



## **Leicester City Council Scrutiny Review**

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**How effectively is Leicester City Council using its regulatory powers in relation to public transport?**

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**A Report of the Transport and Climate Change Scrutiny Commission**

**February 2013**

## Transport and Climate Change Scrutiny Commission

**Chair:** Councillor Neil Clayton

**Vice Chair:** Councillor Paul Newcombe

**Commission Members:** Councillor Hanif Aqbany  
Councillor Gurinder Singh Sandhu  
Councillor Nigel Porter

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**Minutes from Transport and Climate Change Scrutiny Commission meetings**

The minutes from the Transport and Climate Change Scrutiny Commission in relation to this review can be accessed on line at: <http://www.cabinet.leicester.gov.uk:8071/ieDocHome.aspx?Categories=>

## Chair's Foreword

Leicester currently has 100 bus routes, 78 of which are commercial. Some 30 routes are currently subsidised to varying degrees by the City Council. And whilst the bus companies have invested heavily in their fleets over recent years, and despite bus priority measures being introduced in the city bus patronage, has steadily decreased since the peak of 2007. This has seen numbers fall by about 20% up to 2011/12 (from well over 40,000 to less than 35,000 passengers<sup>1</sup>).

Whilst some of that decline may reflect the prevailing economic climate, it may also lend credence to the argument that the Mayor should be given extra statutory powers to lead and coordinate public transport provision in the city, more in line with those provided to the Mayor of London.

The Mayor's 100 Day programme in 2011 acknowledged the importance of being able to influence bus companies in the way they plan and deliver services across the city. As such, pledge 26 promised to:

*"Enter into discussions with the Government about the need to have stronger powers similar to those held by the Mayor of London to regulate local bus services and public transport."*

At the end of the 100 Day programme it was reported that:

*"The council has set out its case for stronger powers, similar to those held by the Mayor of London, to regulate local bus services and public transport. Discussions will continue with Government to secure these additional powers."*

The Commission felt the time was prudent to better understand how the Mayor and the City Council are utilising the existing statutory powers through Leicester's Quality Bus Partnership, as well as reviewing progress towards the acquisition of greater powers.

I would like to thank the Mayor and his deputy for their views, the bus companies and user groups for providing evidence and highways officers for their support and assistance during the course of the review.



**Councillor Neil Clayton**

**Chair, Transport & Climate Change Scrutiny Commission**

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<sup>1</sup> Figures provided to the Transport Scrutiny Commission at their July meeting.

## **1 Executive Summary**

- 1.1 This report concludes the Transport and Climate Change Scrutiny Commission's review into the Council's regulatory powers in relation to public transport.
- 1.2 The Commission were keen to understand what extra powers the Mayor is seeking in relation to public transport, how the City Council uses its existing regulatory powers pertaining to public transport provision and how successful the Central Leicestershire Quality Bus Partnership has been in driving improvements to bus services and routes in the city.

### **Conclusions and Recommendations**

- 1.3 The current Central Leicester Quality Bus Partnership does not work fully and effectively as evidenced by:-
  - Lack of cross-operator fares;
  - Inaccurate information on bus stops;
  - Failure of the 'Star Trak' real time information service;
  - Lack of evening / Sunday services;
  - No common information relating to bus stops with low/high kerbs;
  - Needless competition on some routes;
  - Downward trend of bus passenger numbers since 2007.
- 1.4 Commission members were impressed by the presentation from West Yorkshire Passenger Transport Executive (PTE). A properly controlled and regulated Quality Contract seems to be the way forward. However, The Commission appreciates that this is not going to happen until we have a PTE covering the county/region. As such we encourage the Mayor to continue to explore other means of improvement.
- 1.5 Although there is some scepticism from bus companies in relation to Quality Contracts, with one operator indicating that they would not participate, we generally feel that in practice most operators would participate.
- 1.6 Were we to move to a Quality Contract, we appreciate some of the concerns of Bus Unions (as detailed in their evidence below) and the need to overcome those during implementation.

## **Leicester City – The Current Situation**

- 2.1 The headline figures for the City of Leicester are that it currently benefits from 100 bus routes, 78 of which are commercial. Some 30 routes are currently subsidised to varying degrees by the City Council.
- 2.2 Whilst bus companies have invested heavily in their fleets over recent years, and despite bus priority measures being introduced in the city bus patronage, has steadily decreased since the peak of 2007. This has seen numbers fall by about 20% up to 2011/12 (from well over 40,000 to less than 35,000 passengers<sup>2</sup>).

## **Leicester's Quality Bus Partnership**

- 2.3 The Central Leicestershire Quality Bus Partnership was established in 1999. The Partnership is an informal Body which aims to plan, facilitate and deliver improvements to bus services and bus service facilities in Central Leicestershire. It meets regularly to review matters of common interest and to discuss ways in which bus services can be improved. These may include items such as publicity, bus priorities and traffic management issues.
- 2.4 The members of the main steering group are Leicester City and Leicestershire County Councils, First Bus, Arriva and Trent Barton. The main steering group meets quarterly and discusses issues which are not commercially sensitive. It is supported by the Bus Operations Group and the Bus Information Strategy Group. In addition to these multi-party meetings, the councils meet the two main operators (First and Arriva) quarterly in bi-lateral meetings at which commercially sensitive issues can be discussed.
- 2.5 The Central Leicestershire Quality Bus Partnership document was signed in November 2000 by the City Council, County Council, Arriva, First, Wellglade (Kinch). The document covers the method of operation and joint working arrangements designed to produce a higher quality and greater quantity of bus services with the objectives of attracting more users from cars and helping to reduce social exclusion, and that the partnership would achieve its results by linking programmes of investment.

## **Achievements of Leicester's Quality Bus Partnership**

- 2.6 The following representatives attended the meeting of 29<sup>th</sup> November on behalf of Leicester's bus companies:
  - Alf Lloyd - Arriva Midlands, Operations Manager
  - Steve Smith - Arriva Midlands, Area Business Manager
  - Keith Shayshutt - Kinchbus, Head of Development
  - Steve Burd - Stagecoach Midlands, Managing Director
  - Chris Simes - Stagecoach Midlands, Commercial Manager

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<sup>2</sup> Figures provided to commission at their July meeting.

2.7 Some of the initiatives and outcomes that have been brought about since the advent of Leicester's Quality Bus Partnership were already known to the Commission, including:

- Bus priority measures on important bus routes such as, *inter alia*, in Narborough Road.
- Development of a Bus Information Strategy, designed to provide improved standards of information on bus services and times.
- Input to the Local Transport Plan.

2.8 Under questioning the bus companies were asked to provide their views on the success, or otherwise, of Leicester's partnership arrangements. During the course of these discussions it was noted that the bus companies felt meetings which were held under the partnership arrangements were particularly beneficial, as were improvements to services which had been achieved through information sharing. In short it was reported that, in their experience, the Leicester partnership was the most successful and proactive partnership in the Midlands.

2.9 In response to these comments, the Commission made the following observations to illustrate some of the ways in which the Partnership was not working as well as it might.

- On some routes, and at peak times, buses were often seen queuing at stops which had an effect on punctuality. In this regard the partnership approach was questioned, as rival operators seemed to trail each other on the busiest routes.
- Off-peak services had recently been reduced and it was felt that the partnership approach threatened the continuation of such services.
- The need for smart ticketing was well established but had not yet come to fruition.

### **Evidence of bus users<sup>3</sup>**

2.10 The Commission invited Leicester's new Bus User Panel (BUP) to provide evidence on Leicester's Quality Bus Partnership. As the panel is new, members Terry Kirby and Bernard Marriott informed the Commission that they would be giving the views of the Leicester Campaign for Better Transport (CfBT) rather than the BUP.

2.11 Their views encapsulated the following points:

**Bus Priorities:** Improvement works to the radial routes which had been implemented allowing buses to use priority traffic lanes were widely welcomed.

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<sup>3</sup> The full minutes from the commission meeting on 24<sup>th</sup> October 2012 can be found at:  
<http://www.cabinet.leicester.gov.uk:8071/ieListDocuments.aspx?CId=676&MId=5076&Ver=4>

**Passenger Information Systems:** The 'Star Trak' real time information system had not worked properly, with the principal failure being to have it available on more routes. Whilst many buses were now 'satnav' enabled no attempt had been made to have information screens at key stops and 'next stop' signs on buses and bus maps did not give an indication of frequencies or timetable times. It was also noted that there was no provision relating to information concerning the location of stops with high kerbs.

**Bus Terminals:** Whilst good work had been undertaken in the City Centre, hubs at Beaumont Leys and Hamilton still require updating and improving. It was also reported that timetables and flags were out of date at many locations.

**Stops:** JCDecaux bus stops and shelters were considered to be satisfactory. Other stops used display cases poorly and some only displayed one flag; and many were without rooftop names. There was some evidence to suggest information at bus stops including route numbers, timetables and operator details had been omitted.

**New vehicles:** Whilst investment in new fleets was recognised and welcomed, it was noted that low-floor buses were now a legal requirement and it was probably the legal requirement rather than operator planning that had achieved the outcome of more low-floor buses.

**Quality standards:** Although little empirical evidence was available it was considered that many buses still had insufficient legroom. Punctuality was not thought to have improved, neither had boarding times.

**Enhanced service levels:** There was very little evidence improved or enhanced service levels except where 'cherry-picking' had taken place. Witnesses also provided evidence covering 'on-bus' route maps and screens from other towns with lists of stops and connections. It was suggested that such information could also include fare zones, information on connections, current time, route numbers and destinations.

### **3. Current Alternative Approaches**

3.1 As part of assessing the strengths or otherwise of Leicester's Quality Bus Partnership, the Commission wanted to understand what other regulatory powers were currently available to the Council in relation to public transport. The main model to strengthen regulatory powers is through a Quality Contract Scheme.

#### **Quality contracts schemes (QCS)**

3.2 A QCS involves replacing the existing deregulated market with a system of contracts. Under a QCS, the local authority specifies the bus services that are to be provided in the area of the scheme, and invites tenders from operators to provide those services under contract.

## West Yorkshire

- 3.3 Examples of QCS across the country are few and far between. The Commission decided, therefore, to invite John Henkel (Director of Passenger Services, West Yorkshire Passenger Transport Executive) to give evidence at their meeting on 24<sup>th</sup> October 2012. The West Yorkshire Passenger Transport Executive (PTE) has proposed a quality contract approach and has been consulting with operators and users on the proposal.
- 3.4 The main points covered in that evidence session were:
- 3.5 That the West Yorkshire PTE includes 2.2 million people within the area which covers 2000 square kilometres. The principal two cities are Leeds and Bradford which are the second and fourth largest metropolitan districts in the country with populations of 800,000 and 500,000 respectively.
- 3.6 That a different approach to bus provision was being proposed in the West Yorkshire area specifically to deal with the decrease in passenger numbers. For example, despite an increase in local population, particularly in Bradford, a 20% reduction in passenger journeys had been witnessed. Journeys had reduced from 234 million in 1995/96 to an estimated 180 million in 2011/12.
- 3.7 That in terms of the overarching work of the West Yorkshire PTE, the main strategic aims are to achieve:
- Simple fares and smartcard-based tickets (like the Oyster card in London) that could be used on all public transport services in West Yorkshire;
  - A public transport network that is easier to understand and use;
  - Fewer service and timetable changes;
  - Better connections with rail services;
  - More reliable bus services that arrive on time;
  - A standard compensation policy for passengers if things go wrong.
- 3.8 That, based on the profits achieved by the bus companies industry wide, the effect of competition had not achieved lower fares. As only 2.3% of routes had competition, this had in essence created monopolies for the bus companies. In terms of researching operator profit, it was noted that although operating costs were available within company accounts it was not possible to obtain revenue cost information.
- 3.9 That, whilst remedies set out within legislation had been introduced in West Yorkshire which were intended to increase competitive provision, it was felt that the market had remained largely unchanged. The West Yorkshire PTE had therefore proposed a quality contract initiative which would provide a long term strategy to improve provision, rather than short term cost cutting initiatives. This initiative came with challenges, notably that it had taken a year to develop a partnership offer between the bus companies and the Council.
- 3.10 That, although the West Yorkshire PTE had wanted an integrated ticketing system, operators had strongly resisted such a scheme. It was reported that

difficulties had arisen whereby one operator currently enjoyed 85% of the market and it had not been possible to agree a system which would allow customers of smaller operators to board buses run by differing operators by showing differing tickets. The complications of cross boundary journeys to locations outside of the PTE area and the prohibitive costs of a smartcard system were also referred to.

- 3.11 That, whatever model is used to coordinate bus services, it was essential to maintain good working relationships with the bus companies and the trade unions. Mr Henkel noted that guidance set out within the regulations had provided considerable assistance in maintaining such relationships given the shared financial risks to all parties in any contract arrangements. The difficulties of partnership arrangements in this respect were also referred to as no sanctions were put in place to ensure economic, effective and efficient service provision.
- 3.12 That West Yorkshire PTE had experienced difficulty in implementing the proportionality element (benefits / disadvantages) part of the five tests required. It had been particularly challenging to mitigate against adverse impacts arising from the disadvantages of introducing the contract. It was reported that operators had been required to 'bid' for services and had strongly opposed the model on the basis that competition would potentially lead to a loss of business.
- 3.13 That the impact on staff of lost and transferred services had been evaluated and it was reported that the implications of staff transfers under the TUPE regulations had been fully assessed. Negotiations had been undertaken with operators and trade unions which had proved to be a costly exercise, particularly due to the need to employ consultants to advise on the prospective implementation of staff transfers. The effect of transfers on employees' pension provision was highlighted as a particular problem.
- 3.14 That a further objection to the proposed Quality Contract was that operators felt that the implementation of the contract was too bureaucratic. This suggestion had been rejected by the PTE who felt that the contract model provided opportunities for growth through incentives. Mr Henkel referred to the principles of the incentives offered in the contract by which the PTE felt that operators could increase revenue and market share, leading to improved services and greater customer satisfaction.

### **Bus driver unions**

- 3.15 Simon Rosenthal, Chair of Unite Branch, was invited to address the Commission at its meeting on 24<sup>th</sup> October.
- 3.16 Mr Rosenthal commented on the previous deregulation of services which had worsened the employment terms and conditions of drivers and other employees of the bus companies.
- 3.17 He reported on the work of the union in improving terms and conditions gradually since deregulation and stated that the quality bus partnership had assisted with that process.

- 3.18 In respect of TUPE regulations Mr Rosenthal advised that employees were often transferred for a minimum period to satisfy provisions within the regulations, but were then made redundant following the expiry of the minimum period. It was reported that this had been evident in London following Transport for London's policies whereby several rounds of competitive tendering had taken place. The complications concerning the transfer of pensions between employers. It was noted that companies found the processes to be costly and in order to implement transfers, cuts had to be made elsewhere; which affected the welfare of employees. Further to this point it was reported that as employees left the pension scheme, the amount of contributions fell, which affected the value of the fund overall.
- 3.19 In conclusion Mr Rosenthal commented that concerns had been expressed by the union in respect of the introduction of quality contracts. He asked the Commission to note that the terms and conditions of employees would be detrimentally affected, due to likely cuts in service quality following austerity measures. It was also felt that bus companies would attempt to maintain profits by making reductions in provision for employees and amending terms and conditions to become more competitive in any future tendering situation.
- 3.20 Harish Patel, Unite Regional Officer, was also invited to address the Commission at the same meeting. Mr Patel supported the evidence given by Mr Rosenthal and added that concerns around the implementation of quality contracts included the effect on partner organisations and companies. It was noted that cross boundary ticketing and operations meant that engagement with partners would be required to effectively run services, having regard to their probable preference for the partnership approach and opposition to contracts.
- 3.21 Mr Patel referred to the need to safeguard the terms and conditions of employees and in this respect he commented on the need to ensure that employees received a 'living' wage rather than the Government's 'minimum' wage.

### **Quality Contracts – bus company views**

- 3.22 In their evidence session on 29th November bus companies made the following points in relation to Quality Contracts:
- The costs were prohibitive. The current subsidy in London was £370m pa. The likely subsidy for Leicester, calculated by comparisons of population and usage, would be around £15m pa. There was also an element of business risk in implementing a quality contract in the current period of austerity.
  - Quality contracts were not suitable where only a small amount of good local companies were currently operating.
  - With reference to the quality contract model in London it was not considered by operators, or Transport for London, that the quality contract approach would be a viable proposal or solution to transport provision outside of London.

## Annex A



**Department  
for Transport**

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Surinder Singh

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Dear Surinder,

Thank you for your letter of 17<sup>th</sup> September to Patrick McLoughlin, inviting him to participate in your review meeting. Unfortunately, the Minister is unable to attend.

The Government has stated that elected city mayors will have their own bespoke powers tailored to local needs, rather than a 'one size fits all' approach. The vehicle for achieving this will be through the city deals that the Government has been negotiating with major cities. The Government has already struck deals with the eight 'core cities' and has announced that there will be a further wave of city deals in due course. I understand that Cabinet Office officials have discussed the possibility of a Leicester city deal with officers at your council.

The Government's position is that local transport authorities should work in partnership with local communities and bus operators to determine how their local bus networks and ticketing schemes can be improved to attract more passengers. Our focus is on ensuring that the framework and guidance is in place so that this can be done.

In March 2012, the Government published Green Light for Better Buses in which it set out a series of reforms to improve local bus subsidy arrangements and regulations in England outside London. The proposals have been carefully formulated to attract more people onto buses, to ensure better value for the taxpayer and to give local transport authorities more influence over their bus networks. The reforms to BSOG set out in Green Light for Better Buses include the creation of a new local government fund – Better Bus Areas – to encourage local transport authorities and bus companies to work closely together to improve services and boost passenger numbers.

Yours sincerely,

Mark Hrabí