Addressing the Challenges faced by Rural Bus Operators

John Birtwistle, Projects Director FirstGroup

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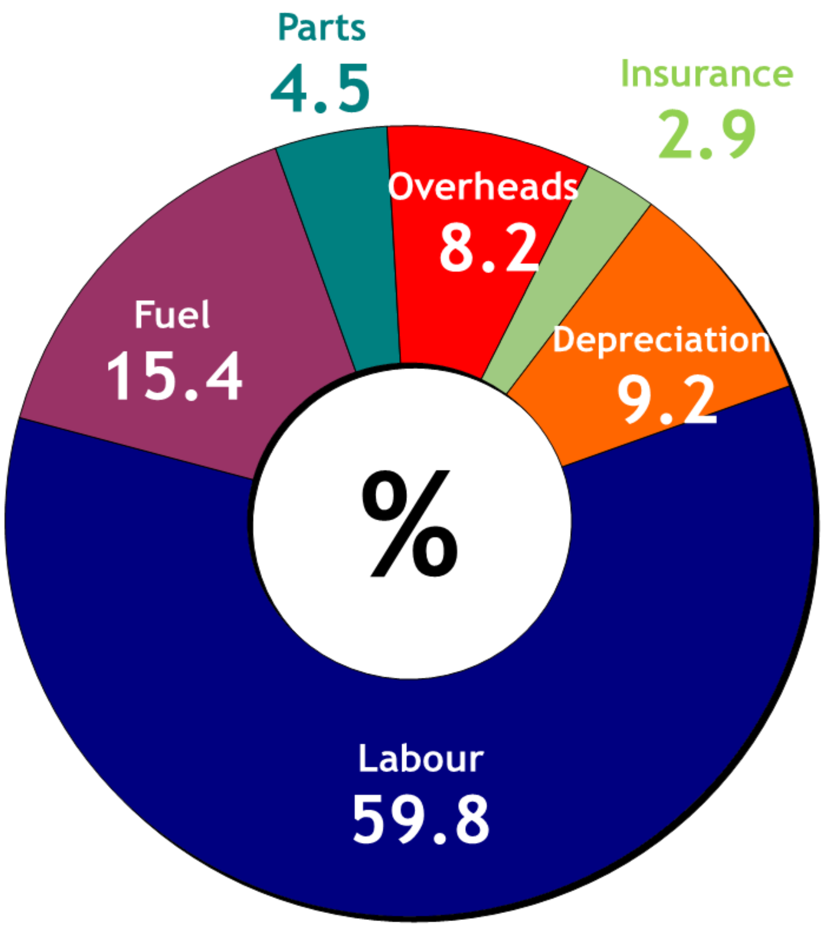
Demand for bus services

- Whilst car ownership is more expensive for some, it is becoming cheaper for others
- The recession is reducing demand for travel for those with reduced income
- Overall bus travel demand is falling in rural areas
- Parking policy and development policy can militate against sustainable bus services
- Concentration of facilities does too
- Portas Review problematic: parking recommendations
- BUT accessibility is key to retaining rural services

How much does a bus cost to run?



- Each bus needs to earn over £30 /hour
- And can cost over £120k per annum to operate
- 60% of our costs are staff related and 15% are fuel
- These have increased dramatically in last 5 years

Fuel costs

- Underlying cost of fuel increased by 147% since 2003 (85% above inflation)
- BSOG was cut by 20% from April 2012
- Vehicles have become less fuel efficient: more weight, engines working to reduce local emissions…but beginning to change
- Rural congestion becoming an issue
- BSOG is to be devolved to local authorities for tendered services, but need to ensure operators are no worse off as a result
- Could apply to 100% of services in rural areas

Mergers and Acquisitions

- Many rural operations are small family firms
- Cost pressures and falling demand require careful consideration of business future
- Many proprietors see sale as their pension
- But the Competition Commission has required the OFT to investigate all such activity
- Increases cost and risk to purchaser
- If sale is not an option and there is no profit, closure is the only option
- And others are less keen to enter the industry

Legislation

- Despite the “Red Tape Challenge” this is increasing, therefore costs increase
- March 2013 Passenger Rights
- There will be a need to improve bus stop facilities at some stage
- DDA deadlines 2016-2017: will every be ready?
- Euro 6 increases costs of vehicle purchase and of maintenance
- More to come as a result of Competition Commission Report?

OFT Report: Price and choice in remote communities (2012)

- Poorer range of services available
- Higher costs
- Need more transparency of pricing
- But removes operator’s commercial advantage !
- Presumption against mergers; need for more enforcement
- Suggestion of insufficient competition
- Why? Insufficient demand!
- More market investigations will simply add to operators’ costs

Local Authority finances and policy

- Cost pressures are leading to commercial service de-registrations
- But reductions in funding reduce scope for provision of non commercial services
- Authorities can work with operators to use de-minimis funding and deliver added value, but requires commercial core
- Transport implications of education review? (closure of smaller local schools)
- Devolution of BSOG: needs to be ring-fenced
- What happens after Comp Spending Review 2015?

Concessionary Fares

- Free concession mandatory on operators
- Successive issues of DfT reimbursement guidance force down reimbursement rates
- Some local authorities have sufficient funding, some do not
- Should operators register rural schools services to provide more travel opportunities?
- Demand for travel before 0930 requires additional local funding not abstraction from statutory scheme settlement
- For how long is ENCTS sustainable?

What are operators doing?

- Seeking to reduce costs and work more efficiently
- Avoiding passing on fares increases to the passenger wherever possible
- Working with local authorities to use de-minimis funding and deliver added value
- Negotiating fixed agreement for concessionary reimbursement, reduces risk on both sides
- Local partnership working in all policy areas
- Lessons from Community Rail: local engagement

  “Use it or lose it, adopt your local bus”
- Working with central government

The role of community transport

- “CT” should be complementary not competitive with local bus
- Cost base and operation considerably different to commercial operator
- Gives flexibility in what can be operated
- But can make long term strategy and growth difficult
- Must not be used to undermine mainstream operations
- There needs to be a “level playing field”

Success on the Jurassic Coast!

- First Service X53 Exeter – Weymouth
- Subsidised by Devon & Dorset CCs
- Re-launched 2003 with new bus fleet
- Commercially extended to Poole 2005
- More new buses 2008
- 2012 declared 97% commercial
- Saved £178k per annum
- All achieved through partnership
- Marketing, leaflets, even YouTube!

Thank you!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