

Report to the Cabinet

Meeting to be held on Thursday, 7 February 2019

Report of the Head of Service - Public and Integrated Transport

Part I

Electoral Division affected:
(All Divisions);

Lancashire Bus Station Departure Charges

Contact for further information:

Chris Smith, Tel: (01772) 534309, Bus Station and Interchange Manager,
chris.smith@lancashire.gov.uk

Executive Summary

Currently Lancashire has different bus station usage charging schemes. The bay rental arrangement at Preston Bus Station is unique and is not directly associated with number of departures. Changing the charging arrangements will align all our bus stations and can be expected to deliver a budget saving. Currently the bay rental charge is £5,620 per bay at Preston and departure charge is £0.75 per departure at other sites.

Recommendation

Cabinet is asked to approve the new charging regime and charges for departures at all Lancashire owned and operated bus stations from 1 April 2019 as set out in this report.

Background and Advice

Lancashire County Council currently operates four bus stations; Accrington, Nelson, Chorley and Preston. Since 1 July 2016 the departure charge for registered local bus services and school services has been 75p at Accrington, Nelson and Chorley. Preston Bus Station has historically operated on a bay rental basis. Charges here are based on a fee per bay which increases annually in line with the Retail Price Index.

Initially proposed as a budget saving option, it was intended to cease the bay rental arrangements at Preston in August 2016 and have all county council bus stations operating on a departure charge basis. The charge per departure was scheduled to rise to £1 in April 2017 and then subsequently to full cost recovery from April 2018. The main operators at Preston Bus Station were concerned by the proposals because of significant increases to their operating costs. In March 2017 the Cabinet

Member for Highways and Transport approved the retention of the bay rental arrangement at Preston until the completion of the refurbishment project and froze departure charges at 75p until at least April 2018 at Accrington, Nelson and Chorley. This followed objections from operators to the ending of the bay rental agreements, a lack of clarity on the actual costs involved in running bus stations and the feasibility of a full cost recovery model.

Any proposal to move away from bay rental arrangements at Preston would be expected to impact on operators' costs to varying degrees. The current arrangements could be seen to favour larger operators which could be construed as anti-competitive, it could be a disincentive or barrier to a new or small operator who wanted to run a small number of services from this bus station. The current charging structure does not suitably correlate to actual use of the station and from research across other local authority areas, where charges are imposed, these are mostly associated with actual departure numbers.

Proposal

A fair funding model for Lancashire bus stations has been identified and discussed with operators. It is a calculated departure charge based on The Competition Commission's Local bus services market investigation report of December 2011. Costs for the bus stations have been based on the most recent information available for each site. Based on actual costs and recovery of a proportion based on usage, the council takes the risk if the facility is under occupied and contributes towards the costs of operating each site. The model would not favour nor unfairly penalise local or national operators, is not anti-competitive and is able to withstand scrutiny from operators, the Traffic Commissioner or the Competition and Markets Authority. It is proposed that this funding model is introduced and applied across all Lancashire owned and operated bus stations.

To allow operators using Preston Bus Station time to prepare for this change, which is expected to increase their costs as set out below, it is proposed that the new pricing structure will be introduced in stages over a two year period. The bay licence agreements would be terminated as of 31 March 2019. From 1 April 2019 the departure charge for registered local services, approved by the county council in accordance with the Joint Concessionary Travel Scheme, departing from Preston Bus Station should be set at 55p per departure. It is anticipated that this would increase to 70p per departure from 1 April 2020 and on 1 April 2021 to 85p per departure. The departure charges for registered local services, approved by the county council in accordance with the Joint Concessionary Travel Scheme, at Accrington, Chorley and Nelson bus stations would remain at 75p until 1 April 2021 when charges at all four sites should align at 85p per departure. This compares locally with a departure charge of 75p at Blackburn bus station, 80.65p at Burnley bus station and 67p at Greater Manchester's Grade 1 facilities.

It is intended to continue the dialogue with operators and to review the charges prior to future increases in April 2020 and April 2021 to verify that the calculations and costs still represent the current position.

| | | | | |
|--|-------------------------|------------|---------|--------|
| All registered local bus services approved by Lancashire County Council in accordance with the Joint Concessionary Travel Scheme and any school service i.e. where the origin or destination of the service is a school within Lancashire. | Preston | Accrington | Chorley | Nelson |
| | £ per departure/vehicle | | | |
| 1 April 2019 | £0.55 | £0.75 | £0.75 | £0.75 |
| 1 April 2020 | £0.70 | £0.75 | £0.75 | £0.75 |
| 1 April 2021 | £0.85 | £0.85 | £0.85 | £0.85 |

Charges for any service which is not a registered local bus service approved in accordance with the Joint Concessionary Travel Scheme are also proposed which uses the same calculation model as outlined above. It is proposed that from 1 April 2019 new charges for other classifications of station usage should be:

| Category | Fee per departure/vehicle |
|---|-----------------------------------|
| Registered local services which aren't approved by Lancashire County Council in accordance with the Joint Concessionary Travel Scheme such as express/tourist type services | £1.50 |
| Rail replacement bus service | £1.50 |
| Non-local services, excursions, private hires and any other service not falling into one of the above classifications | £3.00 – where notified in advance |
| Unscheduled, ad-hoc or any service where advance notification is not received | £25 |

The following apply where arrangements are agreed in advance and allow for the appropriate departure fee.

| | |
|---|-----|
| Parking/layover exceeding local agreed limits up to max 4 hours | £10 |
| Parking in excess of 4 hours up to 8 hours | £15 |
| Parking in excess of 8 hours up to 24 hours or overnight | £25 |

Impact on operators

This new proposed departure charge will impact on all operators using any of the bus stations. The effect on costs will vary but the greatest impact will be on those operators using Preston Bus Station. At Preston Bus Station the change in the first year will vary between operators from -4% up to 80%. With the average impact being 53% across all operators. In years 2 and 3 the increase in charges to operators would be 27% and 21% respectively. The impact of the departure charge of £0.85 at bus stations outside Preston would be 13% across all operators.

Implementation

With the refurbishment of Preston Bus Station having now been completed with improved facilities for passengers and operators it is reasonable to review the charging mechanism and charges. All operators should be given sufficient notice to enable them to make any necessary changes before new charges are introduced. The existing bay rental agreements require a minimum of 1 months' notice to be cancelled and a similar notice period applies to increasing departure charges at other sites. In addition the Traffic Commissioner requires 70 days' notice for any

amendments or deregistering of services. New Terms and Conditions documents would need to be produced for each site and time allowed for these to be distributed to all operators using any of the stations. It is therefore recommended that the revised charging structure should be introduced from 1 April 2019. To ensure some market stability it is recommended to review the costs regularly using the same methodology every 3 years.

Consultations

Discussions have been held with operators to explain the model being applied to calculate the departure charges proposed, discuss how the costs have been derived, the apportionment of costs to operations and the adjustments calculated. The model used is that included within The Competition Commissions Local Bus Services Market Investigation. The county council will continue to engage with operators and review departure charge increases from 2020/21 prior to their introduction.

Implications:

This item has the following implications, as indicated:

Risk management

A number of operators have suggested that they may review their services operating out of Preston Bus Station. Some services, which are currently marginal may cease to be viable which would lead to service deregistrations. This could impact negatively on the county council as it may be held responsible for any service reductions. Additional pressure may be placed on the county council to financially support deregistered routes, particularly if it leads to communities becoming isolated.

It is reasonable to expect that this move will attract interest in the local press and operators will use the opportunity to deflect the impacts onto the council. An increase in bus operator costs may lead to an increase in fares for bus passengers. Bus operators are likely to use this to highlight that the county council is responsible for any fares increases. There may be a reputational risk to the authority in relation to potential service deregistrations and increases in congestion and fares.

Financial

The proposal to change the charging mechanism at Preston bus station and increase the charges at other sites will generate additional income.

Bus stations are expected to cost the county council c£0.864m in 2018/19 resulting in a forecast overspend of c£0.283m after the application of a one-off contribution from reserves of £0.065m. These costs cover the majority of direct costs and income associated with the operation of bus stations, however some costs are met from other county council budgets, for example, repairs and maintenance costs which are met from the county council's central repairs and maintenance budget.

The revenue consequences of the phased introduction of, and increase in departure charges in 2019/20, 2020/21 and 2021/22, is shown in the table below. These

figures are based on 2018/19 prices and assume no changes in the number of departures over this period.

| Financial Year | Budget £ | Net Expenditure £ | Bay Rental/ Departure Income £ | Net Expenditure (After Bay Rental/ Departure Income) £ | Forecast Variance £ |
|-----------------------|-----------------|--------------------------|---------------------------------------|---|----------------------------|
| 2018/19 | 516,000 | 1,302,000 | 438,000 | 864,000 | 348,000 |
| 2019/20 | 516,000 | 1,302,000 | 534,000 | 768,000 | 252,000 |
| 2020/21 | 516,000 | 1,302,000 | 609,000 | 693,000 | 177,000 |
| 2021/22 | 516,000 | 1,302,000 | 717,000 | 585,000 | 69,000 |

Should any deregistrations or diversion of services to bypass the facilities take place then this will reduce the projected income levels and result in an increased forecast variance from those shown above. Additionally the cost of all current and future tendered bus services, which make use of one or more bus stations, may see a cost increase to reflect the increased charges.

The table above demonstrates a continued budget pressure for the service, however work is underway to ensure the budget achieves a break even position with officers exploring all costs related to the bus station and opportunities to recover these via commercial opportunities. Progress and delivery timescales for this activity will be reviewed as part of finance monitoring boards that take place monthly for each service area.

Legal

Operators may look to avoid using the bus stations, particularly Preston and commence some of their services at on street bus stops or from alternative origin points such as on street stops or their depots although this might cause the operators some logistical problems. An increase in services stopping for longer periods on street as opposed to the bus station, would lead to congestion in the town and city centres. It would be possible to control this to a degree with Traffic Regulation Orders although there would be some impact on congestion and it would still lead to a reduction in use of the bus station.

List of Background Papers

| Paper | Date | Contact/Tel |
|---------------------|---------------|--------------------------------|
| Bus Station Funding | 13 March 2017 | Oliver Starkey, (01772) 534619 |

Reason for inclusion in Part II, if appropriate

N/A