

CITY OF PLYMOUTH

Subject: Plymouth CityBus Limited Shareholding
Committee: Joint Growth & Prosperity and Support
Services Overview and Scrutiny Panel
Date: 29 October 2009
Cabinet Member: Councillor Mrs Pengelly
CMT Member: Director for Corporate Support
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Ref:
Part: I

1. Introduction

On 2nd June 2009 the Cabinet resolved that –

- Authority is given to seek, and negotiate proposed terms with, potential purchasers of shares in Plymouth CityBus subject to full Council approval of any final recommendation for sale
- This matter is referred to the Overview and Scrutiny Commission.

The project was placed on the Resources & Performance overview and scrutiny panel for the 10th June. This scrutinized the allocation of funds from the TCP Reserve to the project.

Overview and Scrutiny Commission considered the item on the 11th June and recommended that “the progress of the project be monitored by the Growth and Prosperity Overview and Scrutiny Panel who could consider inviting the Chair and Vice Chair of the Support Services Overview and Scrutiny Panel”

The 2nd June Cabinet decision was then called-in under our procedures and that call-in was considered at the Overview & Scrutiny Commission on the 24th June. The recommendation from the Commission was that the Cabinet decision should not be referred back.

2. Task & Finish Group

On 2nd September 2009 the Overview and Scrutiny Management Board approved the PID regarding monitoring of ‘Plymouth CityBus Limited Shareholding project’ a copy of which is attached to this report. The Aim is to

ensure that the process set out in the original decision is adhered to (2/6/09 Cabinet).

3. Process

3.1 Process to date

The project is divided into three distinct phases which can be summarised as follows:

	Planned From	To	Actual/ <i>Projected</i>	
-	02/06/2009		02/06/2009	Cabinet authority to proceed
1	30/06/2009	01/09/2009	11/09/2009	Advertise for interest in acquiring shares and invite bids. Initial assessment of bids.
2	11/09/2009	27/10/2009	27/10/2009	Stage 1 review. Negotiate and invite final bids. Receive final bids
3	27/10/2009	30/11/2009		Stage 2 review. Negotiate and make recommendations
-	30/11/2009			Presentation of report and recommendations to full Council

At the time of writing (20th October) it is not possible to confirm achieving the end stage point of 27th October. As previously reported bids were submitted by the 11th September 2009 from five bidders. Subsequently bidders were invited to submit second stage bids, and those bids are due to be received on the 22nd October.

3.2 Second stage bids

Second stage bidders were provided with access to a data room and two vendor due diligence reports, prepared by independent legal and financial advisers. The bidders had previously signed agreements that ensure that the information provided remains confidential. The financial due diligence report gave a business and market overview with detailed information on assets, cash flows, projections, taxation and pensions. The legal due diligence reports provided information on the contracts entered into together with the assets and liabilities of the company. Together these reports were comprehensive. The electronic data room provided further details about the company.

During this stage a number of meetings were arranged between the bidding companies and the management team of Plymouth CityBus. Additionally bidding companies had the opportunity to visit the main Milehouse site and had discussions with the project team.

The deadline for the return of second stage bids was to be the 21st October

2009, but at the bidders request this was extended to the 22nd October.

3.3 Competition in Plymouth

Currently operating in the bus market in Plymouth there are two main providers with some other limited competition. The principal providers are Plymouth CityBus and First Group, who between them have approximately 98% of the market. Target Travel, Stagecoach and Western Greyhound are operating a small number of services in the city. Target Travel has recently increased the number of subsidised service routes that it is contracted on but it is not anticipated that this will have a significant impact on the aggregate 98% market share of Plymouth CityBus and First Group.

As previously noted the Office of Fair Trading is referring the operation of the national bus market (excluding London and Northern Ireland) to the Competition Commission which will then conduct a detailed public investigation. It is expected that the enquiry will take 18 months to conclude i.e. summer 2011.

First Devon & Cornwall commenced new services on routes historically operated by Plymouth CityBus on Sunday 11th October. Plymouth CityBus started a new service to Plymstock and increased frequencies on their Ernesettle and Saltash services.

3.4 Public Interest

Since the last report to Scrutiny on the 1st October there has been an adjournment debate in the House of Commons (Westminster Hall) on Plymouth CityBus and sustainable transport.

3.5 Budget Monitoring

The Cabinet in June 2009 approved a budget of £946,000, split into the three stages:

Stage		Budget	Expected Spend to end of stage	Variation
		£000's	£000's	£000's
1	Advertise for interest in acquiring shares and invite bids. Initial assessment of bids.	499	406	- 93
2	Stage 1 review. Negotiate and invite final bids. Receive final bids	144	147	+3
3	Stage 2 review. Negotiate and make recommendations	303	-	-
-	Total	946		

The costs for this stage (2) are estimated since, at the time of writing, the end stage date has not been reached.

4.0 Recommendation

- 4.1** That officers provide an update at the Project Task & Finish Group meeting on the 29th October 2009.
- 4.2** That the Task and Finish Group notes this report and the progress made to date.