

CHAPTER 14

Conclusions

14.1 Our terms of reference require us to report whether Bristol Omnibus Company Limited, Cheltenham District Traction Company, City of Cardiff District Council, Trent Motor Traction Company Limited and West Midlands Passenger Transport Executive could in supplying stage carriage services, without significantly affecting the level of services provided, improve their efficiency and thereby reduce their costs. We have to consider this question with particular reference to the flexibility of working practices and the efficiency with which manpower and vehicles are used; procedures for maintenance of vehicles; methods for determining the nature, amount and timing of capital expenditure and the effect on costs; the way in which efficiency is affected by local authority policy and the way such policy is communicated to and within and implemented by the undertakings; the relevance for the efficiency of the undertakings of their size; and in the case of BOC and TMT, the relevance for their efficiency of their being subsidiaries of the National Bus Company. As explained in paragraph 1.5 the Cheltenham company is effectively part of BOC. We therefore make no separate reference to the Cheltenham company in this chapter.

14.2. We are also required to report whether any significant conclusions can be drawn from the differences between the efficiency and costs of each of the undertakings and those of the others; whether any of the undertakings is abusing any monopoly situation, with particular reference to the way it responds to competition and uses public funds; and whether, in relation to any matter falling within the terms of reference, any of the undertakings is pursuing a course of conduct which operates against the public interest.

14.3. We are conscious that we have looked at four only out of many bus undertakings in England and Wales. It follows that we are unable to make general recommendations applicable to the whole industry but we feel that we have been able to identify a number of common problems. As explained in Chapter 8, the demand for stage carriage services has for a number of reasons been falling since the 1950s and is expected to continue to fall. Most services are unprofitable. Some make heavy losses but it is not possible to abandon them on a wide scale except at considerable social cost. Financing unprofitable services is difficult and expensive and likely to become more so as demand declines, particularly in rural areas. When looking at the performance of the undertakings it is necessary to bear in mind that they are all performing under these constraints.

14.4. We have found it a very complex matter to judge the degree of efficiency and economy with which each of the undertakings has been carrying on its business and to compare one with another. There are many different measures of efficiency and there is no single agreed measure of performance

for purposes of overall comparison. As indicated in Chapter 13, there is inevitable conflict between the objectives of social performance and commercial performance. The difficulty is increased because some of the undertakings do not assemble the material needed for applying certain criteria. For example, only WMPTE of the four undertakings estimates passenger miles and calculates cost per passenger mile.

14.5. Furthermore, the undertakings are very different. WMPTE, unlike the others, has a duty to secure or promote the provision of a properly integrated and efficient system of public passenger transport to meet the needs of its area. From time to time, it is necessary on grounds of overall efficiency for the Executive to subordinate the efficiency of the bus service to that of the rail business; one example is the provision of unprofitable rail feeder services. It is perhaps more important that WMPTE operates in the difficult environment of a large conurbation, with high wear and tear on its buses but with the benefit of relatively high load factors. CCT is a department of a district council and draws on the council's common services. Relatively small and compact, it is in terms of resources about one-tenth of the size of WMPTE. It has one garage and one workshop and neither needs nor could sustain the range of sophisticated controls necessary in larger undertakings. BOC and TMT are subsidiaries of NBC and benefit substantially from group services. BOC's resources are about one-third of WMPTE's. It provides services over a wide area but draws 60 per cent of its revenue from urban operations. TMT also has a wide geographical spread of services but only around half BOC's resources; the main element in its services is inter-urban.

14.6. Finally, efficiency is affected by the policies of the local authorities involved with each of the undertakings. We comment on this aspect in paragraphs 14.9 to 14.11 below.

14.7. Manpower represents a high proportion of the undertakings' total costs. All the undertakings have achieved a considerable measure of success in controlling the level of manpower and have generally coped well with change, particularly in the case of platform staff who in recent years have had to face both a contraction in services and the conversion of nearly all services to one-man operation (OMO). We have expressed reservations about the extent of financial savings from OMO but its smooth implementation and acceptance by the workforces reflect much credit on management, union representatives and employees in all four undertakings.

14.8. Nevertheless, we have identified two areas in which further substantial savings should be made. These are vehicle maintenance in WMPTE and CCT and non-manual staff in WMPTE.

14.9. We have already mentioned that local authority policy has affected the efficiency of the undertakings. First, there is the general effect of changes in political control and secondly, particular effects related to the different relationships of the undertakings with local authorities. There is no doubt of the difficulties which can be caused to the undertakings by radical changes

of policy following change of political control of local authorities, although sometimes a change may be seen by an undertaking to be beneficial. These difficulties are inevitable so long as transport policy continues to be the subject of strong political disagreement.

14.10. As to particular effects on efficiency, we note that WMPTE occupies an ambivalent position in relation to West Midlands County Council. In its capacity as the public transport authority, the county has wide powers to direct and supervise the Executive but the latter nevertheless has in practice a good deal of freedom in the day-to-day management of the business. The county feels that efficiency would be improved if the PTE were simply absorbed into its own organisation. The Executive feels that it would benefit from less intervention by the county. With the existing statutory background, there is always the possibility of friction between a PTE and its county council. We believe, however, that on the whole the system has worked reasonably well in the West Midlands, thanks to the good sense of key individuals on both sides.

14.11. The policies of non-metropolitan counties affect mainly BOC and TMT. These counties have extensive responsibilities in the field of public transport and the extent of the companies' network very much depends on the financial support the counties provide. We noted that their resources and expertise in matters of public transport varied markedly from county to county but saw no evidence that they have been unreasonably inquisitive or interfering. In fact, as indicated in our recommendations, we should like to see the existing relationship between the counties and the undertakings supplemented by more formal arrangements, particularly in the direction of three year agreements which we believe would have a stabilising effect on the provision of public transport. The agreements should be coupled with the setting and monitoring of performance targets for the undertakings which would need to reflect and support the Secretary of State's target for NBC as a whole. Subject to an adequate level of performance by the undertakings, it is important that the counties should meet the whole loss (after any cross subsidy) on uneconomic services which they wish to retain on social grounds, if a reasonable standard of public transport is to be maintained in the long term. The companies should be less ready than they have sometimes been to supply such services without adequate reimbursement.

14.12. Our final major concern is the apparent conflict in the public interest between the existing institutional and financial framework for the provision of stage carriage services and the liberalisation of stage carriage licensing brought about by the Transport Act 1980. It is too early to judge the operation of the 1980 Act but, as explained in some detail in Chapter 11, experience so far in the areas of the four undertakings suggests that there are considerable difficulties in its implementation. We return to this matter in our discussion of the public interest.

14.13. Our detailed conclusions and recommendations are summarised below.

Summary of conclusions and recommendations

Financial framework	<i>Recommendation Number</i>	<i>Paragraph Number</i>
	Although there are, as would be expected, differences in the scale, quality and complexity of the financial and accounting systems of the undertakings they all appear to be generally satisfactory except for those aspects of CCT's methods to which we refer more specifically below.	2.143
	1. We recommend that the undertakings should review the manner in which their budgets are prepared. We accept that past performance is a useful starting point for setting budgets for the future but this should be accompanied, particularly in the case of CCT, by a more rigorous examination in quantitative terms of the resources required to achieve a planned level of service.	2.144
	2. CCT and TMT should investigate the possibility of a more formal delegation to budget holders at cost centres of responsibility for both the setting of and compliance with budgets. In the case of WMPTE, and to a lesser extent BOC, delegation already takes place but we recommend, particularly in the case of BOC, the greatest practicable participation by their budget holders in the setting of the budgets for which they are responsible.	2.145
	3. CCT's methods of presenting accounting and statistical information for management purposes fall short of best practice and should be reviewed as a matter of urgency with a view to making such information more readily understandable to recipients. CCT should also make greater efforts to produce route costing statements regularly, at least once a quarter (see recommendation 33).	
	4. The Cardiff City Treasurer's Department should take steps to expedite the changes in its computerised accounting system which have been under consideration for some considerable time.	2.146
	5. It is possible to express the unit costs of bus operations in a number of ways. The three methods to which we have referred in Chapter 2, namely by reference to vehicle miles (the method commonly adopted throughout the industry), to vehicle hours and to passenger miles, are all defective in one or more respects. We consider, however, that each of these statistics can provide useful management information and that all the undertakings should know their unit costs per vehicle mile, per vehicle hour and per passenger mile. We recommend that, to the extent that they are not already doing so, they should take steps to collect the necessary statistics to enable these unit costs to be measured.	
	6. We recommend that, to the extent that they are not already doing so, they should take steps to collect the necessary statistics to enable these unit costs to be measured.	2.147

8. The costs of making up and paying out cash wages each week, together with the attendant costs of security, are a significant expense. CCT has made good progress in converting its salaries and wages payments to non-cash methods, with nearly 60 per cent of payments made either by cheque or credit transfer. **We recommend that the other three undertakings should aim to make similar progress in this direction.** 2.148
- Appendix 2.1 describes the cash collection and control procedures used by each undertaking for cash collected on the bus. These systems give rise to some loss of individual driver accountability for the cash that he has collected, and we note that no system has been devised which combines the merits of a secure cash vault with those of individual driver accountability for cash collected. 2.149
9. WMPTE and CCT have both made significant efforts to collect more of their revenue off the bus, to the extent that this now provides over 50 per cent and 40 per cent respectively of their total traffic receipts. This not only improves the security of traffic receipts but, also of importance, helps to reduce fare collection delays at bus stops. For these reasons we consider it important that **all the undertakings should endeavour to increase the proportion of traffic revenue collected off the bus (see conclusion at 8.157 below).** 2.150
- In the cases of WMPTE and CCT, where the auditors accept that they have a duty to examine the economy, effectiveness and efficiency with which the undertakings conduct their business, we welcome the assurances given to us that value-for-money work receives the maximum attention possible within the resources that can properly be made available for the audit. 2.151
10. Because the statutory auditors of the two NBC companies, which are companies incorporated under the Companies Acts, have no duty to involve themselves in value-for-money investigations except to the extent that these affect their statutory responsibilities, **we recommend that NBC include 'value-for-money' investigations within the terms of reference of their group internal auditors.** 2.152
- We have also considered the question of the value-for-money of the management accounting systems. In the case of CCT and the two NBC companies we consider that these operate

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11.

economically. These operators rely for management accounting information primarily on information that would in any event be produced in the ordinary course of business. WMPTE, however, has established a considerably more complex and elaborate system with provision for a large number of cost centres. This may be justified by its large size compared with the other three undertakings but we recommend it should ensure that its management accounting and costing systems are not further refined at a cost exceeding the additional benefits to be obtained.

2.153

It will be apparent from the data given in Chapter 2 that, depending on the assumptions made as to the basis of evaluating and comparing costs, the ranking of the four undertakings in terms of their unit costs of operation can vary widely. Although we find the various comparisons useful in establishing profiles of the undertakings we do not think it possible to draw firm conclusions from comparisons of unit costs about the undertakings' relative efficiency in general (as distinct from their relative efficiency in carrying out particular functions). Neither do we think it possible to draw from comparisons of unit costs general conclusions about the relative efficiency of PTEs, municipal transport departments and NBC companies. Even if consistent trends or patterns could be identified, unit costs are not the only criteria by which efficiency should be assessed. Any comparison of efficiency would involve consideration of other factors, such as the level of service provided.

2.154

**Quality of
service**

There has been a tendency among non-metropolitan counties and in WMPTE to adopt standards of accessibility as a basis upon which revenue support is given. BOC and TMT have also paid attention to similar matters in the course of MAP studies. If more counties and operators were to use such an approach, generally accepted standards for support might eventually emerge.

3.32

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We should like to see improved and continuous monitoring of cleaning schedules at management level. However, we recognise that this may have significant cost implications. We recommend, therefore, that each undertaking should devise a system of periodic sampling which forms part of the monthly management information received by the responsible manager and that minimum operational achievement levels should be set.

3.33

<i>Recommendation Number</i>		<i>Paragraph Number</i>
13.	The extent to which punctuality is monitored varies considerably between the undertakings. They should all consider whether some more regular check on punctuality could be maintained for a modest cost, at the very least for less frequent services in rural areas.	3.34
	It is clearly necessary for the needs of the travelling public and especially those who do not have access to a private motor vehicle, to be taken into account when bus routes are being planned. We believe that it is the duty of elected members of local authorities to perform this task, and that there is no need for additional consultative machinery to assist the process.	3.35
Manpower and industrial relations	14. Whilst we are aware of the limitations in making comparisons for sickness absence, we recommend a closer monitoring of the reasons for absence of those categories of manual employees in CCT whose rates of sickness absence are significantly above those in the other three undertakings.	4.93
	15. WMPTE proposes to require its drivers to have their first five yearly medical examination at the age of 40 and to undergo annual examinations from the age of 60. We recommend that all the undertakings adopt a practice at least as rigorous as this.	4.94
	The degree of sophistication of the personnel function varies with the size and structure of the undertakings. We are satisfied that adequate resources are provided in each case.	4.95
	We are satisfied with the level of provision of training in the undertakings and hope this will continue despite the removal of the Road Passenger Transport section from the RTITB.	4.96
	Despite the nature of the job and the element of unsocial hours, the earnings of OMO drivers in the undertakings are attracting and retaining adequate manpower in the current economic climate.	4.97
16.	We note that strikes in WMPTE have taken place before the disputes procedures have been exhausted. If the procedures are unsatisfactory they should be renegotiated; if not they should be observed.	4.98
	The decentralisation of part of the industrial relations function in WMPTE is justified but we see the need for care to be taken that the authority of line management is not undermined.	4.99

<i>Recommendation Number</i>		<i>Paragraph Number</i>
	We consider that the overall industrial relations structure in WMPTE is satisfactory.	4.100
17.	We recommend that the Transport Department Consultative Committee in CCT be re-activated with the scope of its authority clearly established.	4.101
18.	If discussions with local full-time officials of the trade unions do not result in the election of a smaller committee of shop stewards to attend meetings with engineering management, we recommend that CCT takes the issue of the committee's size to the NJC whose national agreement for craftsmen provides for the election of one representative from each craft trade union to form a local committee.	4.102
	In the engineering department of CCT work involving the use of hand tools cannot be devolved to semi-skilled workers. It is clearly necessary for any organisation to match its workforce to the work required to be done. In CCT this would be better achieved by either employing a greater proportion of craftsmen or by negotiating to allow semi-skilled workers to take on some of the less skilled tasks at present reserved for craftsmen.	4.103
19.	The continuation of the agreement restricting the circulation of non-manual staff vacancies in CCT, in present circumstances, tends to be discriminatory and inequitable and we recommend that it be reviewed to allow manual employees equal opportunity with their non-manual colleagues.	4.104
20.	Industrial relations between CCT management and the traffic and salaried staffs are good. Industrial relations within the engineering department, however, are in need of improvement. We recommend that management exercise more effective supervision of the engineering manual workforce and improve its direct communication with the shop floor.	4.105
	Industrial relations within the engineering and white collar areas of BOC are good, and are largely so in the country traffic services. We are satisfied that the less satisfactory situation in the Bristol City traffic services is improving as a result of action being taken by the newly appointed General Manager.	4.106
21.	We consider industrial relations in TMT to be good but recommend that management and the trade unions review the local engineering pay agreement to remove the anomalies resulting from the outdated basis of payment of the Local Supplementary Rates.	4.107

Efficiency in the use of manpower in traffic operations	<i>Recommendation Number</i>		<i>Paragraph Number</i>
	22.	Although very different in size and characteristics, all four undertakings use very similar systems and procedures for the control of platform staff. Indeed, these seem to be in common use throughout the bus industry.	5.103
	Both WMPTE and CCT operate 100 per cent OMO while BOC and TMT are both over 90 per cent OMO. TMT expects to achieve 100 per cent within the next year while BOC intends to retain some conductor manned services in the City of Bristol for the foreseeable future	5.104	
	Manning levels in the four undertakings range from 2.2 drivers per peak vehicle required in WMPTE to 2.7 per peak vehicle in BOC. Both WMPTE and CCT limit spare drivers to 15 per cent of the minimum required to man the rosters and rely on overtime working to cover any shortage. In BOC overtime for platform staff is deliberately kept as low as possible and the spare drivers level is 20 per cent. Platform staff manning levels are particularly well controlled in WMPTE and, given their differing circumstances, are reasonable in the other three undertakings.	5.105	
	Scheduling constraints and allowances vary both between the undertakings and, within them, between garages, areas and divisions. We recommend that each undertaking should seek to standardise such constraints and allowances across its own garages at the lowest acceptable level.	5.106	
	The effect of such constraints and allowances, including restrictions on split shift working, is most onerous in BOC city services and is detrimental both to manning levels and scheduling efficiency. To a lesser extent the constraints are also onerous in CCT where the scheduler's flexibility is further constrained by the small size of many of the rosters at present in use. This constraint will be eased on completion of the conversion to 'fast fare' by late 1982.	5.107	
23.	While none of the four undertakings reached the notional maximum scheduling efficiency, averaged across the undertaking, WMPTE and TMT came closest and in individual garages exceeded it. In WMPTE and TMT scheduling efficiency averaged over 81 per cent, in CCT 79 per cent and in BOC city services 72 per cent. The low level in BOC reflects the constraints and allowances; and we recommend BOC should continue to give attention to these matters.	5.108	

<i>Recommendation Number</i>		<i>Paragraph Number</i>
24.	<p>Only WMPTE has recently started monitoring scheduling efficiency, none of the others do so and only BOC monitored operating efficiency. We recommend that all four undertakings should regularly use both measures in monitoring efficiency.</p>	5.109
25.	<p>The extent to which the undertakings monitored the use of spare staff varied, with only TMT regularly monitoring unused time. We recommend that all four undertakings should regularly monitor the use made of spare staff and the level of unused time.</p>	5.110
	<p>Subject to the agreed constraints and local practices, we conclude that traffic operations and platform staff were generally well managed and controlled in all four undertakings.</p>	5.111
Efficiency of maintenance of vehicles	<p>In all four undertakings engineering maintenance of vehicles takes place at two levels. Routine servicing and maintenance, including limited repair work and unit changes, are dealt with at operating garages. Major repair work, vehicle overhauls and unit and component reconditioning are undertaken at central workshops. This represents a logical and efficient separation of routine and specialised work.</p>	6.162
	<p>In CCT and the two NBC companies all maintenance activities are directly controlled by the Chief Engineer. It is too early to assess the effectiveness of the WMPTE approach of placing maintenance work at garages under the control of operations management.</p>	6.163
	<p>The undertakings all operate time based vehicle inspection and servicing programmes at the garages, but, subject to safety considerations, give priority to having the required number of vehicles available for service. This may result in some deviation from the planned programme. Planned work in the garages represents about 40 per cent of the total workload, the balance being defect rectification and repairs.</p>	6.164
26.	<p>With the exception of CCT much of the work in the central workshops is pre-planned in accordance with vehicle and stores requirements. WMPTE with a formal production control activity plans the majority of work in its three workshops. However, performance against plan is very variable. Both NBC companies had some weaknesses in production planning in their workshops. We recommend that all four undertakings take steps to strengthen and improve production planning and control in their workshops.</p>	6.165

27. Only WMPTE operates a premium payment scheme related to the performance of its engineering workforce. This scheme, the EPPS, was successful in helping to overcome very serious shortfalls in performance in 1978 and to restore output to nearer the 1974 levels. However, the EPPS is deficient in a number of important respects. Attempts to negotiate an improvement on EPPS using a supplementary output index scheme have so far failed. We recommend that in accordance with the terms of the EPPS agreement WMPTE gives notice of intention to terminate the scheme and seeks to negotiate more satisfactory arrangements paying particular attention to the need for work recording and control information. 6.166
28. In spite of currently paying 33 per cent above the national basic rate CCT has not yet made effective use of the productivity and flexibility provisions of the 1974 agreement. Given the present inadequate level of management control information we recommend that CCT takes steps to secure accurate work time recording on job cards and introduces work study techniques to provide standards for planning and control in the engineering workshop. 6.167
- Both BOC and TMT terminated incentive payment schemes in 1979, replacing them by very similar flexibility agreements. These agreements have generally worked satisfactorily in practice subject to our conclusion on the TMT local supplementary rates (see recommendation 21). 6.168
29. Vehicle reserve levels in WMPTE and BOC are appropriate to the nature of operations in the two undertakings. However, the level of reserves in CCT and TMT is high. TMT is taking steps to reduce the level, but CCT with an average of 6 vehicles daily (3.7 per cent of PVR) available for contingencies is taking no such action. We recommend that CCT re-examines its reserve vehicle requirements. 6.169
- Servicing and maintenance costs per vehicle mile are significantly higher in WMPTE than in the other undertakings, nearly double those in TMT and 11 per cent higher than CCT, the next highest. While substantial differences in operating conditions and average vehicle speeds will account for some of the gap between WMPTE and TMT, this is not the case in relation to WMPTE and CCT. In BOC where such costs are less than two-thirds those of WMPTE, some 60 per cent of operations are in similar urban conditions. We conclude therefore that the high level of servicing and maintenance

costs in WMPTE are attributable in no small part to weaknesses in planning, control and labour utilisation. A reduction of such costs to the CCT level would reduce total costs by £2.5 million in a full year, and to the BOC level by £8.7 million.

6.170

In spite of higher maintenance costs WMPTE also has the highest percentage of scheduled mileage lost due to breakdown, nearly seven times that in CCT and three times and five times respectively the level in BOC and TMT. However, the absolute level is very low in all four ranging from 0.03 per cent to 0.22 per cent.

6.171

Stock control systems and stock levels are satisfactory in three of the undertakings. However, in CCT the annual rate of stock turn is less than half that of the other three indicating scope for a reduction in the value of holdings.

6.172

**Non-manual
and
administrative
staff**

Between 1976 and 1980 WMPTE had an increase of nearly 20 per cent in the major categories of non-manual staff. This increase took place when business was declining. Since late 1980 there has been an overall reduction in non-manual staff of nearly 6 per cent.

7.49

Since 1976 the other three undertakings have all reduced non-manual staff numbers year by year, apart from a temporary increase in one year in TMT. The decreases range from about 9 per cent in CCT to 22 per cent in BOC.

7.50

Non-manual staff levels expressed as a percentage of the total workforce are very similar in CCT and the NBC companies, when account is taken of TMT staff engaged on work for other companies. However, the 16.5 per cent in CCT does not include administrative support received from other departments of the city council.

7.51

30.

WMPTE has a higher level of non-manual staff at 17.8 per cent of the total workforce. While WMPTE is more self-sufficient in a number of respects, advantage has not been taken of the potential for economies of scale. In particular non-manual staff levels in the engineering function are high compared with CCT and the NBC companies. We recommend that WMPTE undertakes a further and more stringent review of non-manual staff requirements with particular emphasis on the engineering function.

7.52

<i>Recommendation Number</i>		<i>Paragraph Number</i>
31.	<p>Compared with the other undertakings, WMPTE has a larger proportion of its non-manual staff in the higher grades. We recommend that WMPTE should carefully review the application of its staff grading structure.</p> <p>Non-manual staff levels and the grading structure in CCT and the NBC companies are generally reasonable.</p>	<p>7.53</p> <p>7.54</p>
Matching supply and demand	<p>County councils have an important role to play in determining the needs of their areas for bus services and thus in determining the size and shape of the bus network. It is clearly desirable that in performing this role they are well informed about passenger preferences in relation to bus services and the cost of providing these services.</p> <p>Minor revisions in services are continually made on the basis of comments made by passengers, local businesses, elected representatives and other interested parties. However, we believe that it is also necessary from time to time to conduct major reviews of networks which may demonstrate the need for more radical changes in order to adjust to changes in needs and market conditions.</p> <p>In WMPTE these major reviews have taken the form of Area Studies which will have covered the whole of the operating area by 1986. In BOC and TMT the MAP exercises, which include information on passenger demand, were a response to severe financial problems. Both companies intend to introduce new marketing techniques as a follow-up to MAP. CCT has not conducted a major network review since the 1972 review.</p> <p>We approve of WMPTE's, BOC's and TMT's decision to extend and improve these major reviews.</p>	<p>8.147</p> <p>8.148</p> <p>8.149</p> <p>8.150</p>
32.	<p>We recommend that CCT should, as a matter of urgency, develop and apply techniques along the lines of WMPTE's Area Studies or the NBC's MAP exercises. The data from such an exercise are an important aid to those whose task it is to adjust supply to demand, and experience of the other three undertakings suggests that it may lead to significant savings.</p> <p>It is also important that local authorities, as well as the bus undertakings, are well informed about the extent to which services are used and the cost of supplying these services. Such information is supplied by load factors and operating ratios.</p>	<p>8.151</p> <p>8.152</p>

33. WMPTE collects data on load factors and operating ratios on a monthly basis. It has set itself load factor targets so that management becomes aware of variations from those targets and has an incentive to examine the reasons for the variations. BOC and TMT have no regular system of collecting load factor data for all their routes. CCT undertakes, at the request of South Glamorgan County Council, regular autumn cordon counts. BOC, TMT and CCT have all produced operating ratios for individual routes but CCT has produced this information on a less regular basis than the two NBC companies. We recommend that all four undertakings should produce data showing operating ratios and load factors of individual services or, if more meaningful, groups of services, and that this data should be made available on, at least, a quarterly basis. 8.153
- We accept that decisions about bus services cannot, and should not, be made simply on the basis of load factors. Nevertheless target load factors are a useful management tool, and *actual* load factors should be known by county councils. The latter should also be aware of the cost involved in providing unremunerative, low load factor services, which are required to meet social needs. 8.154
- Average fares have increased in real terms in all four undertakings over the period since 1974. The operators told us that a major cause of this increase had been the growth in labour costs. 8.155
- Counties generally have policies limiting the size and/or frequency of fare increases. Many of them make compliance with these policies a condition of revenue support. 8.156
- Season tickets impose costs on bus undertakings as well as conferring benefits on them. An analysis of WMPTE's Travelcard and CCT's Multiride suggests that both these schemes have produced at least a net social benefit. BOC, however, recognises that the discount which it has given to season ticket holders has been excessive. The BOC experience demonstrates the danger of underpricing season tickets. Subject to this warning, however, we would want to encourage the undertakings in their efforts to increase the proportion of off-bus revenue (see recommendation 9). 8.157
- A number of fare experiments have been tried out by the undertakings. We are sympathetic to the attempts which have been made to attract passengers particularly by charging lower fares at off-peak periods. However, CCT

<i>Recommendation Number</i>		<i>Paragraph Number</i>
	and BOC can be criticised for introducing their off-peak fares experiments and, in CCT's case, for making it an integral part of the fare structure, without sufficient attention being paid to the relative costs of peak and off-peak services.	
34.	We recommend that all four undertakings carry out peak/off-peak costing exercises annually.	8.158
	The common fare policy together with substantial cost variation across routes means that some bus services are heavily subsidised by others. Recommendation 33 concerning the provision of route operating ratios should go some way towards dealing with this problem. It should enable authorities to scrutinise the performance of each route. We recommend that the level of cross-subsidy between services, and between time periods should be clearly identified in order to provide local authorities with a rational basis for the decision on the levels of subsidy to be provided via revenue support and through cross-subsidy.	
35.		8.159
Investment	We have concentrated on bus replacement policies in view of the very high proportion of capital expenditure spent on purchase of buses in each of the undertakings.	9.109
	The undertakings fixed retirement ages of buses to coincide with the expiry of certificates of fitness when recertification required a major overhaul; to that extent basing retirement policy upon judgment rather than quantification of costs was understandable.	9.110
	During the last decade real maintenance costs have risen very substantially. The withdrawal of new bus grant and the new requirement for annual testing are making an impact. The evaluation of the benefits and costs of alternative replacement policies must now become more scientific. We therefore recommend that quantitative evaluation be used.	
36.		9.111
	Although the task of choosing between new models is more difficult, the scepticism of the bus industry about the value of estimates of future running costs of new vehicles must be contrasted with other industries which have coped with new developments of familiar technology. We recommend that further steps are taken by the undertakings to quantify in broad terms the running costs of different vehicle types.	
37.		9.112
	We believe that in general effective competition between suppliers is the best safeguard of the interest of purchasers and that dependence on a single supplier's designs is to take significant	

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and avoidable risks. We recommend that the purchasing policy of the undertakings should be determined by them (or in the case of BOC and TMT, jointly with NBC) on the basis of efficiency considerations, and should have due regard to the general desirability of securing at least dual sources of supply.

9-113

The extent (if any) to which decisions on the nature, amount and timing of capital expenditure have increased efficiency or reduced costs can be assessed only by reference to the consequences of alternative strategies that could have been pursued. During the last decade substantial capital expenditure on new vehicles was associated with increases in real maintenance costs. However, available alternatives were severely restricted by the development of new mechanical features, by the requirement that new vehicles be suitable for OMO and by technical and safety regulations. Thus we are unable to quantify the consequences for efficiency of discretionary decisions as to the design of vehicles purchased.

9.114

We have examined the implications for costs of the change to OMO in Appendix 2.6. The difficulty of isolating the financial effects of OMO from those of other changes is such that we cannot say what effect its introduction had on efficiency and costs. Moreover we are unable to identify with any precision other design changes not a consequence of the change to OMO or a necessary response to changing operating conditions.

9.115

39.

Many of the vehicles purchased during the last few years by BOC and TMT had Leyland engines, but there is now a considerable weight of evidence that Gardner engines have substantial fuel and maintenance cost advantages for stage carriage services. BOC, TMT and NBC, which undertakes purchasing arrangements on their behalf, have told us that Gardner engines have periodically been in short supply. While Gardner engines retain their overall cost advantages the undertakings should seek to increase the proportions of their fleets fitted with them.

9.116

The return on capital expenditure of the undertakings during the recent past has been lower than that it might have been because the delivery and performance of the vehicles supplied have not met the reasonable expectations of the purchasers. It would be surprising if suppliers always succeeded in meeting such standards, but even after making due allowances we regard the experiences of CCT in particular as so unfortunate that they are beyond chance explanation. We conclude that as a consequence CCT's costs were increased.

9.117

Local Authorities— revenue support	<i>Recommendation Number</i>		<i>Paragraph Number</i>
		<p>The process of arriving at the amount of revenue support to be paid by a non-metropolitan county to a bus operator has to be a joint process between the parties. We believe that the operator should first consider his routes very carefully and identify separately those which contribute to overheads and those which do not. The county council should then see the detailed outcome of this examination. It is to be expected that as a result of this some profitable routes would have to subsidise unprofitable routes and a bargain be struck by negotiation.</p>	10.64
		<p>The present mechanism by which revenue support is paid by non-metropolitan counties to operators does indeed involve a detailed examination by the former of the latter's costs and considerable pressure from time to time for their reduction, usually through service cuts. The tension between the parties which this produces can be creative and promote the attainment of value for money. There are, however, some defects in the process. In particular where support is given on condition that revenues and costs should break even it is likely to prevent NBC companies from achieving on their stage carriage services, an adequate proportion of the financial target set by the Secretary of State for NBC as a whole.</p>	10.65
		<p>We think that the experimental system proposed by Cheshire County Council for the Warrington area should be watched by other local authorities. Although it is obviously too early to judge its potential, it may in the end offer a way of retaining within a system of revenue support some incentive to profit earning by operators, whilst enabling the county council to achieve value for money. We believe that all agreements made under the Transport Act 1978 should include proper provision for monitoring operators' costs.</p>	10.66
		<p>Many non-metropolitan counties allow NBC companies fares increases which are based on a lower rate of inflation than that given as guidance to these companies by NBC centrally. This conflict does not make for realism in planning. DTP have a role to play in avoiding this conflict since they give general guidance to NBC on the treatment of inflation.</p>	10.67
		<p>BOC and TMT have complained about the uncertainties which they experience over the amount of the revenue support which they receive from the counties and in particular of inadequate advance warning of changes. This can at times have an adverse effect on their efficiency. Counties in their turn point out the uncertainty over the level of Transport Supplementary Grant.</p>	10.68

We believe that three year agreements under section 3 of the Transport Act 1978 should have a stabilising effect on the provision of bus services. However, there are difficulties for counties entering into such agreements when they themselves have no commitment from central government on the level of financial support in future years. Nevertheless, it appears that more counties are now proposing to enter into such agreements and it is encouraging that DTp told us that the Secretary of State would take an agreement into account when deciding what levels of expenditure to accept for the purposes of TSG.

10.69

Under the Transport Act 1978 non-metropolitan counties have a duty 'to develop policies which will promote the provision of a co-ordinated and efficient system of public passenger transport to meet the county's needs'. Public passenger transport service operators and county and district councils are given a duty to 'co-operate with one another . . . for the purpose of co-ordinating public passenger transport services within the county'. Since county councils are given no powers to enforce co-ordination if an undertaking operates without a subsidy from them, effective co-ordination depends upon the voluntary co-operation of local authorities with operators and with each other.

10.70

The tripartite agreement between Derbyshire County Council, Derby City Council and TMT shows what can be done when there is a will to find a solution to problems of co-ordination.

10.71

Since different county council administrations not infrequently have different transport policies, operators may experience sudden changes in the level of services they are asked to provide. When this occurs there may well be some adverse effect on the efficiency of the operators.

10.72

In general the mechanisms for communicating the policies of local authorities to and within the bus undertakings studied are satisfactory. However, in the case of BOC communications in the reverse direction could be improved by BOC's giving more advance warning to councils of action which it intends to take, especially any which might increase the revenue support required.

10.73

Competition

As a result of the Transport Act 1980 a conflict arises between two aspects of the public interest. To the extent that a competitor reduces the return derived by the established undertaking from a profitable part of the network, services which are non-profitable, though socially

necessary, are likely to be curtailed. To the extent that the established undertaking, with the support of local authorities, protects the network by defeating competition, the benefits of competitive stimulus are likely to be lost.

11.56

This conflict makes the questions before us very difficult to answer. It must also be emphasised that they have to be answered against the background of the existing institutional and financial framework. It is possible to envisage bus services provided upon quite a different basis. They might be provided with much less reliance on cross-subsidisation and much greater reliance on public funds for the support of loss-making services. Such altered circumstances might well affect the decision of what could be justified as response to competition.

11.57

We have to judge the responses of CCT and TMT in the circumstances actually prevailing. It is clear that they have used their superior financial strength in an attempt to drive off small competitors. CCT increased the frequency of its Llanrumney service although it was already in its view an adequate service, and was much more frequent than the increased service offered by its competitor. TMT lowered its fares selectively to, or below, the levels of competitors. One of these undertakings is part of a municipal authority and the other is part of a nationalised industry; both are in receipt of subsidies from public funds. We do not condone or approve their conduct, but we recognise that the alternative to eliminating competition on profitable routes would be to curtail or abandon services on some unprofitable routes unless an increased subsidy could be obtained from the local authority. In all the circumstances we do not conclude that the actions of any of the undertakings have amounted to abuse of any monopoly situation or to conduct operating against the public interest.

11.58

**Management
and control
of the
undertakings**

40.

Largely because of its size, the organisational structure of WMPTE is far more complex than the other three undertakings and reflects a different approach in a number of respects, particularly engineering and labour relations. Since 1974 WMPTE has been subject to continual reorganisations and it is not clear whether the best form has yet been achieved. However, we recommend that after completing the present organisational changes, WMPTE should, for a time, limit organisational changes to those necessary to secure specific efficiency improvements.

12.182

*Recommendation
Number*

*Paragraph
Number*

- The organisational structures of CCT, BOC and TMT are relatively simple and straightforward, reflecting the needs of the undertakings and clearly understood by management and staff. 12.183
- BOC's and TMT's relationship with NBC is both relevant and beneficial to their efficiency. 12.184
- Only BOC and TMT, following NBC directives, have implemented a formal corporate planning system covering the next four or five years. WMPTE is developing a corporate planning system but operating managers do not make a significant contribution. CCT has no planning system beyond the one year. Neither the NBC procedure nor the proposed WMPTE procedure includes formal targets agreed and tested for feasibility by the operating units. 12.185
- None of the undertakings sets targets as part of a formal unit cost reduction programme aimed at reducing cost whilst maintaining the same level of service. Most of the cost reductions which have been secured in recent years, with the notable exception of those arising from the introduction of OMO, have resulted from reductions in the level of service. 12.186
41. An appropriate detailed planning horizon for the bus industry is three years. This time scale corresponds to the statutory provisions for three years revenue support agreements, the lead time for bus procurement and allows sufficient time for a cycle of timetable and schedule revisions. We therefore recommend that each undertaking should adapt its procedures to produce annually a three year operational plan. 12.187
- We are conscious of the difficulties which arise in the absence of three year agreements with local authorities and the consequent uncertainties about the level of future revenue support. Nevertheless, the undertakings should, in co-operation with local authorities, be able to make progress towards introducing the procedure we recommend. 12.188
- The procedure for producing the operational plans should have the basic features set out in paragraph 12.189 but the degree of detail should be appropriate to the size of the undertaking and its management resource. 12.189
- WMPTE and NBC centrally have seen the need for a review of the Management Information Systems and have plans for producing more integrated systems which will improve the precision of financial and planning information. CCT systems are less sophisticated and their

<i>Recommendation Number</i>		<i>Paragraph Number</i>
	development is dependent upon adequate resources being made available for systems analysis and programming from the appropriate city council department (see recommendations 4, 5 and 6).	12.190
42.	The General Manager of CCT does not enjoy the same autonomy as the heads of the other three undertakings. Many matters relating to the undertaking can only be decided after submission to one or more committees of the city council with ensuing delays. The efficiency of CCT is consequently reduced and we recommend that the city council should consider how these matters might be improved.	12.192
	It is quite natural that WMCC councillors should take an interest in the operations of WMPTE and this can promote a healthy questioning of the services provided. However, if this interest is carried to the stage of intervention in day-to-day management as the evidence presented to us shows it sometimes has been, efficiency is adversely affected.	12.193
	We regret that WMCC does not use its powers to set efficiency targets for WMPTE. However, we do not think that it would be an improvement for the PTE to become part of the county council.	12.194
	The arrangements imposed by statute on a PTE and its county council do not make for easy relationships between those bodies. Nevertheless key individuals in WMCC and WMPTE have succeeded in making the arrangements work satisfactorily.	12.195
Comparative performance of the undertakings	We have not felt it possible to define a single measure of performance by which to compare the undertakings. At least two aggregate measures are necessary, one for social performance and one for commercial performance. There is a wide variation in the level of these indicators between undertakings and over time in the case of the commercial performance.	13.79
	Management action to improve one measure is almost certain to affect the other adversely. Currently WMPTE performs best from the social standpoint as measured by the ratio of passenger miles or passenger journeys to total cost, and CCT and TMT perform best from the commercial standpoint as measured by the ratio of net passenger revenue to total cost.	13.80
	Whilst the performance of an undertaking clearly depends on efficient management, our analysis, based on data supplied by the undertakings, confirms that the level of performance which can be achieved by management is also	

	to a considerable extent influenced by external factors such as density of population and traffic congestion.	13.82
	We have not been able to demonstrate any strong influence of size of the whole undertaking on unit costs nor of size of depot on scheduling efficiency.	13.83
	In the areas of fares and service levels there is some indication that the same policies implemented in different undertakings would achieve different levels of success because of variations in market behaviour.	13.84
43.	Tabulations of costs in the form of unit costs derived from the CIPFA allocation convention (see Table 13.7) may provide possible means of direct comparisons between undertakings which may be relatively insensitive to the socio-geographic operating environment. We recommend that all bus undertakings should prepare annually this tabulation of unit costs in a common form and under common definition of cost categories to be prescribed by the Department of Transport and submitted to the Department for dissemination within the industry. We believe that exploration of the reasons for differences in the unit cost categories will not only help the comparison between undertakings but may also be used within an undertaking to monitor trends over time.	13.85
	In view of the large influence of external factors on the absolute level of performance we believe that the most helpful current method of comparison is by means of the trend in performance over time. In terms of trends all undertakings show a worsening of social performance of about the same magnitude since 1979. Only in WMPTE was that trend evident before 1979. In terms of the trend of commercial performance BOC and to a lesser extent WMPTE appear to be in decline whilst CCT and TMT are improving. TMT in particular has had a good level of performance since 1977.	13.86
	We have investigated the abilities of the undertakings to absorb the trend in external increase in the unit cost of resources. CCT has consistently had the best performance since 1974-75 followed by WMPTE. With respect to the two NBC companies TMT appears to have regained control of unit costs since 1977 but this has yet to occur in BOC.	13.87
	We believe that the development of models such as that described in Chapter 13 would be valuable in helping to assess the likely effects of proposed policy changes. We therefore recommend that the undertakings consider how they might build on the experience referred to in paragraphs 13.75-13.77.	13.88

Priorities

14.14. All these recommendations are important, but among them there are a few which appear to us to demand the prior attention of the undertakings. Five of these particularly important recommendations apply to all four undertakings. They are:

- 24 They should regularly monitor both scheduling efficiency and operating efficiency as indications of their effective employment of platform staff.
- 26 They should take steps to strengthen and improve production planning and control in their workshops.
- 33 They should produce, at least quarterly, data showing operating ratios and load factors of individual services or groups of services.
- 36 They should use quantitative evaluation of the benefits and costs of alternative bus replacement policies.
- 41 They should adapt their planning procedures to produce annually a three year operational plan.

14.15. For two of the undertakings, however, there are particular recommendations of still more urgent importance.

- 14.16. WMPTE should give special priority to the following:
giving notice to terminate the engineering premium payment scheme and seeking to negotiate more satisfactory arrangements with particular attention to the need for work recording and control information (recommendation 27);
undertaking a more stringent review of non-manual staff requirements with particular emphasis on the engineering function (recommendation 30).

- 14.17. CCT should give special priority to the following four matters:
reviewing its methods of presenting accounting and statistical information for management purposes (recommendation 4);
exercising more effective supervision of the engineering manual workforce and improving direct communication with the shop floor (recommendation 20);
securing accurate work time recording on job cards and introducing work study techniques to provide standards for planning and control in the engineering workshop (recommendation 28);
developing and applying techniques for assessing supply and demand on the lines of WMPTE's area studies or the NBC's MAP exercises (recommendation 32).

The public interest

14.18. We have not found that any of the undertakings is abusing any monopoly situation existing in its favour, nor that in any matter falling within the questions referred to us any of the undertakings is pursuing a course of conduct which operates against the public interest. Before coming to these

conclusions, we gave particularly careful consideration to the actions taken by CCT and TMT in response to competition from independent operators which we describe and discuss in Chapter 11.

14.19. The terms of reference require us to say whether the efficiency of the undertakings can be improved. Necessarily, therefore, we have concentrated on possible criticisms, but we have also found much to commend. We appreciate the level of efficiency and service which the undertakings have managed to achieve, but we believe the efficiency can be increased and the service improved. We make our recommendations in the hope that they will lead to that result.

J. G. LE QUESNE (*Chairman*)

K D GEORGE

D G GOYDER

E A B HAMMOND

H H HUNT

N L SALMON

N E D BURTON (*Secretary*)
7 June 1982