

FUTURE OPTIONS PARK AND RIDE REVIEW

To: **Cabinet**

Date: **13 December 2011**

From: **Executive Director: Environment Services**

Electoral division(s): **All but especially Duxford, Fulbourn, Linton, Sawston,**

Forward Plan ref: **N/A** *Key decision:* **No**

Purpose: **To assess the options for the future operation of the Cambridge Park and Ride system.**

Recommendation: **It is recommended that Cabinet:**

- a) notes the issues around concessionary fares on the Park and Ride system and agrees not to pursue their removal as set in paragraph 2.4;**
- b) agrees to the introduction of parking controls at the Babraham Road Park and Ride site to manage use by non Park and Ride users as set out in paragraph 2.5;**
- c) notes the current measures in place to reduce staffing costs at the Park and Ride sites set out in paragraph 2.6;**
- d) notes the options that have been considered for the future operation of the Cambridge Park and Ride service (paragraphs 2.9 to 2.14);**
- e) requests that officers complete a fully costed business case based on the provision of commercial Park and Ride bus services for approval by Cabinet in January 2012 (section 3 of the report).**

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1. BACKGROUND

- 1.1 In December 2010, Cabinet considered how to take forward the operation of the Cambridge Park and Ride service as the agreement in place for its operation was due to expire in March 2011. As the comprehensive spending review had significantly changed the financial climate for the Council, officers were tasked to undertake a full Park and Ride options appraisal to reduce the funding the Council puts into the service and identify the extent of competition in the market. Given the timescales for this work, the current agreement for the operation of the service was extended to March 2012 to avoid any disruption to the existing Park and Ride Service while the work was undertaken.
- 1.2 Following the resolution by Cabinet, officers undertook an initial review of the Park and Ride service and presented their findings to the Policy Development Group in March 2011. The Policy Development Group formed a Member Task and Finish Group to develop proposals further.
- 1.3 The Member Task and Finish group met twice and recommended to Policy Development Group in May 2011 that:
 1. concessionary eligibility on the Park and Ride was considered anomalous and removal would be acceptable if achieved legally;
 2. those using the sites simply for free parking and not for using the bus service should be made to pay for this facility;
 3. current staffing costs were unacceptable and should be reduced as soon as possible in line with County terms and conditions of employment;
 4. subject to detailed consideration, the ongoing staff review should continue and future models should assess the need for continuous site staffing;
 5. the net cost of the Park and Ride should to be minimised, or even better turned into a profit for the Council.
- 1.4 Officers were tasked with addressing all of these recommendations. Points 1-4 have been considered and the recommendations on these are contained in this report.
- 1.5 To address point 5, the initial stages of a procurement exercise were started through issue of a Prior Information Notice (PIN) to gauge interest from potential operators of the service and ideas as to how the costs of the service could be reduced. It was both anticipated and hoped that there would be significant interest from the various transport operators who would not only attend detailed briefings but also propose innovative models by which the Park and Ride service could be taken forward. In the event, only five companies showed any interest at all and only three of them submitted any feedback. Of the feedback given, none contained detailed or innovative proposals. The findings from this work, albeit limited, have helped to shape the recommendations in this report.
- 1.6 The current Park and Ride service costs the Council in the order of £700,000 per annum, excluding concessionary reimbursement. This is made up of £419,000 staff costs, £310,000 business rates and £302,000 maintenance which is offset by some £55,000 casual income and £276,000 Departure Charge revenue.

2. MAIN ISSUES

Concessionary fares

- 2.1 The Park and Ride services as with all other local bus services are included in the English National Concessionary Travel Scheme (ENCTS) which gives free travel for pass holders. Reimbursement of tickets for concessionary pass holders costs the Council in the order of £800,000 per annum.
- 2.2 Several other Local Authorities (including Norwich) have recently taken the decision to remove their Park and Ride services from the ENCTS. Most have replaced it with a discretionary scheme whereby a small charge is made. This ensures both an income for the service as well as encouraging its continued use by concessionary pass-holders. The basis on which this removal from the scheme would be legal is that Park and Ride services provide an amenity over and above just the bus service itself.
- 2.3 To guide our approach on this issue, advice has been sought from Counsel on the ability to remove the Park and Ride services from the ENCTS. The advice suggests that removal of the Park and Ride services from the ENCTS would be defensible although challenge would clearly be possible. There is also little case law to guide our decision. And of course, removal from the ENCTS would undoubtedly disadvantage users.
- 2.4 Given the uncertain outcome should a challenge be mounted, added to the accepted appreciable value of this concession, especially to those in the more vulnerable groups in Cambridgeshire, it is therefore proposed that the Park and Ride services should not currently be considered for removal from the ENCTS.

Use of the sites for free parking

- 2.5 Although there is not generally a significant problem of the Park and Ride sites being used for parking only in order to walk elsewhere, one exception to this is at the Babraham Road site. Due to its proximity to Addenbrooke's Hospital, some 200-300 cars are parked on a daily basis while their occupants walk to work. This accounts for an appreciable proportion of the parking capacity. Work is already underway to look at parking issues in the whole of the southern part of Cambridge and subject to the outcome of this work, it is proposed that exit barriers and ticket machines should be installed at the Babraham Road site so that those parking and not using the bus service will have to purchase a ticket in order to exit the site. It is anticipated that this would raise some £78,000 in parking revenue and free up spaces for genuine Park and Ride users. The application of car parking charges at the other sites is not recommended as the income generated would be unlikely to cover the capital and maintenance costs of the necessary infrastructure.

Staffing and management of the sites

- 2.6 A review of the staffing arrangements on the Park and Ride sites is nearing completion. Stage 1 of the staffing review will see savings of £70,000 by harmonising all staff employment terms and conditions to those working on

the sites. It is proposed that a further Stage 2 should be introduced and this will see a reduction of 2 staff due to switching to a single shift per day rather than the two as at present. This will realise additional savings of £48,000.

Net cost of operation of the service

- 2.7 Although the measures noted above have the potential to reduce the net operating cost of the service to the Council through both revenue generation and cost reduction, they will not in themselves eliminate the subsidy the Council puts into the service.
- 2.8 Officers have therefore looked at how the bus services themselves are provided and through the PIN noted in paragraph 1.5, have sought views from the industry on the best approach. In essence, the Council has two broad options – it could contract the services and therefore take a greater control over their provision or it could seek commercial models of operation.

Contracted Services

- 2.9 For contracted services, operators would tender to provide a pre-determined level of service, with a set number of buses over a set route to a given standard in exchange for payment. Quality Bus Contracts are one example of this type of approach. The Council would pay the chosen operator for this contract and all fare box income would be retained by the Council. The service could be tendered as just the operation of the bus services or could include an option for the bidders to operate the sites themselves.
- 2.10 In determining the benefits of this approach, there are a number of key issues to consider:
- The council bears the entire operational risk with little incentive for the operator to grow patronage, market or improve services, although contracts could be set up to provide for some incentives;
 - Existing experience (including through Quality Bus Contracts) shows that these tend to be higher cost operations;
 - There is the potential for indifferent operator/driver customer care that would adversely impact on passenger numbers and thus the net cost;
 - There is also a risk, because of the lack of real competition resulting from substantial barriers to market entry, that only the local dominant operator would bid and might submit an appreciably higher bid than they would otherwise and thus make this option less attractive from the Council's viewpoint;
 - Should Stagecoach, the current operator fail to secure the contract, passengers would lose the ability to use the added value of the Stagecoach Dayrider/Megarider tickets on Park and Ride services while Stagecoach's investment in the Cambridge general bus network may be reduced to the detriment of all.
- 2.11 Financial modelling of this option has been undertaken and whilst it is difficult to be clear of the outcomes until a tendering exercise has been undertaken, it is likely that this would release only limited savings if any over and above those already identified through the staffing review.

Commercial Services

- 2.12 There are various models available for consideration if commercial services are to form the heart of the Park and Ride operation. For example, operators could be invited to compete on the basis of offering the Highest Departure Charge, the lowest fare for a given Departure Charge or simply invited to enjoy open access to the sites to provide a Park and Ride service to a given standard in return for paying a departure charge. These options could also include provision for the operators to run the sites.
- 2.13 All commercial options share some common themes:
- There is a significant risk that only the local dominant operator would bid which could leave us in the position of having to accept a less than optimum offer in order to maintain a service;
 - This option puts the operational risk with the operator who is then incentivised to improve services and limit fares to the minimum necessary to achieve his aims and continue to grow patronage;
 - The application of any fare increase or surcharge would represent a commercial risk for the operator and he would have to make judgements over the potential reduction in passenger numbers for any given fare increase;
 - An open access competition arrangement would be the quickest to implement and could be introduced as early as April 2012. It would be a requirement that any operator would be free to access the Park and Ride sites for the same fee as any incumbent.
- 2.14 Initial financial modelling suggests that some variants of a commercial offering have the potential to reduce significantly the cost of the Park and Ride service to the Council, particularly if the operation of the sites is included.

3. CONSIDERATION OF OPTIONS

- 3.1 Whilst superficially, contracted services may appear attractive, there are very substantial risks. The principle one is that if only the local dominant operator were to bid, as is likely, they could 'name their price'. Moreover, the contracted service options pass the operational risk entirely to the County Council while giving no guarantee of true competition and would not incentivise the operator to improve services and improve efficiencies which could benefit the Council.
- 3.2 Although there remains a risk that only the local dominant operator may bid, commercial service options are likely to generate as much competition as any alternatives. However, these options put the operational risk with the operator and have a much better chance of recouping operating costs than the contracted service models.
- 3.3 Although early work suggests that some variants of the commercial services model might be capable of recouping all operating costs, these business models need to be studied in detail and with the cooperation of the key stakeholders. Therefore, it is recommended that a fully costed business case be drawn up to show the benefits and potential savings of the various

commercial service models in order for Cabinet Members to make a final decision in January 2012.

4. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

4.1 Supporting and protecting vulnerable people when they need it most

Reducing the Council's spending on the Park and Ride service enables those savings to be used to support more deserving and vulnerable people. Maintaining the availability of concessionary travel also protects individuals who need to travel and may not otherwise be able to do so.

4.2 Helping people live healthy and independent lives in their communities

There are no significant implications for this priority.

4.3 Developing the local economy for the benefit of all

Maintaining a competitive and valued Park and Ride service would help to reduce congestion and grow wealth and prosperity in Cambridgeshire.

4.4 Ways of Working

Before any revised Park and Ride model is implemented, a full Community Impact Assessment will be conducted which will be informed by a comprehensive public and stakeholder consultation. This will demonstrate our determination to work with our key partners, provide appropriate services and demonstrate our clear local council credentials.

5. SIGNIFICANT IMPLICATIONS

5.1 Resource and Performance Implications

Recouping a significant proportion of the Park and Ride site operating costs will save the Council appreciable sums of funding for use elsewhere.

5.2 Statutory, Risk and Legal Implications

Due to the reality of the current bus service market, there is a risk that only the local dominant operator engages in any future competitive process.

5.3 Equality and Diversity Implications

The Council's duty under equality legislation will be addressed through the completion of a Community Impact Assessment.

5.4 Engagement and Consultation

The Council will engage and consult with public and key stakeholders during the formal consultation which will inform the Community Impact Assessment.

6. RECOMMENDATION

6.1 It is recommended that Cabinet:

- a) notes the issues around concessionary fares on the Park and Ride system and agrees not to pursue their removal;
- b) agrees to the introduction of parking controls at the Babraham Road Park and Ride site to manage use by non Park and Ride users;
- c) notes the current measures in place to reduce staffing costs at the Park and Ride sites;
- d) notes the options that have been considered for the future operation of the Cambridge Park and Ride service;
- e) requests that officers complete a fully costed business case based on the provision of commercial Park and Ride bus services for approval by Cabinet in January 2012.

Source Documents	Location
Cabinet Minutes 14 December 2010.	http://www.cambridgeshire.gov.uk/CMSWebsite/Apps/Committees/Committee.aspx?committeeID=11