

REPORT TO: POLICY AND RESOURCES COMMITTEE 30 MARCH 2010

SUBJECT: PUBLIC TRANSPORT - REVENUE SUPPORT BUDGET

BY: DIRECTOR OF ENVIRONMENTAL SERVICES

1. REASON FOR REPORT

- 1.1 To seek approval for the withdrawal of a number of subsidised bus service contracts in accordance with the Council's decision of 11 February 2010 to reduce the spend on subsidised bus services.

2. RECOMMENDATION

- 2.1 **It is recommended that the Committee considers and approves where subsidised local bus service contracts are to be withdrawn in accordance with the decision to reduce the spend on subsidised bus services.**

3. BACKGROUND

- 3.1 At the Full Council meeting on 11 February 2010 members agreed to cut the support for spend on subsidised bus services shown in group 2 of **Appendix 1**. Contracts in group 2 are services that are linked to the commercial network of services operated within Moray by Stagecoach Bluebird.

- 3.2 The following contracts have been highlighted for consideration as they provide off peak services that have little or no impact on travel to work patterns and have less day-time linkage to the core network of commercial services. Reducing the frequency of services paid for by the Council does not deliver a full cost saving. As an example the Council pays for the entire 309 service between Buckie and Keith. If the frequency was halved it is unlikely a financial saving of more than 25% would be achieved as the on costs for the vehicle and driver would still have to be accounted for.

- 3.3 Cancellation of the following subsidised contracts would achieve this level of savings:

ML1	Elgin – Burghead
ML5	Elgin City Services
ML14	Larch Court Diversion
ML15	Knockando- Elgin
MDM2	Spynie Street Diversion
MDM10	Elgin – Dufftown (Sun)
MDM11	Elgin – Dufftown (mon-Sat)

TOTAL £162,806 PA

- 3.4 It was anticipated that the withdrawal of some subsidised bus routes would have an adverse impact on the commercial bus service network where these services form part of the wider bus network. This information was identified on

the schedule that was presented to the Council at the 11 February 2010 meeting

3.5 The subsidy from Local Authorities to bus operators, whilst specific to certain journeys, assists in the development and extension of the commercial network due to the marginal costs involved. This is clearly evident in Moray as whilst the revenue support element has not increased for over 10 years the level of commercial activity by Stagecoach in Moray has seen a significant increase e.g. a 20 minute frequency between Fochabers and Elgin, the 11 service linking Elgin and Inverness airport, and increased frequencies on all other commercial services. In addition there has been considerable investment in the Moray based fleet with a significant intake of low floor and wheelchair accessible buses and coaches. The Moray based fleet is now one of the lowest age profiles within the Stagecoach UK operations.

3.6 Following the budget proposal to reduce the available budget for subsidised services, officers requested and were granted permission to discuss the implications of the possible reduction in contract subsidy with Stagecoach management. It was essential that Members were fully apprised of the anticipated impact on the commercial network before finalising any proposals. Therefore officers met with Stagecoach management on 3rd February 2010 to discuss the Council's proposal to implement a 50% cut on Group 2 subsidised services. These are detailed in paragraph 3.3 of this report. The company considered its position and subsequently wrote to the Council on 8 February 2010 advising that should the proposed level of cuts go ahead, a number of commercially operated services would have to be withdrawn and the local fleet would be downgraded accordingly. The main changes that the company has indicated that they would implement are:

- Withdraw 3 Elgin – Keith journeys
- Withdraw 5 Elgin – Forres/Inverness journeys
- Withdraw 11 Elgin – Buckie journeys
- Withdraw the entire Buckie town service
- Withdraw the entire Elgin – Urquhart, Garmouth, Kingston service
- Withdraw Elgin town Sunday service (incl extensions to Lossiemouth & Burghead)
- Reduce Elgin – Speyside – Forres service from hourly to 2 hourly
- Replace some of the bus fleet with older vehicles that are non Disability Discrimination Act (DDA) compliant
- Likelihood that reduced fare packages such as the local Megarider could be abandoned

If Committee is minded to restrict contract withdrawals to the Group 2 contracts identified at paragraph 3.3, the additional journeys detailed above would also be withdrawn by the Operator.

3.7 It is the opinion of Council officers who have a background in and understanding of bus service operation that this response from the company is a genuine response to the likely financial position of their Moray based operation, and not, as might be inferred, a “blackmail” type attempt at maintaining financial support. Every journey, every route, every depot and

every vehicle has specific financial targets to meet and if the targets are not met then the route has the potential of becoming non commercially viable and has either to be externally funded or withdrawn. The reason for their decision to scale back a number of the commercial journeys is because the majority of these journeys work around or between journeys subsidised by the Council and therefore the loss of the subsidised journeys around them increases the cost of operating these marginal journeys to such an extent that the company could no longer justify continued operation on a commercial basis. For example, the Lossiemouth and Burghead Sunday contracts operate on a two hour frequency but an hourly service is operated by the company, the additional journeys being operated commercially. As the bus and driver are already operating the subsidised contracts the additional commercial journeys are at mileage costs only. A timetable showing the service pattern is shown in **Appendix 2**.

- 3.8 The operator's proposal to downgrade the fleet is as a result of the need for new vehicles to be costed for "whole life", where the operator must take account of all revenues, including subsidies to support the investment. The loss of subsidy and any associated income means the operator is unable to cover the depreciation costs.
- 3.9 As part of a budget review during 2008/09 a number of subsidised contracts operated by Stagecoach were cancelled, resulting in a full year saving of £35,500. These reductions were approved by the Economic Development and Infrastructure Services Committee on 17 June 2008. At that time Stagecoach were able to maintain their network of commercial services despite this reduction in income.
- 3.10 In relation to the subsidised routes/journeys the Council has 100% control on the timing and frequency of all services that the Council pays for. There is no blanket subsidy - every contract has an individual specification showing the route, the timetable, the faretable, and a specific cost for that contract. The issue of cross subsidy has already been explained in paragraph 3.7 of this report. The Council can seek passenger and revenue information for subsidised contracts at any time. Operators of subsidised contracts cannot deviate from that specification without the permission of the Council. They are monitored in the same way as school contracts and if the operator fails to operate with the Council's Terms and Conditions of Contract they will be subject to the Council's penalty point system.
- 3.11 If the operator of a commercial service gives notice that they are withdrawing a service/journey due to it no longer being commercially viable the Council would ask for printouts from the ticket machines for the previous six months. This would give us an immediate indication of passenger numbers and revenue from the route/journey, allowing a comparison to be made with existing subsidised costs. A surveyor would travel on the bus to conduct passenger interviews to establish the reason for their journey and whether they could use any other services. If officers felt that the route could possibly operate on a commercial basis albeit at perhaps different times the Council would approach other operators to establish whether they could perhaps incorporate the route/journey within their existing operations. If at the end of

this process no one was prepared to consider the route/journey commercially viable the Council would then have to decide whether it wanted to fund a replacement service on a like for like basis, a reduced service, or perhaps extend an existing subsidised service such as dial-a-bus. This information would be put to the Service Committee for consideration.

- 3.12 As previously explained, it was anticipated that the knock-on effect on the commercial network, as a result of the proposed budget cut, would have a significantly greater impact on the Moray community than the proposed reduction to the subsidised network. It was therefore agreed that Officers would continue the dialogue with the operator so that any consequential loss of service could be minimised and a review of all subsidised contracts would be undertaken to identify other areas where the required level of savings could be achieved.

4. PROPOSALS

4.1 Subsidised Services Operated by Stagecoach

At the meeting on 19 February 2010 Stagecoach management confirmed that if contract cancellations could be restricted to the following contracts they would be able to maintain the existing service levels on the commercial network and maintain the current fleet within Moray:

ML14 Larch Court Diversion*
ML15 Aberlour/Knockando Elgin
MDM2 Spynie Street Diversion*
MDM11 2210 Elgin to Dufftown M-Sat
MDM11 2310 Elgin to Forres M-Thu

Appendix 1 provides more detailed information on these group 2 contracts.

* The company has confirmed that they would maintain the Larch Court and Spynie Street diversions without subsidy.

It is suggested that the above contracts be considered for cancellation as an alternative to the contracts detailed in paragraph 3.3.

This gives full year saving of £40,057.

4.2 Subsidised contracts operated by other contractors

To achieve the full level of savings required, £160,000, the following additional contracts could be considered for cancellation as an alternative to the group 2 contracts detailed in paragraph 3.3. **Appendix 1** provides more detailed information on these group 3 contracts. Contracts ML4 and ML7, detailed below, have been highlighted for consideration because alternative transport is available, although journey times would be extended.

4.2.1 **ML4 Forres Town Service route 314 6 days per week £49,920**

This service, operated by Mundole Taxis, provides a full daytime service within Forres linking the Town Centre with the Knockomie, Anderson, and Manachie areas. It operates six days per week Monday to Saturday. The service operates wholly within Forres and alternative journeys could be available on services 336, 10 and 11 albeit involving a greater walking distance to the nearest available service. There may be opportunities for the commercial 336 service to accommodate some of the route without subsidy, but no discussions have taken place, and Stagecoach would only be able to consider this once the Council confirms how the budget savings will be achieved.

Mundole Taxis has confirmed that if this contract is cancelled they would not consider operating it on a commercial basis. They have also confirmed that it will not impact on any other part of their contract business operated on behalf of the Council.

It is suggested that the above contract be considered for cancellation as an alternative to the contracts detailed in paragraph 3.3.

ANNUAL SAVING £49,920.

4.2.2 **ML7 Cullen/Buckie/Keith route 309 6 days per week £80,778 PA**

This service, operated by Deveron Coaches, provides one return journey per day from Cullen to Keith via Buckie and 6 return journeys from Buckie to Keith. Most operate via Keith Railway station and most connect with either Aberdeen bound or Inverness bound trains.

Whilst journey time may be extended passengers who use the service for a rail connection have the option of the 305 service direct to Aberdeen or Inverness, or using the intermediate service to Fochabers and transferring to the hourly 10 service to Aberdeen or Inverness.

Passengers from Buckie who travel to Keith on this service and transfer to the train for their onward journey to Aberdeen have a journey time of around 2 hours. The equivalent journey by use of the 305 bus service would be 2 hours 50 minutes whilst the bus journey via Fochabers and involving a change of bus would be around 2 hours and 30 minutes subject to availability of a suitable connection. The Council would encourage Stagecoach to consider enhancing connections if this contract was subject to cancellation.

Deveron Coaches has confirmed that if this contract is cancelled they would not consider operating it on a commercial basis. They have also confirmed that it will not impact on any other part of their contract business operated on behalf of the Council. They would however be required to review staffing levels if the contract was cancelled.

There may be opportunities for the commercial network to accommodate a small part of the route without subsidy, but no discussions have taken place,

and Stagecoach would only be able to consider this once the Council confirms how the budget savings will be achieved.

It is suggested that the above contracts be considered for cancellation as an alternative to the contracts detailed in paragraph 3.3.

ANNUAL SAVING £80,778.

- 4.3 The cancellation of the following subsidised contracts meets the decision of the Council to reduce the subsidy by £160,000 in a full year.

ML4	Forres Town Service
ML14	Elgin-Larch Court
ML15	Aberlour-Knockando-Elgin
MDM2	Spynie Street Diversion
MDM11	Elgin-Dufftown Mon - Sat
MDM11	Elgin-Dufftown Sun
ML7	Cullen-Buckie-Keith
Total	£170,775 PA

4.4 **Contract Termination Conditions**

Under the Council's Terms and Conditions of Contract operators are contractually entitled to 10 weeks prior written notice of any contract cancellation. Due to the time required for the consultations outlined above the full year saving will not therefore be achieved. If this Committee agrees a package of contracts to be withdrawn today the earliest termination date will be Sunday 13th June 2010 generating a maximum saving for financial year 2010/11 in the order of £126,000 (full year savings of £170,775.).

5. **SUMMARY OF IMPLICATIONS**

(a) Corporate Development Plan/Community Plan/Service Improvement Plan

The report will inform the emerging Local Transport Strategy by influencing public transport availability as an alternative to the car and rural accessibility.

(b) Policy and Legal

The Moray Local transport Strategy (2001) states a key objective to improve accessibility by realising the potential for public transport.

(c) Resources (Financial, Risks, Staffing and Property)

The financial implications are outlined within the report.

(d) Consultations

Mark Palmer, Chief Financial Officer has been consulted and agrees with the report.

6. CONCLUSIONS

- 6.1 To reduce the level of service from Group 2 contracts to achieve the savings approved in the 2010/11 budget will result in the Operator removing other services and facilities that would no longer be commercially viable. This is a real and significant risk that should not be taken as a threat.**
- 6.2 A more containable level of cuts is identified within the report, but this requires service cuts from both Group 2 and Group 3 contracts.**
- 6.3 Any reduction in service provision is likely to lead to complaint and even campaign to retain services for the young, elderly and low income groups.**

Author of Report: Peter Findlay, Public Transport Manager

Background Papers:

Ref: