

13 Summary of recommendations

In this chapter we summarise our recommendations. We set out in bold type those to which we consider priority should be given. They relate to the priority areas we have identified in Chapter 12.

<i>Recommendation</i>		<i>Paragraph</i>
<i>no</i>	Management	<i>no</i>
1	We understand that a new framework of objectives will be agreed between the holding company and the DOE (NI) in 1989. We recommend that the Board of Directors should formally review the companies' objectives at that time, and regularly thereafter.	2.63
2	The companies have concentrated on delivering a 'no-nonsense', 'no-frills' service at low cost. Recently the companies have recognised the need for a market-led approach. The task of changing attitudes throughout the companies is substantial. We recommend that senior management should set out a plan for this, with targets and a timetable.	2.64- 2.66
3	We think that the companies' long-term plans should summarise matters which have to be planned beyond the current year, making explicit statements of the main elements of strategy and declaring key corporate targets. We recommend that the companies should put together a long-term plan along these lines and review it every year.	2.71
	Management information systems and computer services	
4	The bus companies are relatively small enterprises with short lines of communication and an informal 'hands-on' style of management. We recommend that every effort should be made to keep formal management reports to an essential minimum.	3.34
5	We recommend that the companies should introduce a management performance appraisal system, including the setting of objectives and monitoring their achievement on an annual basis.	3.35
6	Generally, reports do not compare performance against budgets, standards or targets. We recommend that, once systematic management objectives have been set, the companies should match the reports to managers' tasks.	3.36
7	A notable deficiency is the lack of information about the numbers of passengers. The introduction of 'Wayfarer' has created opportunities for remedying this. We recommend that Ulsterbus should now define the management control information needed by Depot and Area Managers (see paragraph 10.81).	3.37

8 The companies have had difficulty in retrieving data for analysis once period reports have been created. We recommend that they should plan carefully to ensure that full use is made of modern database techniques, and of the computer enquiry language which has been purchased. 3.40

We identified a number of functions, to do with the application of computers in the companies: 3.41

- (a) advising the Managing Director on how computer applications can best support corporate strategies;
- (b) recommending, annually, to the Managing Director, for submission to the Board, a medium-term computer development plan;
- (c) recommending for the Managing Director's approval major computer projects (hardware and software) based on analysis of costs and benefits;
- (d) defining the format for proposals for computer projects, which should include an implementation plan; and
- (e) overall monitoring of the medium-term computer development plan, and of individual projects, and recommending action if called for.

9 It is important that there should be a strong input from the users of computer services into these functions, and we recommend that the companies should ensure that this is so.

10 We cannot say whether the companies made the best choice of new computer hardware. We recommend that in future a specification should be drawn up by the companies at the commencement of the selection process, and proposals thus judged against predetermined criteria. 3.42

11 Small enterprises like Ulsterbus and Citybus cannot be expected to have in-house a full range of specialist computer expertise. We recommend that they should consider, when appropriate opportunities arise, the benefits which the use of outside suppliers such as consultants and computer bureaux might provide. 3.44

Financial framework

12 Hitherto the DOE (NI) and NITHC have set no precise financial targets or efficiency measures of the type laid down in the 1978 White Paper on nationalised industries (Cmnd 7131). We understand, however, that this matter is currently in hand (see paragraph 2.63). **We recommend that the financial aims of the companies should be formally defined and that the two bus companies should operate within the financial framework laid down in the 1978 White Paper. It would involve having:** 4.25, 4.26

- (i) a target rate of return fixed for an appropriate number of years;**
- (ii) a series of performance aims for the same period relating to costs and standards of service;**

(iii) a fares policy related to the financial target; and

(iv) investment appraisal to ensure that the companies aim at earning on their new investment programmes a rate of return as prescribed by the Treasury.

13 At present the DOE (NI) makes a 50 per cent grant towards the purchase cost of new buses which acts as a network subsidy. An alternative method used on the mainland is for individual services to be subsidised, the services being granted by way of competitive tendering. We do not consider this the most suitable system for Northern Ireland under present circumstances. We therefore recommend that the current system of capital grants should not be changed at this time. 4.27

14 The companies operate their own self-insurance scheme to meet the cost of accident claims. The scheme is effective and economical. Nevertheless, we recommend that regular, comparative quotations should be obtained from insurance companies to ensure that self-insurance continues to provide value for money. 4.28

15 Budgets are prepared only for the total operations of Ulsterbus and Citybus. We recommend that each company's budget should be analysed into budgets for individual depots, maintenance workshops and headquarters cost centres, and that operating managers should become involved in this process. 4.29

16 The headquarters costs are currently reported as a single cost centre; we recommend that these costs should be analysed in the management accounts into the main functional cost centres such as marketing, accounting, personnel and administration. 4.30

17 **We recommend that the companies should introduce a form of route costing which enables the contribution of each route to be calculated and compared with that of other routes in the network.** 4.34

Manpower and industrial relations

18 Over the past five years the workforce in Ulsterbus and in Citybus has decreased by an average of approximately 1 per cent per annum. We were broadly satisfied with this achievement in the context of the companies' particular operating conditions. However, we recommend that the Board should receive an annual report on manpower productivity and future manpower plans and budgets. 5.40

19 Recorded sick absence levels do not appear to be excessive, but the statistics are not adequate for monitoring sick absence trends and patterns. We recommend that management should revise the presentation of statistics to include all sick absence, paid and unpaid, in time series to facilitate the early identification of adverse trends. 5.41

20 We recommend that the companies' employee report should be used to improve further the flow of information from management and to encourage employee involvement. 5.42

21 We believe it would be in the companies' best interests to make more and better use of their Personnel Department. In particular we recommend that the department should review the presentation of 5.43

manpower statistics and that it should have an enhanced role, for example in industrial relations matters, personnel policy development and employee counselling and welfare.

22 Industrial relations in the companies are generally good. However, there are a large number of procedural and substantive agreements and we recommend that they should be rationalised by combining common elements. 5.44

23 The unions expressed some dissatisfaction with the quality of joint consultation. We recommend that the Managing Director should meet the union representatives and invite them to set out their complaints and suggestions for improving the joint consultation process. 5.46

Investment

24 In the past the companies have carried out little formal investment appraisal. We recognise that the level of detail and sophistication of investment appraisal necessary will vary with the size and importance of the project concerned. **We therefore recommend that the companies should:** 6.56

- (a) carry out investment appraisals for decisions on chassis type, engine type, bodywork, and other major technical considerations, and for projects over £150,000 using the Treasury guidelines as a guide to the methodology to be employed. The investment appraisals should be consistent with the financial framework within which the companies are working. The appraisals should include a financial assessment of the full cost to the companies of each alternative. The current choice of chassis, engine and bodywork should be reviewed at least every five years;**
- (b) use systematic appraisal techniques in assessing the profitability of new services both before and after they are run; and**
- (c) carry out post-completion audits on all appraisals.**

25 In choosing between different types of buses whole-life costs are crucial. A knowledge of whole-life costs is also important in other respects. **We therefore recommend that the companies should:** 6.57

- (a) develop their information systems to allow them to estimate the whole-life costs of their buses on present policies and on a range of alternative lives;**
- (b) review their planning assumptions for bus life in the light of this information;**
- (c) review their policy on when to retire a bus in light of the information on whole-life costs;**
- (d) use whole-life costing in helping to assess which buses to buy for their fleet;**
- (e) use whole-life costing as a contribution to identifying the best maintenance practice; and**

(f) carry out a financial appraisal of their policy of updating their buses early in their life to save costs later on.

26 The companies' nearly exclusive use of Alexander for their buses needs to be evaluated more formally to ensure that this policy provides value for money. We therefore recommend that: 6.58

(a) the costs and benefits of using Alexander should continue to be appraised and reviewed but on a more formal basis than at present; and

(b) the policy of holding the current levels of stocks at Alexander should be assessed comparing the capital cost with the probable cost of disruption, and alternatives considered.

27 The companies have not in the past taken account of the 50 per cent grant they receive for buses in deciding whether to put on a new route or service or take off an existing one. **We recommend that the companies should take account of the grant in assessing whether services are profitable or not, and when they are deciding whether to put on a new route or service or take off an existing one.** 6.59

28 The companies do not undertake formal appraisal of their building programme. They have argued, for example, that it is not possible to assess the benefits of improving an existing bus station or building a new one. Although we accept that many of the benefits are difficult to assess we consider that there should be more consideration of alternatives, for example in deciding what passenger facilities should be provided. **We therefore recommend that the companies should undertake investment appraisal of their building plans.** 6.60

Bus engineering and maintenance

29 We recommend that comprehensive consideration should be given to how best, in practical and cost-effective terms, the maintenance, overhaul and repair work can be carried out for the total fleet of buses to be based at Monkstown. 7.50

30 The companies have not developed a common costing system for their workshops nor any system of unit costing. We recommend that the companies should develop and implement a common costing system including unit costing for their workshops. 7.52

Timetabling and operational control

31 Ulsterbus has identified the need for single-sheet timetables covering one or two routes, and is examining ways, including desk-top publishing, for achieving this. **We recommend that the company should pursue this approach, extending it to Citybus in due course.** 8.36

32 This approach will result in a comprehensive timetable database being held on computer files. This database can have other uses, including comparison with Wayfarer data for punctuality analysis. We recommend that the company should ensure that the timetable 8.37

Database is held in a sufficiently flexible form for such purposes.

Fares

- 33 **We recommend that the companies should:** 9.66
- (a) evaluate the effects of pricing experiments carefully in order to estimate the elasticities of demand for their services;*
 - (b) practise more peak/off-peak differential pricing with respect to particular market segments, such as pensioners, where this may bring commercial benefits; and*
 - (c) experiment with and evaluate more general peak/off-peak differential pricing;*
- and we recommend that Ulsterbus should:**
- (d) evaluate the possibility of allowing unlimited travel with weekly and monthly season tickets.*
- 34 The processes by which other operators may obtain licences are less than totally clear. We recommend that the DOE (NI) should clarify the licensing process for the benefit of potential operators. 9.69
- 35 **We recommend that Citybus should conduct a study to determine whether it should relate fares in some way to distance travelled. The study should determine, for example, whether two or more fares might be appropriate and whether a new system might include peak/off-peak differential pricing.** 9.72
- 36 **We recommend that the companies should introduce an integrated fares structure for the Greater Belfast area once legislation which would enable them to institute an effective penalty fare scheme is in place.** Such integration should complement that of Ulsterbus and Citybus services in Greater Belfast (see paragraph 10.89). 9.74

Matching services to demand

- 37 Until recently only limited information has been collected and collated on passenger demand. We welcome the move to develop better information for managers and consider that there are specific ways in which the information could be used for helping to match services to demand. We therefore recommend that Ulsterbus should: 10.81
- (a) record passengers getting on a bus without buying a ticket;*
 - (b) use Wayfarer to analyse the level and make-up of demand over the day by route;*
 - (c) ensure that Depot Managers make use of the information on a week-to-week basis and that a summary is prepared for senior management at least once a quarter,*

highlighting buses which are overcrowded or underutilised; and

(d) consider ways in which Wayfarer could be used to assess the impact on demand of changes in services on particular routes (and in fares) and the cross-impact on other routes.

38 More could be done to help managers match services to the needs of actual and potential customers. **We therefore recommend that the companies should:** 10.82

(a) carry out some trial origin and destination surveys of their passengers on routes where adult demand is relatively high. This should be linked to information from Wayfarer to assess how closely the services are meeting the needs of the customers, for example whether minor adjustments would be helpful; and

(b) carry out surveys of potential demand.

39 We recommend that the companies should assess the impact of various possible trends in demand to help identify any implications for services and purchasing policy. 10.83

The companies have provided a rather basic service in the past without enough consideration for the impact this has had on passenger demand. They are now addressing many of the problems for which they have been criticised (see Chapter 11). They are sceptical of how much extra demand can be generated through these changes. **We therefore recommend that the companies should include in the surveys recommended in paragraph 10.82 questions designed to assess how many new passengers have been encouraged to use the buses and whether current passengers have increased their usage, and why.** 10.87

41 The use of minibuses can allow a more frequent service which can penetrate housing estates and may generate enough extra demand to justify the higher costs involved. **We recommend that the companies should build on their experience of services outside Belfast to introduce more minibus services into Belfast.** 10.88

Quality of service

42 The lack of analysis of direct measurements of quality of service, which could provide comparison with company standards at depot, area, and company level, and trends over time, is a significant weakness in the companies' control systems. **We recommend that they should develop such quality performance indicators for all key aspects of quality, set appropriate standards, and ensure that meeting such standards is an important aspect of every manager's objectives.** 11.50

43 We noted that the companies had commissioned a market research survey and were acting on the results. This survey identified the same weaknesses as the Consumer Council's survey, although suggesting that bus users were more satisfied with the service. We concluded that both surveys are of most use in identifying relative strengths and weaknesses. We recommend that the companies 11.51

should interpret these and future surveys (commissioned by themselves or others) in this light and should regard such surveys, both local and Province-wide, as normal marketing tools.

44 The companies pride themselves on their diligent individual handling of complaints, and this is to be commended. We recommend that the companies should analyse complaints on a common basis, at area level, and aggregate this analysis centrally. 11.52

45 Overcrowding is an important aspect of quality of service. We do not necessarily agree that the companies' present standard, that, in the morning peak, no one person should be obliged to stand for more than 15 minutes, is either appropriate or capable of accurate monitoring. We recommend that the companies should establish standards so that service performance can be measured against them. We also recommend that this aspect of quality should be a subject of questions in future surveys. 11.53

47 Ulsterbus and Citybus run a very reliable service. What evidence we have about punctuality is mixed. We recommend that Ulsterbus and Citybus should establish a system for providing useful measures of punctuality, and develop standards with which measures of punctuality can be compared. The proposal of Ulsterbus to use Wayfarer for this is a good one. In Citybus, at least until new ticketing systems provide an alternative, we recommend sampling on a route-by-route basis. 11.54

49 The companies told us that the relatively high levels of dissatisfaction about cleanliness of Citybus buses recorded in the surveys reflected past, rather than present, performance in this respect. We recommend that the companies should satisfy themselves that performance in this respect is adequately monitored and achieves a good standard. 11.55

50 The companies have started a programme of bus station improvements. They have been thwarted on past occasions in obtaining suitable sites. We recommend that they should seek the assistance of the DOE (NI) in such matters. 11.57

51 It is in the bus companies' interest to do what they can to see that satisfactory shelters are provided at principal bus stops, regardless of the ownership of such street furniture. We recommend that the bus companies should draw up a list of sites where shelters are needed, and seek the full co-operation of those primarily responsible (local councils and the DOE (NI)) as well as of specialist firms (see paragraph 11.18), in providing them. 11.58

52 The companies' safety record is satisfactory, but we note that numbers of fatal and major accidents in the two companies taken together have risen in the last three years. We recommend that steps should be taken to implement their programme of in-service driver training forthwith. 11.63

53 The companies are taking steps to put up vandal-proof displays of timetables at bus shelters, and to be able to provide route timetables on request. We recommend that the companies should proceed with this initiative, and that they should survey actual and potential customers in due course to determine how successful their initiatives have been. 11.64

- 54 We agree with the publication of performance indicators and **recommend that Ulsterbus and Citybus should publish an annual quality of service performance analysis, in which the results are laid out in such a way that members of the public can see how the companies have performed, and can relate this to their circumstances. We recommend that the companies should seek the views of the Consumer Council on the form of this report.** 11.65
- 55
- 56 The present intention of the companies is to form a small unit under the Inspector General to monitor achievements in all these areas and to compile records and statistics. We recommend that the companies should seek the most cost-effective means of measurement compatible with achieving the objectives we have outlined, notably in paragraphs 11.50 and 11.65. 11.67
- On the basis of the information the companies gave us, the following have no or negligible costs, or have costs which can be expected to be recovered in savings; the first two need legislative or other support from the authorities: 11.68
- inspectors enforcing no-smoking ban;
 - bus priority measures;
 - improved availability of OAP passes; and
 - in-service driver training.
- 57 **We recommend that the bus companies should give these priority.**
- The following have costs which are low, or moderate but with the prospects of offset in improved revenue: 11.69
- 43-seat layouts in all Citybus buses;
 - extended use of videos to combat vandalism;
 - advertising campaign about smoking on buses; and
 - all proposals for improving public information.
- 58 In the course of our inquiry the companies made decisions on some of these. **We recommend that they should come to early decisions on the others.**

H HOLMAN HUNT (*Chairman*)

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31 March 1989