

Report of the Acting Director of City and Environment Services

Park and Ride Bus Contract Options

Summary

1. This Report examines options for the delivery of the Park and Ride service after the end of the current contract in February 2017. The service carries approximately 4.5m passengers per annum and currently delivers a licence fee to the Council of approx. £750k per year. Members are asked to decide on the principles for the specification for the service and delivery methodology to enable a contract to be prepared to operate the service for the next 8 years. The vision for the future of the Park and Ride operation is included and issues which will affect the operation of the service during the lifetime of the contract identified.

Recommendations

2. Members are asked to approve;
 - 1) The proposed specification principles and contract arrangements for the Park and Ride service under the terms detailed in Option 2.

Reason: To enable an improved service to be provided with the highest opportunity of an increased income to the council.

- 2) The procurement of the Park and Ride service to the timescales detailed at Paragraph 42.

Reason: To ensure the service is procured in accordance with the financial regulations.

Background

3. The Council has operated one of the country's most successful Park and Ride services for over 20 years. The service currently operates a 7 day, high frequency, service from six sites around the city's ring road.
4. Park and Ride passenger numbers have grown every year since the start of the service exceeding 4.5 million in 2014/15. Further detail on the current Park and Ride operation can be found at Annex A to this report.
5. The Park and Ride service is operated on behalf of the Council by First York under an eight year contract which ends in February 2017. To meet with the Council's own financial regulations and to ensure best value and transparency, the contract needs to be re-tendered in accordance with EU procurement legislation for a new contract to commence at the end of the current contract. Due to the long delivery time for new buses that are envisaged as part of the procurement the contract will need to be awarded in Spring 2016.
6. To ensure that the most effective solutions for the service are presented to members for consideration a comprehensive review of the existing operation and potential amendments has been undertaken. This has included a review of Park and Ride operations around the country, surveying the views of the Park and Ride users, visiting other Park and Ride sites and undertaking pre-procurement engagement with potential suppliers of the Park and Ride service.

Park and Ride Review

7. A comprehensive study concerning how the value of York's Park & Ride network might be maximised and sustained was undertaken by the Council's Sustainable Transport Manager over a six month period from September 2014 – February 2015.
8. The study contained two elements
 - Surveys of York Park and Ride users; and
 - Interviews undertaken with representatives from local authority bodies and bus operators commissioning and operating Park and Ride services elsewhere in England.
9. The general conclusion resulting from the study was that performance of the Park & Ride was good and that the services

were well used. However there was a view that to further enhance the sustainable operation of the service, continued consideration needed to be given to:

- The relationship between the cost of city centre parking and the Park & Ride service;
- The operating hours of both the Park & Ride sites and bus services;
- The importance of key elements of the Park & Ride service, which could be deemed as 'optional extras', but were actually deemed very important by users (e.g. CCTV and toilet facilities at the Park & Ride car parks)

A summary of the results and conclusions of the study can be found at Appendix B to this report.

Existing Contract Arrangements

10. The current contract is based upon the operator running the Park and Ride service as a registered local bus service on a commercial basis, paying the council a licence fee for access to the Park and Ride sites. The principal elements of the 2009 contract specification can be found at Annex C to this report. During this contract period a number of changes to the service have been introduced by the Council / Operator including:
 - A waiting room and supervisors' office has been provided at the Designer Outlet – along with a supervisor until 13:30 every day
 - Extended operating hours at Monks Cross Park and Ride site
 - Completion and opening of a 1,100 space Park and Ride site at Askham Bar to replace the previous 540 space site
 - Completion and opening of a 600 space Park and Ride site at Poppleton Bar and accompanying, dedicated, service
 - Introduction of electric vehicles on the Monks Cross & Poppleton Bar routes

Future Operation

11. The future operation of the Park and Ride service depends on the delivery of the vision the council has for the service, the consequences of external pressures and the way the new contract is prepared.

12. The transport vision for York set out in the Council's third Local Transport Plan is for a City where traffic will be less congested and there will be cleaner air. The Park and Ride operation is a key element of the Council's strategy to reduce car traffic within the city centre and improve air quality. The service already successfully removes over 1 million cars per year from the city centre.
13. There are a number of pressures which will affect the patronage of the Park and Ride service in the future, irrespective of the option chosen for the new contract. These include the capacity of the existing Park and Ride car parks, quantity, control and charging rates for city centre parking, condition of the site facilities and traffic congestion levels.
14. Park and Ride is a key component of transport policy for a number of towns and cities across the UK. The service is particularly successful in York because the sites intercept traffic on all of the main (A) roads into the City, a high quality service is provided and the alternative (e.g. congestion, location and cost of parking in the city centre) is perceived to be sufficiently unattractive.
15. One of the findings of the Park and Ride study was that a consistent, legible, attractive branding and offer (particularly in terms of pricing) makes the Park and Ride usable for those people who would otherwise drive into the city centre stating that Park and Ride was just 'too difficult'.

Consultation

16. In preparation for the proposed procurement process, consultation has been held with the Procurement, Legal, Financial, Property and Transport and Air Quality departments to ensure that the proposals are aligned to corporate policy and priorities.
17. The views of Park and Ride customers have been sought through a customer satisfaction survey carried out in December 2014 - January 2015 to determine the views of the existing users. In addition to the compilation of a range of views, the survey revealed that 98% of Park and Ride users stated that they were either satisfied or very satisfied with the Park and Ride service they used.
18. The views of representatives from 'Visit York' were sought in February 2015. In addition, pre-procurement supplier engagement sessions have been undertaken with six potential suppliers to assist the Council in devising the contract and understanding what the potential barriers to market entry would be.

Options

19. There are a number of options and issues relating to the way the service could be operated which are independent of the contract arrangement chosen. The options have been split into four main headings: operational issues, operating methodology options, council/operator split options and specification options.

Operational Issues

20. There are a small number of issues which will be included within the contract which should be noted but have limited option for adjustment. These include interconnecting tickets, registration & competition constraints and TUPE issues.

Operating Methodology Options

21. There are a number of fundamental changes to the operation of the service which could be considered. These include contracting each route separately, charging for car parking at Park and Ride sites, changing to cross-city routes, concessionary fare charges and removal of intermediate stops. However following a review of the service and other Park and Ride operations across the country it is proposed to leave the routing, concessionary fare charges and car park charging policy as the existing operation.
22. It is proposed to provide a more express Park & Ride service on the Designer Outlet route by removing most of the intermediate Park & Ride stops on Fulford Road. Fulford Road has a number of alternative, frequent, commercial services which provide a frequency of at least six buses per hour in the weekday daytimes. The removal of these stops will increase the attractiveness of the Park & Ride service, reducing the journey time in to the City Centre at most times of day. It is envisaged that there will be at least three intermediate stops remaining, one to serve Fulford Village, one in close proximity to Fulford Barracks and a third in proximity to the Fishergate gyratory / Barbican Centre.
23. The council has an established reputation for working towards the improvement of air quality in York. In addition to the identification of a number of Air Quality Management areas, the council has also produced a Low Emission Strategy for the City and a third Air Quality Action Plan (AQAP3) was adopted in 2014. Subject to the economic viability of such action, AQAP3 proposed the implementation of a 'Clean Air Zone' for the city centre in which 80% of the local bus mileage will be undertaken using ultra low emission buses. This would necessitate the adoption of ultra low

emission buses (powered by non-Diesel technologies) on a majority of bus routes, including all of the Park & Ride services.

24. Twelve fully electric buses are currently used on York's Park & Ride network. Funding opportunities are potentially available from Government which could assist with the additional Capital cost of moving to a fully electric Park & Ride service, subject to a successful bid. More information is provided both at paragraph 32 below.
25. More detailed analysis of the proposed specification is included at Annex D to this report.

CYC-Operator Split Options

26. There are a number of options for the development of the Park and Ride operation which are independent of the type of contract pursued. The split of responsibility for elements of the service needs to be clear before the service can be tendered. The following items could be the responsibility of the Council, the operator or shared: maintenance, supervision, utility costs, business rates, technology, advertising/sponsorship, marketing and route branding. It is considered that the current split of responsibilities, with the operator responsible for the majority of routine items such as supervision and the council responsible for strategic items (e.g. structural repairs) generally works well. Initial contact with the Market also suggests that changes are not warranted. It is therefore not proposed to make any changes to the current split between the contractor and council responsibilities.

Specification Options

27. The specification for the service will be critical in determining the quality of the operation and its commercial viability. If the level of service specified is too high then there is a risk that the operation will need to be subsidised by the council. It is proposed that the following main items will need to be included in the tender: fares, vehicle quality, frequency, operating hours, performance, monitoring and customer care.

Core and Optional Requirements

28. The results of the customer survey and increases in the patronage suggest that the Park and Ride service operates well. However there are underlying operational and quality issues to address within the new contract. The new contract will ensure that the most appropriate party is responsible for each area of the service. Further, pre-procurement supplier engagement has identified that a number of suppliers would anticipate a degree of flexibility in

service specification requirements if they were required to bear the revenue risk on the service. It is proposed to specify an acceptable minimum standard of service for the operation allowing the operator flexibility to enhance the quality of the service to build patronage.

29. In principle higher standard specifications within the contract, relating to vehicle type, frequencies, operating hours, supervision etc. or additional restrictions on fares, will mean a lower income likely to be received by the Council. At enhanced specification levels it is possible that the service would become subsidised by the Council as the revenue generated would not be sufficient to cover the additional costs. The revenue value of the operation to the Council will be the result of a balance between fares, specification and income.
30. To provide flexibility and ensure that the prices received for the concession are within the anticipated budget it is proposed to issue a core specification for the potential suppliers to price and a list of optional enhanced requirements which may be included if affordable. More detail of the specification proposal is included in Annex D. The core specification will represent a similar level of service to the existing operation.

Summary of Core Spec –Proposed.

Fares - £2.80 Base Fare – Index linked.

Hours of Operation – Generally 7:00 am – 8:00pm (Askham Bar Start 6:00am – Monks Cross Finish 9:00pm)

Frequency – Generally 10 minute frequency or better (15 min frequency for first and last hour)

Vehicle Type – New buses to be supplied at contract commencement.

Stops – No change to stop locations in city centre. Reduction of intermediate stops on Fulford Road route (Para 22).

Supervision – At all times when sites are currently operational, to include an enhancement to full time supervision at the Designer Outlet.

Car park capacity – As at present but with one exception. Subject to the successful completion of the Monks Cross Stadium where, on match days, Park & Ride parking capacity will be reduced to accommodate club season ticket holders.

Summary of Enhanced Specification items

31. Ultra Low Emission (ULE) Vehicles – The council will bid to the Government's Low Emission Bus Scheme to support the purchase of ULE vehicles to be operated on the P&R service. If the council is successful in securing funding, it intends to make the grant funding available to the preferred operator of the Park and Ride. The bid can include up to 75% of the cost of any supporting infrastructure required. The council would need to identify funding for the additional 25% required. Bidders for the Park and Ride contract will be asked to provide prices for the provision of Ultra Low Emission Vehicles. Members will then be asked to decide which standard of bus best meets the council's requirements.
32. Overnight parking at one or more Park and Ride sites - the operator will facilitate overnight parking at one of the Park and Ride sites. Capital investment may be required by the council to ensure that the level of security at the site is sufficiently robust and any charging infrastructure is provided.
33. Late evening operation at one or more Park and Ride sites – the operator will provide a bus service between the Park and Ride site until later in the evening than the current finishing time (approximately 8.30pm).

Contract Options

34. The aim of the new contract is to improve the quality of the service, encourage patronage growth and ensure that the Council receives the best return on its capital outlay at the sites. The proposed contract should create an environment where appropriate incentives and penalties encourage the operator to deliver the best possible service. It is proposed to specify a contract duration of 8 years with a potential 1 year deduction if performance does not meet the required standard.
35. Three main options have been investigated.
 1. Provision of services on a commercial basis with a fixed licence fee paid to the Council to secure access rights to the Park and Ride sites;
 2. Continuation of the present system that has a fixed licence fee with revenue sharing between the Council and the operator dependent on variations in patronage;

3. A contractual arrangement under which the council would take the revenue risk (and income) with the operator providing the specified service at a fixed price.

Contract Options Analysis

Option 1

36. Option 1 is likely to provide a guaranteed income but does not enable the council to benefit from patronage increases. The quality of the service could be enhanced by introducing an improved specification, performance monitoring and enforcement regime including appropriate penalties. A minimum licence fee could be specified within the contract but the lack of benefit from increased patronage means that this option is not recommended.

Option 2 (Recommended)

37. With Option 2 it is anticipated that there would be a guaranteed income to the council, with an opportunity for more revenue if the number of users increased. Suppliers will be asked what level of licence fee they propose to offer to the Council. Should passenger numbers exceed those estimated at the Contract start date, then there would be a proportionate increase in the licence fee to the Council. If, conversely, passenger numbers did not reach those estimated at the Contract start date, then the Council would receive a proportionately lower income to a guaranteed minimum level. The contract will need to identify the consequences of significant passenger number reductions.
38. The operator would have an incentive to increase the patronage as only a proportion of the increased revenue would be given to the Council. This option would be the simplest to tender and operate and is therefore recommended.

Option 3

39. Option 3 does not provide an incentive for the operator to increase patronage and provides risk transfer only for vehicle operations as the council would take all of the revenue and pay a fixed fee for the operation of the service. This may discourage the operator from 'owning' the service and introducing innovation to encourage patronage growth. The specification would need to be very detailed to allow the supplier to accurately price the service. A rigid specification would allow only minor changes without the council incurring additional costs. There could be complications with distributing the revenue income generated from multi-operator or

network-wide operator tickets if the existing supplier was successful.

40. It is possible that Option 3 would provide the maximum income to the council but there would be a substantial financial risk if patronage fell or the revenue did not keep pace with cost increases. This may mean that the council would need to increase fares or adjust the specification to ensure the service did not become subsidised. One of the reasons that the service is commercial is that there are a significant number (up to 20%) of non-Park and Ride and integrated ticket users. There is a risk that the total patronage levels may fall if there is competition for the non-Park and Ride passengers. Legal advice suggests that the council is not legally permitted to set the non-Park and Ride fares but would have to set them at comparable levels to the existing commercial operations in the area. There would be competition issues to address if all of the revenue accrued to the council. This option is therefore not recommended.

Procurement

41. For the new Park & Ride contract a European procurement route will be followed. It is proposed to evaluate the tenders using a Most Economically Advantageous Tender model which would allow cost and quality to be assessed. The details of evaluation model will be agreed with the Corporate Procurement Team and will not exceed a quality to cost ratio of 60/40 in accordance with the financial regulations.

Procurement Programme

42. Owing to the required mobilisation periods for vehicle purchase a contract for the new service would need to be confirmed in Spring 2016 to allow for the service to commence in February 2017.
43. Subject to final approval from the Corporate Procurement Team the following activities will be progressed over the next few months:
 - i.* May-June 2015: Informal supplier engagement to establish the level of interest and enable the proposed specification to be refined to ensure a high level of competition. This has taken place and precedes any formal procurement process.
 - ii.* September 2015: Following Executive approval to procure, issue a Prior Information Notice (PIN) to advise potential suppliers not involved in the informal supplier engagement of the impending Invitation To Tender (ITT).

- iii.* November 2015: OJEU Notice with ITT
- iv.* February-March 2016: Evaluation of ITT and commencement of standstill period
- v.* March-April 2016: Contract Award

Corporate Priorities

44. The Park and Ride service is a key element of the Council's transport strategy set down in the Local Transport Plan. In addition it supports the council's strategy to increase the use of public and environmentally friendly modes of transport.

Implications

45. The provision of a successful and efficient Park and Ride service is essential for the continued prosperity of the city and the desire to reduce congestion and improve air quality in the city centre. There are implications across a wide range of areas both within the council and externally.
46. **Financial Implications** The current Park & Ride contract provides a significant income of approx. £750k per year to the council. There is a significant concern that this income may be difficult to achieve with the new contract at a reasonable fare. The key pressures on the anticipated income are the incorporation of the additional site at Poppleton Bar, which is taking time to become established, and the level of competition from operators willing to bid for the service. There are a number of financial issues which need to be considered.
- i.* The income anticipated to be received by the council from the Park and Ride contract is dependent on the level of fares set, quality of specification (principally vehicles and frequency) and competition from city centre car parking (charges and capacity). The impact on the operation of the Park & Ride service (and income to the Council) will need to be considered if any changes are proposed to the operation of the council's car parks within the city.
 - ii.* It is proposed to include a number of options within the contract to enable a decision to be taken on the quality of service and income level to be achieved. The consequences of the inclusion of any enhanced specification items will undergo detailed consideration with the finance and procurement teams and would be included in the tender evaluation model.

- iii.* It is anticipated that if passenger numbers continue to rise the council will receive additional income from the Park and Ride service dependent on the reimbursement levels agreed in the contract.
 - iv.* In order to demonstrate the Councils ongoing commitment to the infrastructure of the Park and Ride sites it is proposed that a commitment will also be made through the Local Transport Plan capital settlement to Park and Ride maintenance and investment as part of the annual Capital Programme throughout the Contract period. Depending on the success of the grant bid for electric vehicles capital investment from the Council may be required for charging infrastructure at the sites. If absolute commitments were determined to be necessary the details and costs of the commitments would be reported to Members as part of the Members approval of the contract.
47. **Human Resources (HR)** There are no Human Resource Implications for staff employed by the council. It is however likely that if a new operator won the contract staff employed by First would be eligible for transfer to the new supplier under the TUPE Regulations.
48. **Equalities** There are considered to be no equalities implications if the concessionary fares provision is maintained as the existing arrangement. The Park & Ride operations will be compliant with all current Equalities legislation.
49. **Legal** Legal advice has been provided identifying the procurement, contractual and competition issues which need to be addressed. Ongoing legal support will be taken throughout the procurement process.
50. **Crime and Disorder** There are no crime and disorder implications.
51. **Information Technology (IT)** There are no IT implications. The supply of additional equipment to enable the provision of real time information will be included as part of the extension of the existing Real Time Passenger Information contract. Improvements to the interface with smart ticketing such as online payments will be developed during the contract period.
52. **Property** Leases will be need to be prepared between the Operator and the Council for each of the sites.
53. **Other** None.

Risk Management

54. In compliance with the Councils risk management strategy the main risks that have been identified in this report are those which could lead to financial loss, non-compliance with legislation, damage to the Council's image and reputation and failure to meet stakeholders' expectations. However measured in terms of impact and likelihood, the risk score all risks has been assessed at less than 16. This means that at this point the risks need only to be monitored as they do not provide a real threat to the achievement of the objectives of this report.
55. The main risks are related to the level of revenue anticipated which is dependent on patronage levels. As detailed above the financial risk is also dependent on the method of contracting the service. The recommended option includes the lowest risk of reduced income and also provides an opportunity for increased revenue. There is a risk that the users of the service will experience a reduction of flexibility in their travel options if the existing supplier is not successful.

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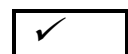
Report Approved



Date 09.09.15

Specialist Implications Officer(s) *List information for all*

Wards Affected: *List wards or tick box to indicate all* **All**



For further information please contact the author of the report

Background Papers: None

Annexes

Annex A Background to the Park & Ride Operation

Annex B 2014/2015 Park & Ride Study

Annex C 2008 Specification

Annex D Specification Options