

CABINET

30 APRIL 2014

PARK & RIDE: CONTRACT EXTENSION

REPORT OF ASSISTANT DIRECTOR (BUILT ENVIRONMENT)

Contact Officer: Dan Massey Tel No: 01962 848534

Email: dmassey@winchester.gov.uk

RECENT REFERENCES

[CAB2130](#) – Park & Ride Operation Review – 16 March 2011

[CAB2240](#) – Car Parking Charges & Operation Review – 9 November 2011

[CAB2301\(TP\)](#) – Park & Ride Operation Review – 16 February 2012

[PHD553](#) - Winchester Park And Ride: Changes To Bus Contract Funding – 19 March 2014

EXECUTIVE SUMMARY:

The current contract for the operation of the Winchester Park & Ride bus service, which began in April 2010, is due to expire on 18 April 2015. The purpose of this report is to seek approval for the extension of the current contract for a period of one year.

Under the terms and conditions of the original contract and tendering process, it is permissible to extend the current contract on a year by year basis to a maximum term of eight years, so long as there is agreement between both parties.

Whilst there would be sufficient time to undergo a re-tendering process prior to the end of the current contract, there are advantages to allowing an extension to the existing contract for a period of 12 months. Ongoing changes in the bus industry relating to the costs of the latest technology buses suggest that it would be prudent to allow current and potential operators more time to establish how this will affect their costs (and therefore tender prices) before commencing on a re-tendering

exercise.

As part of the planned re-tendering for the Park & Ride bus services, a comprehensive service review of the whole P&R operation is now under way and this will feed into the re-tendering process planned for 2015.

RECOMMENDATIONS:

1. That Cabinet agree to a 1 year contract extension with Stagecoach Bus for the operation of the Winchester Park & Ride bus service from 19 April 2015, allowing for the incorporation of the inflationary increases as appropriate and price changes consequent upon the changes to the arrangements for payment of Bus Service Operators Grant (PHD533 refers).
2. That the revised contract cost details as set out in Paragraph 5.2 of the report be agreed.

CABINET30 APRIL 2014PARK & RIDE: CONTRACT EXTENSIONREPORT OF ASSISTANT DIRECTOR (BUILT ENVIRONMENT)DETAIL:1. Introduction

- 1.1. The current Park and Ride (P&R) Bus contract began on 19 April 2010 and is due to expire on 18 April 2015. This report seeks approval to extend the contract by a period of one year.
- 1.2. A planned and comprehensive review of the complete Park and Ride operation is now under way, and the results will be reported to Cabinet in due course prior to a retendering process to be completed in 2015.
- 1.3. The terms and conditions under which the original contract was let allow for a continued year by year extension, up to a maximum of 8 years from April 2010.

2. Detail

- 2.1. The current P&R contract was commenced in April 2010: this was a five year contract due to expire in April 2015. Therefore, the Council does have time to retender should it wish to do so, and for a new contract to be in place before the current contract expires. However, there are a number of issues to be considered and officers are not recommending this option. The reasons for this are set out below.
- 2.2. The current P&R buses operate to Euro V emission standard (this is a simple indication of the pollution emitted from the vehicle). Since January 2014, new vehicles must meet Euro VI standard. Whilst this is good news for the environment, as the buses are cleaner, there are considerable cost implications. Early indications from the bus industry are that the Euro VI buses will cost in the order of £10k more than the equivalent Euro V. Any contract which specifies the use of the new buses will have these costs included, and tenderers are also likely to add in a level of contingency - given the uncertainty of the additional costs of maintaining and operating the latest technology required to achieve Euro VI compliance. This factor is therefore likely to increase tender prices to minimise the risk to the operator.
- 2.3. In simple terms, extending the current contract in agreement with Stagecoach is likely to be cheaper than retendering for a new contract with Euro VI specification buses. Stagecoach have now procured two Euro VI buses to operate on the Basingstoke centre shuttle service, which help them monitor and evaluate the costs of Euro VI buses and provide more realistic tender prices in future years, although of course the outcome of the tender process may see the new service awarded to a different operator. However, notwithstanding this,

the situation for all operators is likely to be similar as they introduce Euro VI buses into their fleets.

- 2.4. If cost and expenditure is the overriding consideration, then one option would be to retender this year for a 2015 start and to specify Euro V (current bus technology / existing buses). However, in view of the Air Quality issues relating to Winchester city centre it is evident that we should be looking to move from Euro V to Euro VI buses as and when prudent to do so.
- 2.5. When the last retendering process was undertaken in 2009, the cost of specifying new Euro V buses rather than the continued use of the then existing Euro IV buses was approximately £40,000 per annum.
- 2.6. The table below shows the relative improvements in emissions since the introduction of Euro standards in 1992

		<b>CO</b>	<b>HC</b>	<b>NOx</b>	<b>PM</b>	
<b>Emission Standard</b>	<b>Date effective</b>	<b>(g/kWh)</b>	<b>(g/kWh)</b>	<b>(g/kWh)</b>	<b>(g/kWh)</b>	<b>Smoke</b>
Euro I	from 1992	4.50	1.10	8.00	0.36	
Euro II	1st October 1996	4.00	1.10	7.00	0.25	
Euro III	1st October 2001	2.00	0.66	5.00	0.10	0.80
Euro IV	1st October 2006	1.50	0.46	3.52	0.02	0.50
Euro V	1st October 2009	1.50	0.46	2.00	0.02	0.50
Euro VI	1st January 2014	1.50	0.13	0.40	0.01	

The table does show that in terms of emissions of NOx, the improvement from Euro V to Euro VI is considerable, but without detailed traffic data for the town centre, it is not possible to quantify the impact that improving the P&R buses would have on the AQMA.

- 2.7. As part of the planned Park and Ride operational review prior to the letting of the new contract in 2015 it is hoped to carry out a more detailed appraisal of the relative 'vehicle source apportionment' and modelling of emissions from different vehicle types so that the impact that P&R buses have on the AQMA can be more accurately quantified.
- 2.8. The Park and Ride service is acknowledged to play a significant role in delivering improved access to the town centre, without visitors relying on the need to take cars into the city. Over a year this could equate to over 700,000 less vehicle trips - with the associated traffic reduction benefits.
- 2.9. In view of the financial uncertainties that would exist if the Council were to retender the P&R bus operation this year, especially in relation to the cost implications of specifying the cleanest Euro VI vehicles (the best option in terms of trying to improve air quality), the need for a comprehensive service review and consideration of a wider expansion of P&R operations, it is recommended that Cabinet agree to a 1 year contract extension with Stagecoach Bus for the operation of the Winchester Park & Ride bus service from April 2015.

3. Consultation on proposed extension to the contract
  - 3.1. Stagecoach (T/A Hampshire Bus), who operate the Park and Ride bus service in Winchester, has been consulted on the proposed extension to the contract.
  - 3.2. Stagecoach has operated the contract for over twenty years now and, in the view of officers, has proved to be a very efficient and reliable operator. Stagecoach is happy to continue operating under an extended contract, subject to the continuation of the annual agreed inflationary uplift and the maintenance uplift as agreed as part of the original contract in 2010.
  - 3.3. In addition Stagecoach has requested that the Bus Service Operators Grant (BSOG), be passed on to them by the City Council. Previously, BSOG was paid by the Department for Transport (DfT) to the bus operator directly, but since January 2014 the DfT has paid this Grant to the tendering Local Authority (Winchester City Council) for distribution. Provision for passing on this grant in 13/14 was agreed via a Portfolio Holder Decision Notice (PHD553 - Winchester Park and Ride: Changes to Bus Contract Funding, refers). The PHDN also included the provision for the current contract to be updated to include the grant.
  - 3.4. It has been clarified by DfT that the BSOG grant is fixed and shall not be subject to any inflationary increases. Therefore, it is proposed that the BSOG grant be passed on to Stagecoach in full at that same fixed level, but that this element should not be taken into account in calculating the annual inflation increase in the contract extension.
  - 3.5. As part of the P&R review programmed over the next year, it is intended to survey users of all sites to establish their detailed travel patterns and views. It is also planned to hold a stakeholder / member workshop session to enable a wider audience to comment.

#### OTHER CONSIDERATIONS:

4. COMMUNITY STRATEGY AND PORTFOLIO PLAN (RELEVANCE TO):
  - 4.1. The proposals accord with the Community Strategy outcome of safeguarding our high quality environment, and our economic prosperity outcome in terms of providing good, reliable transport options for those who live, work and visit the Winchester District. The contract extension is also in line with our aspiration to be an efficient and effective Council.
  - 4.2. There are considerable environmental benefits as a result of the ongoing operation of the P&R services, particularly in relation to the reduction in cars entering the town centre and their impact on the Air Quality Management Area.
5. RESOURCE IMPLICATIONS:
  - 5.1. Stagecoach has indicated their willingness and desire to continue the operation of the Park and Ride service and the inclusion of a one-year extension to the existing contract from April 19 2015.
  - 5.2. The bus contract is subject to an annual uplift in line with CPI plus annual maintenance uplift. This will increase the annual costs as shown below:

## P&amp;R Bus Operator Budget 2014/15

	Core Contract	Peak Time HCC Funded Buses	TOTAL
	£	£	£
2013/14 Contractual Costs	808,099	79,376	887,475
Projected Inflation & Maintenance Uplifts *	19,738	1,349	21,087
2014/15 Projected Contractual Costs	827,837	80,725	908,562
Projected BSOG Grant - payable to Stagecoach	45,356		45,356
<b>GROSS Costs</b>	<b>873,193</b>	<b>80,725</b>	<b>953,918</b>
Projected BSOG Grant Receivable **	-45,356		-45,356
Hampshire County Council 'Peak Buses' Contribution		-80,725	-80,725
	-45,356	-80,725	-126,081
<b>NET Costs</b>	<b>827,837</b>	<b>0</b>	<b>827,837</b>
* Based on 1.7% Inflationary & Maintenance Uplift			
** Not subject to Inflation			

5.3. In the short term, it is suggested that a one year extension to the existing contract is a pragmatic approach to the issue of trying to achieve improved emissions levels taking into account unclear cost implications associated with completely new contract including new Euro VI vehicles, whilst the bus industry is still evaluating the real cost and operation of the latest emission control technology.

6. RISK MANAGEMENT ISSUES:

6.1. In offering one operator an extension to an existing contract, there is a potential risk of challenge from other operators. However, the fact that the contract and the OJEU notice expressly provide for contract extension, and it is therefore considered that such an extension is lawful, the risk of a successful challenge is unlikely.

BACKGROUND DOCUMENTS:

None

APPENDICES:

None