

Part A

Report to: Cabinet

Date of meeting: 9 September 2019

Report author: Managing Director

Title: Demand Responsive Transport (DRT) Scheme

1.0 Summary

- 1.1 As part of Watford's ambitions to develop sustainable transport, one of the Elected Mayor's commitments embedded into the Council's Corporate Plan, is to create a Demand Responsive Transport (DRT) scheme. This will support the provision of sustainable transport, particularly in the light of additional growth for Watford, which is expected to be around 800 new dwellings per year.
- 1.2 The Council is delivering a number of sustainable transport initiatives and this fits within an overall programme of work. Cabinet agreed to the production of a business case for a DRT scheme and delegated to the Mayor sign off of the business case and approval of undertaking a procurement process. A project management budget was agreed for development of the business case and formal tender. It was also agreed that the Community Infrastructure Levy receipts that had previously been committed towards funding the Metropolitan Line Extension were made available to fund the scheme if necessary. Funding of the DRT scheme was subsequently secured during the growth bid process (Jan 2019) and is now provided for in the Council's Medium Term Financial Strategy (MTFS).
- 1.3. Following detailed officer research, the Mayor signed off the business case and initiation of a procurement process on 17 January 2019. The Council selected the 'competitive procedure with negotiation' tender process under the Public Procurement Regulations 2015 to find the appropriate commercial operator for Watford's needs and a preferred operator has been identified. This report sets out the tender recommendation so the contract can be awarded.
- 1.4 The award of contract will enable the preferred operator to progress the delivery of the DRT scheme so that it can be launched in March 2020.

2.0 Risks

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
Low usage of DRT scheme	Unused and costly scheme, reputational impact on the council	<ul style="list-style-type: none"> • Clear objectives and KPIs set • Risk and rewards shared with operator • Lessons learned from existing schemes and market trends • Robust marketing and promotion • Sponsorship • Create an alternative mode of transport to compliment network • Engagement with the community • Manage demand e.g. real-time data • Work with HCC to use bus lanes • No fault termination clause in contract 	Treat and transfer	Unlikely (3) x High (3) = rating of 9
DRT competing with existing bus services	Existing bus services not being commercially viable and stopping or reducing the service on certain routes	<ul style="list-style-type: none"> • Not a fixed route service • Promote as a ride share service • Deal with as part of the contractual arrangements with the chosen operator 	Treat and transfer	Unlikely (3) x High (3) = rating of 9
Demand exceeding infrastructure requirements	Frustration of users and poor reputation	The scheme is expandable and the commercial operator has planned for this scenario in order to respond accordingly	Transfer	Unlikely (3) x High (3) = rating of 9

3.0 **Recommendations**

3.1 Cabinet is asked to:

- (i) Award the contract for the operation of a DRT scheme in Watford to **ArrivaClick (Arriva Kent Thameside Ltd)** for a period of 4 years with an option to extend the contract for an additional 2 years.
- (ii) Note that it is intended that the DRT scheme will commence operating from 30 March 2020.

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Report approved by: Manny Lewis – Managing Director

4.0 **Detailed proposal**

- 4.1 **Background** - A few DRT schemes have been introduced across towns and cities in the UK since 2017 and lessons have been learnt from these examples. Officers undertook detailed research into existing schemes, operators, vehicles, technology and customer experience to determine detailed requirements for a Watford scheme.
- 4.2 **Design** – The scheme is based on an App which utilises an algorithm to aggregate passenger ride requests on to the same bus journey. A customer requests a journey from A to B and the operator confirms the journey, the price, a pick-up point and ETA for pick-up. If the customer accepts the proposal then the bus picks them up from a nearby ‘virtual’ bus stop e.g. at the end of the customer’s road – this is known as a ‘corner to corner’ offering and differentiates it from fixed bus routes and taxis. There will be thousands of virtual bus stops modelled across the borough and built into the algorithm. If the passenger accepts the ride proposal then they are debited via a pre-registered debit/credit card. The App is run by the operator and its technology partner.
- 4.3 **Fleet** – The Council specified that it required an optimum number of small buses to cover an operational zone of the Watford borough boundary, plus Warner Bros Studios/Leavesden, Tolpits Lane and Croxley Park. This fully flexible bus service will

help support the modal shift to sustainable modes in line with the Council's vision. The operator submitted their proposal based on a fleet of 7 buses each with 15 passenger seats. The recommended operator's tender confirmed that all 7 buses will be available from day 1 of the scheme during peak operating hours, scaling down to 5 at times of less demand. Each bus will have comfortable seating, tables, free Wi-Fi, USB chargers and air conditioning ensuring a clean, comfortable and safe method of public transport.

- 4.4 **Accessibility** – DRT schemes are designed as a digital service with registration, booking, payment and wayfinding via an App – experience on other schemes shows that 99% of interactions are via the App. However, the operator will provide an online (web-based) and telephone service providing an equitable scheme in terms of accessibility. Each bus is fully accessible and DDA compliant, with front kerbside double door access and a fold-out wheelchair ramp. The wheelchair space comfortably fits medium to large electric wheelchairs and can also be used for pushchairs. Passengers can pre-register as a wheelchair user.

The App also has VoiceOver, Adaptive Font Size, Switch Control and TalkBack functionality.

- 4.5 **Hours of Operation** – the Council specified that it required a service that runs:-
- Monday to Thursday – 06:00 – 22:00
 - Friday & Saturday – 06:00 – 23:00
 - Sunday – 08:00 – 21:00

These hours can be flexed to adjust to demand e.g. extended hours on a Friday and Saturday, run up to Christmas.

- 4.6 **Pricing** – the tariff model proposed will appeal to multiple users, encourage frequent journeys and, in turn, drive modal shift by offering:-
- journeys currently being made by car, taxi and Uber and providing a significant cost saving vs these modes across all journey distances
 - journeys which are currently not available on the existing public transport network by positioning fares at a level which is deemed as an acceptable premium vs fixed bus routes.

The range of tariffs will include direct ride fares, weekly passes and credit bundles and is deliberately set higher than a fixed bus route fare and lower than a taxi fare:-

Direct ride pricing structure

	Off peak	Peak	Premium
1 miles	£1.00	£2.00	£2.50
2 miles	£2.50	£3.30	£3.80
3 miles	£3.50	£4.30	£4.80
4 miles	£4.50	£5.30	£5.80
5 miles	£5.50	£6.30	£6.80
6 miles	£6.50	£7.30	£7.80

- *Off peak – low demand times of day*
- *Peak – high demand times of day*
- *Premium – super high demand or low supply times of day (e.g. evenings)*

Credit bundle pricing structure

Credit	Cost	Discount
£11.00	£10.00	-9%
£23.00	£20.00	-13%
£60.00	£50.00	-17%
£125.00	£100.00	-20%

Credit bundle pricing structure

Credit	Cost	Discount
£11.00	£10.00	-9%
£23.00	£20.00	-13%
£60.00	£50.00	-17%
£125.00	£100.00	-20%

4.7 **Mobilisation & Launch** – the operator is confident of launching the scheme within the required timescales and appropriate clauses are included in the contract to this effect. Regular progress against the mobilisation plan will be monitored and mitigation put in place as necessary.

5.0 Procurement Exercise

5.1 Following the sign off of the Business Case by the Mayor a detailed specification was drawn up by officers setting out the detailed requirements for a scheme as described above. An OJEU Contract Notice was published on 12 March 2019. The Council chose to use the 'competitive procedure with negotiation' procedure in the public procurement regulations as this allows for negotiations with bidders to refine the proposition. Final tenders were submitted by 29 August 2019. The Council received good interest from the relatively small DRT operator pool available, answered a number of clarification questions and had a number of negotiation meetings with bidders during the tender period.

5.2 Initial bids were submitted by 15 April with a further bidding round of bids submitted by 17 June 2019 with three companies submitting bids at that stage.

5.3 The bids were assessed using the following criteria:-

Quality	
1. Experience of successful outcomes/operator suitability	25%
2. Method Statement	5%
3. Customer Care	20%
4. Opportunities and challenges	5%
5. Social value	10%
Financial	35%
Total	100%

- 5.4 The bids were initially evaluated by a small group of officers on 26 June 2019 and then moderated by members of the senior leadership team with the support of the Procurement Manager and Sustainable Transport Project Manager on 1 July 2019.
- 5.5 Interviews took place with all three prospective operators on 10 and 11 July 2019.
- 5.6 Following the interviews the moderation team revisited the initial evaluation observations, revised original operator scores against evaluation criteria, as necessary, and agreed to progress negotiations with two of the operators.
- 5.7 Extensive negotiations took place with the two operators between 23 July and 16 August 2019. This enabled a final tender to be published on 19 August 2019.
- 5.8 Final bids were evaluated by members of the senior leadership team (again with support from the Procurement Manager and Sustainable Transport Project Manager) on 2 September 2019. They revisited the formal tender evaluation observations and revised the moderated operator scores against evaluation criteria, as necessary.
- 5.9 Following this exercise the preferred bidder is ArrivaClick. Details of the scoring for the various bidders and the financial information relating to the preferred bidder is contained in the Part B report (Appendix 2) and which should be read by members in conjunction with this report.
- 5.10 References have been taken up and officers have conducted due diligence. Parent Company Guarantees are being progressed.
- 5.11 There were several positives assessed in selecting ArrivaClick including:
- Experienced in running DRT services
 - An enhanced customer experience for bus passengers
 - Sharing Watford's sustainable transport goals
 - Confident in their volumes and their ability to deliver
 - A 'realistic' and manageable Council subsidy required

- Absorbing a number of costs for the Watford scheme which would otherwise require higher Council subsidy
- Good added social value

5.12 ArrivaClick's tender also set out their expectations of ride growth starting with an estimated 130,614 total rides in year 1 (2020/21), rising to 269,347 in year 4 (2023/24). Should the scheme achieve higher performance, a revenue share mechanism will be set out in the contract.

6.0 Implications

6.1 Financial

6.1.1 The final scheme costs (revenue only), are confirmed in PART B report (Appendix 2).

6.1.2 The opportunity for sponsorship is being explored as a whole for a number of Sustainable Transport programme projects to ensure this potential is maximised.

6.1.3 The proposals are more than the MTFs allocated budget for DRT, however, the overall budget for sustainable transport schemes is sufficient to fund the sustainable transport programme including DRT.

6.2 Legal Issues

6.2.1 The Council has taken counsels advice in relation to the ability to offer a subsidy for operating a DRT scheme in order to ensure compliance with State Aid rules. The advice received was that, provided the Council undertook an open and transparent tender process to secure an operator, then the provision of subsidy would be State Aid compliant. As noted above the Council has followed the Competitive Procedure with Negotiation route in accordance with the Public Procurement Regulations 2015 to procure an operator. The Council also has the vires to provide the scheme using its general power of competence under s1(1) of the Localism Act 2011. The Council has instructed Trowers and Hamlins LLP to assist with the contract.

6.3 Equalities, Human Rights and Data Protection

6.3.1 An Equalities Impact Analysis (EIA) has been undertaken and is attached and a Data Protection Impact Analysis (DPIA) will be presented at Cabinet.

6.4 Staffing

6.4.1 Project resource was allocated to these proposals in September 2018 and will continue until launch. A contract manager will be appointed and be responsible for managing the relationship with the operator and their performance once the

scheme is live. This resource will also manage the bike share scheme and Transport App contracts.

6.5 Community Safety/Crime and Disorder

6.5.1 The scheme is via registration and digital/phone booking only and payment is made electronically when the passenger accepts the ride. The DRT bus is a completely 'cashless' environment and can only be accessed by making a booking. On booking a ride, passengers will know the driver's first name and the driver will greet them by their name on boarding. All vehicles have on-board CCTV.

6.6 Sustainability

6.6.1 This proposal forms part of a wider sustainable transport programme and will support our sustainable objectives and vision. Modal shift to ride sharing will also help support our climate crisis pledge.

6.7 Social Value

6.7.1 The scheme will provide employment for local people, including 18 drivers.

6.7.2 The pricing structure is designed to be accessible to low-income users and those who may not be able to afford a private vehicle or taxi.

6.7.3 The buses will provide an accessible and reliable service to a range of physical abilities.

6.8 Technology

6.8.1 The operator's App will be able to interact seamlessly with the over-arching Watford Transport App, whilst protecting data in line with GDPR requirements. A full programme of testing will be undertaken throughout the mobilisation period.

7.0 Reporting to Cabinet

7.1 Regular reporting to Cabinet will track the effectiveness of modal shift and level of total ridership

8.0 Ownership of Arriva

8.1 Arriva is currently up for sale by its parent company Deutsche Bahn. However, ArrivaClick has confirmed this should not impact the delivery and operation of the Watford scheme.

9.0 **Equality Impact Assessment**

9.1 The EIA has been undertaken and is attached as Appendix 1.
For Blue Badge holders the following concession policy will apply:

- Free fares
- Limited to Mon – Sun 10:00 – 15:00 (start of journey in line with operating hours standards)
- Watford Borough Council will reimburse the cost of the concession to Arriva Click
- This scheme will be reviewed after a 6-month period

10.0 **Data Protection Impact Assessment**

10.1 The DPIA has been undertaken and will be reported to Cabinet at its meeting.

Appendices

Appendix 2: PART B report

Background papers

- *None*