

Report to the Cabinet Member for Highways and Transport
Report submitted by: Head of Service, Public and Integrated Transport
Date Monday, 13 March 2017

Part I

Electoral Division affected:
(All Divisions);

Bus Station Funding

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Executive Summary

At its meeting on 26 November 2015, Full Council agreed to adopt a policy that all bus stations operated or supported by the county council are self-financing. Following consultation with bus operators, they have indicated that the planned raising of charges will have a very serious effect on their ability to sustain bus services operating through bus stations. In particular, operators pointed to the undefined nature of the charges and gave a view that they may be paying for activities not directly related to bus operations. They also referenced substantial increased costs for the bus operators at Preston bus station coinciding with disruption, over the next two years, brought about by the refurbishment works at the bus station. In order to address the concerns of bus operators it is proposed to phase and revise the implementation of charges, as set out in this report whilst a fair funding mechanism is investigated and implemented.

Recommendation

The Cabinet Member for Highways and Transport is recommended to:

- (i) Approve the maintaining of the departure fee level at £0.75 for local bus services until 31 March 2018;
- (ii) Authorise the use of Bus Service Operators Grant (BSOG) to offset any shortfall in funding by retaining the departure fee at the current level of £0.75 until 31 March 2018;
- (iii) Approve that a bay rental model for operators using Preston Bus Station until the refurbishment project is complete in October 2018 be retained.
- (iv) Authorise discussions with bus operators to establish a fair funding mechanism across all of the County Council's bus stations for implementation from April 2018.
- (v) Approve the introduction of a separate charge of £2.50 for non-local, coach and excursion trip operators at Nelson and Chorley and, once the refurbishment works are complete, at Preston.

Background and Advice

Maintaining of the departure fee level at £0.75 for local bus services

As a first step in implementing adopted policy, the bus departure fee level has been increased across all county bus stations to £0.75 from 1 April 2016, with an increase to £1 per departure proposed from 2 April 2017 until 1 April 2018 with fees to be set so that all bus stations be self-financing thereafter. However, bus operators have indicated that the planned raising of charges will have a very serious effect on their operating costs and have indicated that they may approach the Traffic Commissioner who has the power to set aside an unfair charge on operators. They have made it clear that they will resist these charges and, in many cases, avoid them by rerouting services to not call at bus stations. It is likely that diversion from bus stations will result in increased use of on-street stops with a consequential impact on the highway network and increased congestion. Also, operators are likely to withdraw marginal bus services. To mitigate these risks and allow time for operators to consider their business models and plan for the future it is proposed that the county council retain the current departure fee level of £0.75p until 31 March 2018.

It is proposed that the county council uses the Bus Service Operators Grant (BSOG) to fund the shortfall that would arise as a consequence of not implementing the proposed increases until 31 March 2018.

BSOG is a subsidy paid by the Department for Transport (DfT) to operators of eligible local bus services and community transport organisations as well as to local authorities for tendered bus services. The DfT notes that the aim of BSOG is to benefit passengers by helping operators keep their fares lower and service levels higher than otherwise would be possible. It should be noted that though there is enough BSOG to cover the shortfall until March 2018. The arrangements for BSOG in the longer term are uncertain.

In the interim, meetings with operators will continue to allow the details of a fair funding model to be discussed and agreed that would see operators pay for elements of bus stations which are reasonable for them to be charged for. This would then evolve to produce a departure fee which would be manageable to sustain bus operations.

Preston Bus Station has operated for a number of years on a bay rental basis for major operators. The introduction of the £0.75 departure charge has been resisted by the two principal bus operators running services out of the bus station, Preston Bus and Stagecoach as annual bills would be increased by approaching £400,000 collectively. Operators have made strong representations to retain the bay rental arrangements. Operators have been cooperating with the redevelopment of the bus station despite the disruptive nature of the works and it is recognised that this is having an impact on their operations and customers. To retain the confidence of bus operators at Preston Bus Station it is proposed to retain a bay rental model for operators using Preston Bus Station until the refurbishment project is complete in October 2018. BSOG will be used to cover any shortfall in income.

Currently, Accrington Bus Station charges £2.50 for non-local, coach and excursion trips. To ensure parity across all county bus stations and its operators it is proposed

to charge £2.50 at Chorley and Nelson forthwith and introduce the charge at Preston once the refurbishment project is complete in October 2018.

Proposal

It is proposed that the following measures are introduced:

- (i) The maintenance of the departure fee level at £0.75 for local bus services until 31st March 2018.
- (ii) The use of Bus Service Operators Grant (BSOG) to offset any shortfall in funding by retaining the departure fee at the current level of £0.75 until 31 March 2018.
- (iii) The retention of a bay rental model for operators using Preston Bus Station until the refurbishment project is complete in October 2018.
- (iv) That discussions with bus operators are held to establish a fair funding mechanism across all of the County Council's bus stations for implementation from April 2018.
- (v) The introduction of a separate charge of £2.50 for non-local, coach and excursion trip operators at Nelson and Chorley and once the refurbishment works are complete at Preston.

Consultations

Discussions with bus operators have taken place following the decision of the council to adopt a policy that all bus stations operated or supported by the county council become self –financing through increased departure charges.

Implications:

This item has the following implications, as indicated:

Financial

Estimates of the running costs and expected income have been made, although it should be noted that there are a number of uncertainties and reasonable assumptions have been made where necessary.

	Preston Bus Station (excluding Car Park)	Chorley Bus Station	Nelson Bus Station	Accrington Bus station	Total
2016/17					
Estimated Net Running Costs*	£494,980	£177,412	£163,195	£204,000	£1,039,587
Estimated Income **	£193,168	£15,681	£16,814	£77,436	£303,099
Shortfall	£301,812	£161,731	£146,382	£126,564	£736,488

2017/18					
Estimated Net Running Costs*	£494,980	£211,141	£206,497	£261,458	£1,174,076
Estimated Income **	£180,013	£64,080	£69,235	£104,875	£418,203
Shortfall	£314,967	£147,061	£137,262	£156,583	£755,873

* Estimated net running costs include employee, premises and other running costs less income from leased units/accommodation, toilets and other non-bus service activities.

** Estimated income includes income from bus departures, non-local services, coach visit and coach parking.

Uncommitted BSOG is £1,564,000 and costs for 2016/17 and 2017/18 are £1,492,361 so BSOG balance at the end of March 2018 would be estimated to be £71,639.

Risk management

There is a risk that without agreement to restrict the departure charge, bus operators may reroute or withdraw bus services. Bus operators have also indicated that they may approach the Traffic Commissioner to seek to have charges set aside.

List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A