

Report for Resolution

Report to Executive
28 July 2010

Report of Head of Transportation and Landscape

Subject Bus Shelter Provision in Norwich from July 2011

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Purpose

To agree the strategy to relet the bus shelter contract for the Norwich City Council area from July 2011

Recommendations

Executive are asked to endorse the strategy of inviting tenders for the provision, maintenance and cleaning of bus shelters in Norwich from July 2011.

Financial Consequences

The financial consequences of this report are to remove the small revenue expenditure of the present bus shelter contract. A future contract should be at zero cost to Norwich City Council and may provide a small revenue income stream.

Risk Assessment

The tendering of a contract to replace the present bus shelter contract could yield an improved service provision and an improved financial arrangement for this authority. Failure to correctly tender this provision could lead to the present contract continuing for an additional 12 months with continued revenue expenditure.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority for continuous improvement and the service plan priority to continue to provide a quality bus shelter provision for Norwich

Executive Member: Steve Morphew, Leader of the Council

Ward: All

Contact Officers

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Background Documents

None

Report

Bus Shelter Provision in Norwich from July 2011

1. The existing 15 year Norwich bus shelter agreement with Clear Channel UK Ltd (formerly Adshel) ends on 7th July 2011. The present agreement provides 150 bus shelters, 98 with illuminated advertising panels and 52 free of advertising. The City Council provides and maintains 7 bus shelters where Clear Channel has declined to provide them.
2. The income from the advertising meets Clear Channel's costs in providing the bus shelters along with on-going maintenance and cleaning.
3. The City Council has a small revenue budget allocation to maintain and clean the 7 City Council owned shelters and manage the present contract with Clear Channel.

Options

4. The do nothing option The City Council could choose not to provide bus shelters. On conclusion of the present contract, Clear Channel would be required to remove their shelters and make good each site. There would be little on-going cost to this authority though there could be a significant amount of correspondence objecting to the lack of bus stop facilities. The quality of bus services in Norwich would greatly reduce leading to a likely decline in patronage. Such a move would be contrary to the Norwich Area Transportation Strategy.
5. The in-house option The City Council could choose to provide and maintain the bus shelters. To provide the existing level of service (150 shelters) would require between £750k and £1M in initial capital expenditure. By not providing illumination in shelters the capital cost could be reduced though may make the facilities less attractive to use after dusk. There would be a significant on-going revenue cost in maintaining and cleaning the shelters.
6. The City Council could choose to offset these costs by entering into a partnership with a marketing company who could sell on-street advertising provided for through the bus shelter infrastructure. The income stream from the advertising may be greater or less than the required revenue costs and debt payments on the initial capital expenditure. Given fluctuations in earnings from advertising in the wider economy, this would present a major risk to the council.
7. The contract out option The City Council could choose to enter into a contract similar to the present agreement with Clear Channel UK Ltd. The company that won the contract would provide, maintain and clean the bus shelters in Norwich for an agreed period (normally 15 to 20 years). In return, the company would receive the income from the advertising. A stipulation of any contract could be that there is no cost Norwich City Council. Whilst the income might exceed revenue and debt payment costs, the risk would be born by the company.
8. Following recent consolidation within this business, there are 2 significant companies in this market. The existing Norwich bus shelter contractor, Clear

Channel UK Ltd, and their main competition, J C Decaux UK Ltd. Both are divisions of multi-national companies with wide experience in the provision and maintenance of street furniture.

Recommended Option

9. It is recommended that the council pursues the option to contract out bus shelter services within Norwich. This is for the following reasons:
 - Bus shelter provision in Norwich could be maintained either to existing standards or slightly improved;
 - The capital cost of providing bus shelters would be met by the contractor
 - There should be no on-going revenue costs to the council for maintenance and cleaning of the bus shelters. There may be a small revenue cost in managing the contract.
 - The financial and liability risks associated with providing bus shelters would be borne by the successful contractor.
 - It is possible that the contract could be a source of income to the authority. This depends on the number of advertising panels and the number of bus shelter sites required.
10. The quantity of bus shelters provided in a 'free to authority' contract relates to the number of advertising panels a contractors believes they can sell in Norwich in commercially attractive areas. However, commercial opportunities are constrained by the planning controls: for example, advertising shelters are presently not permitted in Newmarket Road. The number of bus shelters with advertising alongside possible provision of free standing advertising would determine whether any income stream to the council was realistic
11. It is likely that any new bus shelter contract would allow an agreed percentage of bus shelter moves each year. This prevents the difficulty under the existing contract of finance having to be found to move shelters when bus routes are altered. Another issue to be addressed during the tender preparation process is the requirement to invest in new shelters during the latter stages of the contract.
12. The present bus shelter contract requires that shelters in the City centre and other high profile locations are cleaned every 10 working days. Other locations are cleaned on a 20 working day cycle. It is likely that any future contract would have equivalent or better standards. Due to budget restrictions, the council owned shelters are cleaned about twice a year.

Possible programme

13. Should the Executive endorse the recommendation to contract out the council's bus shelter service, the key programme targets to the end of the existing contract would be as follows:
 - Issue an OJEU notice as soon as possible inviting interest in tendering for the Norwich bus shelter provision. Each interested party would be required

to complete a pre-qualification questionnaire.

- During summer 2010, officers will review the existing bus shelter provision and requests received from the bus companies, Members and members of the public for new bus shelter locations. This will determine the minimum requirements for the new contract.
- During autumn 2010, interested companies would be invited to tender for the bus shelter contract.
- In late autumn 2010, the tenders received would be assessed and a recommendation made to the Executive as to which bidder should have preferred status.
- Detailed negotiations with the preferred bidder would establish a contract document including a schedule of sites. During January/February 2011, it would be hoped to sign a pre-contract agreement to allow manufacture of new shelters and mobilisation to begin.
- A new contract would commence from 8 July 2011.