



**TRANSPORT
FOR LONDON**

EVERY JOURNEY MATTERS

Contracting London's Bus Services



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London's bus system: organisation



MAYOR OF LONDON

The Mayor

Strategy

Chair of TfL Board

Fares

Transport for London

- Service planning & contracting
- Monitoring of output and quality
- Consultation & engagement
- Ticketing and AVL infrastructure
- Stops, stands, stations
- Information
- Research & advice.

Private sector contractors

- Tender for services
- Run services to TfL standards
- Employ drivers, controllers, engineers and other operating staff
- Own assets, including buses and garages.



The vision for London's buses is outlined in the Mayor's Transport Strategy

80% ACTIVE, EFFICIENT AND SUSTAINABLE

Buses will be vital in meeting the 80% target. London's buses transport more people than any other public transport mode.

A bus can move 70 people in the same amount of space taken up by about three cars.

HEALTHY STREETS AND HEALTHY PEOPLE

Buses are an integral part of the Healthy Streets Approach. Ambitious targets have been set:

“All buses to be zero emission by 2037”

“No one to be killed in or by a London bus by 2030.”

A GOOD PUBLIC TRANSPORT EXPERIENCE

We will be “shaping and growing the bus network to provide convenient, reliable, accessible public transport options [fleet and stops]”. For example improving customer information to encourage the use of the Hopper ticket.

NEW HOMES AND JOBS

The adaptability of London's bus network has a key role to play in flexing to support growth outlined in the London Plan. This includes bus access to town centres, feeder bus services to the Elizabeth line, bus transits and trials of Demand Responsive Transport.



London Buses - Key Facts

- 6.2 million bus passengers per day
- ~675 bus routes – over 100 operate 24/7
- 9,200 buses (over 150 zero emission)
- 25,000 drivers (employed by bus operators)
- 19,000 bus stops
- 30 bus stations
- Over 220,000 departures a year from Victoria Coach Station
- 1.2 million Dial-a-ride journeys per year.



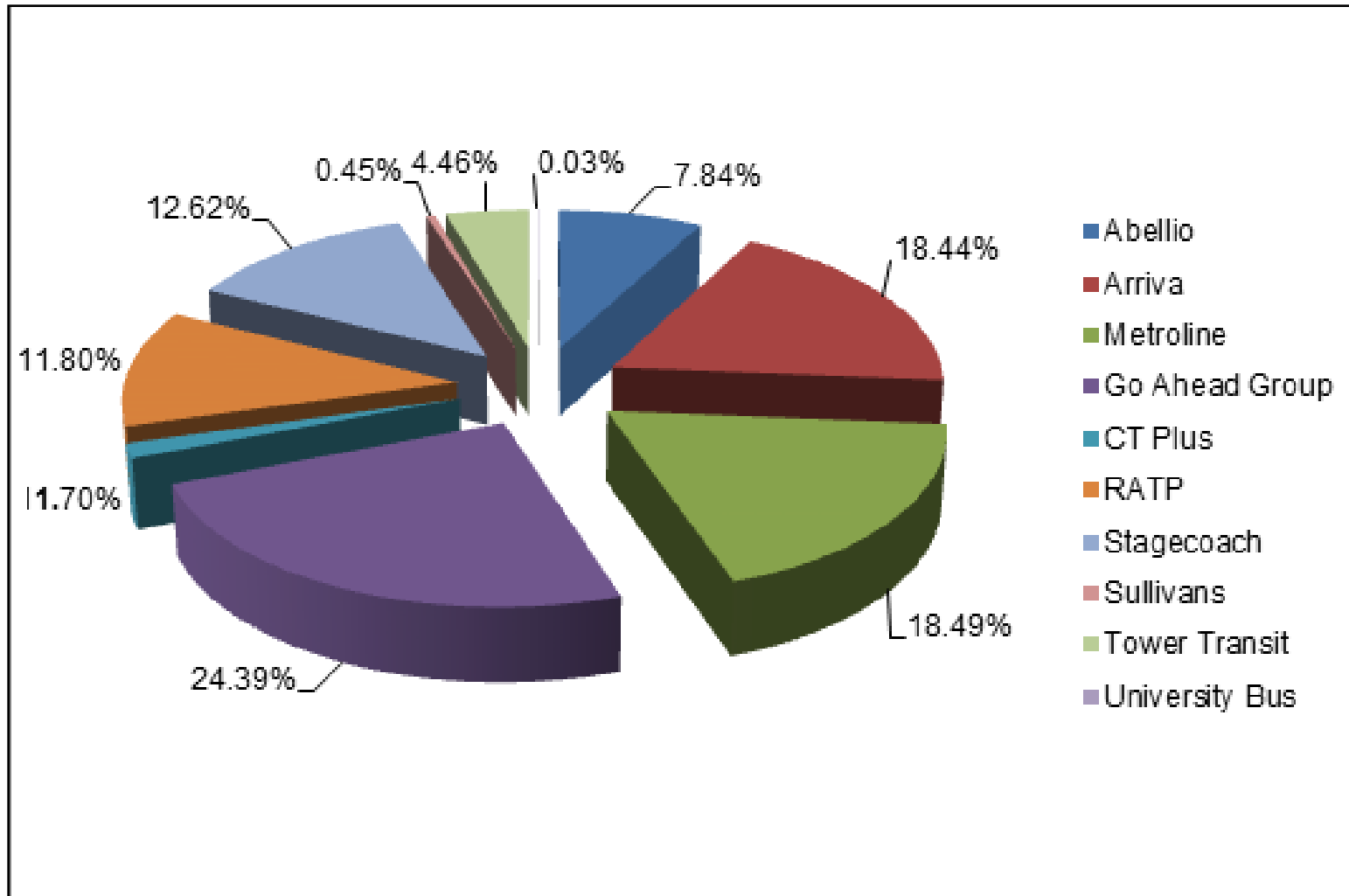
Bus Operations team

Department	Roles
Directors Office	8
Tendering & Evaluation	9
Monitoring & Implementation	23
Contracts and Development	24
Contract Performance	11
Bus and Coach Service Delivery (Ops Staff)	261
On Demand Transport (Dial a Ride etc)	445
Total	781



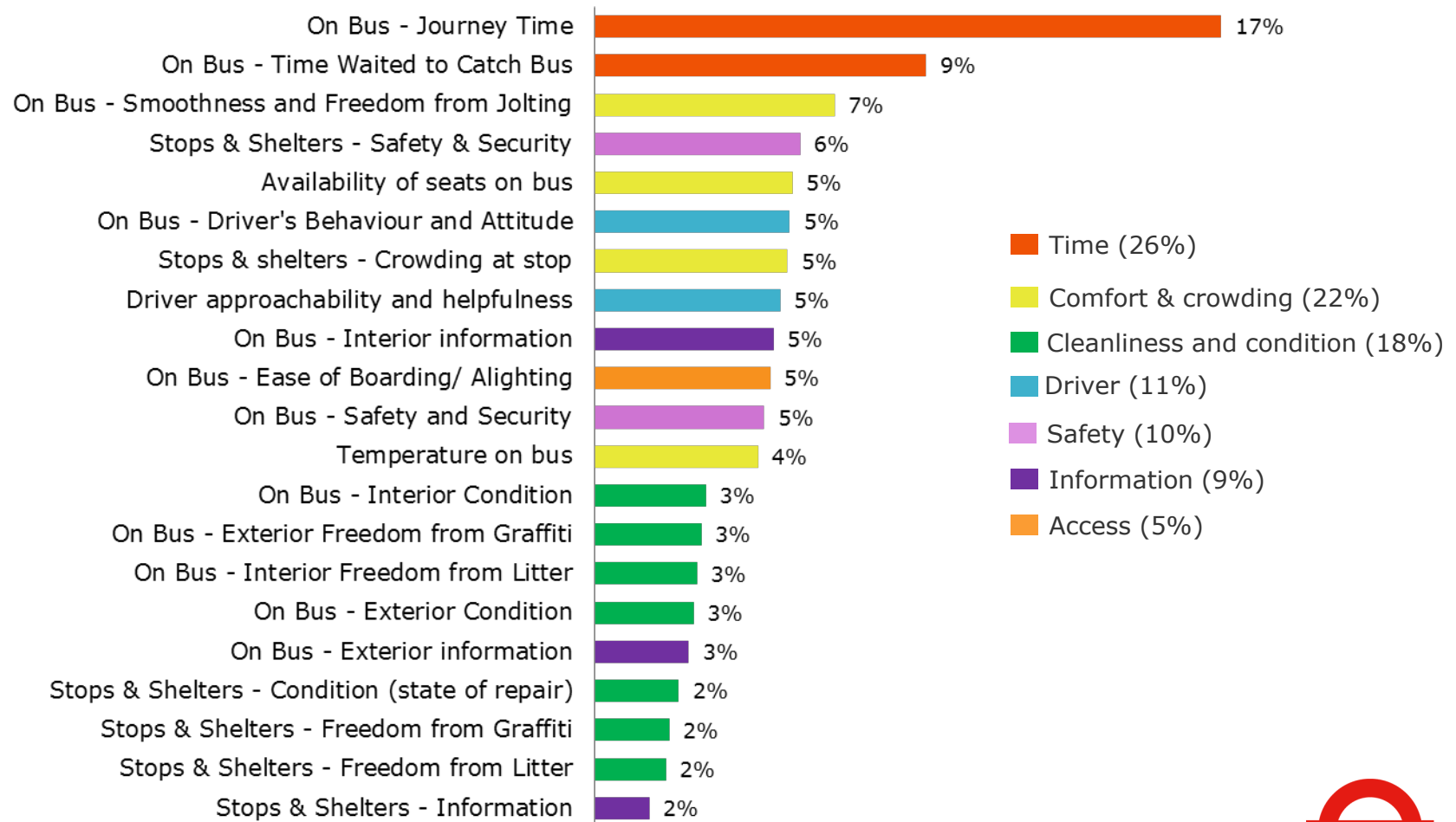
Bus Operator Market Share

Based on contract prices in January 2019



What drives customer satisfaction?

Bus customers have a range of priorities, focussed around **journey time, comfort, driver behaviour and safety.**



Responding to passengers' priorities

Service Planning Guidelines

Comprehensive service

Serving all areas, through the week

Simple

Routes should be as simple as possible

Frequent

“Turn up and go” if possible

Reliable

Predictable journey times.



Network development

Passenger-led

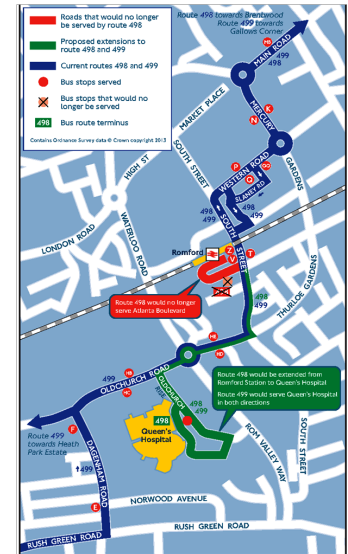
- Wide-ranging market research & surveys
- Structured engagement with stakeholders

Systematic planning framework

- All routes are regularly reviewed in a publicised programme
- This includes those being tendered and those affected by major change
- Over half the network gets some level of review each year.

Consultation

- All significant changes are subject to the outcome of consultation, with boroughs, London TravelWatch and others.

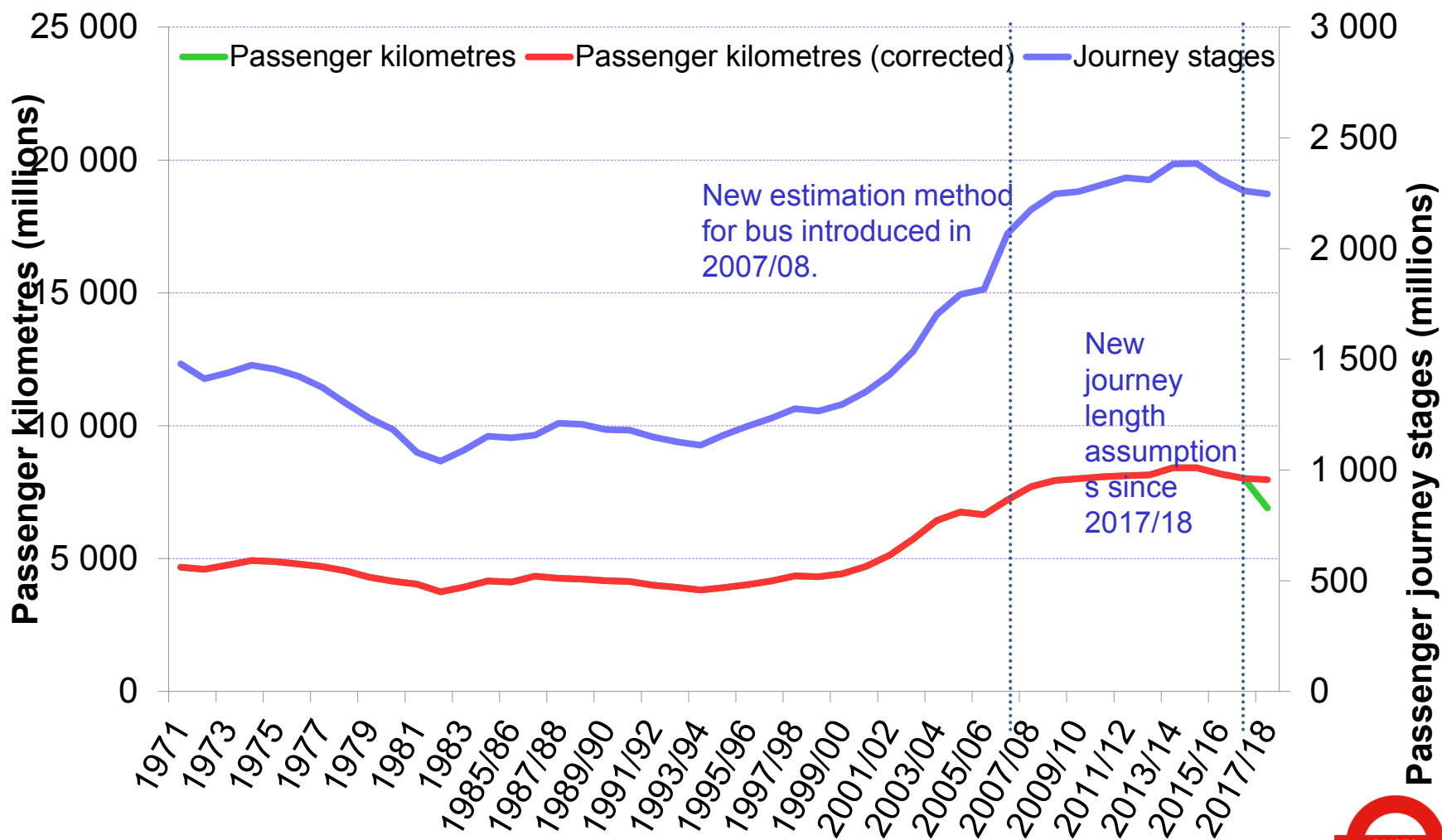


Cost-benefit framework

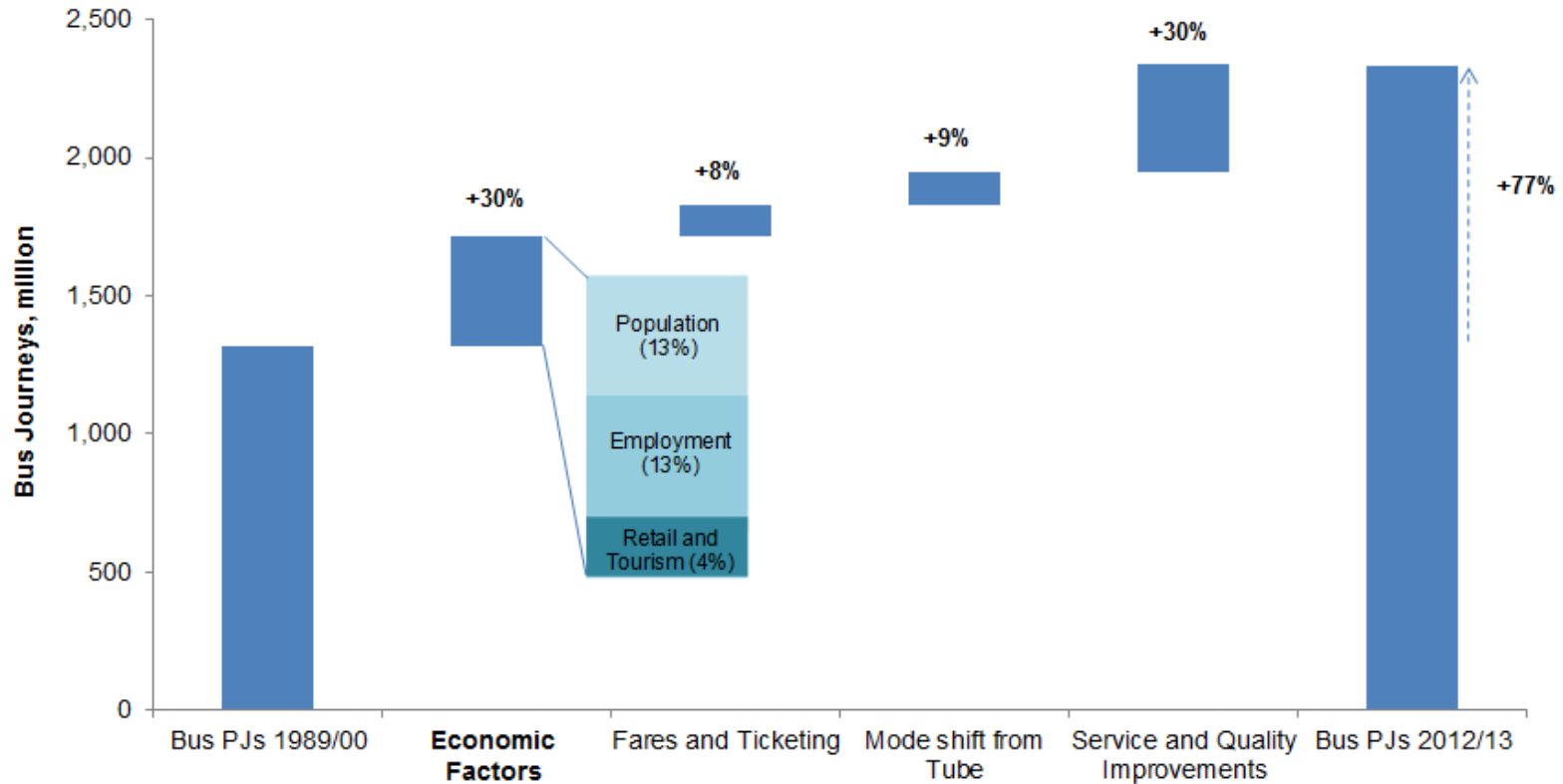
- Options for change are tested in TfL's business case framework.
- Includes quantification:
 - Benefits/dis-benefits (e.g. wait time, journey time change; need for interchange)
 - Net cost (gross cost less revenue)
 - Benefit to net cost ratio (or dis-benefit to net savings)
 - Current threshold is 2:1, i.e. benefits worth twice the net cost.
- Funds must also be available
- External funding can be used to commence services which may not immediately meet the normal tests.



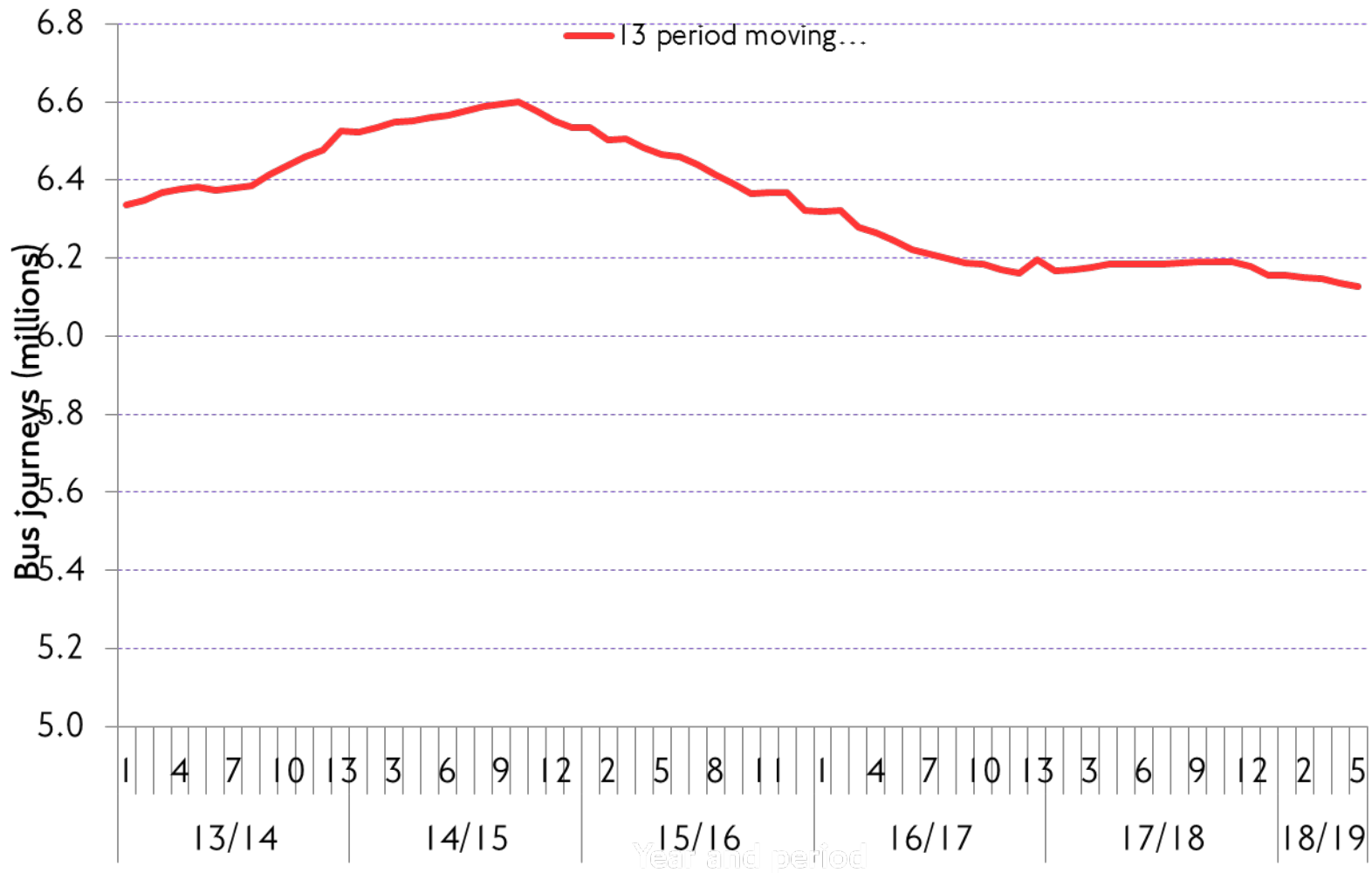
Passenger kilometres and journey stages travelled by bus, 1971-2017/18.



Explaining the 77% increase in bus demand between 1998/99 and 2012/13



Recent trend in bus passenger journeys per day, 13 financial period moving average, 2013/14-2018/19.



History of bus contracts



Introduction of contracting & private operation

- **Pre-1985** - All services directly provided
- **1985** - First routes tendered. Direct operator competing with private sector
- **1985** - Deregulation of bus operation in Great Britain, except in London. (Provision for introducing this later in London, but never carried out)
- **1989** - Direct operator prepared for privatisation. (Split into smaller companies)
- **1993** - 50% of the network tendered. Of which, 40% awarded to the private sector
- **1994** - Privatisation of state-owned companies.



Contract Types

1. Gross Cost

(contracts commencing 1985 - 2000)

- Five-year contracts
- Operating cost paid to operator. Revenue retained by London Buses
- Deductions made for kms not operated
- Contracts could be terminated for persistent poor performance
- Successful in bringing new entrants to the market (lower risk). No additional financial incentive for quality.



Contract Types

2. Net Cost

(contracts commencing 1995 -1998)

- Five-year contracts
- For each route contract, operators were paid the difference between operating cost and the route's estimated fares revenue (or vice versa)
- Cash fares were retained by the operators, pass revenue was distributed based on surveys
- Deductions were made for kms not operated and contracts could be terminated for persistent poor performance
- Any further revenue growth was retained by the operator.



Experience of Net Cost Contracts

- Passenger numbers grew by around 2%-3% pa
- The quality of service deteriorated and performance targets contained in the contracts were not being met
- Surveys to allocate revenue were expensive to administer and by their nature led to variability in the revenue stream to operators
- There were impacts on competition. The introduction of service changes and new routes was made more complex
- The general revenue growth which took place was not available for re-investment in the network.

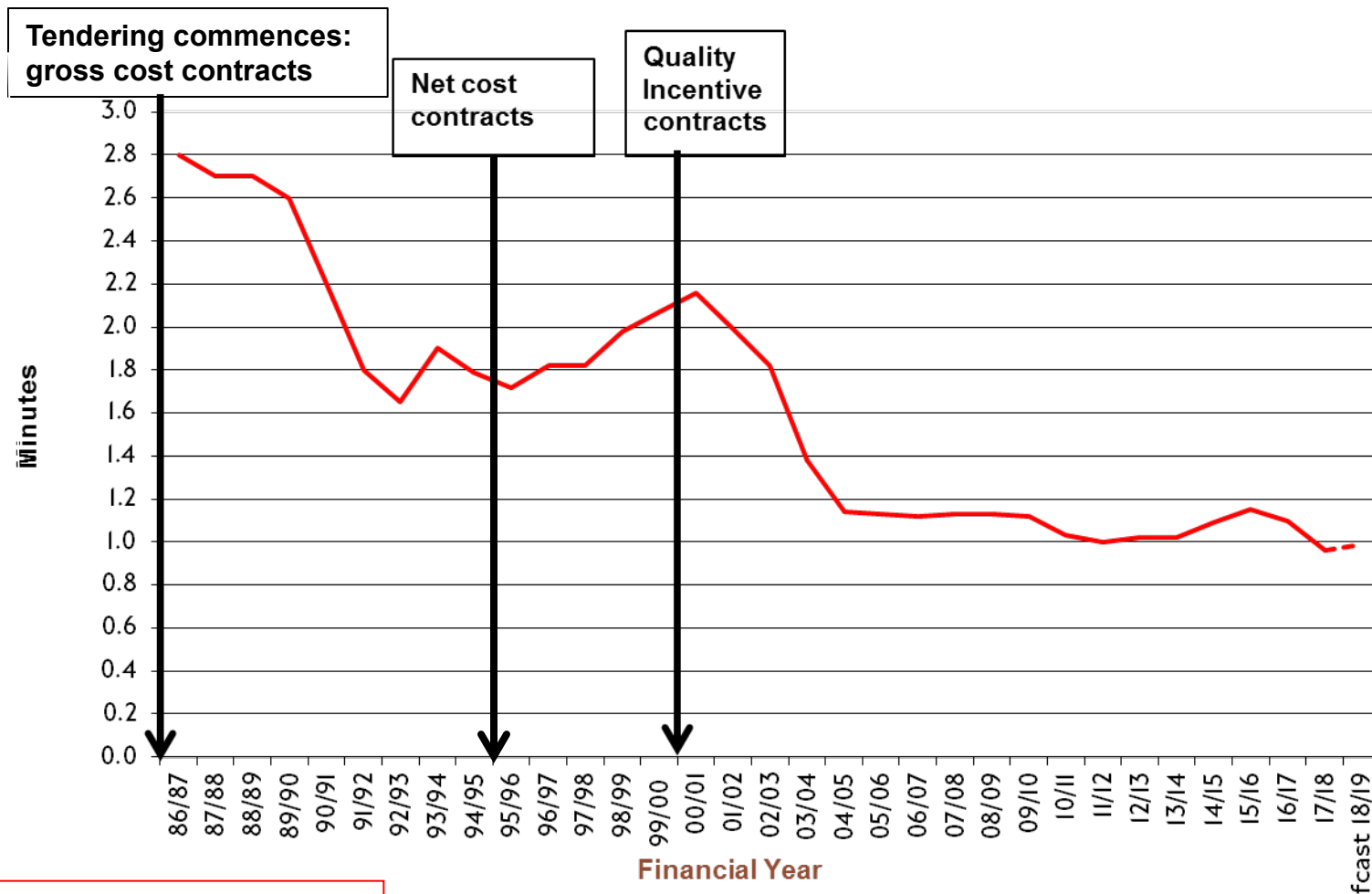


3. Quality Incentive Contracts (2000 - present)

- Gross Cost +
- Graduated payment scale based on reliability achieved against targets
- Performance above targets = bonus payments
- Performance below targets = deductions
- Two year contract extension offered if targets exceeded.

Reliability (excess wait time) vs. Contract Type

Excess Waiting Time for High Frequency Bus Services



Excess wait time pre-tendering hit highs of 4 mins in 1979.



Basic structure of the contracting system

1. Pre-Qualification

Operators must first become an 'approved supplier' through a pre-qualification process. High-level checks are made, for example financial status and management capability.

2. Framework Agreement

Pre-qualified operators sign a 'Framework Agreement' which sets the overall terms and conditions.

3. Route-level tendering

Pre-qualified operators can bid for all tenders. Further checks are undertaken before award to a new operator.



Tendering programme

- Each route individually tendered, with batches of Invitations to Tender issued on rolling basis
- Service reviewed in detail prior to tender
- Service & vehicle specification developed
- Contracts generally for five years – possible two-year extension
- Tender evaluation based on “most economically advantageous”



Tender evaluation

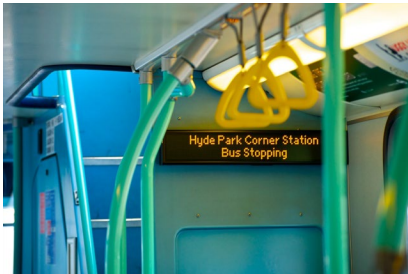
Key technical evaluation criteria for operators bidding:

- Resource and schedule proposals – for vehicles and drivers
- Service control and supervision proposals
- Drivers (recruitment, training and pay rates)
- TUPE
- Vehicles
- Garage (location, capacity & facilities)
- Engineering performance
- Volume of work / ability to start on time
- Management proposals
- Health, Safety and Environment.



Vehicles

- Bus operators are responsible for procuring vehicles (with the exception of the New Routemasters owned by TfL)
- TfL does not mandate specific vehicles, but vehicles selected by operators for tender bids must comply with TfL's requirements including:
 - Capacity and seating
 - Configuration (e.g. door layouts, wheelchair bay layout, internal and external passenger information)
 - Environmental performance (e.g. compliance with relevant Euro emissions standards)
 - Livery
- Mayoral target to deliver a zero emission bus fleet by 2037.



Bus Garages



- 77 bus garages in London
- TfL only own 7 garages
- The majority of garages are owned by operators, local councils or third parties
- Type of ownership varies between leasehold and freehold
- Many garages are at full capacity, space within London is a challenge.

Monitoring the Service

- TfL monitors a range of outputs including:
 - Service operated and reliability
 - Safety, and accidents/incidents
 - Driving standards and drivers' working hours
 - Engineering standards and environmental reporting
- Various monitoring tools are used and supported by audit. Results from Customer Satisfaction Surveys, Mystery Traveller Surveys and other surveys feed into contract management
- TfL regularly meets face to face with operators and works with them to address any problems.



Key elements of an effective contracting system

Contracts should be as simple as possible

Structure of risk and reward should be balanced

The authority's key performance objectives should be incentivised



Need to avoid regular disputes over detail of contract – emphasis must be on working together to improve services for passengers

Key elements of an effective contracting system

Ability be able to deliver changing political objectives

Respond to population and employment changes

Flexibility

Achieving social objectives such as improved accessibility



Support other developments such as rail and road changes

Respond to the unplanned

Take advantage of new developments, such as new environmental technology



Our current priorities

We need to work with our contracted bus operators to deliver a variety of initiatives to achieve Mayoral targets.



Customer Experience



Technology



On Demand trip requests



Increase patronage



Air Quality



Cost efficiency



Driver working conditions



ULEZ compliance



Bus Safety



Questions?

