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BUS DEREGULATION:

REPORTS OF A SEMINAR HELD ON 20 JUNE 1986

P J Mackie

and

K M Gwilliam

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BUS DEREGULATION

Notes of a one-day Seminar held by the University of Leeds Institute for Transport Studies, in collaboration with the Department of Continuing Education on Friday 20th June, 1986.

A B S T R A C T

P J MACKIE and K M GWILLIAM (1987) Bus deregulation: reports of a seminar held on 20 June 1986; Working Paper 235; Institute for Transport Studies; University of Leeds

The purpose of the seminar was to provide a forum for the discussion of the emerging arrangements for deregulation of the stage bus industry.

The seminar was chaired by Professor K M Gwilliam and Mr P J Mackie of the Institute for Transport Studies. Each of the four sessions was introduced by a speaker currently involved in operating the new regime.

It was agreed that a note of the discussions would be circulated to all participants. This note fulfills that obligation.

SESSION 1 - REGISTRATION

The session was introduced by Mr M Hunter of West Riding Automobile Co. The following main points were made.

1. Philosophy

The philosophy of the company is simply that:

- the company is running to make profits
- it is the function of tendering authorities to provide social service.

Therefore, no unremunerative services are registered. The various elements of strategy followed from this philosophy.

2. Strategy on Operations

- On Mon to Sat there would be two shifts back to back with no overtime and no third driver per bus day.
- Sunday services would be severely curtailed, to run from no more than half the depots.
- Costing was done on a time basis, not on mileage with a rate per hour earnings required. All registered service should be either profitable, contributing to overheads, or strategic, retrievable (blocking entry or capable of being brought back to profit).
- In deciding what services should be retained no attempt would be made to maintain territorial integrity.
- For schools, full service would be either maintained or dropped completely. This was to give good service in the areas served. There is a danger of undermining subsequent tendered services if the best bits only taken
- For each bus employed there would need to be a full days earnings, hence some peak reductions would be necessary. Only required engineering spares would be retained.

3. Strategy towards the Public

The following principles were being observed

(a) Run buses where and when the public require. This implies:

- introduce limited stop network

- maintain Mon-Sat mainday services
- introduce limited stop services

(b) Keep service simple, which implies;

- maintain regular headways
- eliminate wandering routes
- don't modify good services to meet marginal demands

(c) Minimise changes, which implies;

- try to avoid changes in departure times, headways, service numbers

4. Strategy towards Other Operators

The following strategies were planned with respect to other operators;

- On joint routes, register own bus workings.
- No gaps - do not attract new entrants
- No stone throwing - at least not at first

The act has made it possible to introduce changes which would be impossible previously.

Public comment would encourage new operators to fill gaps. Also the danger would be that the local authority would introduce services which would undermine registered services.

5. Strategy for Staff

The following strategies were planned for staff matters

- No attempt to preserve staff in commercial network
- Work moved around in quest for efficient operations
- Registration based on no wage rate cuts, but better efficiency
- Staff consulted; in view of the fact that the number of good staff available is not great, and we need not to lose them.
- Consultation included the elimination of all crew operation.

6. Strategy on Innovation

The strategy on innovation induce

- limited stop services when attractive.
- No minibuses for the moment until there is some operating and wage agreement.
- No taxi operators, but hold costs down to compete with them. There are some signs of a taxi war in Wakefield.

7. Problems

The following issues remained unresolved.

- what cost reductions will be made
- will overhead burden increase due to reduced volume if tendered work not obtained.
- privatisation creates uncertainty
- private operators might wish to use owned stations.
- what will be the costs of use of bus stations
- Bank holiday service levels
- who will meet redundancy costs.

DISCUSSION

In discussion the following questions were raised.

Q What fare levels are registered

A Broadly the same as now.

Q Is it a company fare scale, or are there variations?

A County wide fare scale maintained due to danger of public adverse response. But they can be changed if competition requires. Note that Greater Manchester has also done the same. Some competitors have put in low prices but they expect them to change.

Q Have new entrants emerged?

A No territorial extensions of large operators. Staggering lack of expansionary attack of others. They are all equally frightened.

Q Is it a phoney war - will it change after 3 months?

A There was a higher level of response expected on tendered services, but the terms of contract now look rather restrictive so the prospect of competition is less ferocious. The bottom line tenders will discourage entry.

Q Does not dropping locations invite putting out to tender.

A Yes, there is some danger, but the judgement is that the quality of direct services is an advantage. Also, it may be that the PTE will not have an enormous amount of money in future, (though this year is satisfactory).

Q Will buy back on tendering undermine remunerative services.

A The first batch of tenders have not affected the registered network. The second batch will also tend to be very conservative with some abstraction.

Q Will new markets be sought?

A Yes, to compete with BR. There is a 26 vehicle limited stop network competing directly with BR. Minibuses will eventually be introduced. A proposed management buy-out will make the operators risk-averse.

Q Will you accept the integrated ticketing in W. Yorkshire.

A Yes if the money is right and they look as though they will result in the acceptance of Metrocard and Saverstrip.

Q Is OFT, RFC a real threat or a "paper tiger".

A It is a threat only. In any case it is only a matter of time before any "cosy club" falls apart.

SESSION 2 - TENDERING

The session was introduced by Mr Roger Pickup of West Yorkshire PTE. He made the following points;

1. Timetable

The timescale for the process is very short. Coverage of registration varied between 50% and 80% of original. Evening and Sundays were not well covered; therefore, the first batch of tenders covered this primarily.

2. Process

The process consists of distribution of a "pack" of General conditions of contract details on filling in the forms, and tender forms. It may be that operators, particularly small operators, will need consultancy advice on the process.

3. General conditions of contracts

These will be standard. The contract has the following characteristics.

- bottom line, as this would give protection against "revenue drift into registered services".
- payment on agreed time scale in mid period.
- inflation payable on contract price (not on cost)
- a bond requirement to indemnify against default.
- indemnity against major claims.
- provision for procedure of renegotiation and arbitration.
- termination is provided for in case of serious breach of the contract, with "add up" of minor breaches. This will be 3 months on one side, 6 months on the other.
- conditions include that successful tenders.
 - must take concessionary fares
 - " " prepayment
 - must allow entry on vehicles for monitoring

4. Routes

- Are to be specifically defined
- Safety requirements will be included
- Stopping spaces are to be specified
- Fare stages will also be specified in order to attempt to keep a common fare scale of tendered and registered services

5. Timetables

- will normally specify frequency
- service times (add-on services)
- there will be specified timetables set.
- will be related to the size of the vehicle proposed; this takes the form of specifying a minimum frequency, which might be increased with smaller vehicles.
- separate contracts for separate time periods.
- a 3 year contract is aimed for eventually, with some shorter initial contracts to achieve this.

6. Vehicles

- a preferred vehicle specification is to be put out
- some mandatory provisions (no smoking etc)
- freedom to suggest alterations

7. Fares

- minimum fare scales required to protect against the undercutting of registered services.
- A 20% variation about declared scale will be allowed, with the aim of tendered/registered services will be the same.

Tendering Strategy

The routes will be put out in 3 main batches.

- Batch 1. - 10% of mileage - whole area
- 2. - 40% " " - inner area
- 3. - 50% " " - outer area
- 4. - top up after consultation possible.

DISCUSSION

In discussion the following points were covered:-

1. There was very little time between putting services out to tender and start up, particularly for the last tranche in West Yorkshire. LRT, for example, allow 3 months.
2. The choice between bottom line and gross cost contracts is not at all clear cut. Lancashire, Kent and East Sussex all appear to be offering either a choice or a mixture. It might be that gross cost contracts were more attractive to small, new entrants.

3. There was some suggestion that the arrangements were too favourable to existing operators, especially in the service specifications. Early payment on tendered services was mentioned, however, as particularly helpful to the cash flow of new entrants.
4. There are already some cases identified where it would be beneficial if operators of registered services extended those services. In some cases services will be put out to tender containing parts of a registered service, which, to ensure through journeys, would be deregistered.
5. Monitoring effort will need to be increased because of the increased number of operators involved. It should be possible to obtain a wide range of information as a by-product of concessionary fare monitoring. Performance monitoring will be difficult because of the inability to use tachographs.

SESSION 3 - CONCESSIONARY FARES

The session was introduced by Mr Phil Haywood, SYPTE. He made the following points;

a) Background The 1985 Transport Act, S93, sets out the powers and duties of authorities in administering schemes, and the rights of participation by operators. The guiding principle is that operators should be no better off and no worse off as a result of participation in the concessionary fares scheme. In 1983/4, the concessionary fares support bill was £147 million (£91 million in PTE areas, £56 million in Shire Counties). (see Table 3.1)

b) Types of scheme Many types of scheme exist (see examples in table). Also, as noted, districts have powers to "top up" any county-wide scheme within their own areas if they wish. The main dimensions of typology are - eligible persons/groups, types of concession, time periods. In addition problems exist over dates of admission of new services to the concessionary pool, and over cross-boundary services (confusion, need for re-booking etc).

c. Reimbursement arrangements To comply with the principles mentioned, two problems have to be handled:-

(i) Revenue-forgone - operators lose revenue as a result of the concessions and this must be made up. But different authorities may place different interpretations/values on this, which may in turn be a function of the budget earmarked for this purpose.

Various systems exist for calculating amounts due to operators. Usually rely on "generation factors", but these are not always available (e.g. WMPTE). Generation factors are implicit in the tables used by WYPTE - peak journeys more inelastic than inter-peak; short distance more inelastic than OARS (peak), similar inter-peak. (see tables 3.2 and 3.3)

Tyne and Wear use a formula system as below:-

	Boarding	Rate per mile (pence)
Elderly	12.33	3.29
Young person 14	3.55	1.07
Young person 15 - 18	10.91	2.64

This was said to be a transitional arrangement which, for historical reasons, was generous for elderly passengers, not generous for children.

Table 3.1

TYPE OF SCHEME

	CHILDREN (up to 14)		ELDERLY	
	Peak	Off Peak	Peak	Off Peak
SYLTE	5p	5p	Full fare	5p
WYLTE	Half fare	Half fare	Half fare	Free
T&WLTE	10p (cash) 7p (carnet)	10p (cash) 7p (carnet)	Full fare	Free
WMLTE	Half fare	No concession	Full fare (a.m. peak)	Free
Derbyshire	No concession	No concession	Half fare	Half fare
Nottinghamshire	Max. fare to/from school	No concession	Half fare†	Half fare†

† free scheme in two Districts

Table 3.2

Table One - Peak (except the blind)

			Elderly and Disabled		Young persons	
Average Full Fare	Average Concess-ionary Fare	Gross Revenue Loss per Journey	Actual Payment per Journey	Payment as % of Gross Loss	Actual Payment per Journey	Payment as % of Gross Loss
		(1) - (2)		(4) ÷ (3)X		(6) ÷ (3)X
(1)	(2)	(3)	(4)	(5)	(6)	(7)
P	P	P	P		P	
10	5	5	4.457	89.1X	4.652	93.0X
15	7½	7½	6.341	84.6X	6.742	89.9X
20	10	10	8.041	80.4X	8.697	87.0X
25	12½	12½	9.582	76.7X	10.529	84.2X
30	15	15	10.986	73.2X	12.248	81.7X
35	17½	17½	12.270	70.1X	13.865	79.2X
40	20	20	13.448	67.2X	15.389	76.9X
45	22½	22½	14.534	64.6X	16.828	74.8X
50	25	25	15.538	62.2X	18.188	72.8X
55	27½	27½	16.468	59.9X	19.477	70.8X
60	30	30	17.333	57.8X	20.698	69.0X

This table applies on Mondays - Fridays (excluding Bank Holidays) for passengers boarding before 0930 and from 1500 to 1800 hours. The figures for young persons apply to young persons (aged 5 - 15) and scholars (aged 16 - 18) except those (aged 5 - 18) holding scholars' contract tickets.

Table 3.3

Table Two - Off-Peak

Average Full Fare	Elderly and Disabled				Young persons			
	Average Concess- ionary Fare	Gross Revenue Loss per Journey	Actual Payment per Journey	Payment as % of Gross Loss	Average Concess- ionary Fare	Gross Revenue Loss per Journey	Actual Payment per Journey	Payment as % of Gross Loss
		(1) - (2)		(4) ÷ (3)%		(1) - (6)		(8) ÷ (7)%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
P	P	P	P		P	P	P	
10	0	10	7.873	78.7%	5	5	3.902	78.0%
15	0	15	10.674	71.2%	7½	7½	5.273	70.3%
20	0	20	12.984	64.9%	10	10	6.398	64.0%
25	0	25	14.921	59.7%	12½	12½	7.337	58.7%
30	0	30	16.569	55.2%	15	15	8.132	54.2%
35	0	35	17.988	51.4%	17½	17½	8.815	50.4%
40	0	40	19.223	48.1%	20	20	9.407	47.0%
45	0	45	20.308	45.1%	22½	22½	9.926	44.1%
50	0	50	21.268	42.5%	25	25	10.384	41.5%
55	0	55	22.123	40.2%	27½	27½	10.792	39.2%
60	0	60	22.890	38.2%	30	30	11.157	37.2%

This table applies on Mondays - Fridays for passengers boarding from 0930 to 1500 and after 1800 hours and all day on Saturdays, Sundays and Bank Holidays. The figures shown for elderly and disabled also apply to blind persons at all times. The figures shown for young persons apply to young persons (aged 5-15) and scholars (aged 16-18) except those (aged 5-18) holding scholars' contract tickets.

(ii) Additional costs - There is provision to pay additional costs which result from operating the scheme. The onus of proof is on the operator. How operators will approach this remains to be seen.

(d) Auditing In order to make the reimbursement arrangements work, various procedures are required:-

(i) SYPTE have indicated that they expect to receive a 4-weekly operator return showing numbers of concessionary journeys in various categories, as a basis of claim. (See Table 3.4)

(ii) Independent monitoring will also be required to verify claims. PTE survey teams will be used.

(iii) If the payment system is based on average fare, then regular calculations of operator average fare will be required as a basis for reimbursement. (See Table 3.5)

e. Other provisions - Provisions exist for surveys on commercial and tendered services. Some authorities have reserved the right to put their ticket machines on the vehicle.

A particular problem may exist with the need/right to place notice on vehicles informing the public of the concession schemes which apply. This is a problem on cross-boundary services, or if a depot serves several districts.

DISCUSSION

In discussion, the following points were covered:-

1. The possibility of developing tables for additional costs as well as revenues forgone. Additional costs may be especially important for school children at peak times. However, these may often be handled through the tendering system.
2. Some counties (Surrey/Hertfordshire) have taken a very simplistic view, and have published much simpler schemes than those described. The speaker was surprised by this, and felt that very simple systems would be likely to contravene the main principle that the operator be neither better nor worse off.
3. A simple system would, however cut out a lot of bureaucracy. Many operators might accept a 'swings and roundabouts' arrangement, but inevitably for some, a simple system would not balance out.
4. The system must not create perverse incentives e.g. to operate greenfield buses to generate bus mileage as a basis for claims on the concessionary pool.

SOUTH YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
A WEEKLY CONCESSIONARY FARE REIMBURSEMENT CLAIM

1 Month ending OPERATOR _____

Service Registration Number/Route Description	Concessionary Journeys OAP/Blind/Disabled (Pass Type a)	Office Use	Concessionary Journeys Blind/Disabled (Pass Type b)	Office Use	Concessionary Journeys Children	Office Use

Form

Signature _____ Date _____

Sheet

SOUTH YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

QUARTERLY CONCESSIONARY FARE CALCULATION

3 MONTHS ENDING

OPERATOR

FARE PAID	CATEGORY OF TRAVELLER					
	ADULT	CHILD	ELDERLY PERSON	HANDICAPPED PERSON	PUPIL	OTHER
NOTIFIED FARE	N/A					
OWN FARE SCALE	%					
a		-	-	-	-	-
b		-	-	-	-	-
c		-	-	-	-	-
d		-	-	-	-	-
e		-	-	-	-	-
etc		-	-	-	-	-
GRAND TOTAL (100%)						

Notes: N/A = Not Applicable

5. What sort of check does a PTE have if an operator says average journey distance is 15 miles when actually it is 2? There will be a need for independent survey teams. In South Yorkshire, data collectors will be used to provide data on average fares, concessionary fare ridership; also on tendered services; to check demand/value for money. Also they are required to check contract compliance.
6. In some areas, concessions may be at risk. For example WMPTE/Merseyside are offering no child concessions off-peak in the expectation that the operators will themselves operate one commercially. But the result may be different from a half-fare concession.
7. Is the admission date to the scheme a problem? Authorities may want to have set admission dates. In a volatile situation with changing registrations, how quickly will new operators be "allowed in"?

SESSION 4 - EDUCATIONAL TRAVEL

The session was introduced by Neil Holt. Planning Services Assistant, WYPTE.

The History

Prior to 1974, local authorities in urban areas had both Education and Transport responsibilities. The Education and Transport committees worked closely together, however there being no effective system of reimbursement for educational transport. Who paid for what was lost within the IA budget.

The 1974 reorganisation split education away from transport, and led to changes. Sometimes, education departments decided to go it alone on statutory schools services, leaving the remainder to be provided by PTEs. Sometimes agency agreements were concluded with the PTE e.g.

Leeds and Bradford - doing the planning, contracting & sub-contracting of all aspects of educational transport. This is now in the melting pot.

Currently in WY, we have

- contract services funded by education dept. (statutory)
- special schools services (non-statutory)
- scholars on normal stage carriage services.

The 1985 Act

- S57(2) requires the PTA to consult with District Councils on education travel.

- S88 places a duty on the PTE and local districts to co-operate to secure value for money.

- other sections relate to reimbursement procedures and encourage combined schools/local services.

- education dept. must still provide free transport for children under 8 travelling over 2 miles and over 8 travelling over 3 miles.

The Current Position

Operators have registered commercial services. There are significant variations by district. In Leeds, with agency, all schools contract services have been registered. In Bradford, all schools guaranteed services have been registered. Some school specials have been registered, others not. The stage network has, of course changed.

Presented with this position, a number of actions have been taken

- an agreement exists between the PTE and the Departments of Education to continue existing arrangements for contract services for the next school year (1986/87).

- the PTE will go out to tender for non-registered services.

- it is difficult to determine scholars' usage of the stage network, but the PTE will attempt to cover the needs through the tendering process.

- permit arrangements for statutory scholars will continue, but reimbursement wub post 26 October be through the PTE's Concessionary Fares Scheme arrangements.

Where do we go?

The options are:-

- continue the existing ad hoc system. This might not give the level of co-operation required by the Act. Also the current agency agreements, if located with operators (PTC) might be illegal.

- agency might continue with PTE. Whilst the PTE would be a third party with no in-house operations it could provide specialist planning skills and would give the opportunity to co-ordinate schools and local bus services. The costs of this planning work would be reimbursed by the Education Department. However, some Education Departments might prefer to deal directly with operators and administer education transport themselves.

- education department could choose to operate their own schools services e.g. using surplus PTC vehicles. Permitted under S46(1) Public Passenger Transport Vehicles Act 1981.

At the moment, no decisions have been taken. In the short term the requirement is to keep the system going; over the next year the cost-effectiveness of the system will be under scrutiny.

In discussion, the following points were made:-

1. The legality or otherwise of PTC's having agency agreements is controversial.
2. The true cost of schools transport is about to emerge and local authorities will face the moment of truth. Many schools services have not been registrated whilst these have clearly been paid for in the past out of general revenue support, many are providing travel for statutory schools only and should therefore be paid for by the Education Departments.

3. In metropolitan areas statutory contract services do not have to be put out to tender by the education department. They can continue as now. In practice, events in Shire Counties, who must tender for their provision, are bound to encourage regular tendering in the metropolitan area.

4. In West Yorkshire the type of tender now being specified is for a service between A and B with a requirement to arrive at school 15-5 mins before the starting time. It is likely that this will change in future years.

5. A choice exists between going out to tender for specific schools capacity or working through the concessionary fare arrangements to encourage registration of schools services. Problems are foreseen if duplicates on regular scheduled services go out to tender and are not won by the regular operator. There is a need to clarify what duplicate capacity the main operator plans to offer.