain (and preferably grow) Accessibility

(i) The modelling shows that this Proposal would immediately halt the trend of reducing local bus services, and would grow them by an additional 2%, maintaining Accessibility. Any future changes to bus services will be determined in accordance with the Governance Process, taking any impact on Accessibility into full account.

(c) Deliver better value for public money

(i) Modelling shows that this Proposal would reduce public expenditure on bus services by £7 million per annum from the commencement of the QCS, by both growing commercial fare box income and by achieving better value through competitive tendering of all bus services.

1.2.2 The alternative Do Minimum scenario can be modelled by using current market trends and industry and government data to forecast the situation that is most likely to occur if no intervention is made. In this scenario:

- (a) Annual bus patronage on the services covered by the Proposal will fall progressively from 127 million today, to 109 million by the end of the ten year period, a total decline of around 18 million;
- (b) Commercial Bus fares will continue to rise by 3% above the RPI each year;
- (c) The discretionary Child Concessionary fare would cease to exist in 2015/16;
- (d) Secured Bus Services (including Miscellaneous Workings) would be severely reduced in 2015/16, and would cease to exist by 2021/22;
- (e) In order to fund its statutory duty to reimburse Operators for Concessionary Travel, the ITA would need to increase its levy on Tyne and Wear Local Authorities from 2021/22 despite the withdrawal of all discretionary expenditure on bus services.

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

1.2.4 Customer proposition – standards and performance

- (a) A Customer Charter will set out the service commitments and performance standards that customers can expect from QCS bus services and will provide information on how to contact Nexus should customers be dissatisfied.
- (b) Service commitments will include; extended Real Time Information, Smart Ticketing, easy to identify and quality vehicles, a central point of customer contact, consistent

improved standards of customer service and care, and enhanced marketing.

- (c) Performance standards will include reliability, punctuality and customer satisfaction.
- (d) A bus Performance Management System (PMS) will be included in each Quality Contract to incentivise Operators to deliver a high quality, high value for money service. The PMS will focus on measures that are most important to passengers, based on market research. Poor performance will be penalised and good performance incentivised, as well as influencing whether Operators are eligible for contract extensions.

1.2.5 Network

- (a) The proposed QCS will cover the whole Tyne and Wear metropolitan area, incorporating the five local authorities making up the ITA Area. In addition, a number of Quality Contract services will extend into County Durham, Northumberland and Hartlepool. All local bus services operating within the QCS Area, except where they have been specifically excluded or they have been granted a clearance certificate will be included in the proposed QCS. This will ensure that virtually all bus services are operated to a consistent standard, with a common fare structure and managed through a standard approach to monitoring performance and governing future changes.
- (b) The QCS Network will replicate as closely as possible the deregulated bus network in place at the point that the QCS is adopted, although it will be improved by an immediate growth in bus resources of 2% (approximately 18 buses).

- (c) Any future changes to the QCS Network will be considered on their merits at the relevant time and will take full account of the ITA's objectives and 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, ensuring they support the objectives of the ITA.

1.2.6 Fares and ticketing

- (a) The Proposal includes a ticketing 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 ticketing simple and easy to understand.
- (b) Discounted ticket products will be available to children under 16, young people aged 16 to 18 and students. The ticket products for these groups will be multi modal and available to all within the age category regardless of home address, where passengers use a Smartcard. 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 of £25.00 (replacing the existing Metro Gold Card).
- (c) Smart Ticketing will be available on all buses and will include fare capping, providing customers with a "best price guarantee". This means that where they pay single fares as

they travel, the daily fare is price capped to the cost of the equivalent day ticket.

- (d) The Proposal will affect approximately 81 million fare paying bus journeys per annum. The proposed 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. Is it intended that for the duration of the QCS, subject to exceptional unforeseeable cost pressures, average fare increases will be no more than the Retail Price Index and will only change once per year.

1.3 Information and branding

- 1.3.1 The identity for buses will use the already established red “Buses” brand across all customer facing marketing and information provision, including bus livery. This will promote simplicity and consistency across the network.
- 1.3.2 Nexus will be the sole 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. Information for public transport journeys will be available in many ways including Travel Shops, the One Stop Shop, digital media as well as at bus stops, interchanges and on buses themselves.

1.4 Procurement

- 1.4.1 It is proposed that the QCS Area will be divided as follows:
 - (a) 3 multi service Quality Contracts of between 227 and 275 vehicles each;

- (b) 25 mini/midi bus Quality Contracts of between 1 and 8 vehicles each;
- (c) 8 taxi bus Quality Contracts for 1 vehicle each; and
- (d) 95 Works Services and Scholars Services Quality Contracts for 1 vehicle each.

1.4.2 Realistic opportunities to bid for Quality Contracts are therefore available for Operators of all sizes.

1.4.3 The Quality Contracts will be tendered in 2 rounds and initially all Quality Contracts will commence simultaneously.

1.4.4 Round 1 Quality Contracts will be awarded on the basis of the most economically advantageous tender and compliant bids for Round 2 Quality Contracts will be evaluated on price only.

1.4.5 Contract durations will be for 7 years plus an extension of up to 3 years (1 + 1 + 1).

1.4.6 The Quality Contracts will be let on a gross cost basis. The proposal is that the fare structure and pricing approach will be determined to ensure integration and therefore the ITA will retain risk in respect of fare revenue.

1.4.7 The Quality Contracts will address variations in services within the QCS.

1.5 Delivery Risk

1.5.1 Key risks to successful delivery of the QCS have been identified, assessed and mitigated where appropriate. Nexus is satisfied that the QCS is affordable and deliverable within acceptable tolerances.

1.5.2 The informal dialogue with stakeholders on the first QCS proposal developed by Nexus (see section 2.10) identified certain risk issues

which led Nexus to abandon that QCS proposal, which Nexus has taken into account in developing this new QCS Proposal.

1.6 Impact on bus company employees

- 1.6.1 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply to the Quality Contracts, therefore existing employees engaged in providing bus services will, subject to the operation of the Quality Contracts Schemes (Application of TUPE) Regulations 2009, automatically switch to any new Operator of the services on their existing terms and conditions of employment. The Quality Contracts Schemes (Pension Protection) Regulations 2009 protect transferring employees who are members of an occupational pension scheme such that any new Operator is obliged to provide the same or broadly comparable pension benefits.
- 1.6.2 Draft Allocation Arrangements have been prepared to determine which employees transfer to which Quality Contract. The Allocation Arrangements will be further developed during formal consultation to ensure that those affected have the best possible opportunity to express their views to establish arrangements which are likely to be fair, workable and effective in practice.
- 1.6.3 Further protections for employees have been built into this Proposal to ensure that there will be no compulsory redundancies for employees connected with the provision of Quality Contract bus services during the transition to Quality Contracts. A mechanism will be established to offer travel allowances or payments to employees who are required to move to a new depot following the award of Quality Contracts. Care has been taken to ensure that the introduction of the QCS does not of itself adversely impact the provision of bus services in neighbouring authorities in Northumberland and Durham. A Collaboration Agreement to which it is intended that the ITA, Nexus, Northumberland, Durham

and Hartlepool Councils will be parties has been designed to provide stability and protect services in neighbouring authority areas.

1.7 Proposed Combined Authority

1.7.1 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.

1.7.2 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. As a result, Nexus is recommending to the ITA that it is appropriate to continue with the development of the QCS.

1.8 Governance

1.8.1 Under the QCS Proposal an ITA Bus Committee will be responsible for overseeing the operation of the QCS local bus network. The ITA Bus Committee will be supported by Cross Boundary Groups before taking any decisions which may impact on cross boundary services.

1.8.2 Local Bus Boards will be established, accountable to the ITA Bus Committee and responsible for the network of services operating wholly within each of the Tyne and Wear districts (Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland).

1.8.3 An Annual Development Cycle will provide a consistent approach to decision making, allowing for transparency and a consultation process that includes customer involvement. A procedure for emergency timetable and scheme variation outside the Annual Development Cycle will allow for any exceptional or extraordinary events in order to continue delivering the QCS bus services within available resources.

1.9 Affordability

1.9.1 Modelling confirms that the QCS Proposal should be affordable, based on the best available estimate of the likely cost and revenues as detailed in this Proposal. The ITA and Nexus are required to set a balanced budget in advance of each financial year. Any surplus or deficit arising from the QCS will be taken into account in the budget setting process. To provide for any unforeseen circumstances an appropriate level of risk contingency has been included within the Affordability Model.

1.10 The Public Interest Test criteria

1.10.1 Under the Transport Act 2000 (as amended), an ITA making a QCS must be satisfied that five “public interest” criteria are met. These criteria are that:

- (a) the proposed QCS will result in an increase in the use of bus services in the area to which the proposed QCS relates;
- (b) the proposed QCS will bring benefits to persons using local services in the area to which the proposed QCS relates, by improving the quality of those services;
- (c) the proposed QCS will contribute to the implementation of the local transport policies of the ITA;
- (d) the proposed QCS will contribute to the implementation of those policies in a way which is economic, efficient and effective; and
- (e) 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 area to which the proposed QCS relates.

- 1.10.2 The ITA must consider for itself these criteria based on the further work Nexus has undertaken in the design and detail of the Proposal and the comments Nexus received through engagement with stakeholders and informal dialogue with Operators. The ITA must also take account of any other relevant factors it considers necessary to address arising from the Proposal, the informal dialogue process or otherwise.
- 1.10.3 Nexus is currently of the view that the five public interest criteria are met by the Proposal as now formulated and that if made the QCS would be proportionate under section 124(1)(e) of the Transport Act 2000 (as amended). For the same reason, it is unlikely to infringe the human rights of Operators. However, the decision which the ITA is being asked to make is a decision whether to consult on the proposed QCS, and this decision does not of itself engage any convention rights.
- 1.10.4 Nexus is recommending to the ITA that this Proposal should proceed to formal consultation so that all interested parties may comment on the detail of the QCS. The information gathered through public consultation will assist the assessment of the public interest criteria and human rights issues.
- 1.10.5 In making this recommendation Nexus is aware that the process of detailed formal consultation will result in a reassessment of the QCS's ability to meet the public interest criteria and its impact on the human rights of the Operators. In deciding to consult formally the ITA must not pre judge the outcome of that process. In the Proposal Nexus has referred to those issues where further consultation may elicit more detailed information and detail on the adverse impacts that the Scheme as now formulated may produce.
- 1.10.6 Nexus has engaged in lengthy dialogue with Operators in relation to the possibility of a Voluntary Partnership Agreement as an alternative to the QCS. That dialogue is continuing. In preparing this Proposal for the ITA

Nexus has assessed the most recent iteration of the Voluntary Partnership Agreement and is recommending to the ITA that it does not currently constitute a better alternative to the QCS. However, on going consideration should be given to any VPA.

1.11 Chief Finance Officer's Declaration

- 1.11.1 Section 125(1A)(e) of the Transport Act 2000 requires the Chief Finance Officer of the ITA to make a declaration that, taking account of any estimated income from fares under the QCS and any revenue from central government grants, any remaining funding required to implement the QCS can be provided by other resources available to the ITA.
- 1.11.2 Nexus has ensured that the Chief Finance Officer has been fully briefed on the QCS Proposal and the ITA Chief Finance Officer's declaration of affordability, covering the issues required by the Transport Act 2000 (as amended) is referred to in Appendix A – ITA Chief Finance Officer's Declaration of Affordability.

APPENDIX B: Summary of informal dialogue and response

A working draft QCS proposal (referred to in this appendix as 'the original QCS Proposal') was shared by Nexus with local bus Operators, trades unions and adjacent authorities on 1st 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).

Section 3.8 of the Proposal describes how, 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 (referred to in this appendix as 'The new QCS Proposal').

The key areas of feedback are grouped together thematically in this appendix, with a summary of each specific item of feedback set out alongside Nexus's response.

1. Theme: Legislation has not been complied with

Summary of feedback	Nexus response
Compliance with the Transport Act 2000 (as amended), in particular section 124(1)	The ITA must satisfy itself that any QCS proposal complies with the Transport Act 2000 (as amended) before deciding to adopt it. Nexus is currently of the view that the five Public Interest Test criteria are met by the new QCS Proposal as now formulated and that if made the QCS would be proportionate under section 124(1)(e) of the Transport Act 2000 (as amended).
Breach of the Human Rights Act 1998 and Article 1 of the First Protocol ("A1P1") of the European Convention on Human Rights ("ECHR")	There is no doubt that the introduction of a QCS will materially interfere with the peaceful enjoyment by certain bus Operators (primarily the larger Operators) of their businesses in the Tyne and Wear region and that the process of developing and consulting on the QCS will create uncertainty whichever the outcome. However, the decision that the ITA is being asked to take at this stage is a decision whether to proceed with formal Consultation on the proposed QCS. The ITA will only decide to proceed with Consultation if it is satisfied that the draft new QCS Proposal is, based on Nexus' analysis, proportionate. That decision will not interfere with the human rights of Operators since they will be free to continue running their current

	<p>businesses while Consultation is on-going, albeit that the fact of the Consultation will influence the Operators' attitude to investment and other decisions whilst it is under way. Such uncertainty is an inevitable side effect of any decision making process. Human rights matters will require careful consideration before any decision to make a QCS. The formal Consultation process will give the Operators the opportunity to provide such information as they consider appropriate to explain the impacts on them which the new QCS Proposal may have. The proportionality test under section 124 (1)(e) of the Transport Act 2000 (as amended) is closely aligned with human rights considerations. This test is addressed in the new QCS Proposal.</p>
<p>It is unlawful for Nexus or the ITA to make a scheme covering bus services that operate in Durham and Northumberland</p>	<p>The ITA will use its powers to make a QCS in the ITA Area as provided in section 124(1) Transport Act 2000 (as amended). General powers of competency introduced by The Localism Act 2011 for ITAs and PTEs will be used by the ITA and Nexus to support other elements of the Quality Contract strategy including entering into appropriate commercial arrangements with Northumberland and Durham Councils and to support provision and tendering of cross-boundary bus services which travel beyond the ITA Area. General powers of competency may be used alongside the ITA's wellbeing powers introduced by the Local Transport Act 2008 to support the provision of bus services to benefit the wellbeing of persons present in or travelling in or through its area. The ITA and Nexus will use a combination of these powers to let and manage Quality Contracts for the provision of bus services within Tyne and Wear including specifying extension of such services (outside the QCS Area) in Northumberland, Durham and Hartlepool to provide for services that extend over administrative boundaries into and out of Tyne and Wear.</p>

2. Theme: QCS is an inappropriate remedy

Summary of feedback	Nexus response
Nexus should keep an open mind about alternative approaches that could meet the ITA's objectives	Nexus has considered and will continue to consider any VPA proposals or any other options that may achieve the ITA's objectives.
The Competition Commission indicated that alternative remedies to a QCS could address customer detriment	Neither the original QCS Proposal, nor the new QCS Proposal as it currently stands is specifically designed to remedy the adverse effects on competition 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.
Other areas with worse satisfaction levels have chosen not to introduce a QCS	Nexus does not accept that this is a valid impediment to the development of a QCS in Tyne and Wear; each area's local circumstances are different.
VPA as a more appropriate alternative	Nexus has engaged in lengthy dialogue with Operators in relation to the possibility of a Voluntary Partnership Agreement as an alternative to a QCS. That dialogue is continuing. Nexus has assessed the most recent iteration of the Voluntary Partnership Agreement and believes that it does not currently constitute a better alternative to the new QCS Proposal. However, on-going consideration will be given to any further VPA proposals.
Nexus motivated by improper purpose	Nexus is acting on the ITA's instructions. The QCS Proposal has been prepared in a transparent manner and is supported by all relevant documents to ensure that the ITA and any parties to any subsequent consultation can engage properly and effectively with Nexus' analysis of and reasons for recommending the QCS to the ITA.
If the improvements that Nexus propose genuinely drove demand, the commercial market would already be supplying them	Nexus is satisfied that there are sound reasons to believe that the improvements proposed will generate increased demand. Further, Nexus notes that some of the improvements put forward by NEBOA in the VPA Proposal are also claimed to drive new demand, and therefore it would appear that the commercial market does not always carry out every available action that might generate demand of its own accord.
The ITA's Bus Strategy for Tyne and Wear is a circular	The ITA's Bus Strategy clearly states, 'the preferred option for implementation

document that has been deliberately written to 'set up' a QCS	should be the one which is expected to make the greatest contribution to achieving the vision, objectives and deliverables set out within this Strategy. If appropriate, a combination of more than one delivery option could be explored and implemented in Tyne and Wear.'
Increasing fares for people of an employable age does not follow the reality in Tyne and Wear, given that 40% of workless households do not have access to a car and therefore rely on bus for employment opportunities	Nexus agrees that careful consideration has to be given to maintaining the accessibility of bus services for the unemployed and other groups who might struggle to pay materially increased fares. The proposed fare levels in the new QCS Proposal result in 69% of adult journeys across the region costing less than the recorded average fare levels, 12% costing the same, and 19% costing more. Therefore the majority of fares for people of an employable age will cost less. This analysis is set out in the new QCS Proposal in section 4.6.4. Further, Nexus considers that over the life of a QCS it will be able through a QCs to keep fares to a level that remains affordable for people from workless households.
QCS will be slow to implement and may not be available for 3 years	Nexus accepts that a VPA could be delivered substantially more quickly and cheaply than a QCS. However, that would, in Nexus' view, only be a material factor for the ITA to consider if it was persuaded that a VPA could deliver all or substantially all of the benefits of a QCS and, more importantly, prevent the disbenefits in terms of loss of secured services and loss of patronage that the introduction of a QCS is intended to mitigate. In such circumstances, the speed of delivery of the VPA would become of significance. Instead, Nexus' considers that the key driver in terms of timing is to deliver the QCS within a time frame that means that Nexus can still afford to maintain secured service levels in the interim.
The network would be less responsive to customer demands under a QCS	The requirements for flexibility under a QCS run by Nexus will be different from those of private Operators operating in an unregulated environment. Nexus considers that the current network is more "responsive" to customer demands only in the sense that operators can at short notice discontinue routes or modify routes depending on their view of demand and the profitability of those routes. This is because the operators are primarily motivated by the need to operate a profitable business. In such cases Nexus has had to consider the wider economic and social consequences of the Operator's actions and whether it needs / can afford to fund a

	<p>secured service to compensate for the operator's actions. One of the benefits of a QCS is that such action by Operators will be eliminated and Nexus and the ITA will be able to determine such matters in the context of the wider public interest. Nexus considers that the Quality Contracts let under the QCS will allow Nexus sufficient flexibility to manage this effectively.</p>
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3. Theme: Current problems are over-stated

Summary of feedback	Nexus response
The 'Do Minimum' case is overly pessimistic	Nexus accepts that in the original QCS Proposal, there was insufficient analysis and explanation of its 'Do Minimum' assumptions in order for these to be clearly assessed. In the new QCS Proposal a new section (section 3.6) has been added to the document to set out what Nexus reasonably believes to be the 'Do Minimum' scenario and why this is so.
The Proposal does not provide evidence or explanation to link changes in passenger numbers to behaviours by bus Operators	Nexus accepts that in the original QCS Proposal, there was insufficient analysis and explanation of its 'Do Minimum' assumptions in order for these to be clearly assessed. In the new QCS Proposal sections 3.6.3 and 3.6.4 set out details of how fare increases and wider socio-economic factors have been assessed to affect demand for bus services.
Bus customer satisfaction is already high in Tyne and Wear, according to Passenger Focus surveys	Nexus acknowledges that on-board surveys reveal relatively high levels of bus user satisfaction in Tyne and Wear compared to other parts of the UK. Nevertheless there are many areas of improvement that customers would like to see brought forward, 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. This information is shown in the new QCS Proposal in section 3.7.
Bus Operators have invested heavily in new vehicles in recent times and will continue to do so	Nexus accepts that there has been investment in local bus fleets over recent years, and that fleet renewal will be an on-going activity in the 'Do Minimum' scenario. This is reflected in the new QCS Proposal in the 'Benefits of the QCS' table in section 6.4.3.
Metro has witnessed a similar passenger decline to that for buses, despite being under Nexus control	Nexus does not accept that trends in ridership on Metro match the trends seen in bus ridership. The new QCS Proposal contains information about Metro ridership to provide context, in figure 3.
Some of the long term decline in bus usage is put down to Metro abstraction since the early 1980s	Nexus does not accept that Metro ridership has grown as a result of lost bus patronage on anything other than a localised basis. The new QCS Proposal contains information about Metro ridership to provide context, in figure 3.

<p>Recent bus patronage has been increasing, at least for some companies</p>	<p>Nexus acknowledges 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 Metro causing a transfer of patronage between modes. The new QCS Proposal reflects this information in section 3.6.3.</p>
<p>Passenger demand is more likely to be influenced by journey times, which Nexus have not investigated or proposed remedies for</p>	<p>Section 3.7.2 of the new QCS Proposal states that ‘the most influential aspects [of users’ opinions of good value for money in bus services] are service reliability, punctuality, frequency, fares and, to a lesser degree, journey time. Section 4.11.7 of the new QCS Proposal sets out how Local Bus Boards will develop plans for improving punctuality, following the principles of a ‘Bus Punctuality Partnership’ and including how investment in bus priority measures will be prioritised with the involvement of the local highways authority, the Operators, and other relevant partners. Section 4.7.6 of the new QCS Proposal sets out a Bus Performance Regime that is intended to ensure that service delivery improves customer satisfaction with punctuality and reliability.</p>
<p>Historic fare increases are justified by their strong relationship to increases in fuel and other costs</p>	<p>Nexus acknowledges that changes in bus industry costs may differ to average rates of inflation as measured by the RPI, but asserts that profit margins are also a causal factor. This analysis is shown in the new QCS Proposal in section 3.6.4.</p>

4. Theme: Benefits of proposed QCS have been over-stated

Summary of feedback	Nexus response
Nexus has over-estimated the potential impact of 'Soft Measures' benefits of simplified ticketing	Nexus accepts that the original QCS Proposal had a heavy reliance on evidence presented in a DfT report from 2009 entitled 'The Role of Soft Measures in Influencing Patronage Growth and Modal Split in the Bus Market in England', but the original QCS Proposal had not adequately assessed whether this evidence was applicable in the context of the proposals. Nexus has now completed that assessment, including the carrying out of a number of specific market research exercises which validate the evidence in the DfT report in the context of the proposals. The assessment is set out in the new QCS Proposal in sections 4.6.2 and 4.6.3.
Simplified ticketing is not a customer priority	Nexus has developed a simplified ticketing approach in response to the ITA's Bus Strategy. As described in the row above, Nexus has carried out specific market research that suggests that there will be increased demand as a result of the simplified ticketing described in the new QCS Proposal.
Many customers would face fare increases	Shortly before publication, the fare levels set out in the original QCS Proposal were increased to reflect that fare increases had recently been applied in the commercial market. Nexus accepts that those revised fare levels had not been accurately modelled and therefore did not achieve the outcomes intended. The new QCS Proposal contains proposed fare levels that take into account journeys and average fare levels that were recorded by Nexus' Continuous Monitoring surveys in the period April 2011-March 2012. The proposed fare levels in the new QCS Proposal result in 69% of adult journeys costing less than the recorded average fare levels, 12% costing the same, and 19% costing more. This analysis is set out in the new QCS Proposal in section 4.6.4.
Simplified ticketing would remove locally-tailored fares that are valued by customers	Nexus is not aware of any evidence that demonstrates that customers value locally-tailored fares above simplified ticketing.
Nexus bases its network model on a measure of	Nexus accepts that, given the lack of route-level passenger demand data available

<p>Accessibility, which is unrelated to the crucial factor of demand. The network proposal is worse than today's position for a large number of customers, and may lead to significant changes in passenger demand</p>	<p>to it, that the approach set out in the original QCS Proposal of redesigning the bus network to grow Accessibility was overly risky. As a result Nexus has changed its approach in the new QCS Proposal so that the network at QCS Commencement will be the commercial network at the point of QCS Adoption.</p>
<p>There is no basis for the claim that Nexus' Customer Charter proposals would grow patronage compared to today's situation, particularly because customer charters already exist</p>	<p>Nexus accepts that the use of term 'customer charter' in the original QCS Proposal was overly simplistic in terms of how customers will benefit from a range of improvements, because the term 'customer charter' implies that the improvement is limited to the publication of a document. Section 4.4 of the new QCS contains a detailed explanation of how the Customer Charter is a customer-facing commitment to a set of service improvements. Section 6.6.2 explains how the application of the Customer Charter has been modelled in terms of generating patronage.</p>
<p>There is nothing in the Proposal which will necessarily guarantee reduced carbon emissions, and running additional bus services when there is insufficient demand will impact adversely on the environment</p>	<p>Nexus accepts that the original QCS Proposal was unclear in this area. Section 4.7.5 of the new QCS Proposal sets out improved vehicle standards, and the table in section 6.4.3 estimates that reductions in Particulate Matter emissions will be achieved.</p>
<p>Nexus has failed to take account of relevant highway controls or how a QCS would fit in with them.</p>	<p>Section 4.11.7 of the new QCS Proposal sets out how Local Bus Boards will develop plans for improving punctuality, following the principles of a 'Bus Punctuality Partnership' and including how investment in bus priority measures will be prioritised with the involvement of the local highways authority, the Operators, and other relevant partners. Section 4.7.6 of the new QCS Proposal sets out a Bus Performance Regime that is intended to ensure that service delivery improves customer satisfaction with punctuality and reliability.</p>
<p>No evidence that "democratic control" is desired by the public</p>	<p>Nexus does not assert that the public desires 'democratic control' of the bus network by itself or for its own sake; however, the introduction of a QCS in order to best achieve the ITA's objectives necessarily requires that the environment in which buses operate is changed such that specifications are set by the local transport authority and that the criteria by which such specifications are set are driven by a wider range of social and economic considerations than simply running a business at a profit.</p>

<p>Contractual incentives will be weaker than existing market forces in providing strong performance</p>	<p>Nexus does not accept that this is the case. The effect of a QCS would be to replace the direct operation of market forces with contract management by Nexus of the performance of individual operators under the terms of their Quality Contracts. Clearly, Nexus as it is taking the financial/operational risk under the QCS will be subject to market forces as one of the criteria that it will take into account in terms of how the contracts are managed. The difference is that market forces will not be the sole or, at least, predominant criterion applied by Nexus. Nexus is not aware of any evidence to suggest that Deregulation in the transport sector necessarily achieves a higher level of performance than a contracted environment, and anecdotal evidence from regulated markets elsewhere suggests that the reverse can often be true.</p>
<p>Financial benefits of QCS have been overstated</p>	<p>This is an assertion made by certain Operators but it has not been substantiated by any data or otherwise detailed. Nexus has set out in the QCS Proposal the basis for its assessment / modelling of the financial impact of a QCS. Nexus has sought to be conservative in the assumptions it has made and believes that its conclusions are robust. Clearly, if the ITA decides that the QCS Proposal should proceed to formal consultation it will be a matter for individual operators the extent that they provide further data/information to explain any concerns they have in this regard.</p>
<p>Any money saved by the scheme could be used by the local authority to fund other local services</p>	<p>Where income (both fare and non fare) is earned by effective implementation and operation of the QCS, it is proposed that such income will be reinvested in future years in improving services delivered through the QCS.</p>

5. Theme: Costs of proposed QCS have been under-estimated

Summary of feedback	Nexus response
Nexus has understated the wage rate – a more realistic wage rate significantly increases costs	The wage rates have been based on averaging across the 3 largest Operators from known pay rates and number of drivers. In response to a request for further information on this matter, an Operator responded to Nexus providing some limited confidential information which Nexus believes serves to confirm its assumptions regarding driver wage rates.
The Proposal fails to take into account external factors such as fuel price rises or reductions in BSOG	Nexus accepts that in the original QCS Proposal, the risks to successful delivery of the QCS were not set out in sufficient detail. As a result, the new QCS Proposal, in sections 4.9 – 4.10, contains a detailed analysis and appraisal of delivery risks and how Nexus proposes to manage them.
Fare increases in the Proposal are linked to the RPI, whereas tender prices will be based on bus operating costs, which often have inflation higher than the RPI	It is a deliberate strategy on Nexus' part to increase fares by no more than RPI, in order to retain patronage that would otherwise be lost due to Fare Elasticity. A weighted cost inflation has been allowed for within the financial model, and a risk contingency is held to guard against cost inflation being higher than forecast.
Nexus has understated one Operator's network by 5%	No information was supplied to Nexus in support of this statement; in any event, it was believed to relate to the redesigned network in the original QCS Proposal. Nexus is confident that the new QCS Proposal correctly estimates the size of the bus network in Tyne and Wear as of November 2012, and derives costs accordingly.
The strength of incumbent Operators will result in bids above the competitive level	Nexus believes that the introduction of a QCS in Tyne and Wear would generate new competition from both inside and outside the area; therefore it is unlikely that incumbents would risk pricing bids above the competitive level. In addition, for a number of reasons, including relating to TUPE (such that transfer of employees to Quality Contracts is more straightforward), Nexus has revised its Procurement approach. Nexus is satisfied that competition is maximised through its proposed Procurement strategy. This is set out in section 4.8 of the new QCS Proposal.
Operators may make unrealistic bids in order to secure contracts	Nexus accepts that there is a risk that Operators may bid low in order to secure business through the tendering process; Nexus intends to assess bids based on the

	<p>Most Economically Advantageous Tender (MEAT) principle which is well-established in public sector procurement. The risk of uneconomically low bids is present in all procurement exercises, including for existing Secured Bus Services contracts. Ultimately it is Nexus' view that unrealistic bids are a bidder's risk, given that successful bidders enter into enforceable Quality Contracts with Nexus. How Nexus intends to manage risks through contract management is set out in sections 4.9 and 4.10 of the new QCS Proposal.</p>
Operators will incur bidding costs, and tendering and evaluation will be costly	<p>Nexus accepts that Operators will incur bidding costs and that Nexus will incur additional new costs of tendering and evaluation. This issue is explored in section 6.10.8 of the new QCS Proposal, adverse impacts on Operators.</p>
Retendering costs at the end of the QCS have not been taken into account, and re-tendering will be harder because the pool of potential Operators will have been depleted	<p>Nexus accepts that there may be transitional risks arising at the end of the QCS period, including the costs of an operator being un-successful in re-tendering, therefore additional risk contingency has been set aside to cover this possibility. Nexus does not accept, however, that there is a risk of the pool of potential bidders for any second QCS being depleted, as Nexus expects a QCS to be of interest to bidders both inside and outside the area.</p>
The rebranding of the entire fleet of Tyne and Wear buses is likely to increase costs	<p>Nexus accepts that there may be a cost to re-branding buses into the specified livery which Operators may choose to price into their bid prices; however given that buses routinely move between large Operators' operating units and require re-branding when they do so, this cost is not considered to be material over the ten-year life of the QCS. Nevertheless an allocation has been made in the Affordability Model for marketing and passenger engagement costs which are expected to include this potential cost item, as set out in section 5.7.1 of the new QCS Proposal.</p>
Nexus has not taken account of the on-going costs of monitoring, compliance and administration	<p>Nexus accepts that in order to manage Quality Contracts effectively it will require additional resources, and that this was not sufficiently explained in the original QCS Proposal. An allocation has been made in the Affordability Model for costs of additional employees, as set out in section 5.7.1 of the new QCS Proposal.</p>
A QCS would be subject to political pressure and would therefore be inefficient	<p>It is a deliberate strategy on Nexus' part to make the bus network more accountable to local people, by establishing democratic processes such that local politicians and other key stakeholders can influence the way in which services are</p>

	planned and delivered. Nexus accepts that this was not sufficiently explained in the original QCS Proposal, and so the Governance Process is now described in detail section 4.11 of the new QCS Proposal. Nexus does not accept that this would of itself be inefficient, because a critical safeguard is built in by means of the requirement for the ITA and Nexus to have adequate budget provision before committing to expenditure, as set out in section 4.11.3 of the new QCS Proposal.
Operators will lose the incentive to grow passengers	It is a deliberate strategy on Nexus' part to move the responsibility for growing patronage on the bus network from Operators to the ITA. It is clear, based on long-term trends of patronage decline, that the commercial market is not adequately incentivised to grow patronage.
Value for money is not proven	The Value for Money appraisal framework is outlined in section 6.6 of the new QCS Proposal which comprehensively highlights the benefits, risks, effectiveness and efficiency of the proposed scheme.
Better Bus Area funding cannot be claimed under a QCS	DfT Guidance on applying for designation as a Better Bus Area (BBA) dated February 2013, states that a local transport authority with plans for a QCS would not be automatically ineligible to bid for BBA status.
Lack of flexibility, particularly the complex procedure required to vary contracts, will lead to increased operating costs as problems will be allowed to persist for longer	<p>Nexus accepts that there is an element of risk associated with this issue which it has taken into account. However, the current unregulated market structure is far from risk free and already gives rise to a series of challenges outside of Nexus' control where Nexus is forced to respond to changes triggered by Operators' responses to market forces.</p> <p>Nexus already manages effectively a broad range of contracts and has considerable experience of doing so. The Quality Contracts will be complex contracts which will give rise to material operational and managerial challenges from time to time. Nexus intends that the contracts should be structured to ensure that those contracts can be managed day to day in a way that is responsive to potential operating challenges.</p>
The contentious elements of TUPE are front-loaded pre invitation to tender which will impact on pricing	Nexus accepts that TUPE issues will have costs implications in the context of tendering for Quality Contracts and hence these costs have been factored in where

they are expected to impact on contract prices post implementation.

6. Theme: Cross boundary concerns

Summary of feedback	Nexus response
Local transport policies of neighbouring authorities have not been considered	The proposed QCS is intended to achieve the local transport policies of Tyne and Wear. However Nexus acknowledges that consideration needs to be given to the effects that the proposed QCS may have on neighbouring authorities. Section 4.11.6 of the new QCS Proposal describes how this is achieved through a Collaboration Agreement with neighbouring authorities and the establishment of Cross-Boundary Groups.
Inclusion of cross-boundary services has a major impact on one particular Operator	Nexus accepts that this may be the case. However Nexus notes that revisions to the QCS Network and in particular the exclusion of certain cross-boundary services (Category B Exclusions), as described in section 4.5 of the new QCS Proposal, will have lessened this impact.
Reduced fares on cross-boundary services will increase demand, requiring deployment of additional resources	Nexus does not have detailed journey and fare information available to it for cross-boundary journeys. Section 3.8.7 (f) describes how this feedback has been taken into account when revising the fares proposal.
Cross-boundary depots may close, leading to the withdrawal of other services that are not related to the QCS	This matter is discussed in section 4.10.2 of the new QCS Proposal with regard to the impact of the QCS on employees and also at section 6.10.6 – adverse effects on Operators in relation to cross-boundary services. In order to mitigate against this possibility occurring, it is proposed that the ITA will enter into a Collaboration Agreement with Northumberland and Durham Councils and with Hartlepool Borough Council. In addition, revisions have been made to the network that was proposed in the original QCS Proposal, such that certain services operated from some cross-boundary depots have been excluded from the QCS (Category B Exclusions) in the new QCS Proposal.
The basis for Nexus's decisions regarding which services are included or excluded is unclear	Nexus accepts that the original QCS Proposal did not make the criteria for inclusion and exclusion sufficiently clear. Section 4.5.2 of the new QCS Proposal sets out the criteria for inclusion and exclusion of services from the scope of the QCS Network.
Concern from adjacent authorities over potential	Nexus acknowledges that there is then potential for this to occur. In order to

additional costs to them arising from the introduction of a QCS in Tyne and Wear	mitigate against the effects of this occurring, it is proposed that the ITA will enter into a Collaboration Agreement with Northumberland and Durham Councils and with Hartlepool Borough Council. Section 4.11.6 of the new QCS Proposal sets out how this is proposed to occur.
Concern from adjacent authorities that the ticketing structure proposed may cause significant disruption to people in their area	Nexus accepts that the fare structure set out in the previous Proposal was radical in nature and had the potential to cause disruption. The new QCS Proposal contains a revised fares proposal, and Nexus has attempted to analyse the impacts on people travelling in neighbouring areas, whilst noting that it does not have journey or average fare information for neighbouring areas. 78 single fares between popular destinations in neighbouring areas which would be covered by QCS services have been checked, of which 69 were cheaper, 3 were the same, and 6 cost more (Section 4.6.4 (f) of the new QCS Proposal).
Request from adjacent authorities that the ticketing structure be extended across all services in their area, where QCS or otherwise	Nexus has considered this request but notes that the ITA does not have the powers to implement a ticketing scheme outside its area. This would be a matter for the adjacent authorities themselves along with the Operators providing services in those areas.
Request from adjacent authorities to consider local arrangements for branding and customer support	The proposed Collaboration Agreement described in section 4.11.6 of the new QCS Proposal sets out how this might be achieved.
Adjacent authorities wish to play a meaningful role in the governance of QCS services affecting them	Nexus accepts that this must be the case. The proposed Collaboration Agreement described in section 4.11.6 of the new QCS Proposal sets out how this will be achieved.
Adjacent authorities wish to see long contracts to allow for long-term relationships to be built with Operators	Nexus accepts that longer term contracts allow for stable relationships to be built with contractors. The original QCS Proposal set out a range of lengths for different contracts. Nexus has revised this approach and section 4.8.2 of the new QCS Proposal describes how all contracts will be 7 years in length, with extensions of up to three years.
Adjacent authorities wish to be protected against disproportionate increases to QCS fares in their area	The proposed Collaboration Agreement described in section 4.11.6 of the new QCS Proposal sets out how this will be achieved.
Adjacent authorities are concerned about services being 'run down' over the Transitional period and seek a	The proposed Collaboration Agreement described in section 4.11.6 of the new QCS Proposal sets out how this will be achieved.

funded contingency plan	
Adjacent authorities request a share of any financial surplus that may be earned from QCS services	The proposed Collaboration Agreement described in section 4.11.6 of the new QCS Proposal sets out how this will be achieved.
Concern that QCS development may interfere with discussions between adjacent local authorities and Operators to develop partnerships	Nexus accepts that this may be the case, but has endeavoured to keep adjacent local authorities fully informed of progress during the development of the new QCS Proposals.
Implementation of a QCS would result in Nexus controlling sections of Network outside of Tyne and Wear	Nexus has considered excluding cross-boundary services from the QCS Network or terminating cross-boundary services at the cross-boundary points. However, Nexus has concluded that this would not be in the best interests of passengers in Tyne and Wear or in adjacent Local Authorities. If these cross-boundary services were excluded or terminated at the boundary point it would risk the loss of a high number of key links and risk that a number of services outside the QCS Area would not be commercially viable to run without the contribution of the Tyne and Wear element. It is also proposed that the ITA will enter into Collaboration Agreements with the adjacent County Councils to ensure the QCS complies with the transport policies and practices of those Councils.

7. Theme: Employees

Summary of feedback	Nexus response
<p>It will be complex to determine which employees are 'principally affected' for the provisions of TUPE to apply</p>	<p>Nexus has considered this in detail, and proposed Allocation Arrangements are set out in section 4.10.3 of the new QCS Proposal and at Appendix S. In order to create as detailed a set of Allocation Arrangements as possible, Nexus requested workforce information from local Operators. Of the large Operators, only one was willing to provide information, at only a very high level. Further information will be sought during the formal Consultation process. Nevertheless, wherever possible Nexus has taken steps to make the process as clear as possible for each depot affected by the new QCS Proposal.</p>
<p>The complexity of the Allocation Arrangements and the risk of employees not transferring will result in redundancies and with incumbent Operators having to fund such redundancies.</p>	<p>Proposed Allocation Arrangements are set out in section 4.10.3 of the new QCS Proposal as well as the steps Nexus has taken to mitigate against this risk. In order to create as detailed a set of Allocation Arrangements as possible, Nexus requested workforce information from local Operators. Of the large Operators, only one was willing to provide information and only at a very high level. Further information will be sought during the formal Consultation process. To avoid the risk of redundancies arising from the implementation of a QCS the ITA will offer assurances to bus company employees that it will explore measures to minimise the risk of compulsory redundancies for employees "principally connected" with the provision of local services which will be provided by Quality Contracts, during the Transition to Quality Contracts. Steps have been taken to mitigate this risk in the cross boundary area in that services operated out of Blyth and Ashington depots in Northumberland have been wholly excluded from the QCS which, when combined with the protections resulting from the Collaboration Agreement will protect employees in those depots from redundancy.</p>
<p>Risk of detriment to employees transferring under TUPE</p>	<p>Section 4.10.4 of the new QCS Proposal sets out how bus company employees will be protected during the transfer process.</p>
<p>Unions seek to "harmonise up" and otherwise general</p>	<p>Section 4.10.4 of the new QCS Proposal sets out Nexus' view that differences in</p>

improve terms and conditions of staff transferring from different employers	terms and conditions are a speculative concern which can only be assessed once employee information has been provided. Steps have been taken to mitigate this concern by the grouping of services into Quality Contracts based on current depots which will ensure employees on similar terms and conditions transfer together. To consider whether harmonisation is commercially viable, the ITA will require detailed information on current terms and conditions of all employees who may transfer, properly to understand the commercial implications of this request.
Unions seek a requirement for a RPI-related pay increase	Nexus has considered this request, and at this stage has concluded that it is neither appropriate nor affordable to require successful bidders for Quality Contracts to apply pre-determined inflationary uplifts to staff pay. Whilst Nexus agrees that it is essential to protect employees' pay and conditions during the period of transition to Quality Contracts, future pay arrangements are a matter between employees (and their representatives) and their employers.
Unions seek membership of the Local Government Pension Scheme (LGPS) for all bus employees	Nexus acknowledges the importance of sound pension arrangements for Operators' employees, and the need to ensure continuity of pension arrangements during the Transition to Quality Contracts. Section 4.10.1 of the new QCS Proposal explains that 'the Quality Contracts Schemes (Pension Protection) Regulations 2009' oblige new employers to provide the same or broadly comparable pension benefits as the old employer. Nexus has assessed the practicability of LGPS membership for all bus Operator employees, and has concluded at this stage that whilst new employers may become 'admitted bodies' in order to protect the pension benefits of existing LGPS members, it is unlikely that new members of LGPS would be permitted under such an arrangement. Nexus has also concluded that such a move would not be affordable.
Unions seek a minimum duration of 10 years for each Quality Contract to offer staff certainty of employment	Nexus accepts that longer term Quality Contracts allow for certainty of employment for staff. The original QCS Proposal set out a range of lengths for different contracts. Nexus has revised this approach and section 4.8.2 of the new QCS Proposal describes how all contracts will be 7 years in length, with extensions of up to three years. The maximum permitted period for a QCS under the Transport Act 2000 (as amended) is 10 years.

Unions seek an agreement preventing any compulsory redundancies	Section 4.10.4 of the new QCS Proposal sets out how Nexus proposes to provide certainty to bus company employees, including arrangements to minimise the risk of compulsory redundancies for employees ‘principally connected’ with the provision of local services which will be provided by Quality Contracts, during the Transition to Quality Contracts.
Concerns that employees will be forced to transfer to new depots under the new QCS Proposal	Nexus recognises that it is likely that some movement will be inevitable from current depot locations. Section 4.10.4 of the new QCS Proposal sets out a proposed mechanism such that employees will receive travel allowances or payments where this occurs.
Unions would like Nexus to consider its powers to effect a compulsory purchase of depots in order to minimise disruption to staff	Nexus acknowledges that the potential for staff to move between depots causes uncertainty. Section 4.10.4 of the new QCS Proposal explains that steps have been taken to mitigate this concern as far as possible by the grouping of services into Quality Contracts based on current depots. However Nexus does not consider the compulsory purchase of depots to be a practicable solution to this uncertainty as Nexus believes that the ITA does not have the powers to effect such compulsory purchases and in any case it would potentially be unaffordable.
Clarification sought over application of TUPE to depot and clerical staff	Proposed Allocation Arrangements are set out in section 4.10.3 of the new QCS Proposal, and apply equally to depot and office-based staff as to drivers. In order to create as detailed a set of Allocation Arrangements as possible, Nexus requested workforce information from local Operators. Of the large Operators, only one was willing to provide information, at only a very high level. Further information will be sought during the formal Consultation process. Nevertheless, wherever possible Nexus has taken steps to make the process as clear as possible for each depot affected by the new QCS Proposal.
Concerns that competitive bidding process may see Operators bidding low to win but failing in their obligations to staff at a later date	Section 4.10.4 of the new QCS Proposal sets out how Nexus proposes to limit the risks of this occurring, by seeking reassurance over policies and practices at the pre-qualification stage. In addition, Nexus intends to provide a dedicated facilitator, supported by a trade union representative, to ensure that the transition for staff is as smooth as possible. TUPE protects employees’ terms and conditions.
Incumbent Operators who bid unsuccessfully may find	Nexus acknowledges that there is a theoretical risk of this occurring as set out in

that the defined benefit pension schemes become underfunded	section 6.10.10 of the new QCS Proposal. However Operators have not, to date, provided Nexus with data on the extent of such concerns, nor how Operators' position in the QCS Area would differ from their position as an Operator elsewhere in the country, and therefore the extent to which this risk is different to that which they would manage on any change to their business. In the absence of such data, it has been assumed that Operators will manage their pension scheme liabilities, and will take this into account in determining their tendering strategy.
Defined benefit pension benefits will be eroded on transfer to a new employer. Employees will not have broadly similar benefits following transfer.	Nexus does not accept that this is the case. Section 4.10.1 of the new QCS Proposal explains that 'the Quality Contracts Schemes (Pension Protection) Regulations 2009' oblige new employers to provide the same or broadly comparable pension benefits as the old employer.
Defined benefit pension costs will be priced into bids for Quality Contracts	Nexus accepts that this may be the case. Current pension contribution costs are integrated into the derived cost per hour of the Network within the Affordability Model and have therefore been accounted for in the assessment of the affordability as shown in section 5.5 of the new QCS Proposal.
TUPE will not apply to services operating cross-boundary which creates a real risk of redundancy	It is proposed that the ITA will enter into a Collaboration Agreement with Northumberland, Durham and Hartlepool County Councils to ensure the introduction of a QCS does not adversely impact services in those areas. The Collaboration Agreements will subsequently protect the jobs of employees operating those services.

8. Theme: Adverse effects on Operators

Summary of feedback	Nexus response
The methodology for considering adverse effects on Operators is not clear	Nexus acknowledged in the original QCS Proposal that dialogue was required with impacted Operators in order to determine adverse effects. That dialogue has now taken place, and Nexus has carefully considered the responses received from Operators in relation to the original QCS Proposal to the extent that those comments remain relevant to the new QCS Proposal. These potential adverse impacts are set out in section 6.8 of the new QCS Proposal and Appendix BB.
Nexus has not considered the effects on individual Operators	Potential adverse effects as identified by Operators are set out in sections 6.7, 6.8 and 6.9 of the new QCS Proposal.
Nexus fails to recognise that QCS would deprive Operators of material and valuable commercial freedom enjoyed in current deregulated system	Nexus accepts that the introduction of a QCS would materially interfere with the peaceful enjoyment by certain Operators (primarily the larger Operators) of their businesses in the Tyne and Wear region. However Nexus notes that the proportionality test under section 124(1)(e) of the Transport Act 2000 (as amended) is closely aligned with human rights considerations. This is considered in the new QCS Proposal in section 6.7.
Nexus does not appreciate impact on shareholders and UK quoted bus industry as a whole	Potential adverse effects, including those identified by Operators, are set out in sections 6.7, 6.8 and 6.9 of the new QCS Proposal.
Nexus underestimates impact on unsuccessful Operators, or Operators who choose not to bid	Potential adverse effects on Operators are set out in sections 6.7, 6.8 and 6.9 of the new QCS Proposal.
Nexus should take account of: bidding costs, providing TUPE information, decommissioning depots, loss of shareholder value and goodwill	Potential adverse effects on Operators are set out in sections 6.7, 6.8 and 6.9 of the new QCS Proposal.
TUPE and pensions implications for outgoing and incoming Operators not sufficiently analysed	Potential adverse effects on Operators are set out in sections 6.7, 6.8 and 6.9 of the new QCS Proposal.
It cannot be guaranteed that any Quality Contracts would be won by incumbent Operators	This is acknowledged. Potential adverse effects on Operators are set out in sections 6.7, 6.8 and 6.9 of the new QCS Proposal.
Adverse effect on Operators is not proportionate to any	Nexus' application of the proportionality test, taking into account adverse effects

improvement in well-being of persons in the QCS Area

on Operators, is outlined in sections 6.7, 6.9, 6.10 and 6.12 of the new QCS Proposal. Nexus is currently of the view that, if made, the QCS would be proportionate under section 124(1)(e) of the Transport Act 2000 (as amended).

9. Theme: Modelling approach

Summary of feedback	Nexus response
'Do Nothing' is an inappropriate term	Nexus accepts that 'Do Minimum' is the most appropriate term for a scenario in which current trends continue and there is neither a QCS nor a VPA. The new QCS Proposal reflects this.
The QCS should be compared to a VPA Proposal rather than 'Do Nothing'	At the time informal dialogue began over the original QCS Proposal, there was no formal VPA Proposal and therefore the only available comparison was with 'Do Nothing' (since amended to 'Do Minimum'). Since that date various iterations of a VPA Proposal have been presented to Nexus. Although the current status of the VPA Proposal is 'working draft' Nexus has compared the new QCS Proposal to the latest iteration of the VPA Proposal provided on 10 May 2013.
Nexus modelling implies a reduction to Operator profit margins	It is a deliberate strategy on Nexus's part to reduce Operator profit margins. Section 5.5.9 of the new QCS Proposal sets out Nexus's assumptions in this regard.
Nexus has used Fare Elasticity incorrectly	Nexus does not accept that its use of Fare Elasticity is incorrect; there is a degree of subjectivity regarding rates of Fare Elasticity, and Nexus has made reasonable and conscious choices regarding the measures of Fare Elasticity used in its modelling.
Demand uplifts from Customer Charter and simplified ticketing are not based on sound evidence	The Affordability Model is a spread-sheet based, demand model that is populated with relevant variables including patronage, sales, fares and revenue. It is designed to calculate the market impact on both demand and revenue resulting from possible changes to fare structures and pricing strategies, demographics and other modelled factors. The process of accounting for, and projecting, changes in passenger demand is based on the Black Book elasticities.
The Nexus 'Do Nothing' projections appear to imply implausibly high levels of Operator profitability in the long term	Nexus does not share this view. The model Nexus has used in the 'Do Minimum' scenario of the new QCS Proposal makes a reasonable assessment of both future costs and future revenues, based on both historic trends and events that Nexus is confident will take place. Nexus does not have sufficient information to make any further assumptions about future changes to costs or revenues that would show a different picture.

Future investments in quality should be reflected in the 'Do Nothing' scenario

Other than where Operators have made commitments to future investments in quality, Nexus does not accept that it is reasonable to speculate over if or when such investments might be made.

APPENDIX C: Simplified modelling guides

Appendix C1: Nexus Quality Contracts Scheme Proposal Fares impact modelling

This note explains how Nexus has modelled the impact of its pricing proposals in the Quality Contracts Scheme.

Continuous Monitoring

Nexus carries out 'Continuous Monitoring' surveys on all forms of public transport in Tyne and Wear. During these face-to-face surveys passengers are asked for information about their journey, including their boarding point and destination, how much they paid for their ticket and what type of ticket it is. Approximately 0.5% of passengers are interviewed, and the results are scaled up to produce a set of figures that is considered statistically robust over a 12-month period at the Tyne and Wear level.

The output of Continuous Monitoring is used as the basis for Network One's payments to participating operators for their share of total journeys involving Network One tickets, and also to calculate the basis for concessionary travel reimbursement payments. The University of Southampton conducts an annual audit of the methodology.

Elasticity

Elasticity is a measure of the strength of customers' reaction to fare changes, on a scale of -1 to +1, where numbers below zero indicate an adverse response to fare changes. The 'Black Book' is a piece of research published by TRL Limited for the DfT that sets out suggested transport elasticities, and is widely used across the transport industry to help assess the likely impact of proposed fare changes.

The standard short run UK Bus elasticity defined by the Black Book for is -0.42, so for example a 10% increase in the cost of fares is assumed to lead to a 4.2% decrease in the number of people wishing to travel within a 1 or 2 year period following the change (known as 'demand'). For reference the Black Book short run elasticity for light rail is -0.3.

Fare impact modelling

Through Continuous Monitoring we can model, for each ticket type, the average fare paid and the number of trips across Tyne and Wear during a given period. Using the information collected about boarding points, we can use this to estimate, by local area, the current demand for each ticket and how much customers pay.

The next step is to translate the current ticket types and prices into the ones set out in the QCS Proposal, which is done through a conversion table. Because we know both the boarding and destination point of the trip, we also know how many zones the trip would fall into under the QCS Proposal.

If for example 30,000 trips per annum are currently taken between two points at a price of £1.35 for an adult single ticket, and under the QCS Proposal both the boarding point and the destination point are within a single zone, the new proposed fare for those 30,000 trips will be £1.30, reflecting the fares proposed in the QCS Proposal for a single zone.

The impact on demand is estimated by multiplying the Black Book elasticity (-0.42) by the difference in price (-£0.05, or -3.7%) for that ticket type, in this example resulting in an increase in demand of 1.56%, or 467 additional passenger trips during the year.

This calculation is carried out for each ticket type and area of boarding, and the results are added together to give the total effect of the proposed fares compared to what passengers currently pay. It is also possible to use the area of boarding to make a judgement over the localised impact of the proposed QCS fares compared to today – for example that in a given area 60% of adult fares reduce, 20% stay the same and 20% increase.

Limitations of this approach

Whilst Nexus is confident that the approach it has taken is reasonable in terms of assessing the aggregate at the Tyne and Wear level, there are some limitations in this modelling process that should be taken into account.

Continuous Monitoring data is only available for Tyne and Wear, and therefore no assessment has been made of possible impacts on patronage in the parts of Northumberland and Durham that are affected by the QCS Proposal, including cross boundary services. Whilst Continuous Monitoring is statistically robust at the Tyne and Wear level, any analysis at a lower level should be treated with some caution. That means that the district-level information about the impact of the proposed QCS fares cannot be guaranteed for statistical accuracy, although it can be used to reach broad conclusions of trends for background information.

The 'Black Book' Elasticities are widely used throughout the transport industry and so are considered to be robust. However commercial operators may have detailed historic commercial demand data which would allow them to develop a set of elasticities that are more applicable to their local market. In the absence of that more detailed and localised data, which operators have not provided, Nexus can only base its analysis at the highest level of a single figure of elasticity applied to all bus tickets and types, whereas in practice elasticity may be different for, say, an annual season ticket in comparison with a single ticket.

Appendix C2: Nexus Quality Contracts Scheme Proposal

Affordability modelling

This note explains how Nexus has modelled the affordability of its proposed Quality Contracts Scheme.

Methodology

The Affordability Model is a spread sheet based modelling tool that allows the user to estimate the effect of changing key factors that affect bus ridership. It calculates the impact on both demand (the number of people wishing to travel) and revenue (the amount of income earned from travellers) resulting from possible changes to fare structures and pricing strategies, demographics and other factors.

It is based on the National Bus Model which is an established transport model, developed by The TAS Partnership Ltd, a firm of passenger transport consultants and used by Department for Transport (DfT) and the Commission for Integrated Transport.

Inputs

The Affordability model starts by estimating the annual revenue within the Tyne and Wear bus market by using information on patronage levels and fare revenue from the Fares model (see separate guide on 'Fares Impact Modelling') and comparing it to the annual accounts of the three main bus operators in Tyne and Wear. The two sets of figures provided comparable estimates which allowed us to have confidence in the estimates provided by the Fares model.

The Affordability model then estimates the annual costs within the Tyne and Wear bus market by using unit costs derived from information supplied by The TAS Partnership Ltd that take account of driver pay rates, fuel and maintenance costs. The unit costs are estimated both for each operating hour, and annually for each vehicle type (known as 'PVR'). These derived unit costs are then applied to the existing network to establish a total cost of provision. These cost estimates are compared to the annual accounts of the three main bus operators in Tyne and Wear. The two sets of figures provide comparable estimates which allowed us to have confidence in the derived costs.

Demographic information about the Tyne and Wear area has been sourced from information made available by the Department for Transport (DfT) in 'The National Trip End Model (NTEM) forecasts and the TEMPro (Trip End Model Presentation Program). 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).

The Affordability model uses inflation forecasts which have been supplied by the Centre for Economics and Business Research whose data is used by the Association of Train Operating Companies amongst other clients. Finally, the Affordability model takes account of historical cost information published by the Confederation for Passenger UK (CPT). The CPT publishes a 6-monthly historical cost index for the bus and coach industry using figures supplied by volunteer member companies in each region (including Northern England).

The inputs described above have been supplemented with Nexus' own information on existing expenditure on secured bus services, and how the QCS would impact the existing staffing and support costs within Nexus.

The inputs described above, together with Nexus' own information on existing expenditure on secured bus services, the composition of the existing bus network and how the QCS would impact the existing organisation have then been adjusted to reflect the changes that are set out in the QCS Proposal.

Modelling

The main areas which Nexus has modelled as having an impact on the level of patronage are:

- the level of fares charged;
- the level of service provided;
- the impact of underlying demographics; and
- the impact of 'soft measures'

Elasticity is a measure of the strength of customers' reaction to changes, on a scale of -1 to +1, where numbers below zero indicate an adverse response to changes. The 'Black Book' is a piece of research published by TRL Limited for the DfT that sets out suggested transport elasticities, and is widely used across the transport industry to help assess the likely impact of proposed changes.

Within the QCS Proposal, average fare increases are capped at the level of the Retail Prices Index (RPI). The 'Black Book' suggests that this would have a neutral impact on the level of demand from the market – in other words demand would neither increase nor decrease. The QCS Proposal does however introduce a 2.5% reduction in the average fare charged from the outset of the QCS; this has been modelled and leads to an increase in demand at the start of the QCS.

The QCS Proposal proposes that the bus network would increase by 2% of operating hours. We have not at this point specified where the growth in the network would occur, and therefore we have decided to not to estimate any resulting impact on demand.

The impact of changes to the underlying population across various age bands, together with forecast levels of car ownership and employment are also modelled and use elasticity values from the 'Black Book' to quantify the impact on demand.

In 2009 the DfT published a report entitled 'The Role of Soft Measures in Influencing Patronage Growth and Modal Split in the Bus market in England' which suggests that the introduction of various initiatives such as simplified ticketing, real time information and passenger displays have a measurable benefit to patronage. Nexus has carried out its own local market research to confirm the DfT's findings in a local context. The QCS Proposal introduces simplified ticketing and a unified customer charter, which lead to an estimated uplift in demand following the recommendations in the DfT report.

Affordability

The affordability model contains Nexus's estimates of initial set up costs covering the procurement and implementation of quality contracts, and an on-going level of additional resourcing to manage those contracts.

We have made assumptions over the available levels of public subsidy, funded through the ITA levy on Tyne and Wear local authorities. It is recognised that further discussion with the ITA and the Tyne and Wear local authorities will be required before these assumptions can be confirmed. We have also assumed that the level of Bus Service Operators Grant (BSOG) will continue at the current level, although there is a risk over the longer term that government may review the level of BSOG it provides.

Within the affordability model a risk contingency of £78m (equal to approximately 5% of the total cost) has been allocated over the proposed ten-year life of the QCS. A large number of alternative scenarios have been tested using different assumptions for key factors (including inflation, unit costs, and demand). In 80% of those scenarios, the risk contingency was sufficient to cover additional cost. In the event that the risk contingency is not sufficient to cover additional costs, the contracts set out under the QCS Proposal allow for 10% of bus hours to be varied. This introduces the option of reducing expenditure by between £14m-£18m in extreme circumstances. On that basis, Nexus considers that it is a reasonable position to assume that the QCS is affordable.

Appendix C3: Nexus Quality Contracts Scheme Proposal

Value for money modelling

This note explains how Nexus has modelled the value for money (vfm) measurements contained within the Quality Contracts Scheme (QCS), giving confidence that the Proposal is economic, efficient and effective.

Approach

The vfm model takes key information from the affordability model (see separate guide on 'Affordability Modelling'). It follows the latest Department for Transport (DfT) guidance for appraising transport schemes (known as WebTAG, last updated August 2012). It is largely spreadsheet based modelling tool, although it uses an add-on tool called '@Risk' to run the same basic information several times using different inputs and assumptions. This allows a comparison to be made between three different scenarios, namely:

- **Do Something**, the QCS;
- **Do Minimum**, the status quo; and
- **Do VPA**, the NEBOA partnership offer.

Nexus considers that a QCS will represent value for money if, in comparison with the Do Minimum and Do VPA alternatives, it delivers monetised benefits (ie. those benefits that can be quantified in financial terms) which exceed the monetised costs and disbenefits, at an acceptable and sustainable level of cost and delivery risk.

In order to quantify the benefits, costs and disbenefits the appraisal considers:

- The benefits to be enjoyed by existing users of buses due to changes in bus service provision and the fares they pay;
- The benefits to be enjoyed by additional new bus users who start to use the bus because of the enhanced quality of service;
- Benefits to non-users due to fewer vehicles on the road (as some of the new users would otherwise be car users), leading to less congestion, fewer road traffic accidents, lower emissions, less traffic noise, changes in revenue from fuel duty and lower maintenance costs;
- The costs incurred and revenues accruing to the public sector; and
- The costs incurred and revenues accruing to the Operators.

Benefits

WebTAG sets out that benefits should be monetised using time savings. This is relatively straightforward where journey times are made faster by the scheme, or where passengers' waiting time is reduced. However where the scheme's benefit relates more to journey quality than to journey time (for example the Customer Charter proposed in the QCS), time saving 'equivalents' are set out in WebTAG. All time savings and time saving 'equivalents' are multiplied by the number of people receiving the benefit. Finally, WebTAG sets out a range of financial values for the time savings that are used to calculate monetised benefits.

The overall impact of the QCS Proposal on highway travellers is calculated as a result of changes in the number of vehicles on the road i.e. additional bus and reduced car journeys (in comparison to the status quo). These changes then have a financial value applied using 'impact per km' monetary values specified in WebTAG.

The Proposal sees revenues that would have previously been earned by bus operators (fare income, concessionary travel and BSOG) transferred to the public sector.

Costs

The costs taken into account include scheme set up and on-going costs, contract payments under the scheme, changes in Concessionary Travel funding and secured service funding. The impact also includes the reduction in indirect taxes received by HM Treasury from increased consumer spend on (untaxed) public transport fares and reduced spend on fuel from the net reduction in vehicle km travelled. The small saving in Tyne & Wear Districts' highway maintenance spending as a result of reduced highway km travelled is also taken into account.

Value for Money

Economy, efficiency and effectiveness, when considered collectively, are closely associated with the concept of public sector value for money. In this context, value for money is a measure of the justification for investment, where the benefits from a scheme must exceed the costs of delivering it. Public sector value for money as defined in HM Treasury's Green Book 'Appraisal and Evaluation in Central Government' also applies to all local government investment. It can be applied to the Proposal.

Efficiency is considered by looking at the ratio of benefits and revenues compared to the costs associated with the delivery of these benefits and revenues. It allows a comparison between different uses of the same resources over the ten-year life of the Proposal. A figure greater than 1 is considered to be efficient.

Economy is considered by looking at the net present value, which is the difference between the benefits of the QCS and the cost of delivering them (by both the public sector and the bus operators). Nexus considers that the net present value is a better and more appropriate measure of the economic criteria than cost alone, as it takes into account the adverse financial impact on the Operators and measures the scale of the overall impact.

Effectiveness is considered by looking at the benefits and revenues generated by the alternative proposals and the level of confidence that the stated improvements will be delivered.

Risks

WebTAG sets out how the risks associated with the realisation of costs and benefits should form part of the value for money assessment.

Risks modelled represent four broad areas of uncertainty:

- Where there is uncertainty in the input value for any reason, for example:
 - a) in the base number of passengers, due to the method of estimation; or
 - b) in total bus operating hours, where limited information has been provided by the Operators.
- Where the model at an aggregate level across Tyne and Wear level may not robustly represent the market response. For example, where use of an average fare may not represent the fare structure applicable to individual passengers.
- Inputs defining future year forecasts, for example the change in market size in response to demographic changes or fares changing at a different rate to general inflation.
- Inputs reflecting the impact of the assessed intervention.

The vfm model includes a risk simulation exercise, where multiple iterations of the model have been run with different combinations of input assumptions. The output of the risk simulation is expressed as a probability range rather than as a single 'central case' value. This approach allows us to assess how much confidence we can have that the eventual outcome of the QCS Proposal will reflect the appraisal. Taking all three measures together, in over 90% of modelled simulations a positive benefit is obtained.

APPENDIX D: Counsel's Opinion

IN THE MATTER OF THE TRANSPORT ACT 2000 (as amended)¹
AND A QUALITY CONTRACT SCHEME TO BE PROPOSED TO THE
TYNE AND WEAR INTEGRATED TRANSPORT AUTHORITY BY
THE TYNE AND WEAR PASSENGER TRANSPORT EXECUTIVE

ADVICE

I. INTRODUCTION

1. On 24 November 2011, the Tyne and Wear Integrated Transport Authority ("ITA") resolved to consider alternative operational structures for the delivery of bus services within Tyne and Wear, as a means to preserve existing services within the current funding constraints and to deliver the Tyne and Wear Bus Strategy. The ITA resolved on 24 November 2011 that the Tyne and Wear Passenger Transport Executive ("Nexus") should be directed to investigate the possibility of developing a Quality Contract Scheme ("QCS") across the region as a possible mechanism for achieving the ITA's objectives, and report to the ITA on the proposal once developed.
2. Nexus has now developed a QCS proposal to report to the ITA, and a draft document containing the proposal (hereafter referred to as the QCS Proposal²) has been produced.
3. Nexus are intending to recommend to the ITA that the QCS Proposal be published for formal consultation pursuant to section 125 of the TA 2000. It is against that background that I am asked to advise the ITA on the following questions:
 - i. Whether the QCS Proposal contains those matters formally required for consultation pursuant to the relevant provisions of the TA 2000.
 - ii. Whether Nexus has undertaken a lawful analysis of each of the statutory tests under section 124 of the TA 2000. In particular, has it taken into account all matters that should properly have been taken into account when assessing the proportionality of the QCS Proposal in relation to the "Do Minimum" scenario (as described in the QCS Proposal), and the current

¹ All references to the Transport Act 2000 in this advice are references to the Act as amended and as currently in force in England, unless otherwise specified.

² The QCS Proposal's full title is as follows: "TYNE AND WEAR INTEGRATED TRANSPORT AUTHORITY PROPOSAL FOR A QUALITY CONTRACTS SCHEME IN THE TYNE AND WEAR DEVELOPED BY TYNE AND WEAR PASSENGER TRANSPORT EXECUTIVE (NEXUS) JULY 2013".

iteration of a possible Voluntary Partnership Agreement ("VPA"), as a potential alternative scheme.

- iii. Whether there are any other alternative scenarios that Nexus should have taken into account for the purpose of its analysis which it has not taken into account, and which the ITA should now properly take into account before making any decision.
- iv. Whether there are any matters in the QCS Proposal that have been taken into account by Nexus which as a matter of law ought not to have been taken into account, or which have been accorded too much or too little weight by Nexus (so that they should either be discounted or accorded more or less weight by the ITA when making its decision).
- v. Whether, in all the circumstances, the QCS Proposal and supporting information in the appendices provides sufficient information to enable the ITA to make a lawful decision as to whether or not the proposal may proceed to formal consultation.

II. SUMMARY OF ADVICE

4. I set out my response to these questions below. In summary, I answer questions i, ii, and v in the affirmative and questions iii and iv in the negative. My advice is therefore supportive.

III. ADVICE

A. Overview of the statutory context

5. The decision which the ITA is being recommended to make by Nexus is a decision to proceed to formal statutory consultation on the proposed QCS as set out in the QCS Proposal. The ITA board will therefore have to consider whether to follow that recommendation, or make some other decision, whatever that may be. This advice is not directly concerned with the alternative decisions that might be made by the ITA.
6. As far as the decision to proceed to formal consultation is concerned, section 125 of the TA 2000 provides that if the ITA proposes to make a QCS, it must comply with certain publication and notification requirements. This includes an obligation to publish a document for consultation which complies with certain statutory requirements. In relation to the consultation document, section 125(1A) provides materially as follows:

"(1A) The consultation document mentioned in subsection (1)(a) must include—
(a) a description of the proposed scheme;
(b) a statement of the reasons why the authority or authorities are satisfied that the conditions in subsection (1) or, as the case may be, (1A) of section 124 are met;
(c) a description of any arrangements which the authority or authorities intend to make (including arrangements with other authorities or other persons) for or in connection with the implementation of the scheme;
(d) a statement of how any costs which the authority or authorities expect to incur under the scheme are to be defrayed;
(e) a declaration by the chief finance officer or officers of the authority or authorities that, after taking into account—

*(i) any estimated income from fares, and
(ii) any grants from Ministers of the Crown or government departments,
any remaining funding required to implement the scheme can be provided from
other resources available to the authority or authorities;
(f) the date by which any written responses to the consultation must be submitted to
the authority or authorities.
(1B) The description of the proposed scheme contained in the consultation document
in accordance with subsection (1A)(a) must include—
(a) an outline of the local services which are proposed to be provided under it;
(b) a statement of any proposed exclusions from the scheme by virtue of section
127(4)."*

7. I understand that the QCS Proposal is intended to fulfil the requirements of the consultation document for the purposes of section 125. I return to consider that point later.

8. Section 124 of the TA 2000 is referred to in section 125(1A)(b). Section 124 sets out the tests to be applied when the ITA decides whether to exercise its discretion to make a QCS. It provides materially as follows:

"124. — Quality contracts schemes.

(1) A local transport authority, or two or more such authorities acting jointly, may make a quality contracts scheme covering the whole or any part of their area, or combined area, if they are satisfied that—

(a) the proposed scheme will result in an increase in the use of bus services (see subsection (9B)) in the area to which the proposed scheme relates,

(b) the proposed scheme will bring benefits to persons using local services in the area to which the proposed scheme relates, by improving the quality of those services,

(c) the proposed scheme will contribute to the implementation of the local transport policies of the authority or authorities,

(d) the proposed scheme will contribute to the implementation of those policies in a way which is economic, efficient and effective, and

(e) any adverse effects of the proposed scheme on operators will be proportionate to the improvement in the well-being of persons living or working in the area to which the proposed scheme relates and, in particular, to the achievement of the objectives mentioned in paragraphs (a) to (d)."

9. I return to this provision in more detail when considering question 2 in my instructions.

10. If the ITA decides to consult on the proposed QCS, then the statutory procedures will be engaged. In summary, these provide for the following stages leading to a decision on whether to formally make a QCS:

i. There must be formal statutory consultation with the persons and bodies identified in section 125(3). These are as follows:

(a) all persons operating local services in the area to which it relates,

- (b) 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,
- (c) such organisations appearing to the authority or authorities to be representative of users of local services as they think fit,
- (d) any other relevant local authority any part of whose area would, in the opinion of the authority or authorities, be affected by it,
- (e) if the proposed scheme relates to an area in Wales, the traffic commissioner for each traffic area covering the whole or part of the area to which it relates,
- (f) the chief officer of police for each police area covering the whole or part of that area, and
- (g) such other persons as the authority or authorities think fit.

- ii. Once formal consultation has taken place in accordance with section 125 of the TA 2000, the ITA has power to modify the proposed scheme: section 125(5).
- iii. It is then for the ITA to decide whether it wishes to proceed with the proposed scheme: see section 126C(2).
- iv. If the ITA decides that it does wish to proceed with the scheme, then it must send to the QCS Board a request for it to begin the performance of its functions under section 126D in relation to the (then) proposed scheme: see section 126C(4). The QCS Board is an independent statutory panel set up under section 126A of the TA 2000. Its function is to consider whether the proposed scheme satisfies the tests under section 124 of the TA 2000 and whether the ITA has complied with the requirements of notification and consultation under section 125: see section 126D(1). The ITA may modify the scheme after making its request to the QCS Board in which case it must make a further request to consider the scheme as modified: section 126C(6).
- v. The QCS Board may make recommendations of steps which the ITA may take in response to its (that is, the QCS Board's) conclusions on the matters it has to consider: section 126D(2) and (3). It must give notice to the ITA of its conclusions, recommendations and reasons, and publish a report that sets those out: section 126D(5).
- vi. The ITA may take the steps recommended by the QCS Board, and it may modify the proposed scheme: section 126D(6) and (7).
- vii. Provision is made as to the practice and procedure of QCS Boards, which may convene oral hearings to hear evidence: section 126E and the Quality Contracts Schemes (QCS Boards) (England) Regulations 2009 (SI 2009/3243).
- viii. After these procedures are concluded, the ITA may make the scheme provided it has first published a response to the QCS Board's report, and it does so not later than 6 months after the date of report: section 127 of the TA 2000. Importantly, it must also be satisfied at that stage that the conditions of section 124 of the TA 2000 are still met.

sections 126C(2), 126C(7) and 127 and it is implicit in the statutory regime.

- x. There is a right of appeal against the making of a QCS. The right is exercisable by anyone who was or ought in the opinion of the QCS Board to have been consulted. The appeal is heard by the Transport Tribunal. The appeal lies on a question of law and, in certain circumstances, on questions of fact. An appeal on a question of fact does not arise where the QCS Board has concluded in its published report that section 124 is complied with and that the requirements of section 125(1) to (3) have been complied with (whether after the taking of recommended action by the ITA or otherwise), and the scheme as made corresponds to the proposed scheme to which the report relates: see generally section 127A.

11. In the light of the above there are a number of important matters of context that should be highlighted.
12. First, the ITA's decision on whether to consult on the QCS Proposal is self-evidently a decision being taken at the start of a process which, if followed, will lead to further information and further consideration of the proposed scheme in a two stage process. The first stage is formal consultation, followed by the second stage which comprises an independent review by the QCS Board which will take place if the ITA decides to proceed with the QCS Proposal in the light of consultation responses. So the decision which the ITA is being asked to make is in essence a decision whether to commence a formal statutory process which in due course may, or may not, lead to the making of the QCS as currently proposed, or as modified.
13. Secondly, even if the ITA decides to formally consult on the QCS Proposal, it must keep an open mind to the possible need to modify or abandon the QCS in the light of the consultation responses, other information that arises, and any changes in circumstances during the course of the statutory process. As set out above, the ITA must consider whether to proceed with the QCS once the consultation has taken place, and it must also consider the merits of the QCS following the report of the QCS Board.
14. Thirdly, it can be seen that the statute enacts considerable safeguards to ensure that full, transparent and independent scrutiny is given to the merits of a QCS, in particular its compliance with the section 124 conditions, and to ensure that the procedures required by law are followed before a decision is made on whether to make the QCS.
15. Fourthly, it follows, in my view, that the ITA's decision on whether to proceed to formal statutory consultation must be viewed as involving a preliminary decision on the merits of the QCS Proposal, in the sense that its decision on whether the section 124 conditions are met is being made on the basis of the information which it currently has before it, but in

duty to revisit the merits of the QCS in the light of the statutory requirements as the process continues.

16. Fifthly, it is noted that there is no requirement nor express power to carry out a consultation before deciding whether or not to proceed to formal, statutory consultation on a proposed QCS. While I understand that Nexus chose to inform its work of preparing the QCS Proposal by entering into a non-statutory dialogue with bus operators in Tyne and Wear, that was not a step required by the legislation. Informal discussions with operators prior to proposing a QCS is a process recommended by the statutory guidance, however.
17. Sixthly, therefore, while the ITA must have sufficient, relevant information before it when making its decision, and it must not misdirect itself as to its statutory powers, it is not expected to have subjected the proposed QCS to the same level of scrutiny which in due course it will be subjected to under the statutory procedures. Similarly, it is to be expected that there are matters that will be raised through that process, and considerations that will enter the assessment of the merits of any QCS proposal, which will not have been previously considered in the same way or, perhaps, at all. It is the function of the consultation and of the statutory procedures to ensure that full consideration takes place. It would obviously defeat those procedures and the purpose of the statutory regime if the legality of a decision taken now were to be judged against the benchmark of the full consideration that is to be expected later.³
18. With those contextual observations in mind, I proceed to consider the questions that I am asked.

B. Response to the questions asked

Question (1): Whether the QCS Proposal contains those matters formally required for consultation pursuant to the relevant provisions of the TA 2000.

19. Sections 125(1A) and (1B) of the TA 2000 provide as follows in respect of the consultation document that must be published when proceeding to formal consultation:

"(1A) The consultation document mentioned in subsection (1)(a) must include—

³ There are two inter-related points I would add, though because they are not directly asked in my instructions I confine them to this footnote. First, any challenge to a decision by the ITA to consult is likely to be vulnerable to the counter-argument that judicial review is not appropriate because the statutory regime (which includes consultation, the QCS Board review and the potential for an appeal on points of law and points of fact) offers an alternative remedy for the points being raised in the (hypothetical) challenge. Secondly, and more specifically, since section 125(1A)(b) simply requires a statement of reasons as to why the authority considers that the section 124 tests are met, and envisages consultation taking place on those reasons before a QCS can be adopted, it may well be that any challenge to the legality of those reasons at this stage is to be made through the consultation process rather than by way of judicial review. My advice, however, proceeds on the precautionary basis that the legality of those reasons may be liable to challenge at this stage.

- (a) a description of the proposed scheme;*
 - (b) a statement of the reasons why the authority or authorities are satisfied that the conditions in subsection (1) or, as the case may be, (1A) of section 124 are met;*
 - (c) a description of any arrangements which the authority or authorities intend to make (including arrangements with other authorities or other persons) for or in connection with the implementation of the scheme;*
 - (d) a statement of how any costs which the authority or authorities expect to incur under the scheme are to be defrayed;*
 - (e) a declaration by the chief finance officer or officers of the authority or authorities that, after taking into account—*
 - (i) any estimated income from fares, and*
 - (ii) any grants from Ministers of the Crown or government departments,**any remaining funding required to implement the scheme can be provided from other resources available to the authority or authorities;*
 - (f) the date by which any written responses to the consultation must be submitted to the authority or authorities.*
- (1B) The description of the proposed scheme contained in the consultation document in accordance with subsection (1A)(a) must include—*
- (a) an outline of the local services which are proposed to be provided under it;*
 - (b) a statement of any proposed exclusions from the scheme by virtue of section 127(4)."*

20. In relation to the above:

- a. The description of the proposed scheme is found in section 4 of the QCS Proposal. This includes an outline of relevant local services and a statement of proposed exclusions for the purposes of sub-section (1B).
- b. Reasons why the proposed scheme satisfies the tests in section 124 of the TA 2000 are set out in section 6 of the QCS Proposal. For reasons given in response to question (2), I consider that this analysis provides an adequate basis in law for a decision to formally consult on the QCS, should the ITA decide to agree with those reasons.
- c. A description of intended arrangements with other authorities is found in section 4.11.6 and Appendix V (Draft Collaboration Agreement Heads of Terms).
- d. A statement of how costs which the authority expects to incur are to be defrayed is found in section 5.9 of the QCS Proposal.
- e. Section 1.11 of the QCS Proposal, which cross-refers to Appendix A, states that Nexus has ensured that the ITA's chief financial officer (CFO) has been fully briefed on the question of affordability for the purposes of section 125(1A)(e). I have not been provided with the details of any such briefing, but I accept that this is a matter on which the CFO of the ITA will need to satisfy himself or herself.
- f. For obvious reasons, no date has yet been set by which time any written responses to consultation have to be submitted to the ITA.

21. In the light of the above, I conclude that the draft QCS Proposal contains the information needed to comply with the requirements of a consultation document under section 125 of the TA 2000 to the extent that it currently can. In relation to the declaration by the CFO of the ITA and the timing of consultation responses, these are matters that the ITA will need to determine when it decides whether to proceed to formal consultation.
22. There is one further matter that I add for the sake of completeness. I note that section 125(2)(b) of the TA 2000 states that the notice of consultation must state "where a copy of the scheme" and the consultation document may be inspected. Inclusion of a draft proposed scheme is also envisaged by those provisions which give the ITA power to modify the draft proposed scheme during the statutory process. Therefore, while I acknowledge that the Statutory Guidance at paragraph 12 advises that a draft of the proposed scheme is (merely) "often helpful" to include in the formal consultation, my advice to the ITA is that such a draft is necessary. In this respect I note that a draft QCS Scheme Order has been prepared by Nexus, and I regard the draft that I have seen as being adequate for the purposes of consultation.

Question (2): Whether Nexus has undertaken a lawful analysis of each of the statutory tests under section 124 of the TA 2000. In particular, has it taken into account all matters that should properly have been taken into account when assessing the proportionality of the QCS Proposal in relation to the "Do Minimum" scenario (as described in the QCS Proposal) and the current iteration of the VPA as a potential alternative scheme.

23. In my view Nexus has carried out a proper analysis of these matters for the purposes of informing a decision on whether to consult on the QCS Proposal, and its reasoning and consideration accords with the law.

(i) Overview

24. Section 125 of the TA 2000 provides that where the ITA proposes to make a QCS, it must comply with certain notice and consultation requirements. Among these is the requirement to publish a consultation document which must, among other things, provide a statement of reasons as to why the ITA considers that the proposed scheme satisfies the conditions in section 124.
25. I have already referred to the context for this decision above: see paragraphs 11 to 17. Section 6 of the QCS Proposal sets out Nexus's analysis of the section 124 conditions. As paragraph 6.2.4 of the QCS Proposal rightly observes:

"... the reasoning set out in this chapter is intended to explain why Nexus considers that the public interest criteria are currently met, so that the ITA may proceed to formal consultation on a QCS. It is accepted that this position may change in the light of consultation."

26. It is not the purpose of my advice to comment on the merits of the points made by Nexus under section 6. I am asked to consider whether the analysis carried out is a lawful one. I have therefore approached the matter by asking myself whether, if the ITA were to adopt Nexus's reasoning and analysis for the purposes of its decision at this stage, it would be acting lawfully in doing so.
27. For the reasons given below, I consider that Nexus's analysis is a lawful one and therefore if it were accepted by the ITA at this stage it would be legally defensible.

(ii) Law

28. There are some principles of law that are of particular relevance.
29. First, the decision-maker must properly direct itself as to the scope of its powers and not misinterpret its power.
30. Secondly, the decision-maker must take into account all those matters which are expressly or impliedly required by the statute to be taken into account. Beyond that, a decision will only be unlawful for failing to take into account a consideration where it would be irrational (in the legal sense of unreasonable or perverse) for the matter not to have been considered: see the analysis of Carnwath LJ (as he then was) in *Derbyshire Dales DC v Secretary of State* [2009] EWHC 1729 (Admin) at [23] to [28].
31. Thirdly, in the present case, the section 124 conditions are the subject of statutory guidance published under section 134A of the TA 2000.⁴ The ITA must have regard to that guidance in making its decision: see s134A(2).
32. Fourthly, within the framework set by the three principles referred to above, the section 124 conditions involve matters of expert judgment which are for the decision-maker to assess. The court will not intervene unless the judgment reached is unreasonable.

(iii) Analysis

33. It is not the purpose of this advice to set out a detailed review of Nexus's reasoning in the QCS Report and in section 6 in particular, nor, as I have said, have I embarked on an assessment of the merits of Nexus's analysis. Instead, I have highlighted certain matters of importance which have informed my conclusion on whether the approach taken is a lawful one.

Nexus's reasoning in relation to the section 124 conditions

34. Section 6 of the QCS Proposal contains the detail of Nexus's consideration of the section 124 conditions, though the reasoning in this section is underpinned by the other parts of the report.

⁴See "Local Transport Act 2000 Quality contracts schemes: statutory guidance" (DfT, December 2009).

Test (a): whether the proposal will result in an increase in the use of bus services in the area to which the proposed scheme relates

35. The main points I highlight are the following:

- a. Nexus's approach to the question of increases in bus usage accords with the statutory guidance, which advises that an increase may be found where a decline is reduced, arrested or reversed: paragraph 6.3.1.
- b. Consideration of this test inevitably involves prediction. Nexus has set out its predictions which are based on the Tyne and Wear version of the National Bus Model, which considers patronage "*in the area to which the proposed scheme relates*" as required by the statute: paragraph 6.3.2.
- c. Nexus has drawn attention to certain limitations on data, which, it can be observed, may be overcome if operators provide further data during the statutory consultation: paragraph 6.3.2(c) to (e). That said, Nexus has concluded that it has sufficient information before it to reach a conclusion for the purposes of this stage of the process.
- d. Consideration is given to the background trend of decline and other assumptions that are predicted to affect patronage, and services excluded from the QCS have been excluded from the baseline figure: paragraph 6.3.3.
- e. The modelled outputs include sensitivity testing through the use of risk simulation, the assumptions for which are set out in appendix Z of the QCS Proposal: paragraph 6.3.3. This enables Nexus to present a spread of effects with varying degrees of confidence: see figure 28, paragraph 6.3.3 (which shows the mean case, and the prediction having 5% and 95% confidence).
- f. A net increase in patronage is predicted over the 10 year period of the QCS compared to the "Do Minimum" scenario.

36. The robustness of the modelling is a matter upon which the ITA will need to satisfy itself.

Modelling is of course an inexact science, and it is important that the ITA informs itself of the basis upon which the modelled predictions have been made. Further, it would be appropriate for the ITA's officers to provide its members with a simplified explanation of the modelling, if necessary, to assist with the decision making.

37. On the basis of the information I have seen, I consider that the approach taken by Nexus is a reasonable and lawful one, and that it provides a lawful basis for the conclusion that Nexus has reached on this test.

Test (b): whether the proposed scheme will bring benefits to persons using local services in the area to which the proposed scheme relates, by improving the quality of those services.

38. The main points I draw attention to are as follows:

- a. The table at paragraph 6.4.3 summarises Nexus's judgment as to the benefits of the QCS Proposal, which has taken into account the objectives of the Bus Strategy.
- b. The analysis rightly acknowledges that improvements to the quality of a service may be quantifiable or may be qualitative (and not quantifiable), and it takes as its starting point the statutory guidance: paragraph 6.4.1 and 6.4.2.

- c. Nexus has rightly only included benefits to persons "using local services".
- d. Comparison is made with the "Do Minimum" scenario and the VPA proposal.

39. Nexus's conclusion is that the proposal will bring benefits within the terms of test (b): paragraph 6.4.4.

40. On the basis of the information I have seen, I consider that the approach taken by Nexus is a reasonable and lawful one, and that it provides a lawful basis for the conclusion that Nexus has reached on this test.

Test (c): the proposed scheme will contribute to the implementation of the local transport policies of the authority . . ."

41. Section 6.5 contains a detailed analysis of the predicted performance of the scheme against the relevant local transport policies. It is to be observed that the requirement to "*contribute to the implementation of*" those policies is not a particularly onerous one, though of course the greater the degree of contribution that is predicted, the greater the merits of the proposal, as far as this particular test is concerned.

42. On the basis of the information I have seen, I consider that the approach taken by Nexus is a reasonable and lawful one, and that it provides a lawful basis for the conclusion that Nexus has reached on this test.

Test (d): whether the proposed scheme will contribute to the implementation of those policies in a way which is economic, efficient and effective

43. I highlight the following matters:

- a. Nexus's approach has had regard to the statutory guidance: paragraph 6.6.1(a).
- b. When considering the question of "*economic, efficient and effective*" Nexus has considered whether the proposals represents value for money taking into account HM Treasury's "Green Book" method of assessment. Nexus has recognised, however, that an allowance needs to be made for the fact that the Green Book methodology is primarily concerned with DfT capital funded projects and that the DfT model prioritises projects that achieve the highest Benefits Cost Ratio, these being aspects of the Green Book methodology that cannot be directly transferred to the QCS Proposal: paragraph 6.6.2.
- c. Nexus's overall approach has been to conclude that the proposal represents value for money if, in comparison with the Do Minimum scenario and VPA, it delivers monetised benefits which exceed the monetised costs and disbenefits, at an acceptable and sustainable level of cost and delivery risk: paragraph 6.6.1(b).
- d. Paragraph 6.6.2 of the QCS Proposal explains the methodology and approach taken in some detail, including the reliance that Nexus has placed on the DfT appraisal guidance and the Green Book methodology.
- e. As explained in paragraph 6.6.2(g), the appraisal considers the benefits predicted to be enjoyed by existing bus users, additional bus users (who start to use the services

because of the improved quality of service) and non-users, and the costs incurred and revenues accruing to the public sector and operators.

- f. The way in which each of the criteria in test (d) (economic, efficient and effective) have been approached is explained: paragraph 6.6.2(k);
- g. Sensitivity testing has been carried out by considering the risks and uncertainties within the modelling and appraisal: paragraph 6.6.2(n) and (o).
- h. The modelling has considered, and Nexus has compared, the QCS Proposal, Do Minimum and the VPA proposal: paragraph 6.6.2(p).
- i. The findings are presented in terms of the effects on the public, operators and the public sector and overall value for money. These are followed by an explanation of the findings and an explicit discussion of key risks: paragraphs 6.6.3 and 6.6.4.

44. The overall conclusion by Nexus is that this test is satisfied, even at the lower end of the range of potential outcomes generated by the modelling: paragraphs 6.6.4(f)(iii) and 6.6.5.

45. I observe in relation to the above and the approach taken in the Proposal on this point:

- a. The ITA will need to satisfy itself that the overall approach taken is an appropriate one in the light of the statutory wording of this test and the statutory guidance on it.
- b. The ITA will need to satisfy itself of the appropriateness and robustness of the modelling, including the assumptions underlying it and the reliability of the results, bearing in mind that modelling is intended to inform rather than dictate the judgments that are to be reached.
- c. In fairness to members of the ITA who may not have the technical expertise of its officers or the officers of Nexus, ITA officers should be able to give a simplified explanation of the modelling to the members, if necessary, in order to assist in the decision making.

46. On the basis of the information I have seen, I consider that the approach taken by Nexus is a reasonable and lawful one, and that it provides a lawful basis for the conclusion that Nexus has reached on this test.

Test (e): whether any adverse effects of the proposed scheme on operators will be proportionate to the improvement of the wellbeing of the persons living or working in the area to which the proposed scheme relates and, in particular, to the achievement of the objectives mentioned in paragraph (a) to (d)

47. This is obviously an important test.

48. I draw attention to the following matters in respect of Nexus's consideration of issues under test (e):

- a. Nexus has rightly acknowledged that the QCS Proposal could have a material adverse effect on operators, and that it will interfere with the peaceful enjoyment by certain operators of their businesses in Tyne and Wear: paragraphs 6.7.1(c) and 6.8.3. It also acknowledges that the QCS must inevitably lead to a material financial loss to one or more of the large operators: paragraph 6.10.2(f).

- b. Nexus has also noted that there is no provision for compensation to be paid to operators: paragraph 6.8.2.
- c. The QCS Proposal records that Nexus has given careful consideration to the operators' representations that were made in the course of the informal dialogue with them. Appendix BB of the QCS Proposal summarises the representations in this regard.
- d. Paragraphs 6.9 and 6.10 of the QCS Proposal consider the impacts on operators, taking into account among other things the impacts on large operators and smaller operators, the potential costs and outcomes of the procurement bidding process, the operators' local and national businesses, the measures that operators might take to mitigate any adverse effects, the risk of operators having to operate at a loss, the risk of losses to the tax payer, and the possibility of adverse impacts arising from employment and pension related issues.
- e. Nexus has considered the impacts in the light of the Do Minimum scenario and, more particularly, the current form of the VPA proposal which has been put forward by North East Bus Operators' Association: see paragraph 6.11ff. In relation to the latter, it has also considered the possible role of a Quality Partnership Scheme in supporting the VPA (paragraph 6.11.8). Nexus's assessment of the relative benefits of the VPA proposal compared with the Do Minimum and QCS scenarios is summarised in paragraph 6.11.17. Nexus accepts that the VPA proposal would theoretically be capable of meeting the public interest criteria under section 124, but that it would provide materially lower benefits than would be provided by the QCS, although the impacts on operators of the QCS would be far greater than those of the VPA: paragraph 6.11.21 and 6.12.7.
- f. While Nexus considers that it has sufficient information to assess the impacts on operators given the current stage of the process, it also acknowledges that uncertainties exist: paragraph 6.12.7 and 6.12.8.

49. Nexus's overall conclusion is that the QCS Proposal satisfies test (e). I note that it has taken the additional step of commissioning an independent review of the proportionality of the QCS Proposal. This has been undertaken by MVA Consultancy, which has concluded that the Nexus's view that the QCS Proposal is proportionate is a justifiable one.

50. On the basis of the information I have seen, I consider that the approach taken by Nexus is a reasonable and lawful one, and that it provides a lawful basis for the conclusion that Nexus has reached on this test.

Consideration of the Do Minimum scenario and VPA

51. The Do Minimum Scenario and the VPA are considered by Nexus as alternatives to the QCS Proposal.

52. In relation to the Do Minimum, this scenario is based upon the circumstances that would arise in the local bus market if no intervention took place, so that, in effect, current trends would continue. The basis and features of this scenario are set out in paragraph 3.6.1ff,

which explains the basis for Nexus's judgment that the current bus service provision is unsustainable if no action is taken. The Do Minimum scenario forms the baseline assessment against which the QCS and VPA are assessed. In my view the approach taken is lawful and accords with the statutory regime and the statutory guidance.

53. I have already referred to the consideration of the VPA in the context of the test under section 124(1)(e). Consideration of the VPA is not an express statutory requirement. It arises in this case because the ITA asked Nexus to give consideration to a VPA as an alternative to the QCS, and in compliance Nexus has entered into dialogue with the operators who have been promoting various iterations of a VPA for Nexus's consideration. Nexus has recognised that the VPA which it has considered has been presented to it as a working draft, and therefore it may be liable to change.
54. In my view Nexus's consideration of the pros and cons of the VPA has been undertaken fairly and appropriately. It has been done on a comparative basis, which is consistent with the ITA's intention that the VPA should be examined as a possible delivery route for better buses *"if the outcomes achieved can be shown as comparable with or exceeding those anticipated from a Quality Contract."* (see paragraph 6.11.1(a)). It has examined the VPA on a similar footing to the QCS Proposal, albeit, understandably, the QCS is given fuller treatment in the light of the fact that it is a QCS which the ITA asked Nexus to develop. In my view, Nexus's consideration of the VPA as part of the assessment of the QCS is lawful.

(iv) Conclusions

55. On the basis of the information I have seen, I consider that the approach taken by Nexus to the tests under section 124 is an appropriate one and provides a lawful basis upon which the ITA can make a decision whether or not to consult.

Question (3): Whether there are any other alternative scenarios that Nexus should have taken into account for the purpose of its analysis which it has not taken into account, and which the ITA should now properly take into account before making any decision.

56. In my view there are not any such alternatives. Nexus has taken into account the "Do Minimum" scenario and the VPA proposal. Provided that the ITA does likewise, I do not consider that the ITA's decision will be liable to successful challenge for failing to consider some other alternative scenario.
57. That is not to say that some other alternatives, or permutations of alternatives already considered, will not emerge during the course of consultation. If they do, then it will be necessary to consider them to the extent appropriate. Nor should my advice be taken to prevent the ITA from giving consideration to other alternatives or permutations of existing alternatives at this stage, should such alternatives come to mind.

Question (4): Whether there are any matters in the QCS Proposal that have been taken into account by Nexus which as a matter of law ought not to have been taken into account or

which have been accorded too much or too little weight by Nexus (so that they should either be discounted or accorded less or more weight by the ITA when making its decision).

58. In my view there are no such matters. I make the points which follow to expand upon my conclusion.

59. First, it is important to recognise the context in which the ITA is taking its decision: see paragraphs 11 to 17 above. What this means for the purposes of this question is that there is a good chance that there will be matters raised in consultation which are new and which have not yet been considered. Similarly, representations may be made in respect of matters already considered by the ITA which cause it to attach more or less weight to them than it previously attached. This is an inevitable part of the statutory process. As far as material considerations are concerned, the issue at the present stage is whether some mandatory consideration has not been taken into account, or whether some irrelevant consideration has been taken into account which would vitiate a decision on whether to consult. In my view there is no such flaw in the Nexus report.

60. Secondly, it is well established in this field that if a particular factor is a material consideration, the amount of weight to be attached to it (which may in principle be no weight at all) is for the decision maker to decide. It is not normally something that the court will interfere with, and therefore matters of weight do not normally give rise to grounds of challenge to a decision (see *Tesco Stores Ltd. v. Secretary of State for the Environment* [1995] 1 WLR 759, at 780 F-H). There may be nuances to this principle where, for example, the statutory wording indicates that a particular factor is to be given priority over others, or where policy advises that a particular matter should be weighed in a particular manner. But the general principle holds good. Since the ITA should form its own judgment on the merits of the QCS Proposal for the purposes of its decision, it should decide how much weight to attach to the various factors in play. It may decide that it is in agreement with Nexus's analysis. It may decide that certain factors should be weighed differently. That is a matter for the ITA.

61. Thirdly, for the reasons given at paragraphs 11 to 17 above, the ITA must keep an open mind to the merits of the QCS Proposal. It follows that the weight it attaches to the various considerations at this stage may change if and as the process continues.

Question (5): Whether, in all the circumstances, the QCS Proposal and supporting information in the appendices provides sufficient information to enable the ITA to make a lawful decision as to whether or not the proposal may proceed to formal consultation.

62. In the light of the above, my view is that the QCS Proposal and supporting information in the appendices is capable of providing the ITA with sufficient information to enable it to decide whether to proceed to formal, statutory consultation of the proposed QCS. That said, there are several matters that I draw to the ITA's attention in relation to the decision which it is being asked to take.

63. First, it is for the ITA to satisfy itself that it has sufficient information upon which to make its decision.
64. Secondly, the ITA has a range of options open to it in addition to the decision being recommended by Nexus. It may, for example, decide that further work is needed on, or modifications should be made to, the proposed QCS before it makes a decision on whether to consult. Or it may decide to suspend work on the QCS for the time being and proceed with further work on a VPA. Or it may decide to proceed with neither a QCS nor a VPA at this point in time. The ITA may wish to consider these and other potential other options.
65. Thirdly, the ITA must exercise its own judgment on the merits of the QCS Proposal, in the light of the report and assistance which its officers will provide, when deciding whether or not to proceed to formal consultation on it. It is obviously not bound to adopt the reasoning and conclusions of Nexus. To the extent that it differs from the views of Nexus on the reasons why the proposed scheme meets the statutory conditions under section 124, the QCS Proposal should be changed to reflect the ITA's reasons. Similarly, were it to decide to consult on a modified QCS, the QCS Proposal and the proposed scheme would need amending to reflect the modification(s) in question.
66. Fourthly, it follows that the ITA must satisfy itself that it understands Nexus's analysis and reasoning and (as advised above) that it has sufficient information upon which to make a decision. Provided it does this, my advice, in accordance with my response to question 2, is that the ITA would be acting lawfully were it to adopt the reasoning of Nexus in relation to the section 124 conditions as set out in the QCS Proposal.
67. Fifthly, I have noted in paragraph 16 above, that there was no statutory requirement upon Nexus to carry out any consultation before drawing up the QCS Proposal. Further, although Nexus did undertake an informal dialogue with operators to inform its work, this was not something that it was requested to do by the ITA. While I understand that the responses to consultation have been taken into account by Nexus, I advise that the ITA also takes into account those responses when making its decision. When doing so, it should bear in mind that those responses were given in respect of an earlier proposed QCS which was materially different to that which is now proposed. Thus while some of the matters raised will be of relevance to the QCS Proposal, others may not be. I would add that operators and others will of course have a fair opportunity to make representations on the QCS Proposal if it is decided to proceed to statutory consultation upon it.
68. Sixthly, should the ITA decide to proceed to formal statutory consultation, there are certain matters of detail which it will need to decide or delegate to its officers or Nexus to decide in relation to the consultation. For example, it has a discretion to choose to consult such people as it sees fit in addition to those who it is under a duty to consult (section 125(3)(g)). There is also a judgment to be applied when deciding who must be consulted under section 125(3)(b), (c) and (d). The timing of the consultation - when it is to begin and for how long it is to take place - are also matters for decision.

IV. CONCLUSIONS

69. For the reasons given in this advice, my overall conclusion is that the QCS Proposal provides the ITA with a sufficient basis upon which to take a lawful decision on whether to proceed to formal consultation on the proposed scheme.

James Pereira
Francis Taylor Building
Inner Temple
London
EC4Y 7BY
16 July 2013

INFORMATION NOTE

QUALITY CONTRACT SCHEME AUDIT

MVA COMMENTS ON QCS SUBMISSION – SUMMARY OF CONCLUSIONS

IDENTIFICATION TABLE	
Client/Project owner	Nexus
Project	Quality Contract Scheme Audit
Title of Document	MVA Comments on QCS Submission – Summary of Conclusions
Type of Document	Information Note
Date	10/06/2013
Reference number	101581
Number of pages	2

1. INTRODUCTION

1.1.1 This note sets out the findings of MVA’s auditing and advice on the ‘Tyne and Wear Integrated Transport Authority Proposal for a Quality Contract Scheme in Tyne and Wear’ document and its associated supporting information. This was intended to help ensure that the document complied with our understanding of the relevant legislation and guidance including the requirements of the Transport Act (2000) and Transport Act (2008) as set out in the document.

2. REVIEW OF QCS MAIN DOCUMENT

2.1.1 Following our review of the QCS main document we did not identify anything that would be regarded as a material problem in terms of our understanding of the correct approach to compliance with legislation and in particular the legal test under section 124 of the Transport Act or the methodology that had been employed in assessing such matters.

3. REVIEW OF SUPPORTING INFORMATION

3.1.1 Our review of supporting information focussed upon the appendices to the QCS main document. We analysed these in the context of their role in providing evidence to back up the arguments made in the QCS main document.

3.1.2 We concluded that the supporting material had been properly represented in the main document, and did not represent a material problem in terms of our understanding of the correct approach to compliance with the legislation or the methodology that had been employed.

4. REVIEW OF PROPOSED NEBOA VOLUNTARY PARTNERSHIP AGREEMENT

- 4.1.1 We have approached this feedback on the basis of comparing the QCS and the VPA - the principal focus therefore being the table in section 6.11.16 of the QCS. It is not intended to be a commentary on the VPA per se.
- 4.1.2 Overall, taking the VPA as presented and comparing it with how it is represented in the discussion in the QCS main document it seems that Nexus' assessment is appropriate and that the benefits presented by the QCS are proportional relative to the Do Minimum and VPA. However, there is a lack of detail in the VPA which makes a fuller assessment of the extent to which it could offer benefits problematic. This creates further uncertainty about the VPA alongside those which have been presented in the assessment by Nexus.
- 4.1.3 In conclusion, in the context of the Public Interest Test about proportionality we would conclude that, whilst the VPA may allow for the achievement of some of the ITA's objectives at lower dis-benefit to the affected operators than the QCS, the overall scale of benefits for persons living or working within Tyne & Wear is much greater under the QCS. This is primarily driven by the increased ridership and ability to retain the existing network of services in the QCS compared to both the Do Minimum and VPA - so it is heavily dependent on that scenario being affordable. The dis-benefits for operators can largely be expressed as reduced profits.

5. SUMMARY AND CONCLUSIONS

- 5.1.1 Nexus has adapted the DfT's extensive guidance on transport scheme appraisal to the needs of assessing the QCS, as recommended in section 67 of the Statutory Guidance.
- 5.1.2 The proportionality of the proposed response (introduction of a QCS) depends heavily on the **affordability** of delivering the range of benefits to people living or working in the area.
- 5.1.3 In our view, on the basis of the Proposed QCS document, its associated Appendices and that additional background information which was made available, Nexus has reasonably identified the proportionality of the adverse impacts against the significant benefits its transport modelling has revealed, as required by the Guidance (sections 63-68), and none of the comments raised by us are sufficient to detract from that view.
- 5.1.4 Of course, the formal consultation process gives a further opportunity for operators to highlight adverse impacts, as acknowledged in section 69 of the Guidance, and Nexus will be obliged to duly and properly take account of any feedback received, as has already been demonstrated with regard to the earlier, informal consultation process in relation to the previous QCS proposal it was considering.
- 5.1.5 Regarding the VPA, there is nothing in the Guidance to suggest that the Authority should prefer an option with fewer adverse operator impacts over one with greater impacts simply because those adverse impacts are smaller; rather the Guidance is, in our view, quite clear (Section 67) that the Authority is expected to weigh-up the proportionality of any significant adverse impacts on operators against the likely benefits with regard to persons living or working in the QCS area. The proposed QCS document accurately sets out how Nexus has weighed the proportionality, and compared the case for the QCS with the case for the VPA as well as the Do Minimum situation, allowing it to reach a justifiable conclusion on the evidence currently available that a QCS would in all the circumstances appear to be proportionate.

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This Agreement is made the

day of

2013

Between:

- (1) **TYNE AND WEAR PASSENGER TRANSPORT EXECUTIVE** of Nexus House, St James' Boulevard, Newcastle upon Tyne NE1 4AX (the "**Executive**");
- (2) **TYNE AND WEAR INTEGRATED TRANSPORT AUTHORITY** of Newcastle Civic Centre, Barras Bridge, Newcastle upon Tyne NE1 8PD (the "**ITA**");
- (3) **GATESHEAD COUNCIL** of Civic Centre, Regent Street, Gateshead NE8 1HH ("**GC**");
- (4) **NEWCASTLE CITY COUNCIL** of Civic Centre, Barras Bridge, Newcastle upon Tyne NE99 1RD ("**NCC**");, and or
- (5) **NORTH TYNESIDE COUNCIL** of Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside NE27 0BY ("**NTC**");
- (6) **SOUTH TYNESIDE COUNCIL** of Town Hall & Civic Offices, Westoe Road, South Shields, Tyne and Wear NE33 2RL ("**STC**");
- (7) **SUNDERLAND CITY COUNCIL** of Civic Centre, Burdon Road, Sunderland SR2 7DN ("**SCC**");
- (8) **ARRIVA NORTH EAST Limited** of Admiral Way, Doxford International Business Park, SR3 3XP ("**Arriva North East**");
- (9) **BUSWAYS TRAVEL SERVICES LTD** of Daw Bank, Stockport SK3 0DU ("**Stagecoach**");
- (10) **GO NORTH EAST Limited** of 117 Queen Street, Gateshead NE8 2UA ("**Go North East**");
- (11) **A N OTHER** of address ("**name**")
- (12) **A N OTHER** of address ("**name**")
- (13) **A N OTHER** of address ("**name**")

each, individually, being a "Party" or collectively, any combination of two or more of them, being "Parties".

WHEREAS

- i. The Parties wish to set out the basis upon which they will work together to improve bus services, grow patronage, maintain or improve accessibility and encourage modal shift in Tyne and Wear through providing and promoting a stable, reliable, quality, value for money bus network.
- ii. The Parties wish to formalise these arrangements by entering into this Voluntary Multilateral Agreement (as defined in section 46 of the Local Transport Act 2008, amending section 153(2) of the Local Transport Act 2000).
- iii. The Executive is the passenger transport executive for Tyne and Wear and the ITA is the Tyne and Wear Integrated Transport Authority. The Operators are companies operating in Tyne and Wear providing local bus services who have expressed an interest in entering into this Agreement. The Parties have agreed to enter into this Agreement to improve bus services, grow patronage, maintain or improve accessibility and encourage modal shift. This Agreement defines what each Party shall contribute and demonstrates how the Services shall be improved and Bus Strategy will be implemented in order to provide public benefits and achieve the Purpose.
- iv. The Part 2 Competition Test has been applied and this Agreement is considered to be an exempt voluntary multilateral agreement for the purposes of paragraph 22(1) of Schedule 10 of the Act and accordingly it should be exempt from the prohibition at paragraph 20 of Schedule 10 of the Transport Act.
- v. The Parties agree to co-operate with each other as set out in this Agreement and, in the spirit of collaboration, to achieve the Purpose of the Agreement, subject to any requirements placed on co-operation between the Parties by prevailing legislation, including the Competition Act 1998.
- vi. The Parties shall not, whilst remaining signatories to this Agreement, take any actions severally or otherwise that shall be prejudicial to the reputation of any other Party to this Agreement.

- vii. This Agreement shall be known as the Voluntary Multilateral Agreement in Relation to Bus Services in Tyne and Wear (the “**Agreement**”).

NOW IT IS AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, unless the context otherwise requires, the following terms have the meaning set opposite them below:

- (a) **Accessibility** means the ability of people to reach destinations by public transport as defined in Nexus accessibility model;
- (b) **Agreement** shall have the meaning given to it in Recital vi;
- (c) **Bus Improvement Objectives** means those objectives stated as being the bus improvement objectives in the Competition Test;
- (d) **Bus Strategy** means the ITA’s bus strategy as set out in Schedule 8;
- (e) **Part 2 Competition Test** means the part 2 Competition Test as set out in Part 2 of Schedule 10 to the Transport Act as amended by the Local Transport Act 2008;
- (f) **Confidential Information:** means all information (in whatever form or on whatever medium held) a Disclosing Party to the Recipient Party of information which, due to the nature and circumstances of its disclosure or its content might reasonably be deemed to be confidential (whether or not marked as such) and which shall include all trade secrets relating to the business of a Party including all financial, marketing and technical information, ideas, concepts, technology, processes, knowledge and know-how together with all details of a Party’s, suppliers, prices, discounts, margins, information relating to research and

development, current trading performance and future business strategy and all other information of a like nature;

(g) **Contract Year:** a period of 12 months (or shorter, if relevant, to the date of termination), commencing on the Effective Date and/or each anniversary of the Effective Date thereafter;

(h) **Service Change Date** means those fixed service change dates as may be agreed from time to time and attached as Schedule 1;

(i) **Service Changes:**

(i) **Change** means either a Network Change or a Service Change;

(ii) **Change Procedure** shall mean the procedure by which Service Changes and Network Changes are given effect as set out in clause 5.2;

(iii) **Change Timetable** shall mean the timetable in accordance with which each stage of a proposed Change shall be performed;

(iv) **Excluded Change** means:

(v) an alteration by any Operator to Routes which it operates which improve or expand such Route (such as, without limitation to the foregoing) an increase in Frequency or Capacity on a Route and / or the introduction of a new route which does not form part of the Network;

(vi) any alteration which is of a type described in 5.4.2;

(vii) any alteration which derives from long term issues of punctuality; emergency road works; longer term road issues; road works where the width of the remaining

carriageway makes bus operation impractical or unsafe; civil emergencies; and other such circumstances outside the control of the Operator

- (viii) **Network Change** means any change (including additions/reductions/ change in frequency) to any Service(s) or Route(s) forming part of the Network as a result of: a) a Network Review; or b) as is otherwise approved by the Tyne and Wear Partnership Board in accordance with the Change Procedure;
- (ix) **Operator** means, individually Arriva North East Limited, Go North East Limited or Stagecoach or any signatory to this Agreement that operates Services in the geographical area covered by this Agreement and “Operators” shall mean any combination of 2 or more of them, as the context requires;
- (x) Partnership Operators Representative shall be a person chosen by the Operators (other than [Arriva, Stagecoach, GNE]) who are participants in this Agreement;
- (xi) **Relevant Board** shall mean either the Tyne and Wear Partnership Board or the relevant District Partnership Board(s) (or both if the context requires) when considered in the context of: a) the objective of such Board(s) as set out in Table 1; and b) whether the Change is a Network Change or Service Change; and c) the geographical scope and impact of such Change.
- (xii) **Service Change** means a change to a Service which is not an Excluded Change or a Network Change;

- (j) **Data** shall mean such operational and performance data as is required for the Executive to measure and report on the performance of each Party against the KPIs ;
- (k) **Data Sharing Obligations** means the sharing obligations (s) that are applicable to any disclosure of Data made by the a Party to the Executive, or vice versa;
- (l) **De-Minimis Contract** means a bus service contract directly awarded to a bus operator by the Executive in accordance with the Service Subsidy Agreements (Tendering) Regulations 2002 (as amended);
- (m) **Direct Losses:** means all losses, damages, liabilities, properly incurred costs (including without limitation reasonable third party legal and professional adviser's fees), charges, reasonable expenses, actions, proceedings, claims and demands, directly resulting from any Default, but excluding Indirect Losses;
- (n) **Disclosed Information** means any information disclosed by the Parties in respect of the implementation and operation of this Agreement and which may, or may not be Confidential Information;
- (o) **Disclosing Party** shall mean a Party that discloses Confidential Information to another or number of Recipient Party(ies);
- (p) **Dispute Process** shall mean the process set out in Schedule 6;
- (q) **District(s)** shall mean the geographical area(s) for which each Local Authority has responsibility;
- (r) **ENCTS** means the English National Concessionary Travel Scheme;
- (s) **Effective Date** means Sunday 31st March 2013;

- (t) **Exempt Services** means any bus services not forming part of this Agreement
- (u) **Force Majeure Event:** means any event or occurrence which is outside the reasonable control of the Party concerned and which is not attributable to any act or failure to take preventative action by that Party, including fire; flood; violent storm; pestilence; explosion; malicious damage; armed conflict; acts of terrorism; nuclear, biological or chemical warfare; or any other disaster, natural or man-made;
- (v) **Indirect Losses:** means whether in contract, tort (including negligence) by act or omission, warranty, statutory duty or otherwise, any indirect and/or consequential losses including without limitation any loss of profits, loss of contract, loss of goodwill, loss of anticipated savings or of the use of money and any special, exemplary and/or punitive damages;
- (w) **Initiatives** shall mean measures taken by any Local Authority aimed at reducing bus journey times and/or their availability as set out in Schedule 2;
- (x) **Investments** means the investments each Party has committed to undertake as detailed in Schedule 2 and shall include all Initiatives;
- (y) **KPIs** means the key performance indicators detailed in Schedule 5;
- (z) **“Local Authority(ies)”** shall mean, as the context requires, any of GC, NCC, NTC, STC and or SCC individually, or collectively any combination of two or more of them;
- (aa) **Minimum Period** means five years from the Effective Date;
- (bb) **Network** means the collective aggregation of the Services (Route, frequency and broad timing of first/last bus) operated

(or to be operated) by each Operator detailed in Schedule 1 as amended from time to time in accordance with this Agreement;

- (cc) **Network Review** means any review of the Network or any part thereof carried out by the Parties hereto;
- (dd) **Nexus** means the Executive in its role as Passenger Transport Executive for Tyne and Wear
- (ee) **Party** means a party to this Agreement;
- (ff) **Personal Data** shall have the meaning given to it in the Data Protection Act 1998;
- (gg) **Process** shall have the meaning given to it in the Data Protection Act 1998
- (hh) **Protocols** means the operational arrangements and methods of working detailed in Schedules NUMBER to NUMBER;
- (ii) **Purpose** meaning given to it in Clause 3.2;
- (jj) **Qualifying Agreement** means an agreement as defined in paragraph 17(4)(a) of Schedule 10 to the Transport Act;
- (kk) **Recipient Party(ies)** shall mean a Party, or a number of them, that receive Confidential Information from a Disclosing Party;
- (ll) **Reimbursement Arrangements** means the arrangements between the Executive and each individual Operator relating to concessionary fares reimbursement as in place at the date of this Agreement;
- (mm) **Route** means a route, series of routes and/or sections of routes or corridors operated by an Operator forming part of the Network as detailed in Schedule 1;
- (nn) **Scheduled Meeting(s)** shall mean the meetings described in Schedule 9;

- (oo) **Service(s)** means, as the context requires, individually the fare paying passenger carrying bus services operated by an Operator or, collectively, all fare paying passenger carrying bus services operated by the Operators collectively to provide the Network;
- (pp) **Standards** means the standards as set out in Schedule 5;
- (qq) **Tendered Services** means subsidised transport services for which there is an obligation to invite tenders under section 89 of the Transport Act 1985;
- (rr) **Tendered Services Criteria** means the Executive’s prevailing criteria for deciding how the Executive should spend available budget on bus services prior to procuring Tendered Services or awarding De-Minimis Contracts as approved by the ITA including any subsequent revisions, the current version at the date of entering into this Agreement ATTACHED AS SCHEDULE NUMBER;
- (ss) **Term** shall have the meaning given to it in 2.1;
- (tt) **Transport Act** means the Transport Act 2000, unless otherwise stated.
- (uu) **Network Ticketing Ltd** means Network Ticketing Ltd.

1.2 Any references to a specific statute include any statutory extension or modification amendment or re-enactment of such statute and any regulations or orders made under such statute and any general reference to 'statute' or 'statutes' includes any regulations or orders made under such statute or statutes.

1.3 References to “including”, “include” and “includes” shall be construed as if they were immediately followed by the words “without limitation” unless the context otherwise requires.

1.4 References to “writing” or “written” shall include faxes and e-mail.

- 1.5 Words importing the singular include, where the context so admits, the plural meaning and vice versa.
- 1.6 Words importing the masculine include the feminine and the neuter.
- 1.7 References to a “person” shall include natural persons and partnerships, firms and other incorporated bodies and all other legal persons of whatever kind and however constituted and their successors and permitted assigns or transferees.
- 1.8 The obligations of the Parties set out herein are several and not joint.

2 DATE AND PERIOD OF AGREEMENT

- 2.1 This Agreement shall apply with effect from the Effective Date and shall continue in force unless terminated in accordance with clauses 2.2 to 7 (inclusive) below (the “Term”).
- 2.2 This Agreement, or the Participation of a Party under this Agreement, may be terminated as follows:-
 - (a) This entire Agreement, or any Party’s individual participation in it, may be terminated at any time by mutual written consent of all the Parties; or
 - (b) A Party may terminate its own participation in this Agreement only by a minimum of 12 months’ prior written notice served by any Party on the other Parties, save that the earliest that such notice may take effect shall be the day after the final day of the Minimum Period; or
 - (c) An Operator may terminate its own participation in this Agreement only by immediate written notice served by an Operator on the other Parties where a Quality Contract under the Transport Act in any part of the area covered by the

Agreement (or an area substantially similar to it) comes into being; or

- (d) [An Operator may terminate its own participation in this Agreement] by 6 months' prior written notice served by an Operator on the other Parties where the Local Authorities reduce or do not implement the relevant Initiatives and/or reduces the hours of operation of such Initiatives, and/or reduces its level of enforcement activities in relation to Initiatives (as the case may be) PROVIDED THAT an Operator will not serve such notice to terminate [its participation in] the Agreement until the Parties have met at the next Scheduled Meeting (or such earlier meeting which shall be arranged between the Parties), in good faith to determine if, the Initiatives (or enforcement thereof) can be replaced by other Initiatives or methods of enforcement by the Local Authorities, offering at least a comparable effectiveness and the same are agreed by all Parties, (such agreement not to be unreasonably withheld); or
- (e) The Executive may terminate the entire Agreement by immediate written notice served by the Executive on the other Parties where an Operator reduces the Network (other than in accordance with the terms of this Agreement) PROVIDED THAT no such notice to terminate the Agreement will be served until the Parties have met at the next Scheduled Meeting following the Executive having informed all Parties of its intention to terminate (or such earlier meeting which shall be arranged between the Parties) in order to determine whether the Agreement should continue; or
- (f) [An Operator may terminate its own participation in this Agreement] by 9 months' prior written notice served by an Operator on the all other Parties where there is a material

deterioration in bus operation finances as defined in sub-clause 2.3 below and subject to the provisions of sub-clause 2.4; or

- (g) [An Operator may terminate its own participation in this Agreement] by immediate written notice served by one Party on the other Parties where there has been a failure to agree a KPI remedial action plan in accordance with clause 11.8.

2.3 There will be considered to be a material deterioration in bus operation finances if:

- (a) the quantum of Bus Service Operators Grant (“BSOG”) paid to the Operator in question is reduced below the level notified by the Department for Transport as at April 2012 (this termination right shall not apply in respect of the process, method or source of BSOG payment); and/or
- (b) renegotiation of the Reimbursement Arrangements (and any subsequent arrangements) for ENCTS or any other concessionary scheme results in a reduction for an Operator of its then current total reimbursement level (net of RPI) (unless such reduction is as a result of a more accurate means of allocation of ENCTS monies being available, for example through use of Smartcards data or unless such reduction is as a result of a proportionate passenger reduction); and/or
- (c) an Operator can provide evidence that a reduction in demand for Services operated by it has occurred in whole or in part such that maintenance of such Service(s) is no longer viable SUBJECT TO the Operator disclosing reasonable, non commercially sensitive, relevant information to the ITA and Executive within the terms of the Data Sharing Agreement in schedule 7.

2.4 Where a material deterioration in bus operation finances can be demonstrated to have occurred, (in accordance with clause 2.3 above) all Parties agree that the issue will be considered at the next quarterly

Scheduled Meeting. Each Party agrees that it will only serve notice of its intention to terminate its involvement in the Agreement on the basis of deterioration in bus operation finances if proportionate mitigating measures cannot be agreed during the quarterly Scheduled Meeting. No party shall unreasonably withhold agreement to mitigating measures. Where no such agreement is reached the Party suffering the material deterioration in bus operation finances may terminate this agreement pursuant to 2.2 (f).

- 2.5 Termination by any Operator of its participation in this Agreement at any time shall not affect the ongoing validity of any other agreements between the Parties or the continuation of this Agreement between the other Parties should they so wish unless otherwise stated in this Agreement.
- 2.6 Where an Operator's Routes forming part of the Network are Tendered Services and, during the Term such Operator becomes no longer responsible for the provision of such Tendered Services then, such Operators obligations under this Agreement in respect of the Tendered Services for which they are no longer responsible shall cease with immediate effect on the date that they cease to be responsible for their provision.
- 2.7 Each Party shall be entitled to terminate its participation in this Agreement as set out in 18.2.

3 PURPOSE AND BUS STRATEGY

- 3.1 The Parties agree to work together during the term of this Agreement in a constructive and cooperative manner with a view to achieve the Purpose. A copy of this Agreement and supporting documentation shall be placed by the Executive on the CPT/pteg www.buspartnership.com website on behalf of all Parties. The Executive shall ensure that an up

to date list of Parties is at all times listed along with this Agreement on such website.

3.2 The Purpose of this agreement is the achievement of specific Bus Improvement Objectives and the furtherance of the ITA’s Bus Strategy in so far as the Bus Strategy relates to the Services and Network referred to in this Agreement (the “**Purpose**”). In this respect all signatories to this agreement acknowledge their shared responsibility to contribute to delivering the ITA Bus Strategy insofar as their obligations or statutory duties permit.

4 ESTABLISHMENT OF BOARDS

4.1 This Agreement shall establish, by the Effective Date of this Agreement:

- (a) a Tyne and Wear Bus Partnership Board; and
- (b) five District Bus Partnership Boards, one in each of the Local Authorities; and
- (c) the Dispute Board

4.2 The objective, composition, and voting governance of each of the Tyne and Wear Bus Partnership Board and each District Partnership Board and the Dispute Board are as set out in Table 1;

Table 1

	Tyne and Wear Partnership Board	District Partnership Board	Dispute Board
Objective	To ensure that Changes approved and changes resulting from Network Reviews are consistent with the Purpose	To ensure that Service Changes approved are consistent with the	To resolve disputes referred to it under this Agreement.

		Purpose	
Membership	8 Members made up of: Chair: 1 x ITA Representative; Vice Chair: 1 x ITA Representative; Clerk: 1 x ITA Representative; Ordinary Members: Director General of the Executive; 1 x [Arriva]Representative 1 x [Stagecoach]Representative 1 x [GNE] Representative; 1 x Partnership Operators Representative	[TBC]	3 Members made up of [TBC]
Voting	1 member 1 vote.	[TBC]	[TBC]

4.3 The ratio of the membership of the Tyne and Wear Partnership Board shall at all times be 1:1 between for the first part the Operators, and for the second part the Executive and ITA.

4.4 The Partnership Operators Representative shall represent all Operators other than [Arriva, Stagecoach and GNE]. Where the aggregate annual mileage operated by all Operators represented by the Partnership Operators Representative exceeds 10% of the total annual mileage operated by all Operators under this Agreement [an additional Partnership Operators Representative shall be appointed as a member and the ITA and Executive shall between them appoint an additional member in order to maintain the ratio referred to in 4.3;

4.5 Each Board shall perform its function(s) at all times in accordance with the objective of that Board (as set out in Table 1).

4.6 The Tyne and Wear Partnership Board may consider and determine on any Change, a District Partnership Board may consider and determine on any Service Change. In the event of conflict between the determination of a District Partnership Board and the Tyne and Wear Partnership Board in relation to a Service Change the decision of the The Tyne and Wear Partnership Board shall prevail.

Duties of The Tyne and Wear Bus Partnership Board

4.7 The Tyne and Wear Partnership Board shall:

- (a) appoint a Chair on an annual basis from within the Tyne and Wear Partnership Board;
- (b) consider the minutes of the previous Tyne and Wear Partnership Board meeting;
- (c) Monitor the progress, implementation and delivery of the Bus Strategy and Purpose;
- (d) Prepare an Annual Partnership Board Plan with clear deliverables that will achieve the implementation and delivery of the Bus Strategy;
- (e) Consider and, where appropriate, agree proposed changes to the Network, multi-operator fares and any other relevant aspects of the services covered by this Agreement, with consultation with the relevant District Boards(s) as appropriate;
- (f) receive reports from the Executive, ITA, Local Authorities, Operators and the District Partnership Boards as appropriate;
- (g) consider matters relating to the business of this Agreement including, but not limited to, highways; bus services, reliability and performance; fares and ticketing; and other

matters as may be appropriate from time to time, subject to the observance of all legal requirements including the Competition Act 1998 as amended; and

- (h) be empowered to authorise working groups to progress specific work streams in furtherance of the Board's objectives. The working groups shall be required to report to the Board who shall use such reports in determining and agreeing any actions that may be required.
- (i) agree performance standards that shall apply to all Parties for the provision of improvements to services and their operation. A table of agreed service standards agreed at the Effective Date is attached at [];
- (j) Participate fully in the Change Process to ensure Change Proposals are considered and processed in accordance with the Change Timetable

Duties of each District Partnership Board

4.8 Each District Partnership Board shall:

- (a) appoint a Chair on an annual basis from within the Board;
- (b) consider the minutes of the previous Board meeting;
- (c) Monitor the progress, implementation and delivery of the Bus Strategy as it pertains in each District Board area;
- (d) Carry out a review of each service or group of services within its District at least once a year. Where the review results in a Network Change proposal for a change to this Agreement, the District Board will propose the such Change to the Tyne and Wear Partnership Board;
- (e) Take a key role in engagement and consultation with residents, passengers and local authority members. The

District Partnership Board shall engage with other relevant local stakeholders as may be determined by the District Partnership Board, e.g. Trades Unions, passenger representatives, etc. The District Partnership Board will receive and respond to petitions raised by people living or working in its area.

- (f) Ensure that Service changes shall be limited to no more than once a year on an agreed date in each local authority area except where Services are reliant on or linked to schools services or other essential contracted services, or where Services are seasonal in nature the Boards shall allow Excluded Changes and for other minor changes implemented at key dates.
- (g) Ensure that decisions on Services that operate into adjacent counties of Durham and Northumberland take into account the impact any changes in Tyne and Wear may have on these counties and further discussion shall be carried out in Durham and Northumberland as appropriate.
- (h) In the case of Excluded Changes which are made by Operators they will make every endeavor to seek the views of the relevant District Partnership Board(s) prior to making such Excluded Changes and will in any event bring a description of the change to the next meeting of the District Partnership Board.
- (i) Receive reports from operators and the Executive with regard to the performance of bus services in the District. This shall include delivery of the services in accordance with agreed standards (See SCHEDULE 5) and a statement of performance of the services in the district against the ITAs KPIs.

- (j) When proposing Network Changes Operators may produce options for consideration by the District Board. Such options may demonstrate how the proposed changes shall impact upon the ITAs KPIs. The District Board shall consider those options before giving its opinion to the Tyne and Wear Partnership Board;
- (k) Operators shall provide public notice to District Partnership Board and customers at the Service Registration Date (currently 8 weeks before any change in service commences);
- (l) Operators shall provide a minimum 8 weeks' public notice if a Service Change has been approved and a service is no longer being sufficiently used and is to be withdrawn;
- (m) Operators shall ensure that, other than in exceptional circumstances, new bus routes operated as Excluded Changes will be run for at least 90 days before they may be cancelled or changed.
- (n) When required, the Board shall agree clear and measurable objectives for the improvement of bus services in its District to a defined timescale. The Board shall agree performance standards that shall apply to all Parties for the provision of improvements to services and their operation. Such performance measures may include, but shall not be limited to, highways and footpaths; waiting shelters; passenger information; bus operations; marketing and ticketing improvements;
- (o) Participate fully in the Change Process to ensure Change Proposals are considered and processed in accordance with the Change Timetable.

5 NETWORK

STABILITY

5.1 The Operators hereby agree that in the interests of Network stability there will be no Network Changes EXCEPT WHERE allowed for elsewhere in this clause 5 or following customer representations and/or suggestions for Changes to the Network being forthcoming from any of the Parties and where such Changes shall be subject to the Change Procedure in order to be approved by the relevant Board(s). Subject to the provisions of this Clause 5, where an Operator is identified as responsible for a Route in Schedule 1, that Operator agrees as a separate covenant to the Executive and the ITA to operate that Route. That covenant shall bind the Operator to operate that Route throughout the period of this Agreement unless otherwise agreed in accordance with the Change Process. This is without prejudice to the ability of other Operators to operate on that Route (subject to the provisions of this Clause 5 and any Qualifying Agreements between Operators which satisfy the criteria of the Part 2 Competition Test) provided that only the Operator(s) identified in Schedule 1 as responsible for the Route in question shall bear responsibility to the Executive and the ITA under this Clause 5.1 (subject again to the provisions of this Clause 5).

5.2 Changes and Process

- (a) The Operators may individually introduce
 - (i) seasonal and Bank Holiday variations to the Network in consultation with Relevant Board; and/or

- (ii) temporary diversions of Services as a result of temporary road works, utility works or events beyond the reasonable control of the Operator without consultation with any Board PROVIDED THAT all Parties shall strive for minimum disruption to Services in such circumstances.
 - (iii) Any Excluded Change without consultation with any Board.
- (b) Where any Operator wishes to introduce a Change then the following process shall be followed in accordance with the Change Timetable:
 - (i) The Operator shall develop detailed plans for Change (a “Change Proposal”) and commence a consultation with interested parties;
 - (ii) There shall be a period of consultation following which the Operator shall present the results of the consultation on the Change Proposal and the final form of the Change Proposal to the Relevant Board;
 - (iii) The Relevant Board shall make a decision to approve or decline the Change Proposal;
 - (iv) Where the decision of the Relevant Board is to approve the Change Proposal it shall be deemed a Change and prior to implementing the Change the Operator shall register the Change, give advance notice to Customers of the Change and publish new timetables (as required).
- (c) Changes shall take effect on the [relevant] Service Change Date unless in the reasonable opinion of the relevant Operator, there is a competitive, commercial or

operational imperative requiring that the Change takes place on a different date.

Network Review

5.3 The Parties will undertake periodic whole or partial Network Review(s) in order to monitor on an ongoing basis fulfilment of the Purpose and make proposals for further improvements to the Network. Such reviews shall be no more frequent than annual in each District (unless agreed by all Parties). The outcome of such reviews will be considered by the Relevant Boards(s) and any resulting proposals will only be implemented subject to the agreement of the relevant Board(s). Such reviews must be consistent with the Purpose PROVIDED ALWAYS that the Operators may only reduce the Network:

- (a) where highway improvements are delivered which achieve punctuality improvements to justify the change to the Network; or
- (b) if passenger demand reductions are evidenced to the Board; or
- (c) in accordance with clauses **Error! Reference source not found.**; or
- (d) where operational, commercial or competitive situations shall cause the operators to reduce the network.

Service Changes

5.4 The Parties will use all reasonable endeavours to achieve and maintain stability of the Network, however periodic change may be necessary to Services in certain circumstances. The Operators will comply with the provisions of this clause 5 and clause 2.2.1(j) above before making any Service Changes and will consider in good faith with the Parties any suggestions for a Service Change which are proposed by a Party in writing. The Tyne and Wear Partnership Board

and the District Boards shall work with Local Authorities to identify and mitigate “pinch points” (a place on the highway where a traffic jam tends to occur), highway maintenance and other issues that impact upon bus reliability and punctuality. Any Service Changes other than those permitted elsewhere in this Agreement must be approved by the Relevant Board(s) and is subject to the Change Procedure. All members of the Relevant Boards shall vote on Service Changes and a Change Proposal shall only be approved as a Service Change where a majority of the members of the Relevant Board(s) have voted in favour of it.

Network Changes

5.5 Subject to 5.5A, where any Operator wishes to make a Network Change, they shall formally notify the Tyne and Wear Partnership Board, in writing of its Change Proposal in respect of such Network Change and provide the Tyne and Wear Partnership Board with evidence to justify the proposal PROVIDED THAT such discussion and notification is made to enable the Change Timescale outlined in Schedule 10 to be met. The Operator will provide such further reasonable information as requested by the Tyne and Wear Partnership Board on the condition that it is shared only with the Executive and the ITA representatives for the benefit of providing a response to the Operator within the timescale stipulated. Following consultations with the Operator, and in order that the Executive has adequate time for information production, relevant Operator(s) shall provide full stop specific and accurate timetable and route details at least 7 days in advance of the relevant Service Registration Date.

5.5A Where a proposed Network Change requires the disclosure of operationally or commercially sensitive information by an Operator in a Change Proposal then the Change Proposal shall only be considered by the ITA representatives, Executive and relevant Operator’s members of

the Tyne and Wear Partnership Board. The Change Proposal shall only be approved as a Network Change where those members are in unanimous agreement that such Change should be made.

- 5.6 The same principles outlined above will be adhered to by the Executive in respect of decisions made on secured services.

Qualifying Agreements

- 5.7 Where the Executive or an Operator identifies an instance where a Qualifying Agreement might be appropriate in order to further the Bus Improvement Objectives and/or to give effect to a principle expressed in this Agreement, then the Executive may enter into discussions with each Operator concerned and the practical objectives required to give effect to such principle shall be put into effect by way of a Qualifying Agreement and which is to be certified as a Qualifying Agreement by the ITA and shall satisfy the requirements of the Part 2 Competition Test.

Tendered Services/Journeys

- 5.8 At the date of the Agreement the Network includes Tendered Services or De- Minimis Contracts that are provided under contract to the Executive. Nothing within this Agreement prevents Operators from individually submitting tenders.

Cross Boundary Services

- 5.9 The Executive acknowledges that in respect of those Services indicated in Schedule 1 as being cross boundary services (i.e. to and or from Tyne and Wear and to and or from Northumberland / Durham or other Counties) the Operators may, for circumstances relating to actions taken by the highway authority for the part of the route that falls outside of the Area administered in this Agreement, or actions

taken by a utility company or similar body on such part of the route, need to change the Services. The Executive acknowledges that for services running to and from Northumberland and County Durham the Operators may enter in to such partnership arrangements with these local authorities as may be required from time to time. All parties shall work together to agree a set of common Service Change Dates for such Services. The Operators will follow the Network Change procedure detailed in clauses 5.5 to 5.6 above.

Effect of Land Use Changes and Network Development

- 5.10 The Local Authorities shall ensure that Operators are consulted at the earliest opportunity within the consultation process and before Local Authorities make land use and planning decisions that will impact upon provision of the Services. Land use planning proposals and applications shall be assessed on the basis of their sustainability and ease of access by existing bus services and that these are considered material and relevant factors in planning decisions. Where such land use changes shall result in increased road traffic, the Executive and Local Authorities shall seek mitigation where the increased traffic is expected to create new or exacerbate existing pinch points. If new or amended bus services are required, appropriate financial resources (such as section 106 contributions or similar) must be used in order to provide such appropriate assistance to the Operators as may be required to permit them to achieve the necessary service levels for a meaningful period from the earliest appropriate date.

6 BUS STOPS AND STATIONS

- 6.1 Nexus and the local authorities shall provide bus stops that are fully accessible for older and disabled people and people with additional needs. Where Nexus or the local authority is unable to do this, a payment shall be made to a

Service Improvement Fund, the use of which shall be determined by the relevant Partnership Board but will always be linked to improving bus services for passengers in the local area. In the event of repeated under performance by Nexus or the local authority, LAs/Nexus shall meet the cost of providing taxis for wheelchair passengers unable to use such stops.

- 6.2 Nexus and the local authorities shall provide bus stops and shelters that are clean, safe and well maintained. Where service levels fall below 95%, a payment shall be made to a Service Improvement Fund, the use of which shall be determined by the relevant Partnership Board but will always be linked to improving bus services for passengers in the local area.
- 6.3 As part of this Partnership Agreement, Nexus and the local authorities will agree annual targets for increasing the number of bus stops provided with shelters and increasing the use of CCTV coverage at bus stops to improve customer safety.
- 6.4 Where Nexus or the local authority provide or manage a bus station, such stations will be clean, safe and well maintained. Where service levels fall below 95%, a payment shall be made to a Service Improvement Fund, the use of which shall be determined by the relevant Partnership Board but will always be linked to improving bus services for passengers in the local area.

7 BUS STANDARDS

- 7.1 The Operators undertake to operate buses on the Network which meet or exceed the Standards set out in Schedule 5 as amended from time to time by agreement of the Parties.

8 INVESTMENTS

- 8.1 The Parties undertake to deliver the Investments as set out in Schedule 2. The process of regular review under clause 12 may

include the addition by agreement of further investment commitments as Investments.

- 8.2 On or before each anniversary date of the Effective Date the Parties severally agree to complete a review of the Investment for the previous financial year, and will use their respective reasonable endeavours to agree the Investments for the financial year following.
- 8.3 If the regular review process set out in clause 12 identifies a failure or likely failure by any Party to deliver its Investments the defaulting party shall be required to table, at the next meeting of the forum defined in clause **Error! Reference source not found.** a remedial action plan detailing:-
- (a) progress to date;
 - (b) delivery programme;
 - (c) detailed reasons for the delay;
 - (d) any mitigation measures; and
 - (e) any other relevant information including an action plan or, in the event that an Investment can no longer be implemented, the defaulting party's alternative investment proposals.
- 8.4 All such action plans shall subsequently be updated for each further meeting of the said forum and shall also be presented to the forum identified in clause 13 until such time as agreement is reached.
- 8.5 In the event that a Party continues to fail to deliver its investment proposals then participation in this Agreement by all or some of the Parties may be terminated in accordance with clauses 2.2(b) or 2.2(d) of this Agreement.

9 TICKETING AND FARES

- 9.1 The Operators shall set their own fare levels and will limit increases to each price or fare to once per calendar year and any such increase of fares shall be explained to the Executive eight weeks beforehand.
- 9.2 The Operators agree to implement ticketing arrangements for Tyne and Wear multi-modal and bus-to-bus multi-operator products through Network Ticketing Ltd.
- 9.3 The operators recognise the desirability of the ITA being represented at meetings of Network Ticketing Ltd to participate in discussion of multi-modal and bus-to-bus multi-operator ticketing. As part of this partnership agreement the Operators agree to approach the NTL Board to propose that the ITA be granted a Full Seat on the Board to enable it to participate fully in discussions on NTL fares products.
- 9.4 Network Ticketing Ltd shall ensure that the rationale underlying its proposals for changes to multi-operator fares shall be evidenced to the Tyne and Wear Partnership Board.
- 9.5 The Parties recognise the need for affordable, simple and easy to understand ticketing arrangements for customers and potential customers that offer value for money and customer choice. The Parties will continue to assess the demand for changes to existing arrangements and to implement changes in furtherance of this Agreement.
- 9.6 The Parties agree that the Network One multi-modal and multi-operator tickets shall be the basis of a daily 'fares cap' in Tyne and Wear.
- 9.7 The Operators agree that their smart card media shall be such as to enable customers to store and use smart ticketing products of each operator and of Network Ticketing Limited subject to the availability of such products and within the limits of available technology. Operators shall work with Nexus towards the implementation of smart

price capping subject to the availability of suitable technology and reimbursement arrangements.

10 MARKETING & INFORMATION

- 10.1 Each Operator agrees, for its Routes, to provide a range of route and/or service marketing collateral, including, but not limited to, timetable leaflets; website; advertising; social networking; electronic communications; PR; and other techniques as may be appropriate in furtherance of the Purpose of the partnership.
- 10.2 Timetables in both printed hard copy and electronic form using the 24 hour clock shall be available at least 14 days in advance of any service change date. Such materials shall show clearly the effective date and include a map or diagram of the route and main stopping points and contact details for further information, comments and suggestions, and lost property. Timetable publicity for all ‘part-secured’ services shall be produced and funded by the commercial operators and include full details of the secured journeys regardless of contracted operator. Where changes to ‘part secured’ services are instigated by Nexus, Nexus shall fund the production of new timetables.
- 10.3 Operators shall provide Nexus with a sufficient quantity of printed timetables for nexus to distribute to Nexus travel shops, local council libraries and council customer service centres.
- 10.4 The Executive agrees to provide a range of network marketing collateral, including, but not limited to, district route maps; an on-line journey planner; bus stop timetable case liners and bus stop plates; all marketing collateral for wholly secured services; good signing to bus services at Metro and rail interchanges and other techniques as may be appropriate in furtherance of the Purpose of the partnership. Bus promotional activity shall reflect its market share of

the Tyne and Wear integrated network and its importance in delivering the ITAs KPIs and growth in public transport use.

- 10.5 Nexus shall provide up-to-date timetable information at all bus stops within Tyne and Wear. Where timetables change, nexus shall renew the displayed information by the agreed service change date. Where Nexus service levels fall below 95%, Nexus shall make a payment to a Service Improvement Fund, the use of which shall be determined by the relevant Partnership Board but will always be linked to improving bus services for passengers in the local area.
- 10.6 Nexus shall fund and provide up-to-date network maps in electronic format from the Nexus web site. Where Nexus service levels fall below 95%, Nexus shall make a payment to a Service Improvement Fund, the use of which shall be determined by the relevant Partnership Board but will always be linked to improving bus services for passengers in the local area.
- 10.7 Nexus shall provide real-time information displays at key bus stops on high-frequency routes and real-time information available from all bus stops by either SMS or QR codes. . Where Nexus service levels fall below 95%, Nexus shall make a payment to a Service Improvement Fund, the use of which shall be determined by the relevant Partnership Board but will always be linked to improving bus services for passengers in the local area.
- 10.8 Nexus shall provide a journey planner on its web site and a supporting smart phone application to offer real time 'at stop' information for customers.
- 10.9 All Partners shall work together to identify opportunities for 'interchange nodes' to improve accessibility and minimise the need for tertiary services to run parallel with commercial services.
- 10.10 The Parties agree to implement a Joint Marketing Plan to promote modal shift, multi-modal ticketing and bus-only multi-operator

ticketing. The Parties shall decide on the ownership of all Intellectual Property created as part of the Joint Marketing Plan as part of the process of creating the Joint Marketing Plan and such decision shall be recorded in writing and signed by all the Parties.

- 10.11 The Operators agree that vehicles operating services provided under this Agreement shall carry a Partnership logo externally and internally. The Parties agree that the Partnership logo will be such that the integrity of any other branding shall not be compromised and such that commercial advertising space shall not be compromised.
- 10.12 The Operators agree that vehicles operating services provided under this agreement shall carry a Network One promotional advertisement internally that shall promote the availability of Network One multi-modal and multi-operator tickets.
- 10.13 Each Operator shall provide a single point of contact for customer complaints and lost property. These shall be detailed in the Customer Charter contained in schedule 4.

OTHER OBLIGATIONS

11 PERFORMANCE

- 11.1 The Operators are committed to agreeing a set of performance measurements in respect of the Service Standards in the form of agreed, quantifiable key performance indicators to be agreed by all Parties. Reporting of KPIs shall be on a quarterly basis and shall be Competition Act compliant.
- 11.2 Evaluation measures have been defined to determine the success of this Agreement. These evaluation measures will be monitored over the lifetime of this Agreement as follows by using the KPIs set out in Schedule 5.

- 11.3 The relevant Party shall report on their performance against KPIs in meeting or exceeding its performance figures and target performance at the frequency agreed. Should performance not meet or if it does not exceed the KPI target performance for two consecutive reporting periods (or any Party becomes aware that it will not meet such performance) that Party shall follow the procedure set out in clause 11.4 below.
- 11.4 A Party or Parties that fail(s) (or believes they will fail) to meet one or more of their performance figures shall, at the next meeting of the forum defined in clause **Error! Reference source not found.**, discuss and agree with the other Parties a remedial action plan for each performance figure that has not been met (or which they reasonably believe will not meet) the target detailing:-
- (a) the target figure and actual performance since the Effective Date;
 - (b) detailed reasons for failure to meet the target;
 - (c) any mitigation or proposed measures to ensure later achievement;
 - (d) action plan for ensuring the target will be met in the next and subsequent reporting periods.
- 11.5 All such action plans shall be updated for each further meeting of the said forum and shall also be presented to the forum identified in clause **Error! Reference source not found.** until such time as the problem is resolved.
- 11.6 A Party may call for a review of any of the KPI performance targets and such review shall proceed with the agreement of all Parties. In any case all KPIs shall be reviewed annually and modified as agreed by the meeting defined in clause 4.2.

- 11.7 Where the Parties cannot agree a KPI performance figure remedial action plan as required by clause 11.4, the matter will be referred to the next meeting of the forum defined in clause 4.2 which will discuss and agree the remedial action plan.
- 11.8 If the Parties fail to agree the remedial action plan following the referral set out in clause 11.7, the Parties shall follow the Dispute Process and, if no agreement is reached thereafter the termination provisions set out in clause 2.2(g) shall take effect.

DATA SHARING

- 11.9 The Operators will provide all data required under the provisions of this Agreement to the Executive in accordance with the provisions of the Data Sharing Obligations.

Mutual Aid

- 11.10 Operators agree as part of this agreement that they shall offer each other mutual aid where it may be beneficial to passengers. Mutual aid shall be offered where:
- (a) As a result of a bus breakdown an operator is unable to transfer passengers to a following bus or provide a replacement, the Operators shall agree to provide mutual aid such that passengers shall be carried by the next suitable vehicle of another Operator operating that Route, such Operator being a signatory to this agreement.
 - (b) In the event of a Force Majeure event such that an Operator is unable to meet his obligations under this Agreement, other Operators shall offer such assistance and aid that might be of benefit to passengers.
 - (c) That Operators giving and receiving such aid shall agree any reasonable reimbursement that might be required as circumstances dictate.

OTHER OPERATORS

11.11 Other bus operators may join this Agreement at any time, provided that signatories agree to the terms of this Agreement, including such new operator agreeing to contribute to achieving the Purpose. The Partnership Board shall treat all operators equally.

Sale of Operators' Business

11.12 In the event that an Operator sells all or part of its' operational business and/or goodwill the Operator will make such sale subject to the terms of this Agreement and oblige the purchaser to comply with the terms of this Agreement as a condition of sale.

Miscellaneous

11.13 The Parties agree to implement the Protocols set out in Schedules 1 to 5 and will work together in good faith to revise them where necessary or negotiate new protocols as necessary.

11.14 All Parties shall bear their own costs in relation to this Agreement.

Liability

11.15 The liability of each Party in respect of breaches of this Agreement is several and not joint.

11.16 Other than as set out in 10.17, no Defaulting Party shall be liable to any Other Party in respect of any Indirect Loss suffered whether howsoever such liability arose (whether under tort (including negligence), breach of contract, breach of statutory duty).

11.17 Each Party (the "**Defaulting Party**") shall be liable to the other for, and no Party seeks to limit or exclude its liability in respect of, Direct Losses or Indirect Losses suffered by another Party (the "**Other Party**") pursuant to this Agreement to the extent that such Direct Loss and or Indirect Loss suffered by the Other Party has arisen as a result of

- a) death or personal injury caused by the negligence of the Defaulting Party; or
- b) fraud or fraudulent misrepresentation committed by the Defaulting Party; or
- c) any other matter for which it would be illegal or unlawful for the Defaulting Party to exclude or attempt to exclude its liability.

Confidentiality

11.18 Subject to the Permitted Uses under the Data Sharing Obligations and as set out in 10.20, no Recipient Party shall, without the prior consent of the Disclosing Party, use any Confidential Information or any part thereof other than is necessary in the performance of its obligations under this Agreement.

11.19 The provisions of Clause 10.18 shall not apply to any information which:

- (a) is or becomes public knowledge other than by breach of Clause 10.19,
- (b) is in the possession of the Recipient Party without restriction in relation to disclosure before the date of receipt from the Disclosing Party;
- (c) is received from a third party who lawfully acquired it and who is under no obligation restricting its disclosure;
- (d) is independently developed without access to the Confidential Information;
- (e) is required to be disclosed pursuant to a court order or other legal or regulatory obligation.

11.20 Each Party shall only Process any Personal Data provided to it by another Party (the “Data Controller”) as is strictly necessary for the performance of that recipient Party’s obligations under this

Agreement and for no other reason or use. The recipient Party shall not pass any such Personal Data provided by the Data Controller to third parties without the prior written consent of the Data Controller and, at all times when Processing Personal Data provided by the Data Controller, the recipient Party shall comply with all provisions of the Data Protection Act 1998 applicable to it, including the seventh data protection principle. Further no Personal Data shall be transferred outside the EEA without the prior written consent of the Data Controller.

12 REGULAR REVIEW PROCESS

- 12.1 Each Party shall nominate an individual within its organisation who shall have primary responsibility for day-to-day contact with the other Parties in connection with this Agreement. A Party may amend the details of its nominated individual at any time on written notice given to the other Parties.
- 12.2 All Parties will attend the Scheduled Meetings as required and provide a quarterly report to the appropriate Board summarising activity which it has undertaken during the preceding period under the Agreement.

13 DISPUTE RESOLUTION

- 13.1 Should a dispute arise between the Parties in relation to this Agreement, the Parties shall arrange a meeting of the Partnership Board as soon as reasonably practicable after the dispute has arisen and shall attempt in good faith to negotiate the settlement of such a

dispute at such Partnership Board meeting. During the period of such negotiation of the said settlement, the Parties shall continue to comply with their respective obligations under this Agreement.

13.2 Should a dispute not be resolved by the [which?] Board, the dispute shall be referred directly to a Dispute Board, the terms of reference for which are set out in SCHEDULE 6.

13.3 Should a dispute not be resolved by the Dispute Board within 14 days of referral to it, the Parties shall, in good faith, seek to resolve the dispute through mediation. The mediator and the procedure to be followed in the mediation shall be agreed between the Parties within 14 days of one Party requesting mediation, failing which the mediator shall be appointed by the Centre for Effective Dispute Resolution (<http://www.cedr.com/>) and the procedure established by the mediator. The mediator's costs and fees shall be borne equally by the Parties involved.

13.4 In the event that the dispute has not been resolved to the satisfaction of all Parties within 60 days after the appointment of the mediator, or the relevant Party refuses to agree to mediation or withdraws from the mediation, then the dispute may be referred to litigation.

13.5 Once the Parties reach agreement as to resolution through the procedure set out in the Agreement, such agreement shall be recorded in writing and signed by the Parties whereupon it shall become binding upon the Parties.

14 FORCE MAJEURE

14.1 No Party shall be liable to another for any delay in, or failure of, the performance of its obligations under this Agreement arising from any event of Force Majeure. The Party so affected shall:

- (a) as soon as practicable, send to the others a written notice setting out the circumstances of the event and its anticipated effect; and
- (b) use all reasonable endeavours to minimise the effect of any such circumstances.

14.2 If any Party is prevented from performing its obligations under this Agreement due to an event of Force Majeure for a continuous period of six (6) months or more, then any Party may terminate this Agreement with immediate effect on giving written notice to the others and no Party shall be liable to the others for such termination SUBJECT TO the Parties having met at the next meeting referred to in clause *to be clarified* (or such earlier meeting which shall be arranged between the Parties) in good faith to determine if the Agreement should continue in varied form.

15 EXCLUSION OF OTHER TERMS

This Agreement sets out the entire agreement and understanding between the Parties. All Parties warrant and represent that in entering into this Agreement they have not relied upon any statement of fact or opinion made by another Party which has not been included expressly in this Agreement. Nothing in this clause 15 shall affect the liability of any Party in respect of any misrepresentation, warranty or condition that it makes fraudulently.

16 WAIVER

Failure by any Party to exercise or enforce any rights, or the giving of any forbearance, delay or indulgence, will not be construed as a waiver of its rights under this Agreement or otherwise.

17 AMENDMENT

This Agreement shall not be amended, modified, varied or supplemented except in writing signed by or on behalf of all Parties.

18 NOTICES

18.1 Any notice to be given under this Agreement shall be in writing and shall either be delivered personally sent by first class or be sent by electronic mail. The address for service of a Party shall be its address as stated above or any other address or electronic mail address notified to the other Parties in accordance with this paragraph. A notice shall be deemed to have been served as follows:

- (a) if during normal working hours if personally delivered or sent by electronic mail at the time of service, or if not during normal working hours the next working day;
- (b) if posted at the expiration of two days after the day of posting;
and

in providing such service it shall be sufficient to prove that personal delivery was made or that the electronic mail was sent or that the envelope containing such posted notice was properly addressed.

19 SEVERANCE AND LAW

18.1 If any provision of this Agreement is or becomes invalid or unenforceable it will be severed from the rest of this Agreement so that it is ineffective to the extent that it is invalid or unenforceable and no other provision of this Agreement shall be rendered invalid, unenforceable or be otherwise affected.

18.2 The Parties have considered the application of Competition law, in particular the Part 2 Competition Test, to the VPA and consider that it satisfies that test as it will contribute to the bus improvement objectives outlined in that test and satisfies the remaining criteria of that test. However, if statements by, advice from, or decisions by, competent authorities (including, but not limited to, the Office of Fair Trading) provides additional detail or guidance in relation to the Part 2 Competition Test (or more generally, the applicability of Competition law to Voluntary Partnership Agreements) which could

impact on the position of this Agreement under the Part 2 Competition Test (or Competition law more generally), the Parties agree to (1) meet in good faith and review the impact of such change or other developments on this Agreement; and (ii) make any amendment necessary to ensure that this Agreement does comply with applicable competition laws then in force in the light of such development, whilst taking account of the Parties commercial intentions as expressed in this Agreement. In the event that the Parties are unable to agree as to the extent and nature of any such amendments within three (3) months of such development, each Party shall be entitled to terminate its participation in this Agreement in writing with immediate effect.

18.3 Any agreements between the Operators (or any of them) which are related to, or are agreed or necessary in order to support, this Agreement, but are not specifically provided for in this Agreement, shall be put into effect by way of a Qualifying Agreement and are to be certified as a Qualifying Agreement by the ITA and shall satisfy the requirements of the Part 2 Competition Test.

20 RELATIONSHIP

Nothing in this Agreement shall make any Party, the agent or partner of another, or give any Party the power to bind the other.

21 ASSIGNMENT

This Agreement is personal to the Parties and (save as provided in clause 11.12) may not be assigned or in any other way made over to any third Party, either in whole or in part, without the prior written consent of the other Parties.

22 FREEDOM OF INFORMATION

22.1 The Parties shall cooperate to facilitate the Executive's and the ITA's compliance with its obligations under the Freedom of Information Act 2000 (FOIA), as amended, and the Environmental Information Regulations 2004 (EIR), as amended, together with any guidance

and/or codes of practice issued from time to time by the Information Commissioner or the Secretary of State in the manner provided for in this clause, which shall apply whenever the Executive and/or the Council receives a request for information which in the Executive's and the Council's reasonable opinion is likely to involve the disclosure of the Operator's Confidential Information (an "RFCI").

- 22.2 As soon as possible and in any event within three (3) working days of receiving the RFCI, the Executive and/or the Council shall inform the Operator(s) and shall consult in good faith with the Operator(s) to ascertain whether disclosure of the Disclosed Information would be likely to prejudice the commercial interests of the Operator(s) for the purposes of section 43(2) of FOIA or regulation 12(5)(e) of EIR.
- 22.3 In determining its response to the RFCI the Executive and/or the Council shall take into account any representations made by the Operator(s) provided that they are received by the Executive and/or the Council within three (3) working days of the notification provided for in clause 22.2 but the Executive and/or the Council shall then determine its response in its absolute discretion.
- 22.4 If the Executive and/or the Council determines that it should disclose information in response to a RFCI and in order to do so the Executive and/or the Council reasonably requires information in the possession of the Operator(s) then the Operator(s) shall provide such information to the Executive and/or the Council as soon as reasonably practicable.
- 22.5 The Operator(s) shall provide reasonable assistance as is reasonably requested by the Executive and/or the Council to enable the Executive and/or the Council to respond to a RFCI within the time for compliance set out in section 10 of the FOIA or regulation 5 of the EIR.
- 22.6 In case of a request from the Executive and/or the Council under clause 22.4 or Clause 22.5, the Operator(s) shall as soon as reasonably practicable and in any event within five (5) working days of receipt of the request, inform the Executive and/or the Council of their

estimated costs of complying with the request to the extent these would be recoverable if incurred by the Executive and/or the Council under section 12(1) of FOIA and the Freedom of Information and Data Protection (Appropriate Limit and Fees) Regulations 2004 (the Fees Regulations). Where such costs (either on their own or in conjunction with the Executive's and/or the Council's own such costs in respect of such RFCI) will exceed the appropriate limit referred to in section 12(1) of FOIA and the Fees Regulations, the Executive and/or the Council shall inform the Operator(s) in writing whether or not it still requires the Operator(s) to comply with its request and, where it does require their compliance with its request, the period for compliance by the Operator(s) shall be extended by such a number of additional days as the Executive and/or the Council is entitled to under section 10 of FOIA. In such case, the Executive and/or the Council shall notify the Operator(s) of such additional days as soon as practicable and shall reimburse the Operator(s) for such costs as the Operator(s) incurs in complying with the request.

23 THIRD PARTY RIGHTS/PARTNERSHIP

- 23.1 Nothing in this Agreement shall confer on any third party any right or benefit under the provisions of the Contracts (Rights of Third Parties) Act 1999.
- 23.2 For the avoidance of doubt this Agreement is not intended to create a legal partnership between the Parties pursuant to the Partnership Act 1890, the Limited Partnerships Act 1907 the Limited Liability Partnership Act 2000 or otherwise.

24 JURISDICTION

This Agreement shall be governed by English law and is subject to the exclusive jurisdiction of the Courts of England and Wales.

25 COUNTERPARTS

This Agreement may be entered into in any number of counterparts and by the Parties on separate counterparts, but shall not be effective until each Party has executed and delivered at least one counterpart to the other. Each counterpart, when executed and delivered, shall constitute an original, but all counterparts shall together constitute one and the same instrument. It is agreed that such counterparts may be delivered in facsimile or via email in portable document format (PDF).

IN WITNESS whereof this Agreement has been duly executed by the Parties the day and year first above written

Signed for and on behalf of the TYNE)
AND WEAR PASSENGER TRANSPORT)
EXECUTIVE by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of TYNE AND WEAR)
INTEGRATED TRANSPORT AUTHORITY by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of GATESHEAD)
COUNCIL by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of NEWCASTLE)
CITY COUNCIL by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of NORTH TYNESIDE)
COUNCIL by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of SOUTH TYNESIDE)
COUNCIL by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of SUNDERLAND)

CITY COUNCIL by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of ARRIVA)

NORTH EAST LTD by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of)

GO NORTH EAST LTD by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of BUSWAYS)

TRAVEL SERVICES LTD by:-)

Authorised Signatory:

Printed Name:

Signed for and on behalf of A N OTHER)

LTD by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of A N OTHER LTD)

by:-)

Authorised Signatory

Printed Name:

Signed for and on behalf of A N OTHER LTD by:-)

Authorised Signatory

Printed Name:

Schedule 1

Network and Services

The tables on the following pages are a brief, summarised version of the network as described in a spreadsheet issued by Rob Mills, Network Planning Officer, Nexus on 10 May 2013 as part of the work on this Partnership. It is arranged by operator name and excludes Nexus 'fully secured' services. For the complete spreadsheet, please contact NEBOA or the operator concerned.

Service	Operator	Route Description
M12	A-Line	Lingey Lane - Heworth - Gateshead Metro

Service	Operator	Route Description
43/45	Arriva	Newcastle - Cramlington/Brunswick
44/44A	Arriva	Newcastle - Dinnington/Morpeth
46	Arriva	Newcastle - Great Park
53/53A	Arriva	Cramlington - Whitley Bay/North Shields
55	Arriva	Newcastle - Forest Hall
57/57A	Arriva	Whitley Bay - North Seaton / Morpeth
306/308	Arriva	Newcastle - Tynemouth/Blyth
494	Arriva	Newbiggin - Longbenton DSS
498	Arriva	Blyth - Longbenton DSS
554	Arriva	Regent Centre - Quorum Business Park
555	Arriva	Four Lane Ends - Quorum Shuttle
X4	Arriva	Newcastle - Blyth
X5	Arriva	Newcastle - Blyth
X6/X6A	Arriva	Newcastle - North Shields
X9	Arriva	Newcastle - Cobalt
X10/X11	Arriva	Newcastle - Blyth
X13	Arriva	Newcastle - Blyth
X14/X15/X18	Arriva	Newcastle - Morpeth
X19	Arriva	Newcastle - Doxford
X20	Arriva	Newcastle - Ashington
X21/X22	Arriva	Newcastle - Newbiggin/Ashington
X40	Arriva	Newcastle - Great Park

Service	Operator	Route Description
1	Go North East	Gateshead - Whitley Bay
2A/2C	Go North East	Sunderland - Washington
5	Go North East	South Shields - Jarrow
8	Go North East	Sunderland - Stanley
9/9A	Go North East	Sunderland - North Shields
10/10A/10B	Go North East	Newcastle - Hexham (10) / Greenside (10A) / Prudhoe (10B)
11/11A	Go North East	Newcastle - Blackhall Mill
17/17A	Go North East	Whitley Bay - Benton ASDA/Cramlington
19	Go North East	North Shields - Northumberland Park
20/20A/X20	Go North East	Sunderland - Durham
21	Go North East	Newcastle - Chester-le-Street/Durham
24/24A	Go North East	Gateshead - Wrekenton
26/26A	Go North East	Sunderland - Jarrow/Heworth
27	Go North East	Newcastle - South Shields
28/28A	Go North East	Newcastle - Chester-le-Street
31	Go North East	Newcastle - Winlaton
32	Go North East	Newcastle - Winlaton
35/35A/35B/35C	Go North East	South Shields - Low Moorsley (35) / Rainton Bridge (35A)
36	Go North East	Sunderland - Town End Farm
38/238	Go North East	Sunderland - Tunstall Bank Est (38) / Houghton Le Spring (238)
39	Go North East	Doxford International - Pennywell

40/41	Go North East	Wallsend - Hadrian Park
42	Go North East	Sunderland - Silksworth
43/44	Go North East	Newcastle - Durham
45/46	Go North East	Newcastle - Consett
47	Go North East	Newcastle - Blackhall Mill
49/49A/49B/49C	Go North East	Gateshead - Winlaton
50/50A	Go North East	South Shields - Durham/Chester-le-Street
51/51A/52/52A	Go North East	Gateshead - Heworth - Wrekenton - Gateshead
53/54	Go North East	Newcastle - Saltwell Park
56	Go North East	Newcastle - Sunderland
57	Go North East	Newcastle - Wardley
58	Go North East	Heworth - Hadrian Park
58X	Go North East	Heworth - Cobalt
60	Go North East	Sunderland - Parkside
61	Go North East	Sunderland - Murton
64/64A	Go North East	Gateshead - Dunston
67	Go North East	Metrocentre - QE Hospital - Wardley
69/69B	Go North East	Winlaton - Wardley
71	Go North East	Houghton-le-Spring - Chester-le-Street
74/74A	Go North East	Newcastle - Hexham
78/78A	Go North East	Sunderland - Consett
80	Go North East	Wallsend - North Shields
88/88A	Go North East	South Shields - Lukes Lane Estate
90	Go North East	Winlaton - Team Valley

91	Go North East	Newcastle - Team Valley
92	Go North East	Wardley - Team Valley
93/93A/94/94A	Go North East	Gateshead - Heworth - Team Valley - Gateshead
95/96/96A	Go North East	Gateshead - Lobley Hill/Metrocentre
97	Go North East	Newcastle - Metrocentre
98/98A	Go North East	Newcastle - Whickham
99	Go North East	Sunderland - Seaburn
202	Go North East	Peterlee - Seaham
265	Go North East	Durham - Seaham
307	Go North East	Newcastle - Benton ASDA
309/310	Go North East	Newcastle - Blyth/North Shields
391/392	Go North East	Longbenton DSS - North Shields/Marden Estate
684	Go North East	Newcastle - Hexham
686	Go North East	Prudhoe - Ovington
921/922	Go North East	Rainton Bridge - Newcastle/Heworth
923	Go North East	Rainton Bridge - Peterlee
937	Go North East	Chester-le-Street - Team Valley
M1	Go North East	Heworth - Houghton
M2/M2A/M3	Go North East	Heworth - Birtley
N21	Go North East	Newcastle - Durham
N56	Go North East	Newcastle - Sunderland

N58	Go North East	Heworth - Hadrian Park
S1	Go North East	Metrocentre Shuttle
V9	Go North East	Chopwell - Consett
W5/W6	Go North East	Concord - Brady Square (W5)/Barmston Court (W6)
X1/X1A	Go North East	Newcastle - Easington Lane
X3	Go North East	Newcastle - Sunderland
X7	Go North East	Sunderland - Peterlee - Middlesbrough
X9/X10	Go North East	Newcastle - Middlesbrough
X21	Go North East	Newcastle - Durham
X22	Go North East	Durham/Great Lumley - Metrocentre
X25	Go North East	Newcastle - Langley Park
X30/X31/X70/X71	Go North East	Newcastle - Lanchester/Consett
X35	Go North East	Sunderland - Hartlepool
X40/40A	Go North East	Newcastle - Great Park
X43	Go North East	Stanley - Metrocentre
X66	Go North East	Gateshead Metro - Metrocentre
X88	Go North East	Concord - Metrocentre

Service	Operator	Route Description
1	Stagecoach	Four Lane Ends - South Benewell/Slatyford
1/2/3/4	Stagecoach	South Shields - Biddick Hall - South Shields
3	Stagecoach	Farringdon - Hylton Castle
4	Stagecoach	Doxford Park - Town End Farm
5/5A	Stagecoach	Doxford Park - Sunderland - Docks
6/7/8	Stagecoach	Freeman Hospital - Metrocentre/Central Station (8)

7/8	Stagecoach	South Shields - Marsden - Harton Nook - South Shields
8	Stagecoach	Sunderland - South Hylton
10/11	Stagecoach	North Kenton - West Denton Park/West Denton Shops
10/11	Stagecoach	Grangetown - Pennywell
10/11	Stagecoach	South Shields - Jarrow
12	Stagecoach	Sunderland - Silksworth
12	Stagecoach	Walker - Fenham
12/12A	Stagecoach	Mile End Road - The Lonnen
13	Stagecoach	Doxford Park - Town End Farm
15/15A	Stagecoach	Walker - Kenton Bar/Montagu Estate
16	Stagecoach	Hastings Hill - Red House
17	Stagecoach	South Shields - Whiteleas
18	Stagecoach	Wallsend - Forest Hall
18	Stagecoach	South Shields - Brockley Whins
18/19	Stagecoach	Grindon - Southwick - Sunderland - Thorney Close - Grindon
20	Stagecoach	Sunderland - Pennywell
22	Stagecoach	Wallsend - Throckley
23	Stagecoach	Thorney Close - Dene Estate
30	Stagecoach	South Shields - Boldon
30/31	Stagecoach	Fawdon/Montagu Estate - Fenham
32/32A	Stagecoach	Newcastle - Benwell - Kenton - FLE - Newcastle
35	Stagecoach	Newcastle - Red House Farm
36	Stagecoach	Newcastle - Fenham
38/38A	Stagecoach	Freeman Hospital - Whickham View
39/40	Stagecoach	Walker/Wallsend - Dumpling Hall/Chapel House
62/63	Stagecoach	Killingworth - North Walbottle/Chapel House
68	Stagecoach	Four Lane Ends - DSS Tyneview Park
71	Stagecoach	Newcastle - Throckley
72	Stagecoach	Newcastle - Chapel House
87/88	Stagecoach	Newcastle - Newbiggin Hall
100	Stagecoach	Newcastle - Metrocentre
574	Stagecoach	Biddick Hall - Whiteleas - Crompton Parkinson
575	Stagecoach	Horsley Hill - Whiteleas - Bede Industrial Estate
991	Stagecoach	Blucher - Throckley - DSS Tyneview Park
995	Stagecoach	Byker - Walker - DSS Tyneview Park
E1	Stagecoach	South Shields - Sunderland
E2	Stagecoach	South Shields - Sunderland

E6	Stagecoach	South Shields - Sunderland
X1	Stagecoach	Sunderland - Doxford International
X20	Stagecoach	South Shields - Fellgate
X34	Stagecoach	Newcastle - Horsley Hill Square
X47	Stagecoach	Newcastle - Kingston Park
X63	Stagecoach	Newcastle - Killingworth
X77/X78/X79	Stagecoach	Newcastle - Ponteland/Darras Hall
X82	Stagecoach	Newcastle - Throckley
X87/X88	Stagecoach	Newcastle - Newbiggin Hall

This Agreement proposes that there should be one fixed service change date in each District. These dates are based on dates previously agreed with Nexus and are subject to negotiation and agreement.

Operators have agreed that there shall be no service changes during the first twelve months of this Agreement, so the table is suggested dates for the remaining four years of the Agreement.

PROPOSED SERVICE CHANGE DATES	
DATE	AREA
<i>30 March 2014</i>	North Tyneside
<i>01 June 2014</i>	Sunderland
<i>27 July 2014</i>	Gateshead
<i>31 August 2014</i>	Newcastle
<i>25 January 2015</i>	South Tyneside
<i>22 March 2015</i>	North Tyneside
<i>31 May 2015</i>	Sunderland
<i>26 July 2015</i>	Gateshead
<i>06 September 2015</i>	Newcastle
<i>24 January 2016</i>	South Tyneside
<i>20 March 2016</i>	North Tyneside
<i>22 May 2016</i>	Sunderland
<i>24 July 2016</i>	Gateshead
<i>04 September 2016</i>	Newcastle
<i>22 January 2017</i>	South Tyneside
<i>19 March 2017</i>	North Tyneside
<i>21 May 2017</i>	Sunderland
<i>23 July 2017</i>	Gateshead
<i>03 September 2017</i>	Newcastle
<i>28 January 2018</i>	South Tyneside
<i>18 March 2018</i>	North Tyneside

Schedule 2

Investment

The following table summarises planned investment by the three major bus companies during the first year of the partnership agreement:

Vehicles	£20.4m
Buildings & Plant	£10.8m
Training	£1.4m
Total	£32.6m

Initial discussions with local authority representatives have commenced and it is anticipated that an agreed statement on the nature of the local authorities commitment in terms of their investment in highways interventions and other passenger infrastructure will be included in this schedule before the partnership agreement is concluded.

Euro engine standard of Tyne and Wear fleet

	As at 31 March 13	As at 31 March 14	As at 31 March 15	As at 31 March 16	As at 31 March 17	As at 31 March 18
	Number	Number	Number	Number	Number	Number
Up to Euro II	167	63	0	0	0	0
Euro III	127	138	146	109	58	12
Euro IV	526	507	466	435	408	368
Euro V/Euro V LCEB	378	490	490	490	490	490
Euro VI	0	0	96	164	242	328
TOTAL	1198	1198	1198	1198	1198	1198

Excludes:

Vehicles on Driver Training duties
 Coaches not on local service work
 City Sightseeing
 Service 685 (ARR & STRG)/X85 and X15

Compiled by Rob Mills, Network Planning Officer, Nexus, from information supplied by bus operators.

Schedule 3

Fares and Ticketing

Network Ticketing Ltd

New bus-to-bus ticketing and a new fares deal for 16-18 year-olds will be provided by Network Ticketing Ltd as part of this agreement. For completeness, the NTL offering is summarised here. (Prices correct at 31 March 2013)

TYNE AND WEAR DAY ROVER

	Multi-Modal		Bus-to-bus
One Zone	£5.50	£4.65	
Two Zones	£6.20		£5.40
All Zones	£6.80		£6.00

NETWORK ONE WEEKLY TICKETS

	Multi Modal	Bus-to-bus	16-18 year-olds
One Zone	£18.60	£17.60	£14.00
Two Zones	£21.20	£19.70	£16.10
All Zones	£25.40	£21.20	£19.20

NETWORK ONE 4 - WEEKLY TICKETS

	Multi Modal	Bus-to-bus	16-18 year-olds
One Zone	£64.10	£61.00	£48.10
Two Zones	£74.40	£70.40	£55.30
All Zones	£88.90	£78.70	£66.20

Schedule 4

Customer Charter

Introduction

Our Charter for bus users in Tyne and Wear assures customers that services provided by the Bus Partnership deliver the very best in customer service with high standards shared by all operators.

Our Charter spells out what you can expect from us before, during and after your journey. Here we tell you about information sources, help you find what you need to know about paying for your journey and about accessibility. It also explains how you will be consulted when services need to change, and how we will keep you informed when services suffer disruption.

Our Charter sets clear standards for the vehicles you will travel in and for the support that customers can expect from our staff.

Safety and accessibility are very high priorities in the delivery of our bus services. Our Charter makes clear the commitments we are making to both. We are committed to ensuring that every passenger travelling by bus in Tyne and Wear has an experience that is safe, reliable, comfortable, and enjoyable.

The Tyne and Wear Bus Partnership is a formal partnership of bus operators, local authorities, the Integrated Transport Authority and Nexus. The partnership has one central board and a local district board in each of Tyne and Wear's five districts. Together, we are committed to delivering further improvements to build on the high levels of customer satisfaction achieved in Tyne and Wear.

BEFORE YOUR JOURNEY

Getting Information

The Partnership members provide a range of sources of information for you to choose from to get the details you need in the ways that suit you best.

Bus operators and Nexus are working towards providing information in a variety of ways.

In Print

- Timetables for all services
- Maps for each area of Tyne and Wear
- Ticket zone and price guides

On-line

- Timetables for all services
- Route maps
- Google map of routes and stops
- Journey planners
- Live on line helpdesk
- Facebook and Twitter

Mobile

- Mobile friendly web pages
- Information Apps
- Route maps
- Google maps of routes and stops
- Journey planners
- M-Ticket Apps

At Stop

- 5,700 bus stop displays of service timetables
- Stop codes
- Contact details

Travel Centre and Interchanges

- Face to Face help and support
- Printed information

Call Centres

- Dedicated customer services staff

Additional Accessible Options

- Talking web pages

- Large print information
- Conversion to Braille

Please go to Contact Details to access these sources of information.

You can use many different ways to get bus information. We want you to be able to rely upon the information we provide, and we are committed to building on and improving the choices available.

PAYING FOR YOUR JOURNEY

It isn't always necessary to be certain of all the fares for your journeys before you travel. Network One's simple 'Bus2Bus' tickets provide area wide travel for the whole day with all bus operators and if you need the Metro or Ferry as well, the Network One Day Rover includes those too.

Partnership members' literature, on-line or mobile information and call centres will provide full details of the wide choice of options available. There will be a value for money fare to suit you. Regular bus users will find a number of additional money-saving options to choose from.

Fares fall into three simple tiers:

- **Network One tickets**, valid on all buses operators, Metro, the Shields Ferry and on Trains between Newcastle, Heworth and Sunderland and Newcastle, Metrocentre and Blaydon. Network One tickets include Transfares, which are single tickets for journeys that involve one bus and one Metro trip as part of a single journey, Day Rovers and weekly and longer term tickets.
- **Bus2Bus and Weekly tickets**, costing less than Network One tickets, give you travel on all buses without the Metro, Ferry or Trains.
- **Individual Operator tickets**: a wide range of choices of singles, returns, zonal day, weekly and longer period tickets to suit your needs, generally at lower prices than Bus2Bus or Network One options.

To enable passengers to take advantage of the extra security and savings offered by smart ticketing, buses are equipped with smart card readers which will recognise all Concessionary Travel (ENCTS) cards, operators own smart cards, and POP cards with the NESTI STR cash wallet. Buses will display a NESTI smart ticketing scheme logo reassuring customers of participation in the scheme.

Individual fare or ticket prices will not be increased more than once per year. Customers affected will be given a minimum of seven days advance notice of changes to prices.

Whilst it is necessary to operate a system of penalty fares for passenger travelling without a valid ticket, and to pursue prosecutions against offenders who seek to

defraud the services, we have a code of conduct to ensure fair and consistent approaches to the issuing of penalty fares and dealing with apparent fraud on bus services.

FARES FOR YOUNG PEOPLE

We recognise that buses are vital for most young people: for education, training, work and leisure. We are committed to simple, straightforward discounted fares for all young people up to 18 and for those going onto higher education.

- Discounts for young people up to 18 regardless of whether in education, training, work or not.
- Discounts for full time students in higher education.
- A range of offers developed with the providers of secondary, further and higher education.
- Clearly signposted information in literature and on-line so young people can readily access fares offers available to them.

ACCESSIBILITY

The Partnership shall [ublish an Accessibility Guide with detailed guidance on accessing the bus network.

BOARDING: All buses will stop to check if passengers waiting at stops require that particular service.

WHEELCHAIRS

All drivers receive training to enable us to carry wheelchair passengers in safety and comfort and will provide reasonable physical assistance if required.

- Accessible buses are designed in accordance with legal requirements and can carry wheelchair or other mobility devices up to a maximum size of 78cm wide and 110cm long. Accessible buses include space for one wheelchair user who, for safety reasons, must travel facing the direction indicated and with brakes applied. Spaces in buses dedicated for passengers with wheelchairs or mobility frames will be available for that purpose when required and will be clearly signed. Our drivers will request other passengers to vacate the wheelchair space if it is needed.
- Passengers who use walking frames, including frames with wheels, may use the wheelchair bay or buggy bay where one is provided. Folding wheelchairs may be carried either in the wheelchair bay or as luggage if folded and safely stowed.

- People with mobility issues, including impaired vision, who are unable to travel unaccompanied and who qualify for the English National Concessionary Travel Scheme (ENCTS) may be entitled to be accompanied by a companion free of charge. Please contact your local council for details.
- The Partnership members support the region-wide “Bridge Card” scheme that enables customers to deliberately bring any special needs to the driver’s attention.

PRAMS AND BUGGIES

Many of our buses provide space for small prams and buggies to be carried unfolded in a dedicated buggy bay or in the wheelchair bay unless this is required by a wheelchair user. For safety reasons the number of buggies that can be carried is limited; this will be indicated on the exterior of buses near to the entrance doors, or the driver will advise.

GUIDE DOGS

Guide dogs or hearing dogs accompanying a registered disabled person will be carried at any time. Our buses will carry other well-behaved pets that present no risk to other passengers or staff at the driver’s discretion. All animals will travel free of charge.

CHANGES TO BUS SERVICES AND CONSULTATION

We are always open to new ideas and suggestions and value input from customers in advance of decisions about bus services. Whilst it is not possible to meet everyone’s aspirations or concerns, effective consultation adds to the openness of decisions about the bus network.

Changes to each service will occur no more than once per year unless customers tell us they need improvement or there is a requirement to respond to demand for new services.

Changes to local bus services must be registered with the Traffic Commissioner eight weeks in advance of their implementation. Before those registrations are made:

- partnership members will consult customers on any proposals to withdraw, reduce or significantly divert services
- where proposed changes are purely to timing, increase frequencies, or add journeys, then partnership members may consult customers

- in all cases partnership members will advise customers, ward councillors and Partnership Boards of such changes in advance of registration.

Consultation will:

- be announced to users of the service(s) via on bus notices no less than 3 days in advance of the consultation period which will last for 21 days.
- include either an on bus or bus stop survey, or a door to door survey and may additionally offer online survey completion facilities
- be notified in advance to council members in the wards affected
- involve other relevant stakeholders where appropriate

The District Partnership Boards and Tyne and Wear Partnership Board have an important role to play in considering proposals for changes and the feedback from consultation as part of their role.

When decisions on changes have been reached, we will give a minimum of four week's notice before any changes commence through leaflets or notices on buses. These will clearly state the date of the change, the reason for it, and contact information for further details or complaints. Full timetables will be available two weeks before the service changes start, on-line and in print, and a service change 'alert' notice will be displayed at bus stops two weeks in advance of the change.

PLANNED DISRUPTION TO SERVICES

When roadworks or special events are planned, the effect on bus users is often significant. The Partnership members will work with the organisations involved and put in place operational adjustments to minimise disruption to services for customers, but where some delays or diversions are still unavoidable will:

- Provide advice in advance of the works or event commencing
- Provide advice on alternative services where appropriate
- Update customers via on-line, mobile, or social networking communications during the disruption.

DURING YOUR JOURNEY

Your comfort and safety and the provision of reliable and punctual journeys are our top priorities.

AT THE BUS STOP

- We will work together to ensure the safe convenient location of bus stops and shelters, that are well lit and with good access, with adequate space and uncluttered by other street furniture
- We will promptly repair any damaged or worn bus stops or shelters
- We will ensure that all designated stops display accurate and comprehensive timetable information and contact numbers for further information and assistance
- We will continue to invest in increasing and improving the provision of bus shelters
- We will ensure that all bus stops are designed and laid out to accommodate accessible buses to facilitate safe and convenient access for all

OUR BUSES

- Are equipped with the means to communicate with our control centres and to summon help in an emergency.
- Are fitted with CCTV camera recording covering the interior and exterior of the vehicle.
- Are cleaned daily before service and additional cleaning will be carried out during the day when required.
- Are equipped for wheelchair access on regular network services.

OUR DRIVERS

- Will welcome you on board
- Will provide friendly and helpful advice on your journey and fares if you need it
- Will provide reasonable physical assistance for disabled people to access and leave the bus
- Will advise you what to do in the event that you encounter difficulties, and will summon assistance if required
- Will provide information if the bus is excessively delayed, needs to divert or otherwise alter its journey
- Will transfer you to the next most convenient bus, regardless of operator, if the bus is unable to continue its journey.

- Will take control of the situation in the event of an emergency until emergency services or authorised personnel arrive.

RELIABILITY AND PUNCTUALITY

We want to make sure that you can rely on your bus turning up. We want to ensure that your bus is on time when you board and on time when you reach your destination. Congestion, severe weather and serious incidents can affect the journeys we operate and their punctuality. Despite those challenges, we shall:

- operate 99.5% of all journeys shown in our timetables.
- operate 95% of our services 'on time.' This means that our buses depart no more than one minute early and no more than five minutes later than scheduled from each timing point.
- For 'frequent' services where the service interval is ten minutes or less, six or more buses will depart in any 60 minute period and the interval between consecutive buses shall not exceed 15 minutes.
- Where bus operator performance falls below these standards due to factors entirely within the control of the bus operator, a payment shall be made into a Service Improvement Fund, the use of which shall be determined by the relevant Partnership Board but will always be linked to improving bus services for passengers in the local area.
- Where operator performance falls below these standards due to circumstances within the control of the local authority (such as roadworks, traffic signal failures, lack of gritting or snow clearing, etc) a payment shall be made into a Service Improvement Fund, the use of which shall be determined by the relevant Partnership Board but will always be linked to improving bus services for passengers in the local area.

We will also continue to improve the reliability and punctuality of our services by:

- Improving operational contingency planning
- Improving training and communication for all staff involved
- Investing in the better use of new technologies to improve performance
- Deploying trained and experienced staff to aid drivers in the provision of reliable and punctual services
- Working closely with partners to improve highways design for bus users

UNPLANNED DISRUPTION TO SERVICES

In the event that disruption to services arises without advance notice, the Partnership will use all relevant communication channels at its disposal to:

- Provide information that is as timely, accurate and consistent as possible
- Enable passengers to make informed decisions about their journey
- Involve other agencies as required to minimise the disruption experienced by passengers
- Keep staff informed so that they can be as helpful and informative as possible for passengers
- Pass details of significant disruptions to local radio stations and Traveline and post information on company websites and use social media as available.

BREAKDOWNS

In the unlikely event that your bus is unable to continue in service, we will ask you to transfer to an alternative bus or provide a replacement bus within 30 minutes. In the event of a breakdown affecting a last journey of the day, a replacement bus or a taxi shall be provided for onward travel to any destination that would have been served by the scheduled bus.

AFTER YOUR JOURNEY

LOST PROPERTY

Partnership members provide facilities for the storage and collection of lost property. We will do everything that we reasonably can to return lost property. Perishables such as foodstuffs will be kept up to 48 hours from its finding and other lost property will be kept for one month. The location of lost property collection points are shown in the Contact Details section.

DOING THINGS BETTER

Although Tyne and Wear has one of the best bus networks in the country, we strive to do things better, to improve our performance and to give passengers the best possible journey experience. If we get it wrong, we want you to tell us.

Should a problem occur during your journey that requires immediate attention, please let the driver know at the earliest opportunity. This gives us a chance to put things right straight away.

If the driver isn't able to help you, or you wish to contact the operator first, please contact the customer services team of the bus operator concerned. Contact details are displayed in buses, are available from drivers and are shown in the Contact Details section of this Charter.

Operators will reply to complaints within 10 working days.

If you are not satisfied with the operators' response, you may contact Bus Users UK, the bus appeals body.

Complaints about services are monitored and reviewed by the Quality Bus Partnership Boards.

REFUNDS

If your bus has been delayed for more than 30 minutes due to matters within our control, we will consider a refund in the form of a voucher providing one days' free travel, subject to you being able to provide your ticket and details of the delay to substantiate your claim. This will not apply if the delay or failure to operate was caused by circumstances beyond our control, such as, but not limited to, roadworks, road closures, traffic delays, extreme weather or civil emergencies.

If events within the control of the operator mean that no buses are provided from a scheduled departure point within 60 minutes of the scheduled time, then operators will refund the cost of a taxi to any point on the route on presentation of a receipt and substantiation of your claim.

Some types of ticket may be offered at a discount in recognition of service reductions at Christmas but it is not possible to provide refunds for general or specific reductions in services during the Christmas period, on other bank holidays or due to major external events.

Requests for refunds should be addressed to the customer services team of the bus operator concerned. Bus drivers are unable to offer refunds.

MEET YOUR LOCAL MANAGER

From time to time, we organise 'meet the manager' sessions attended by representatives from the bus operators and Nexus. These will be publicised in advance so that passengers and potential passengers can provide feedback on how we're doing and bring along new ideas for consideration.

CONTACT DETAILS

Operators

Bus Partnership Boards

Nexus, ITA

Travel Planning: Traveline, Transport Direct, Nexus.

Highways

Travelcentres
Lost property CollectionPoints
ENCTS enquiry points
BUS USERS UK
PASSENGER FOCUS

Schedule 5

Performance KPIs and Standards

- Vehicle standards
- Driver standards
- Punctuality and reliability

VEHICLE STANDARDS

From the commencement of this Partnership, all buses shall be fitted with a driver behaviour management system supplemented by appropriate driver training and systems to reward good performance and remedy poor performance.

Operators shall work with Nexus and the local authorities to prioritise the deployment of low carbon emission buses to areas covered by local authority air quality action plans.

The Partners are committed to review the progressive roll-out of 'soft' measures designed to increase patronage, including, but not limited to: audio-visual next stop announcements, power points, wifi, improved seating, and air conditioning, as funding permits.

Operators shall limit the use of vinyl on windows and ensure that such use complies with PSVAR regulations.

All vehicles shall be fitted with a means of displaying internal notices to inform passengers about forthcoming changes and active consultations.

All buses shall have space provided near the entrance for the storage of shopping bags and folded pushchairs in accordance with construction and use and PSVAR regulations.

Accessibility

DDA Compliance: The target dates contained in the Public Service Vehicle Accessibility Regulations 2000 are: midi buses 1st January 2015; single deck buses 1st January 2016; double deck buses 1st January 2017; coaches 1st January 2020. By these dates, all vehicles will be equipped with a fully functioning wheelchair ramp access facility.

From the commencement of this Partnership, all Partnership services shall be operated by low floor buses with the exception of City Sightseeing, and services X15 (Berwick) and 685 (Carlisle) which shall be operated by coaches. All partnership buses shall have PSVAR accessibility certificates six months in advance of PSVAR requirements.

Environment

Operators shall use reasonable endeavours to progress towards ensuring that all buses shall comply with Euro III emission standards by 1st April 2015.

Ticket Machines

ITSO compliant electronic ticket machines (ETMs) will be fitted with ITSO compliant Smart-card readers, integrated with the ETM or separately provided.

Capacity

Each Operator shall ensure that sufficient capacity is provided on their buses, notwithstanding exceptional demand caused by service disruption or other events beyond the operator's control.

Communication and Service Control

All buses shall be fitted with two-way radio, or the drivers equipped with hands-free mobile telephones, or AVL equipped ticket machines to enable communication between operators' control centres and vehicles.

Passenger Security

All buses shall be equipped with on-board Closed Circuit Television (CCTV) monitoring systems, monitoring both the interior and exterior of the vehicle. These will meet Home Office standards for evidential quality, be in continuous operation, and data therefrom will be retained for a reasonable time to enable prosecution and will be capable of interfacing with Police and Scheme Promoters' CCTV .

All buses operating Partnership services shall be fitted with an AVL system and provide data in a standard format that Nexus may use in its RTPi system.

Vehicle Condition and Cleanliness

Bus operators who are signatories to this agreement shall commit to attaining and maintaining their fleets such that the average age of the fleet shall be 8 years. Operators shall separately agree targets to improve engine emissions by the fleet (based on particulates, with fitment of traps as appropriate).

Bus operators shall provide Nexus with a fleet list on an annual basis, to include the size of the fleet, vehicle age, capacity, low floor with/without accessibility certificate, engine type (emissions), ITSo enabled ETM, internal/external CCTV, destination equipment compliance, and additional vehicle specifications such as, but not limited to: wifi, a/v next stop announcement equipment, driver behaviour management system, air conditioning, high-backed seating, leather seating.

Heating and Ventilation

All vehicles will have functioning in normal working order a climate control system or other heating and ventilation system operating to maintain passenger comfort.

Route and Destination Displays

All vehicles shall display accurate route and destination indicators at all times. These shall comply with the standards set out in Schedule 2, Section 8 of the PSV Accessibility Regulations 2000.

Temporary destination and number displays must comply with paragraphs 8 (3) (a) and (b) of Schedule 2 of the PSV Accessibility Regulations 2000 and only be used as a substitute for normal destination equipment in the event of emergency, and for no more than 5 working days.

Destination displays on the front of vehicles will show service number and destination and a minimum of a service number on the side and rear. Where operators fail to comply, the operator shall make a payment into a Service Improvement Fund.

Lighting and Ancillary Equipment

All vehicles shall be well lit internally during hours of darkness and poor daylight. All internal equipment such as bell pushes must be fully functioning.

Presentation

All vehicles shall be cleaned both internally and externally before entering daily service and be maintained in a clean and tidy condition without damage to external panels, windscreen, windows and doors. The vehicle exteriors should be complete in finished livery and free of damage and graffiti.

Passengers must be able to identify clearly their location through the windows of the vehicle from all seats, irrespective of external advertising. Badly scratched or blown double glazed windows which impair visibility should be replaced at the earliest practical opportunity. All windows, windscreens and other glass or polycarbonate panels should be clean for the start of service each day.

All buses shall be maintained in a clean and tidy condition, particularly interior panels, windows, floors, ventilation panels and grilles. The bus interior should be as free as reasonably practical of litter, debris, damage, contamination, grime, graffiti or unauthorised stickers. All buses should be clean internally for the start of service each day, with used ticket boxes to be emptied, and litter and debris removed. Interior facilities for the deposit of used tickets or other litter must be provided and emptied when full. Litter that is dangerous or presents a slip or trip hazard must be removed at the earliest possible opportunity.

Any racist or abusive graffiti must be removed as soon as reasonably practical and in any case before the bus next enters service on a subsequent day.

All seat cushions, backs, bases and materials must be maintained in a clean and tidy condition such that passenger clothing does not become soiled.

Soiled areas of vehicles must be cordoned off immediately and the bus replaced in service within one hour.

All buses shall be fitted with a means of reducing condensation.

Each operator undertakes to inform the relevant partnership board of any problems that may affect their ability to maintain vehicles in a clean and tidy condition.

The timescales for rectification of vehicle defects are:

- Immediately as practical, or within 5 working days if parts need to be ordered:
 - CCTV, radio or telephone communication equipment, all internal equipment including lighting, bus stopping signs, destination displays, bells and electronic ticket machines.
- Within 24 hours or 5 working days if parts need to be ordered:
 - Climate control or heating and ventilation systems, leaks from roofs or windows ingressing into the saloon, recurrent minor defects from chassis, engine, gearbox including suspension knocks, snatching brakes or retarders and screeching belts.
- Within 5 working days:
 - Minor body defects.

Breakdowns

Each operator undertakes:

- to transfer passengers from a broken down bus onto alternative services (including the provision of a replacement bus if necessary) within 30 minutes of that breakdown; and
- to secure removal of a broken down bus within 60 minutes of that breakdown should it be blocking or impeding traffic flow.
-

Operators agree as part of this agreement that they shall offer each other mutual aid where it may be beneficial to passengers. Mutual aid shall be offered where:

- (a) As a result of a bus breakdown an operator is unable to transfer passengers to a following bus or provide a replacement, the Operators shall agree to provide mutual aid such that passengers shall be carried by the next suitable vehicle of another Operator operating that Route, such Operator being a signatory to this agreement.

- In the event of a Force Majeure event such that an Operator is unable to meet his obligations under this Agreement, other Operators shall offer such assistance and aid that might be of benefit to passengers.
- That Operators giving and receiving such aid shall agree any reasonable reimbursement that might be required as circumstances dictate.

Driver Training, Conduct and Appearance

All drivers shall wear the correct uniform whilst driving. Nexus shall provide a Partnership pin badge that shall be worn appropriately. Each operator shall have a suitable programme covering driver training, conduct and appearance in place, and undertake to fully brief drivers on the terms and objectives of the partnership agreement. The Partnership Board shall determine a consistent approach to customer care training.

All scholars bus services shall be operated by drivers in possession of an enhanced CRB clearance certificate.

In particular, drivers:

- shall provide assistance when requested for boarding or alighting by those passengers who are elderly or have disabilities and, if requested to do so, must remain stationary until boarding passengers are seated;
- shall be aware of elderly or disabled or other passengers who can remain seated following a bus stop request until the bus has come to a stop;
- shall assist passengers in wheelchairs by lifting the ramp and if requested offer assistance in accordance with PSV (Conduct of Drivers, Inspectors, Conductors and passengers) (Amendment) Regulations 2002;
- shall not smoke at any time whilst on board a bus or at any time while on duty in uniform except during designated breaks or at a terminus away from the vehicle; and
- must not use mobile phones or consume food or drink while the vehicle is in motion.
- Shall be trained to offer the best value ticket option in every instance, including multi-operator and multi-modal tickets as appropriate.

Customer Behaviour Code

Each operator shall operate a 'no smoking' policy on board their buses at all times, as required by legislation, for both staff and passengers, and will incorporate this in their Health and Safety training and by notices posted on all buses. Drivers will use reasonable endeavours to stop any passengers from smoking and to prevent any smoking passengers from boarding.

Each operator shall operate a policy that addresses behaviour that could cause an annoyance to other passengers. This includes the prohibition of passengers from consuming alcohol or hot food on board buses, and a request to passengers to use headphones, mobile telephones and language with consideration for others.

Customer Care Policy

Each operator shall have a suitable customer care programme in place.

Customer Satisfaction

Each operator will:

- co-operate with regular attitudinal surveys to establish passengers' aspirations and reactions to the Project; and
- monitor and seek to improve and maintain customer satisfaction levels amongst all passenger groups on at least an annual basis.

Service Standards / KPIs

A number of evaluation measures have been defined to determine the success of the partnership. These evaluation measures will be monitored over the lifetime of the partnership agreement as follows:

- **Patronage:** number of passengers travelling by bus within Tyne and Wear. This is one of the ITA's key performance measures.
- **Accessibility:** An index of accessibility as provided from the Executive model in line with the ITAs KPIs.
- **Punctuality:** percentage of scheduled bus services that operate 'on time' when compared to the advertised departure time in the public timetables. (On-time is defined as being less than 1 minute early and less than 5 minutes late at the start and end point and recognised timing points; for 'frequent' services where the service interval is ten minutes or less, that six or more buses will depart within any 60 minute period and the interval between consecutive buses shall not exceed 15 minutes). The Traffic Commissioners target for punctuality is 95.0%.
- **Reliability:** lost bus miles as a proportion of total scheduled mileage in a given period. The Traffic Commissioners target for reliability in 99.5%.
- **Bus user satisfaction:** percentage of bus users very / fairly with satisfied with bus journey, as measured by Passenger Focus. Target - 85.0%

- **Bus user complaints:** number of complaints received by the Partners regarding bus services within Tyne and Wear.
- **Highways responses:** The response times of Local Authorities to highways issues that impact upon bus services.
- **Local transport policies:** This Agreement shall be evaluated against the extent to which it shall contribute to the implementation of local transport policies in a way which is economic, efficient and effective.

The baseline and targets for the evaluation measures outlined above will be discussed and agreed by the Board.

Evaluation measures and associated targets will be reviewed annually by the partnership board to ensure they remain relevant and appropriate.

SCHEDULE 6:

DISPUTE BOARD

1. Whilst it is not expected that there will be any disputes within either the Tyne and Wear Partnership Board or the District Boards, this schedule provides a formal dispute procedure.
2. This procedure shall be invoked where clause 13.2 of the Partnership Agreement shall be deemed to apply. No other reference to a Dispute Board shall be made.
3. The Dispute Board shall consist of three independent persons.
4. The members of the Dispute Board shall have no direct responsibility for the matter being referred to them.
5. The Dispute Board shall take evidence from all sides in the dispute in a timely manner.
6. The Dispute Board shall reach its recommendation, determination or decision within 14 days of this dispute procedure being invoked.
7. Decisions of the Dispute Board are final and there shall be no further referral of the same dispute.
8. Should the Dispute Board be unable to resolve the dispute, the matter shall proceed as per clause NUMBER of the partnership agreement.

SCHEDULE 7: DATA SHARING AGREEMENT

1. DEFINITIONS

1.1 In this Agreement unless the context otherwise requires, the following words shall have the following meanings:-

- (a) **"Operator Confidential Information"** means the any information provided by the Operator to the Executive which, given its content or the manner of its disclosure can be reasonably assumed to be confidential including, but not limited to, Route Data, trade secrets or confidential knowledge or information or any financial or trading information relating to the Operator (including the Operator Data) which:
 - (i) is supplied by the Operator either directly or indirectly to the Executive; or
 - (ii) the Executive may otherwise receive as a result of:
 - (A) entering into this Agreement; or
 - (B) The Executive's or the Operator's participation in and/or operation of the Partnership agreement;
- (b) **"Operator Data"** means the data listed as Operator Data in Annex A;
- (c) **"Operator's Permitted Use"** means the uses listed in Annex B for which the Operator is permitted to use the Executive Data;
- (d) **"Executive Confidential Information"** means any of the trade secrets or confidential knowledge or information or any financial or trading information relating to the Executive (including the Executive Data) which Operator may receive or obtain as a result of entering into this Agreement or the Operator's participation in the Partnership agreement;
- (e) **"Executive Data"** means Data listed as Executive Data in Annex B;
- (f) **"Executive's Permitted Use"** means the uses listed in Annex A for which the Executive is permitted to use the Operator Data;
- (g)

2 OBLIGATIONS AND DATA USAGE

- 2.1 The rights and obligations in this Schedule intended to benefit and burden each individual Operator (acting in its own capacity and for and behalf of itself only) and the Executive, and references to the "Operator" in this Schedule shall be construed as meaning the Operator who has disclosed or received

the Operator Data / Executive Data in question (as appropriate). No other Parties shall have any rights or obligations under this Schedule and, for the avoidance of doubt no Operator shall have any rights in respect of another Operator's Operator Data.

- 2.2 The Executive acknowledges that the legal and beneficial ownership of all Intellectual Property Rights in the Operator Data and any images, data or other items or information received from the Operator as part of the Agreement shall belong to the Operator, and hereby assigns to the Operator all future rights it may have in the Operator Data obtained as part of the Agreement and Intellectual Property Rights in any associated databases.
- 2.3 The Operator acknowledges that all Intellectual Property Rights in the Executive Data shall belong to the Executive.
- 2.4 Each of the Executive and the Operator hereby grants to the other a non-exclusive world-wide royalty-free licence to use (and permit the use) of its Data strictly by the other Party solely for the other Party's Permitted Use, Executive
- 2.5 Each party acknowledges and agrees that it will not use the other party's Data for any purpose other than its Permitted Use ("**Prohibited Use**") without the prior written consent of the other party. If either party wishes to make a Prohibited Use, it shall notify the other party (including full details of the use to be made, and the third parties to whom it may be disclosed) and the other party may at its sole discretion:
 - (a) grant its consent without conditions;
 - (b) grant its consent with such conditions as it requires e.g. (but without limitation) requiring:
 - (i) that the outputs from such Prohibited Use not be disclosed to any third party without further consent from the other party;
 - (ii) that third parties to whom data is disclosed enter into confidentiality arrangements with the other party;
 - (iii) destruction of data created after the Prohibited Use; and
 - (iv) a full indemnity in respect of loss or damage flowing from the Prohibited Use; and/or
 - (c) withhold its consent,in respect of all or any part of the request.
- 2.6 For the avoidance of doubt:
 - (a) The Executive acknowledges and agrees that it will not use the Operator Data:

- (i) for the purposes of monitoring and/or reporting to any third party on the Operator's service performance in respect of reliability and timekeeping for all services, other than as may be agreed within the terms of any Voluntary Partnership Agreement or other linked agreements which may be established as part of the Partnership agreement;
 - (ii) for the purpose of monitoring any ticketing scheme introduced with Operator, other than as may be agreed within the terms of any Voluntary Partnership Agreement or other linked agreements which may be established as part of the Partnership agreement;
 - (iii) for any purpose relating to the potential introduction of a Quality Contracts Scheme under Section 124 of the Transport Act 2000.
- (b) The parties hereto acknowledge and agree that in order to progress with the Agreement the Executive will need to aggregate specified data provided by the Operator with the equivalent data provided by the other Operator(s) who are signatories to the Agreement and will need to present those aggregate data back to the Operator and such other Operators. This sharing of aggregated data will only be undertaken where essential to the Agreement and in line with protocols to be agreed between the Executive and each Operator. Where such sharing takes place in this prescribed manner this shall form part of the Executive's Permitted Use.
- (c) The Executive will expressly make clear in writing if any request by it under paragraph 2.5 may lead to use of the Operator Data (or any other data provided by the Operator) for the purposes set out in sub-clause (a)(i) and/or (a)(ii) above. Any approval given by the Operator under paragraph 2.5 shall not be deemed to approve such use unless:
- (i) that use has been drawn to the Operator's attention by the Executive; and
 - (ii) the Operator expressly sets out in writing that the approval given includes approval for the relevant data to be used for the purposes set out in sub-clause (a)(i) and/or (a)(ii) above (as relevant).
- (d) should a Traffic Commissioner, the police or the Vehicle and Operator Services Agency (VOSA) request that the Executive provides it with data, the Executive will, without exception, refer that request to the Operator and will not release any data to any Traffic Commissioner, police or VOSA themselves; and
- (e) where a Traffic Commissioner, police force or VOSA requests generic aggregated information such as congestion maps the Executive shall not release or provide such information without the prior written

consent of the Operator whose data is included or incorporated in such generic aggregate information.

- 2.7 The Executive shall not, save as provided in paragraphs 2.4, 2.5, 2.6, 2.9 and/or 2.10:
- (a) divulge or communicate to its employees, except for purposes agreed between the parties; or
 - (b) divulge or communicate to any other person; or
 - (c) use or exploit for any purpose whatsoever,
- any Confidential Information provided to it by the Operator.
- 2.8 The Operator shall not save as provided in paragraphs 2.4, 2.5, 2.6, 2.9 and/or 2.10:
- (a) divulge or communicate to any person; or
 - (b) use or exploit for any purpose whatsoever,
- other than for the Operators Permitted Use and the performance of its obligations hereunder any of the Confidential Information provided to it by the Executive.
- 2.9 These restrictions and prohibition on use, exploitation, communication and disclosure set out in paragraphs 2.1 to 2.8 above shall continue to apply after the expiration or termination of the Agreement without limit in point of time, but shall cease to apply to any data, information or knowledge to the extent that it may properly come into the public domain through no fault of the person receiving the same or which the receiving party could demonstrate was known prior to its receipt of such information.
- 2.10 Notwithstanding any other provision of this paragraph 2 a party receiving data to which this Agreement applies may disclose the same to the extent required by law or regulation provided that, (where practical and lawful to do so) before disclosure occurs it gives prompt written notice of the proposed disclosure to the party who disclosed it in order to afford to that party an opportunity to prevent disclosure through appropriate legal means.
- 2.11 The Operator and the Executive shall each ensure that its employees and any other parties to whom the data is disclosed to are aware of and comply with the provisions of this paragraph 2.

3 NOT USED

4 NOT USED

5 REMEDY

5.1 The Executive acknowledges and agrees that money damages may not be an adequate remedy for any breach or threatened breach of the obligations set out in this Schedule and that a breach by the Executive of the same (e.g. if any of the Operator Data were to be disclosed to one of its competitors) is likely to result in immediate and irreparable competitive injury. The Executive therefore agrees that in addition to any other remedies that may be available, by law or otherwise, the Operator will be entitled to obtain injunctive relief against any breach or threatened breach of this Agreement by the Executive.

Annex A

The Operator Data and Executive's Permitted Use of Operator Data

<i>Operator Data</i>	<i>Permitted Use by the Executive</i>
Service timetable to bus stop level detail	<ul style="list-style-type: none"> • Composition of timetables including stop specific • Provide bus priority at signal controlled junctions/crossings. • Measure punctuality of service delivery
Vehicle Position Data	<ul style="list-style-type: none"> • Measure punctuality of service delivery • Monitor new network when introduced • Monitoring performance of partnership • Measure reliability and whether problem is depot turnout or operational • Provide bus priority at signal-controlled junctions/crossings.
Bus Punctuality and Reliability Data	<ul style="list-style-type: none"> • Identifying locations and causes of bus delays in furtherance of a Punctuality Improvement Partnership. • Measure overall punctuality of service delivery • Provide bus priority at signal controlled junctions/crossings
Real time data	<ul style="list-style-type: none"> • Reporting on current performance or new network • Monitoring performance in partnership agreements
Electronic ticket machine data (including location data)	<ul style="list-style-type: none"> • Evaluation of patronage • Monitoring performance of partnerships
Operational/performance data	<ul style="list-style-type: none"> • Monitoring performance of partnerships from customer perspective
Prescribed financial data <i>- Summary, or as jointly agreed, income by service to measure the success of the network</i>	<ul style="list-style-type: none"> • Monitoring performance of partnerships/effect of new network

Complaints and correspondence data	<ul style="list-style-type: none"> Monitoring performance of partnerships
Market Research	<ul style="list-style-type: none"> Monitoring performance of partnerships

Annex B

Executive Data and the Operator's Permitted Use of Executive Data

<i>Executive Data</i>	<i>Permitted Use by the Operator</i>
Geocoded Bus Stop data OS Oscar Map data Drive Reduction Information	<ul style="list-style-type: none"> Preparation and publication of bus timetables, schedules and service designs. Preparation and publication of bus service marketing and promotional material. Delivery of service information to Traveline and other information services and to the travelling public including SMS and voice communications. Identification of traffic flow issues.
Traffic Delay and Traffic Flow Data Traffic Signal Programme Data Parking Violations and Enforcement Data Road Works Management Data	<ul style="list-style-type: none"> Identifying locations and causes of bus delays in furtherance of a Bus Punctuality Improvement Programme.

SCHEDULE 8: The ITA's Bus Strategy

The parties to this agreement agree to work together to deliver certain aspects of the ITA's Bus Strategy and to adopt them as shared objectives. Those aspects are listed below, although it should be noted that the ITA's Bus Strategy contains other aspects that are not considered to be shared objectives.

1. Introduce a fully integrated, multi-modal Tyne and Wear public transport network, built around a high frequency core strategic network
2. Provide a unified and consistent customer offer and guaranteed standards of customer service through the publication of a Customer Charter
3. Ensure that bus users are fully consulted prior to network changes
4. Ensure that all infrastructure is accessible and of a high standard and includes measures to improve safety
5. Adopt accessibility standards and targets across the Tyne and Wear network
6. Introduce a common brand and accessible high quality buses
7. Work with operators to create a more integrated network through timetabling and ticketing initiatives
8. Ensure value for money for both the customer and the taxpayer
9. Set improved environmental standards for the bus fleet.

SCHEDULE 9
- Schedule of Meeting

Subject to further agreement and clarification

Meeting Name	Parties required to attend	Frequency of Meeting	Level of Attendee required	Outline of subject Matter
Quarterly Meeting	Each Operator	Once a Quarter in each Contract Year	Director level or Operator and Executive, Chair for ITA	Review of progress made under the Agreement

SCHEDULE 10

Change process timescale

Service change time line



Appendix G: Comparison table

Relative benefits of the VPA Proposal compared with the Do Minimum and QCS scenarios

Bus Strategy objectives			
A. Arrest the decline in bus patronage	Do Minimum	VPA Proposal	QCS
<i>Forecast change in patronage</i>	A further 110m trips lost over the ten-year period.	5m trips better than Do Minimum.	127m trips better than Do Minimum.
B. Maintain (and preferably grow) Accessibility	Do Minimum	VPA Proposal	QCS
<i>Forecast change in Accessibility</i>	All Secured Bus Services withdrawn by 2021/22 reducing Accessibility to key facilities, services, employment, health and education sites.	All Secured Bus Services (excluding £360k pa plus inflation transferred to commercial operation) withdrawn by 2021/22 reducing Accessibility to key facilities, services, employment, health and education sites.	Full network preserved, and slight uplift of 2% in resource (18 additional vehicles) deployed
<i>People with restricted mobility</i>	Discretionary services such as Secured Buses, Miscellaneous Workings, Taxicard and Metro Gold Card fully withdrawn by 2021/22 having a significant adverse impact on the Accessibility for people with restricted mobility.	As Do Minimum but with £360k pa plus inflation worth of secured services retained following transfer to commercial operation.	Discretionary services are retained, Metro Gold Card eligibility increased & an additional 18 buses added to network.
C. Deliver better value for public money	Do Minimum	VPA Proposal	QCS
<i>Public spend</i>	The levy (including the existing revenue cash contribution) will remain frozen at existing levels for the first six years. It has been assumed that the levy will then have to increase at 3.56% in 2021/22 and RPI+1.5% from 2022/23 onwards to fund the statutory	The levy (including the existing revenue cash contribution) will remain frozen at existing levels for the first six years. It has been assumed that the levy will then have to increase at 3.56% in 2021/22 and RPI+1.5% from 2022/23 onwards to fund the statutory	The levy (including the existing revenue cash contribution) will remain frozen at existing levels for the first four years of the QCS and will rise in line with RPI for the remainder of the QCS.

Bus Strategy objectives			
	ENCTS. The total levy payable over the ten years modelled is £517m.	ENCTS. The total levy payable over the ten years modelled is £517m. £360k savings per annum but all remaining Secured Bus Services lost.	The total levy payable over the ten years modelled is £496m, £21m less than the Do Minimum.
<i>Delivery (discretionary)</i>	Discretionary services such as Secured Buses, Miscellaneous Workings, Taxicard and Metro Gold Card start to be withdrawn in 2015/16 and will be fully withdrawn by 2021/22.	As Do Minimum (£360k pa plus inflation worth of Secured Bus Services transferred to commercial operation and retained).	Discretionary services are retained, Metro Gold Card eligibility increased & an additional 18 buses added to network.
<i>Delivery (non-discretionary)</i>	Statutory obligation to reimburse Operators for CT continues, with the average fare calculation linked to bus operator commercial fare changes.	As Do Minimum.	The statutory obligation to reimburse Operators for CT only remains on excluded services thereby largely reducing the financial risk associated with the reimbursement. The existing funding is instead linked to securing the QCS network.
1. Introduce a fully integrated, multi-modal Tyne and Wear public transport network, built around a high frequency core strategic network	Do Minimum	VPA Proposal	QCS
<i>High frequency core bus network (15 minute frequency or better Monday to Saturday daytime and minimum every 30 minutes evening/Sunday)</i>	Core network Secured Bus Services start to be withdrawn in 2015/16 and will be fully withdrawn by 2018/19. Core commercial services retained.	As Do Minimum (some Secured Bus Services transferred to commercial operation and retained).	Core secured/commercial services retained.

Bus Strategy objectives			
<i>Secondary bus network (30 minute frequency or better Monday to Saturday daytime)</i>	Secondary Secured Bus Services start to be withdrawn in 2015/16 and will be fully withdrawn by 2018/19. Secondary commercial services retained.	As Do Minimum (some Secured Bus Services transferred to commercial operation and retained).	Secondary secured/commercial services retained.
<i>Remaining bus network</i>	Remaining Secured Bus Services will be fully withdrawn by 2018/19 and Miscellaneous Workings will be fully withdrawn by 2021/22. Remaining commercial services retained.	As Do Minimum (some Secured Bus Services transferred to commercial operation and retained).	Remaining secured/commercial services retained.
<i>Other modes (Ferry, Metro, Rail and Taxi)</i>	Ferry and Taxicard services withdrawn by 2015/16. Metro and Rail services protected due to different funding streams.	As Do Minimum.	Ferry, Metro, Rail and Taxicard services retained.
<i>Network planning</i>	No requirement for network planning by Nexus as no Secured Bus Services after 2021/22.	Network Review process provides opportunity for ITA objectives in commercial network planning.	One agency responsible for all network planning providing opportunities for a holistic review of the network.
<i>Network planning: Cross boundary</i>	Fragmented approach to cross-boundary network design of Secured Bus Services.	Cross-boundary services excluded. Potential for staggered service change dates caused by adoption of Tyne & Wear internal fixed change dates.	Cross-boundary services covered by exclusions and Collaboration Agreement.
2. Provide a unified and consistent customer offer and guarantee standards of customer service through the implementation of a 'Customer Charter'	Do Minimum	VPA Proposal	QCS

Bus Strategy objectives			
<i>Simple, integrated Information</i>	Each delivery agency provides printed information/marketing materials in corporate format. Multi-modal/Operator information available from Nexus via Traveline/Journey Planner/Transport Direct.	As Do Minimum. Common partnership branding on materials.	Common marketing/ information templates and distribution channels for all modes and services, excluding information/ marketing for excluded services.
<i>Network stability</i>	A commercial network which changes as determined by Operators in accordance with their business objectives, with a statutory notice period of 56 days. Changes generally applied on 1 of x6 fixed change dates per annum.	A commitment to no commercial network changes in the first 12 months of the VPA Proposal and after this all proposals to change services discussed with Nexus and the ITA in advance of a final decision being made with 'Right of veto' to Nexus and the ITA in respect of network change proposals outside agreed parameters. Commitment to apply changes on 1 of x6 fixed change dates (or maximum annually within each district). Operators remain able change services in certain circumstances, including in response to factors outside the control of Operators.	Network will only flex minimally for the 10 years of the QCS giving customers more confidence in and security about operation of their bus services. Future network changes will be introduced once per year (based on agreed fixed change dates) and determined by the ITA, taking any impact on residents' access to employment, education, health, leisure and other facilities into account.

Bus Strategy objectives			
<i>Performance</i>	<p>Punctuality and reliability targets set and enforced by Traffic Commissioner. Additional local monitoring and performance reporting undertaken in East Gateshead and South Tyneside as part of existing voluntary agreements. Within East Gateshead payments made by all partners to a Service Improvement Fund for non-compliant performance outside agreed parameters. Headline performance of each Operator at a regional level reported publicly.</p>	<p>Punctuality and reliability targets set and enforced by Traffic Commissioner, with additional local monitoring and performance reporting extended to cover all five districts and reported publicly with scrutiny by local and regional bus boards. Payments made to a Service Improvement Fund by all partners for non-compliance. Fund used to address issues adversely affecting local performance.</p>	<p>All performance standards set by the ITA and included within each contract specification. Local monitoring and enforcement with penalties for non-compliance outside agreed tolerance and bonus payments for good performance. Results by service publicly available and scrutinised by ITA/Nexus.</p>
<i>Service standards</i>	<p>Service standards vary by Operator and by service subject to what is commercially viable for each business unit. The most profitable commercial routes are typically operated with new high quality buses and marginal services operated by older lower quality cascaded vehicles.</p>	<p>As Do Minimum but with commitment to minimum standard of fleet.</p>	<p>A standard specification across all bus services, developed using customer feedback and taking account of the highest service levels currently in place in Tyne and Wear. Common standards for vehicles, drivers, punctuality and reliability monitored and enforced as a contractual condition.</p>

Bus Strategy objectives			
<i>Clean buses</i>	No standard for cleaning of buses and waiting areas. Minimum standards are set within existing voluntary agreements and these are monitored regularly for compliance.	Commitment from Operators to clean all buses daily internally/externally prior to entering service. Compliance checked by Nexus and performance reported periodically.	Contractual requirement with performance penalties for all buses operating Quality Contract services to be cleaned daily internally/externally prior to entering passenger service.
<i>Fleet livery</i>	Individual Operators each have their own corporate livery with route specific liveries used on some services. Secured Bus Services which are fully secured by Nexus have NexusBus/route specific livery.	As Do Minimum but with addition of Partnership sub-branding applied to all buses delivering partnership services.	All buses operating Quality Contract services in common livery. Excluded services retain corporate (in some cases route specific) livery.
<i>Driver training</i>	All drivers to hold an appropriate driving licence, have passed the Certificate of Professional Competence (CPC) including subsequent periodic training, and receive route learning/ticket machine/disability awareness training.	As Do Minimum.	As Do Minimum.
<i>DBS clearance</i>	All drivers operating Secured Service contracted Scholars' Services required to hold valid Standard DBS Certificate, or Enhanced DBS Certificate (where required).	All drivers operating Scholars' Services required to hold a valid Standard DBS Certificate, or Enhanced DBS Certificate (where required).	All drivers operating Quality Contract Scholars' Services required to hold a valid Standard DBS Certificate, or Enhanced DBS Certificate (where required).

Bus Strategy objectives			
<i>Customer charter</i>	Fragmented approach to customer contact with each Operator offering own Customer Charter.	One Customer Charter covering all services but individual Operators each retain contact with customers.	One Customer Charter with Nexus acting as one central point of contact on all customer service matters.
3. Ensure that bus users are fully consulted prior to network changes	Do Minimum	VPA Proposal	QCS
<i>Consultation over network changes</i>	No obligation for commercial Operators to consult with the public on network changes but some consultation does occur. Inconsistent approach applied between Operators with some network changes not consulted at all. Structured consultation processes in place through Voluntary Partnership Agreement boards covering East Gateshead and South Tyneside.	Commitment to consult the public and stakeholders on service changes through the annual planning process.	Public consultation over annual network plan. All proposals to change services considered by elected members in public meetings, and subject to public scrutiny.
<i>Consultation over fare changes</i>	No obligation for commercial Operators to consult with the public on fare changes. Advance notification of fare changes provided to Partnership Boards covering East Gateshead and South Tyneside.	Commitment to discuss changes to Operator-only fares with Nexus in advance of their implementation and ITA representative invited to become a member of Network Ticketing Limited's board. Commitment to discuss Network One fare changes with the Partnership Board in advance of their implementation.	Public consultation over annual network plan covers fare change proposals. Proposals to change all fares considered by elected members in public meetings, and subject to public scrutiny. Opportunity through Local Bus Boards for interested parties such as passenger representatives, young people, disability groups, highways authorities and Operators to come together across all Districts to

Bus Strategy objectives			
			discuss relevant issues and pass concerns formally on to the ITA.
4. Ensure that all infrastructure is accessible and of a high standard and includes measures to improve safety	Do Minimum	VPA Proposal	QCS
<i>On-street</i>	Nexus/LAs provide modern accessible bus stops/shelters/stations which are clean, safe and well maintained. Additional monitoring of standards within Voluntary Partnership Agreement areas with penalties for non-compliance.	As Do Minimum but with additional monitoring of standards in all areas and a requirement to pay into a Service Improvement Fund for all non-compliance.	As Do Minimum.
<i>Accessible buses</i>	All buses weighing up to 7.5 tonnes will be fully accessible from 01 July 2014. All full size single deck buses (over 7.5 tonnes) will be fully accessible by 01 July 2015. All double deck buses will be fully accessible by 01 July 2016. Some Operators' fleets are already 100% wheelchair accessible.	Commitment from NEBOA to meet PSVAR requirements at least 6 months in advance. Commitment to be 100% low floor by April 2014.	As Do Minimum but with all double deck buses fully accessible by July 2015 (subject to QCS start date). 100% low floor by 2015 (subject to QCS start date).
<i>Destination displays (PSVAR)</i>	Destination displays located on the front of all buses to show service number and destination, and service number (as a minimum) on side and rear. Compliance checked by national VOSA Officers/Traffic Commissioner.	As Do Minimum with additional local monitoring and penalties for non-compliance (including where in correct destination/service numbers are observed) and payment made to a Service Improvement Fund. Compliance checked by mystery shopping surveys funded by Nexus.	As Do Minimum but with only electronic displays permitted. Additional local monitoring completed by Nexus Compliance Officers with penalty payments for non-compliance.

Bus Strategy objectives			
<i>Improving safety</i>	No requirements for buses to be fitted with CCTV systems although in practice almost all of fleet is now fitted to help reduce insurance costs/claims. School bus drivers required to have passed standard DBS check, or enhanced DBS check where a "regulated activity" as defined in paragraph 1 of part 1 of schedule 4 of the Safeguarding Vulnerable Groups Act 2006 is being carried out.	All buses used on partnership services to have internal/external CCTV installed and capable of recording images with data retained for a minimum of 72 hours and stored in a secure and tamper-proof environment in order to maintain integrity. School bus drivers required to have passed standard DBS check, or enhanced DBS check where a "regulated activity" as defined in paragraph 1 of part 1 of schedule 4 of the Safeguarding Vulnerable Groups Act 2006 is being carried out.	Each Quality Contract bus equipped internally/externally with digital Closed Circuit Television Equipment (CCTV) which shall be in working condition and images regularly monitored by the Contractor's staff. School bus drivers required to have passed standard DBS check, or enhanced DBS check where a "regulated activity" as defined in paragraph 1 of part 1 of schedule 4 of the Safeguarding Vulnerable Groups Act 2006 is being carried out.
5. Adopt Accessibility standards and targets across the Tyne and Wear Network	Do Minimum	VPA Proposal	QCS
<i>Bus Strategy Targets</i>	Baseline performance of network measured using Tyne and Wear Accessibility model and targets set against which to assess future variations in the network.	As Do Minimum.	As Do Minimum.
6. Introduce a common brand and accessible high quality buses	Do Minimum	VPA Proposal	QCS

Bus Strategy objectives			
<i>Branding (information and marketing)</i>	Each Operator has own branding policy and guidelines for application on buses, information and marketing collateral.	As Do Minimum but with addition of agreed Partnership sub-branding on all Partnership buses, Information and marketing collateral.	All Quality Contract buses, information and marketing collateral in common Nexus branding/livery.
<i>Branding (fleet livery)</i>	Individual Operators each have their own corporate livery with route specific liveries used on some services. Secured Bus Services which are fully secured by Nexus have NexusBus/route specific livery.	As Do Minimum but with addition of Partnership sub-branding applied to all buses delivering partnership services.	All buses operating Quality Contract services in common livery. Excluded services retain corporate (in some cases route specific) livery.
<i>Staff uniform</i>	All drivers to wear corporate uniform of employer.	As Do Minimum but with Partnership pin-badge worn by all front-line staff.	As Do Minimum.
<i>Engine Type/Emissions</i>	See environmental standards below	See environmental standards below	See environmental standards below
<i>Accessible buses (PSVAR legal requirements)</i>	See accessible infrastructure above	See accessible infrastructure above	See accessible infrastructure above
<i>Destination displays (PSVAR requirements)</i>	See accessible infrastructure above	See accessible infrastructure above	See accessible infrastructure above
<i>CCTV</i>	See safe buses above	See safe buses above	See safe buses above
<i>Smart enabled ETMs</i>	All buses fitted with ITSO enabled ETMs.	As Do Minimum.	As Do Minimum.
<i>Communications</i>	Movement towards all buses being fitted with two-way voice/data communications as part of AVL and Real Time initiatives.	As Do Minimum.	As Do Minimum.

Bus Strategy objectives			
<i>Heating & ventilation</i>	No area wide systems in place to monitor temperature on board buses, although passengers will provide feedback to Operators if environment is unpleasant and ultimately may choose not to travel if problems persist.	Commitment to ensure that all buses should be fitted with a means of avoidance of condensation, such as air conditioning, double glazing or forced air ventilation. Ventilation and heating systems on buses are maintained to ensure a comfortable environment appropriate to the outside temperature at all times. Compliance monitored by means of Mystery Shopping surveys funded by Nexus and reported to Local Boards.	Contractual requirement to ensure that all buses should be fitted with a means of avoidance of condensation, such as air conditioning, double glazing or forced air ventilation. Ventilation and heating systems on buses are maintained to ensure a comfortable environment appropriate to the outside temperature at all times. Compliance monitored by Compliance Officers.
<i>Fleet age</i>	Average age of fleet is 8 years with annual fleet investment/replacement . Buses operational on average for 16 years.	As Do Minimum but with commitment to fast-track fleet replacement to achieve minimum Euro III standard by 31 March 2015 and maintain average fleet age of 8 years throughout term of agreement. Buses operational on average for 16 years.	Full QCS fleet to meet Euro V (as a minimum) from 2015 - subject to QCS start date. This standard to remain in place for duration of each contract (7-10 years). Buses operational for 12 years and then contractually must be replaced by newer compliant vehicles. Strong likelihood that Operators will stop investment in new vehicles during transition phase prior to QCS.
<i>Vehicle refurbishment</i>	Not a requirement but some buses from all Operators are subject to	As Do Minimum.	A mid-life refurbishment (interior and

Bus Strategy objectives			
	internal/external refurbishment based on commercial needs		exterior) is mandatory contractual requirement for all Quality Contract vehicles to be completed prior to their 8th year of passenger service
<i>Soft measures</i>	Operators are committed to review the progressive roll-out of 'soft' measures designed to increase patronage, including, but not limited to audio-visual next stop announcements, plugs, wi-fi, improved seating, air conditioning, as funding permits.	As Do Minimum	Audio-visual next stop announcements a contractual requirement on all services which provide this facility at the point of Scheme Adoption. Other soft measures incentivised through phase 1 procurement process. Commitment to deliver other enhancements at a later date where a business case can be made for them.
7. Work with Operators to create a more integrated network through timetabling and ticketing initiatives	Do Minimum	VPA Proposal	QCS

Bus Strategy objectives			
<i>Governance</i>	Commercial Operators determine Commercial Bus network with input from key stakeholders (including Nexus/LA's). Nexus specify secured service bus network and Metro/Ferry.	New governance process with District & Regional Partnership Boards providing an opportunity for all stakeholders to discuss network and fares/ticketing issues within common forum. Some service changes may only be made with majority vote by Board, requiring ITA/Nexus approval, and changes arising from the Network Review require unanimous agreement. A full seat on board of Network Ticketing Limited for an ITA member to provide greater influence over fares. Operators also able to terminate their involvement in the agreement where maintenance of services may not be viable.	New Governance Process with Local Bus Boards and ITA Bus Committee providing an opportunity for all partners to discuss network and fares/ticketing issues on common forum. Nexus/ITA determine service levels, integration and fares/ticketing within agreed parameters of change.
8. Ensure affordability for both the customer and the taxpayer	Do Minimum	VPA Proposal	QCS
<i>For taxpayer</i>	See better value for money above	See better value for money above	See better value for money above
<i>For customer</i>	See fares and ticketing below	See fares and ticketing below	See fares and ticketing below
9. Simplify fares and ticketing and improve integrated ticket products	Do Minimum	VPA Proposal	QCS
<i>Complexity</i>	Complex range of tickets offering customers choice but which is confusing for new passengers.	As Do Minimum, but with an additional tier of ticketing involving multi-modal tickets, and multi-Operator bus-to-bus tickets.	A simple set of ticket types available for either single or multi-mode travel.

Bus Strategy objectives			
<i>Consistency</i>	Numerous inconsistent pricing structures, including different approaches for different ticket types.	Consistency of pricing structure between multi-modal and multi-Operator bus-to-bus tickets. Single Operator tickets continue to be set at discretion of individual Operators.	A simple zone-based pricing structure, consistent across all ticket types and modes of travel (regardless of Operator).
<i>Elderly and people with restricted mobility</i>	ENCTS unchanged but discretionary local ticket products such as Metro Gold Card and Taxicard withdrawn by 2015/16.	As Do Minimum.	ENCTS unchanged. Taxicard retained and Metro Gold Card scheme retained with increased eligibility criteria.
<i>Adult tickets (interoperability)</i>	Operator-specific adult bus tickets cannot be used on other Operators' services.	As Do Minimum, but new multi-Operator adult bus-to-bus ticketing offered through Network One for a premium.	All adult bus tickets can be used on any Operator's services.
<i>Adult tickets (multi-modal)</i>	Multimodal commercial adult ticketing through Network One for a premium.	As Do Minimum.	As Do Minimum.
<i>Adult tickets (Transfare tickets to allow transfer between modes)</i>	Transfares available for adult single multi-modal trips.	Transfares available for adult single multi-modal trips.	Transfares withdrawn for adult single trip journeys as incompatible with Smartcard ticketing and currently used by very low numbers of customers.
<i>Child tickets</i>	Multimodal child concessionary ticketing withdrawn from 2015/16 because of affordability; only Operator-specific commercial child ticketing available which costs a minimum of £0.25 (42%) more for each single trip.	As Do Minimum.	Multi-modal child concessionary ticket retained and eligibility expanded to include residents of adjacent local authority areas on QCS services.

Bus Strategy objectives			
<i>Students and young people (interoperability)</i>	Operator-specific student and young people's tickets cannot be used on other Operators' services. Multimodal commercial tickets available through Network One for a premium.	As Do Minimum but with new multi-Operator bus-to-bus student and young people's ticketing offered through Network One for a premium.	New lower-priced 16-18 fare introduced at an equivalent price to the under 16 child fare. All student and young people's tickets can be used on any Operator and any mode.
<i>Smart ticketing</i>	Operator-specific Smartcards for Operator own products with Nexus Pop card accepted for Pay As You Go ticketing through NESTI programme.	Intention to allow full interoperability of Smartcards, but detail to be confirmed,	A single Smartcard for all public transport.
<i>Smart daily price cap</i>	No daily price cap on Pay As You Go travel.	Commitment to work with Nexus towards the implementation of smart price capping subject to the availability of suitable technology and reimbursement arrangements.	Daily price cap such that where customers travel using 'Pay As You Go', the amount deducted from the Smartcard is capped at the day ticket price for the travel undertaken.
<i>Price changes</i>	No limitation on the amount by which commercial prices may change, assumed annual average increase of 3% above RPI.	As Do Minimum.	Average annual fare increases capped at RPI.
<i>Frequency of price changes</i>	No limit on the number of commercial price changes each year, to any type of ticketing.	Commercial price changes to be limited to once per year, except in exceptional circumstances.	Price changes to be limited to once per year.

Bus Strategy objectives			
<i>Impact of pricing structure</i>	No change.	Multi-Operator bus-to-bus tickets will offer a cheaper alternative to multi-modal tickets for some passengers.	An average fare reduction of 2.5% over the average prices that were in place during the year up to 30 June 2012]. The introduction of one simple zone-based pricing structure will change some prices compared to today's position. 69% will reduce, 12% will be the same, and 19% will increase.
10. Set improved environmental standards for the bus fleet	Do Minimum	VPA Proposal	QCS
<i>Engine Type/Emissions</i>	Annual fleet replacement with progressive improvement in engine standards and reduction in harmful emissions.	As Do Minimum but with commitment for accelerated investment/replacement . Min Euro III by March 2015.	QCS fleet minimum Euro V throughout contract term (7+1+1+1). Annual fleet replacement for non QCS fleet continues. Strong likelihood that Operators will stop investment in new vehicles during transition period prior to QCS.
<i>Driver behaviour management systems</i>	100% of fleet of large commercial Operators fitted, with associated schemes in place to address poor results and reward good results. Small Operators (mainly Secured Bus Services) do not have systems in place.	As Do Minimum (No Secured Bus Services in operation).	100% of QCS buses fitted, with associated schemes in place to address poor results and reward good results.

Bus Strategy objectives			
<p><i>Low Carbon Emission Buses (LCEB)</i></p>	<p>Currently x54 LCEB deployed within T&W, each following award of Green Bus Fund grant. Nexus not aware of any commitment for further deliveries but latest results from Green Bus Fund are due in May 2013.</p>	<p>As Do Minimum.</p>	<p>No requirements for LCEB specified. Provision of LCEB will be incentivised during procurement of phase 1 tender process. Some routes currently served by LCEBs may no longer be served by them.</p>

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