

THE CHANGES FROM PUBLIC SECTOR OPERATORS TO
COMMERCIAL PROFIT MAKING

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ABSTRACT:

Urban public transport in Great Britain has traditionally been supplied by Public Sector Operators, whose objectives have included providing a safe and efficient public transport network and whose targets have normally been to maximise ridership and meet various 'social' objectives. Now, under recent legislation, more and more of the operators have been set up as commercial companies; their objectives now must be dominated by the need to make a profit.

This paper concentrates not on the impact of this change on the public transport offered, but rather the changes it in turn demands in the attitudes of the operating company. Those responsible for marketing must stop being responsible for selling the service to the public and start telling the operator what service he can sell.

This paper, based primarily on Steer, Davies & Gleave's experience in the United Kingdom, addresses issues of major importance in the new economic 'climate' of New Zealand.

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Introduction

The organisation and operation of public transport in Great Britain has undergone a major transformation during the 1980s. Fifty years of regulation through systems of quantity and quality control have been either abandoned completely or fundamentally reappraised. An industry largely in public ownership, in receipt of large sums of public money, and controlled by social and political objectives, has been turned into a slimmer, profit orientated and privately owned set of 'smaller' businesses.

This is not to say that the bus and coach industry, and even less so British Rail, are unrecognisable as the same animal in the 1980s as that which existed in the previous decade. Nevertheless, the philosophical altered with competition, efficiency and marketing now the watch words replacing public service, equity, integration and co-ordination.

This paper looks at some of the changes which have taken place within the bus and coach industry, particularly in urban bus services. As such, the key factor is the impact of the Transport Act 1985. It is also important however to understand the outcome and the lessons learned from the previous legislation of 1980 which applied primarily to long distance services.

There are five following sections in which there are brief reviews of the previous operating environment, the legislative changes and the results so far 'on the ground' of the 1985 Act (Sections 2-4). The main emphasis of the report is to consider the changes which become necessary in the actions and attitudes of managers and all their staff when faced with the new regime. This is discussed at length in Section 5. Following that, there is particular attention devoted to the actions and reactions required when faced with a personal desire to compete with other operators or else the unwelcome invasion of one's territory by any predator!

The paper is based upon Steer Davies & Gleave's studies of the public transport industry in Britain, working for a wide variety of operators large and small, (traditionally) public and private, central government and local authorities. All of the actions described in Sections 5 and 6 have been tried out, some with greater success and impact than others. One other effect of the new environment has been to make information the source of all power and hence it is necessary to be deliberately unspecific in attributing such deeds to the perpetrators. It is also necessary, in any event, to generalise.

Finally, it should be stressed that the future leaves much to unfold. The local bus scene is currently very unstable with change endemic throughout all areas of the country. What is incontrovertible is that these changes continue to move us further away from the stability and status quo of regulation.

The Background to Change

Looked at on a worldwide scale, there was nothing unique about the organisation of the British bus and coach industry up to 1980. The controlling mechanism of regulation by means of operator licensing (to control safety and fitness) and route service licensing (to avoid 'wasteful' competition and maintain 'networks') was similar to those in almost all other countries. It was extremely difficult, for example, to provide a bus service which could be seen to compete with that of another operator in areas such as routing, frequency, fares etc. Rail services were also heavily protected from bus and coach operations which might duplicate their pattern of journeys.

For a variety of reasons, again similarly accepted elsewhere, subsidy had become endemic in the system, although it should be stressed that the level of contribution to total operating income was a good deal less than in many other advanced nations. Not surprisingly, this had also led to much of the bus and coach industry being in public ownership.

Moreover, as both the need for subsidy increased and public ownership advanced, so did the number of 'non-commercial' objectives laid down for operators to follow. Classically this included the provision of broadly equitable levels of service to all parts of a town/city regard-

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less of the relative strength of individual routes (or, at the very least, certain minimum levels of service to all). Low and uneconomic fares policies to provide for mobility amongst certain groups were often pursued.

The evolution of an industry mainly in public ownership and consisting of many large undertakings led to strong trades union representation and nationally negotiated wage rates. Particularly at times of high national employment, wage rates did tend to rise quite rapidly in real terms. There has been some fierce, but rather inconclusive, debate on the hypothesis that this period also saw subsidy 'leakage', i.e. increased public subvention to provide/maintain services being used in part to pay for higher wages.

In any event the industry was characterised by high levels of:

- co-ordination and integration
- subsidy
- non-commercial objectives
- uniformity of service provision
- poor knowledge of costs and revenues at a detailed (route/sub-route) level
- limited attention to marketing and market research.

To be objective, it should be mentioned that the last two items listed above were being addressed in many cases. The National Bus Company (NBC) had launched its Market Analysis Project (MAP) as early as 1976. This involved systematic study of passenger movements, customer attitude surveys etc. Accurate methods of route costing had evolved, though were not necessarily in regular/continuous use, during the same era.

None of the above is to suggest an outright condemnation of the regulatory system. In particular, co-ordination and integration were much vaunted and valued achievements. Even the 1984 white paper 'Buses' in which the government set out its plans to deregulate local buses stated;

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Systems of large scale, planned public service networks can indeed produce high quality service and connections. That is not disputed. But the question is whether the benefits were great enough to justify the costs and whether the benefits cannot be attained more cost-effectively another way".

The question alluded to above was soon to be put to the test. Several organisational changes were necessitated before the 'grand experiment' could begin. In addition to the legislative and operational contexts, change was also required in the philosophy and action of the entire workforce. 'Public servants' were required to become entrepreneurial businessmen almost overnight.

Legislative Change

The pioneering legislation was the Transport Act 1980. This deregulated the express coach industry, allowing freedom of entry and open competition both between coach operators themselves and with the railways. This was, in fact, one of the first invocations of the Thatcherite philosophy of free market enterprise put into place by a then newly elected Conservative government.

The results were generally welcomed by the government. Long distance coach travel suddenly underwent an enormous increase in popularity. From a situation of trend decline (as high as 5% of passengers per annum), the market had grown by 50% in the first year of deregulation alone. Trend growth of about 5% per annum has continued since.

There were, however, some embarrassments. The principal victor, namely the operator who gained the lion's share of passenger growth, increased services and profitability was none other than the state owned National Express. The would be 'Freddie Lakers of the motorways' (a phrase used by a Tory minister before he spectacular demise of the said entrepreneur) had been easily repulsed and often suffered severe financial loss when taking on National Express. The last named had adapted readily to the new environment, using: market pricing - the stronger the route, the lower the fare; reorientation of routes - fast non-stop motorway services between major towns; and, good marketing of their services. Of greatest significance,

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its overall resources were sufficient to eclipse any undesired competitor with higher frequency of service and lower fares.

The allegedly inadequate, staid and protected public sector operator had triumphed over the small businessman. Moreover, as the express coach timetable began to look more and more like InterCity rail services (from which they were, of course, abstracting many passengers) so a number of small to medium sized settlements (even up to 100,000 population) suffered a considerable reduction in coach service provision.

Several lessons, though never overtly acknowledged, were learned and influenced the design of the much wider ranging 1985 Act. This deregulated the quantity controls on all local bus services throughout Britain with the sole exception of London. However, the Act also recognised the need for 'fair' competition. More specifically, one might say that the government were determined to ensure that competition ensued and also that it should no be unequal.

It was therefore decided both to break up and seek to move partially or fully to private ownership. The impact on the four main types of publicly owned operator, who up to the Act's inception provided some 92% of stage carriage (scheduled local) bus services outside London, is shown in the table on the next page.

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AGENCY	NUMBER OF CASES	AREAS OF OPERATION	LEGISLATIVE IMPACT OF STRUCTURE/ OWNERSHIP
National Bus Company (NBC)	One	Small & medium sized towns & rural areas in England & Wales	Break up and sell as 72, free stand- ing units by 1989
Passenger Transport Executives PTE	Seven	Conurbation areas	Single bus opera- ting companies to be formed to operate on a commercial footing and at 'arms length' from surviving PTE body which remains responsible for planning & tender- ing of unremunera- tive services, railways, metros etc. Companies remain wholly owned by local author- ities, but Act retains power for subsequent break up and disposal.
Municipal Operators	Fifty	Small, medium & large towns	'Arm's length' companies, again still owned by local municipality who can, however, sell into private ownership subject to government approval.
Scottish Bus Group (SBG)	One	All of Scotland	None

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Having thus sought to reduce the potential for dominance by sheer size and for special favours and dispensation (let alone subsidy) through public ownership, there remained the question of how to deal with unremunerative services. It was recognised at the outset that, however beneficial competition might be, there would still remain a role for providing 'socially necessary' and hence subsidised services to cover the gaps in the network left by the new commercialism.

All bus operators, including traditional independents and anyone else who might wish to commence local bus operations, therefore have two avenues of entry. There are no quantity control barriers to providing commercial (non-subsidised) services. It is simply necessary to register (notify) the services to the Traffic Commissioner - who remains responsible for safety matters etc. - 42 days before commencement. A similar period is required to modify or withdraw the service.

Local authorities may only seek services additional to those provided commercially by a system of competitive tendering, whereby all interested operators may bid for the opportunity to provide the service.

Preliminary Results of the 1985 Act

Deregulation (D-Day) occurred on 26 October 1986. At the time of writing this paper, the privatisation of NBC has been almost completely achieved. In a large majority of cases, management 'buy-outs' have been the order of the day. The 'arms length' relationship has materialised although there is as yet no firm suggestion of breaking up the still large fleets of ex PTE bus companies. One abortive attempt has been made to sell a municipal company, but other sales do appear imminent. The apparent anomaly of the SBG will disappear with privatisation either as a whole or into some ten operating units likely within the next 12 months.

The requirement to think and behave commercially now prevails throughout the entire industry therefore. Survival depends on financial solvency, with public money only available either by being successful in a competitive 'bid' situation or in circumstances which leave the operator in a neutral position financially. The last situation relates to areas such as local authority conces-

cessionary fares for the elderly, disabled etc. The reimbursement formula is such as to cover the difference between the full and concessionary fare less an estimate of the generated revenue from journeys which would no longer be made if full fares were levied.

As explained earlier, it is not intended to make the results of the 1985 Act the central issue of this paper. Information is, in any event, still being gathered and analysed by several research projects. More time will be required for the impact of the legislation to 'settle down' before overall judgments can be made. However, some of the key findings to date are described below.

The level of bus mileage registered commercially has been surprisingly high. Comparing the situation on 26 October 1986 with the total pre-deregulation system, some 80% of mileage took to the road without subsidy. Although significant levels of deregistration and registration of yet more services have occurred, there is little evidence to suggest anything more than a minor reduction in this overall level.

Competition in the commercial sector of operations has been highly variable. In some areas 'bus wars' have broken out, with increases in the number of buses in Oxford for example of over 100%. The centre of Glasgow was brought to a standstill by bus congestion as SBG operations invaded the previous domain of Strathclyde PTE. By contrast, it is hard to find cases of competition in several large towns and cities as neighbouring operators continue to respect each other's territory. There is limited evidence of new entrants to the industry, while many smaller traditional independents have experimented with entry into local bus operation.

Many more smaller independents have preferred to enter via the winning of tenders to operate subsidised services. Overall competition to win tenders has again varied, although too often for the government's liking there have been only one or two bidders rather than higher levels of interests. Many prices (bids) appear eccentric - often well out of line with other bidders. Nevertheless, the number of operators currently bidding for tenders seems generally higher than in earlier days, although many authorities also report significant increases in the costs of providing their tendered network.

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Overall, vehicle miles by May 1987 were estimated by the Transport and Road Research Laboratory (TRRL) to have increased by 4% on the pre-deregulation figure. This is however slightly misleading given the sudden emergence of minibuses in local bus operation (a trend hastened by, but far from solely due to, deregulation). Hence seat miles may only have increased by around 2%.

These statistics also beg the question of patronage. Unfortunately, it is extremely difficult to estimate overall ridership levels with any degree of accuracy. However, the information which does abound - for instance a number of attitudinal surveys in the metropolitan areas carried out again by TRRL - is not necessarily encouraging. 22% of those interviewed reported a decrease in bus usage since deregulation, against 7% reporting an increase.

Requirements and Attitudes in the New Operating Environment

In this section, an attempt is made to highlight the key requirements necessary for survival and prosperity in a deregulated environment. It is true that many simply imply a heightening of issues which were, or certainly should have been, to the forefront of any good operation prior to the legislative change. It is equally instructive to consider certain key requirements which no longer cease to be relevant. Words and concepts such as networks, integration, equity, social need, sensitivity to political sentiment and 'get out the begging bowl' are no longer the concern of the operator but solely that of the planning/ tendering authority. Fourteen key requirements are presented under three broad headings.

A. Planning Matters

Contrary to some popular opinion, planning becomes even more important under deregulation. Put to first principles, information both about the market and an operator's place in it is the key to successful decision making. It also requires a thorough understanding of the costs of providing for any segment of that market.

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Requirement 1: Thorough knowledge of costs and revenue. Since each segment of the undertaking must now be able to be self-supporting (see below), it is imperative that the operator knows where costs are incurred and where revenues are gained. The first requires a good route costing model - average costing simply will not do - which can allocate costs by fixed, mileage and time of day related components. In practice most of the former public operators in Britain have such systems. The extent to which the results they produce are regularly scrutinised and monitored is perhaps more contentious.

A greater challenge relates to identifying the precise areas of revenue generation. Again the traditional approach of aggregating drivers 'waybills' into overall route statistics will not do. The process is too coarse and too laborious. Deregulation in Britain has stimulated an enormous boom in sales of electronic ticket machines. Together with good tailor made software, these allow high levels of information without high quantities of paper(!) to be readily available to senior management. The best software can automatically control for seasonal variables, alert management to significant variations in patronage/revenue etc. The four prime purposes of such information are:

- basic financial control (revenue > cost)
- understanding the market (for example, monitoring reactions to service and fare changes)
- assessing the impact of competition on own operation
- knowledge of own strengths and weaknesses and, hence, scope for action.

Requirement 2: Abandon cross-subsidy. Any operator not abandoning cross-subsidy is vulnerable to attack from competitors. This seemingly obvious finding is often acknowledged but simply ignored. This rationale goes back to the habit, tradition and even sentiments surrounding the fact that "this area has always been served by us". It is true that exposing gaps in the traditional network may encourage other operators to take over. This can have dangers if it becomes widespread and a number of would be competitors are created 'on the doorstep'. However, such a new operator is faced with poor operating territory and

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the input of resources to a service which might otherwise have been deployed to greater effect. Finally, under the British system, failure to register commercially does not necessarily lead to loss of the service. Should the abandoned service or something similar to it be put out to tender, the established operator is not debarred from bidding and, of course, should know at exactly what level of subsidy the service becomes viable.

B. Internal Operational Matters

Requirement 3: Management Structure. There are two inter-related issues here. First, it is important to reach a position where appropriate degrees of operating autonomy and responsibility exist within the company. Deregulation in the more successful, larger companies has seen a considerable devolution of responsibility to the bus depot based operating superintendent. This includes clear targets for achieving reliability and other standards of operation, and meeting financial targets. Service planning is also often devolved to this level.

All of the above reflects an increase in the need for responsiveness to and awareness of market changes and developments. Remote armies of headquarters executives do not figure well in such contexts. As a consequence, these areas have not only seen a rapid shedding of labour in many companies but a significant reorganisation in scope and title. Traffic Managers can, and fleet engineers have, become Business Development and Operations Directors. Control of drivers in certain companies has passed from the traffic department to the customer related areas of the business, recognising their importance as front line salesmen and women of the company.

One headquarters function which has blossomed relates to the often newly created post of Marketing Manager. Not only does this recognise a new dimension being required within the senior management team, it has also broken down a major entry barrier into the industry. Many marketing managers are experienced professionals drawn from careers outside the industry, including retailing and commercial businesses.

Requirement 4: Wage levels. The bus industry is highly labour intensive and, as such, Wages are the price area for scrutiny of costs. The first requirement is to

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abandon all forms of national or regional wage agreements. The national agreement in Britain which covered all the main operators, fell in 1985 - abandoned by the employers side.

For better or worse, this area represents the major means by which costs can be and have been reduced. Competition, or even the threat of competition, can be exploited by management to secure lower wage settlements. There have been several reported cases of staff foregoing annual pay reviews and even taking reductions in take home pay as part of a 'survival' strategy. Pay rates are also now beginning to relate strongly to the local employment market, higher in South East England, but lower in traditional industrial areas with high unemployment.

Much has been written by others about the emergence of minibuses into stage carriage operation. Although there are instances of pay comparable with 'big bus' drivers, the reality is that drivers of small buses command small wages. We are aware of basic hourly pay at only 60% of the big bus rate within a package of inferior overtime, rest day working, pension rights etc. Perhaps not surprisingly, most minibus drivers have been recruited from the dole queue and not from established bus drivers.

Once such wage differentials have been established, management has further scope for bargaining in pay negotiations. The minibus grade (and pay rate) can be offered as the normal entry salary for new recruits, the higher pay rate then being offered subsequently as a reward for service, experience and progression to all categories of bus driving.

Requirement 5: Bonus/incentive scheme. Several companies have recognised the need for part of the wages component to be offered in the form of a discretionary reward system. There are several schemes in operation, many within the context of formal schemes actively promoted by the British government for the economy as a whole. The potential benefits can be further refined by relating the payment of bonus to individual garage level etc, thus creating competition within an organisation. We have also come across one operator who is endeavouring to link user perceptions of various service attributes to a differential bonus within the company (e.g. drivers; cleaners; engineers).

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Requirement 6: Vehicles. Innovation and inventiveness, particularly low cost solutions, are very much the order of the day. Again, the obvious case in point has been the minibus. By the end of 1987, our own researches had identified some 4,000 minibuses in local bus operation within a total stock of some 35,000 vehicles. Reference has already been made to the association of small buses and small wages.

There are other operating cost savings to be made also. Two key areas are maintenance costs and efficiency gains through faster running times (and hence higher utilisation). Both can represent 25% savings on the relevant costs per mile, although a question mark remains on the longer term maintenance costs. Can vehicles which are little more than van conversions, never designed for urban bus operations, survive for periods of 5-8 years? It is significant to note the emergence of purpose built, generally larger capacity (25-30 seat) designs now emerging.

Despite their apparent emergence in almost all British towns and cities, minibuses are far from an automatic choice or guarantee of success. To be successful they must be associated not only with low wages, but with high levels of passenger generation. Assuming a normal replacement ratio of 3 minibuses to 1 big bus, a generation of passengers in the region of 40% is the typical benchmark for break-even. This has the best chance of being achieved where the original route has been of low (say, half hourly or hourly) frequency.

Undoubtedly, this has been achieved and with scrupulous attention to costs, it has big potential pay offs for operators. Minibuses have a very popular image amongst the public, stimulating a lot of travel from market segments which are hostile to the big bus - such as middle class housewives. We have found strong evidence that they can lift the overall image of an operator's service. However, they are not necessarily popular with all: the elderly in particular often complain of boarding and alighting difficulties. The long term viability also remains questionable in areas of relatively high wages as well as amongst an uncomfortably high number of operators who have told us that they bought minibuses 'because everybody else was doing this and we didn't want to be seen to be dragging our feet'.

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Minibuses are far from the only area of vehicle innovation. Changes to the definition of a public service vehicle has opened an opportunity for taxis to run as fixed route, hail and ride services. This seems, however, to have met with limited response.

Two golden rules in a competitive situation are to operate at low costs and to try and provide 'something different'. The combination of the above, plus the availability of many cheap (if elderly) second-hand vehicles has seen a sudden emergence of ex London Transport Routemasters complete with (low paid) conductors in a number of major provincial cities including Glasgow and Southampton. Another particular benefit of using vehicles of this level of capital outlay is that it becomes less painful to 'cut one's losses' should the innovation prove unsuccessful.

1985-87 incidentally, produced a major hiatus for the bus manufacturer as sales of new vehicles fell to an all time low. However, perhaps due to the second-hand market now being much less endowed with spare vehicles, sales of new buses of all types now show healthy signs.

Requirement 7: Diversification. This is a strategy which is only appropriate in certain circumstances. Where, for instance, it is necessary to slim down an operation in terms of fleet size, garage space and maintenance, staff often become surplus to direct requirements. Diversification into other vehicle maintenance, staff often become surplus to direct requirements. Diversification into other vehicle maintenance, Ministry of Transport testing etc, has been vigorously taken up by many operators. The provision of travel agencies, often converting bus information offices which still, of course, serve that function is another popular option. One municipal operator known to the consultants receives only 60% of his total income from bus operations.

A further area of diversification is property speculation. Bus operators are often in possession of prime development sites such as central bus stations. One particularly notorious example of this was the sale of Southampton Bus Station by Hampshire Bus six months after privatisation. The sum involved was believed to be three times greater than the sum paid to the government for purchase of the entire company's assets.

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Requirement 8: Eliminate all political interference. Privatisation and 'arms length' relationships should ensure that such a situation occurs by definition. However, old habits die hard, particularly in the minds of locally elected politicians, many of whom after all, can rightly claim that they still own their local bus company. However, decisions should only be made on commercial criteria. Providing early morning services, journeys to hospitals etc, can only be based on the expectation of profit, not on providing for public good will.

C. External Operating Matters

Requirement 9: Customer Care. It has become apparent from much of our research that customer loyalty is, to say the least, extremely fragile. The fact that passengers have travelled with a particular company for many years generally means nothing in circumstances when people are standing at cold, wet bus stops and an inviting alternative bus comes along, especially if the traditional operator is nowhere to be seen. Studies have also shown that incumbent operator disloyalty is as great as any favourable loyalty when competition ensues. This should not, however, deflect from the view that the great majority of passengers, all other things being equal (route, fare etc.), will simply board the first bus to come along.

The requirement to treat 'punters' (to use a traditionally derisive term for customers, now falling into appropriate disuse) as valuable commodities in need of cossetting and welcoming - thereby building customer loyalty, has become paramount. A great deal of effort has been expended on training platform staff in public relations skills, recognising their crucial role in their area. This is in contrast to previous circumstances where driver training meant learning to manoeuvre a bus and use a ticket machine!

Steer Davies & Gleave have been involved in several studies examining staff training and staff attitudes. The latter also goes beyond how platform staff interact with the public, but also into how internal communications are handled within the company. There is, in reality, balance between open decision making, conversion of everyone to a 'salesperson' and the need for planning and determining strategy in commercial confidence.

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A final rather difficult balance is the need to explain to platform staff that, whilst the customer is king and at one level always right, certain minorities may simply not be worth carrying. For instance, many drivers will have the task of explaining to customers why services cease at 6 p.m. or do not run on Sundays, or anymore deviate around a particular road. We have also found that driving staff in several companies were resentful of pensioners travelling at concessionary rates, wrongly believing that they were not making money for the company.

Requirement 10: Customer loyalty is the key to successful operation in a competitive situation and, of course, to ensure long term economic returns. There should be no illusions, as explained in paragraph 5.24, that this is hard to achieve. The most common tactic is through pre-paid ticketing and its corollary, the refusal to arrange inter-availability of tickets with other operators. There are arguments that the latter in particular is a short sighted gesture, since customers may more readily become frustrated with buses per se. However, there is insufficient evidence to judge this.

One British operator is currently experimenting with a magnetically encoded card which contains 'n' units of travel. This can be used by anybody and can purchase tickets for groups travelling together. Our task is to evaluate whether this flexible system of fares payment enhances customer loyalty and tempts customers away from a rival operator who issues conventional simple fares and season tickets.

Requirement 11: Information provision is a vital aspect of the new environment. Deregulation has created instability with high levels of service change continuously present in the system. It is very important therefore that the highly conservative (small c) bus user, who appreciates nothing less than change and uncertainty is reassured about the journey both before and during its taking place. Although it must be said that many mistakes have been made, essentially total inadequacies in the volume and distribution of information about new/modified services, the quality and inventiveness of information does show some hopeful signs, including telephone hot-lines, 100% household distribution of timetables, high quality brochures etc.

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Requirement 12: Image and presentation. This subject can only be dealt with adequately via visual aids. Simply, there is now great effort and interest expended in using eye catching liveries, designed by marketing consultants. A further aspect has been to use brand names which reflect local identity and/or service image. Most minibuses have names which reflect their operation as fast, manoeuvrable and small vehicles; for example, 'Hoppanstopper', 'Busy Bee', 'Mini-Link'.

Hand in hand with such developments are greater attention to issues of vehicle cleanliness, staff appearance, etc. These developments have certainly done much to boost the overall image of the bus. In particular, as noted earlier, they have played their part in allowing new markets for bus travel to be opened up. The strongest evidence relates to minibuses, but the overall image of 'travel for the disadvantaged' has been shed. It remains to be proven whether such efforts and expense will have lasting financial benefits.

Requirement 13: Avoid unnecessary change and unreliability. There is a temptation to regard deregulation as the dawn of a new era in bus travel. Particularly where the service planning function has changed due to management reorganisation, there have been many cases of what must only go down as change for the sake of change. In other words, renumbering and rerouting almost the entire network, major retimings within the same overall frequency. Such actions have been disastrous, especially when coupled with inadequate information concerning the changes per se.

The major user complaint prior to deregulation in Britain was staff behaviour. It has now been replaced by unreliability and the removal of trip opportunities at certain times to certain destinations. Almost certainly, such frustrations, caused in reality by a mixture of customer uncertainty, genuine unreliability and bad service planning, have been chiefly responsible for the decline in patronage in certain parts of the country. In particular, this seems acute in the metropolitan areas and reflects in the findings of the TRRL and other research alluded to in the references. This has also led to a particularly perverse outcome, with urban rail services apparently increasing their ridership, in the face of dis-integration and heightened bus competition.

Requirement 14: Never admit you're doing badly. As a final, somewhat flippant observation, we have noted that deregulation has generated an extremely 'bullish' attitude amongst operators. Particularly in gatherings of their peer group, it is unknown for anyone to declare that deregulation has not been a wonderful tonic to their lives. Whether this reflects a genuine release of entrepreneurial zeal, a weakening in the power of organised labour (management's right to manage etc), or a simple dread of admitting that anything has gone wrong for fear of encouraging would be competitors, is a moot point.

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Overall, therefore, the new environment requires careful planning, good information, a highly responsive workforce and an ability to innovate and experiment. It also requires recognition that customer loyalty is fickle and must be fought hard to retain. Change is both an enemy as well as a force for good. Ruthless decision making to remain in sole control of personal destiny is also paramount.

A Short Guide to Competition Strategy

To end this paper, we consider the core issue of deregulation. The British government, in particular, welcomes the idea of competition believing that this must lead to better and cheaper services. This may be so in certain cases. It may also be so in the short rather than the long run. It is incontrovertible that it is rarely without cost to the competitors, both the incumbent and new entrant. Even the most hawkish entrepreneurs accept that the best thing to do with competition is to avoid it! This does not mean a continuous state of collusion and status quo with one's rivals. It does mean minimising the periods of instability/competitive behaviour before one side 'wins' the day or both agree to co-exist.

There are four important preliminaries to launching competitive action. These are:

- know the opposition's market
- know your own market

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- know your resources and ability to enter and sustain your new market position
- know your opponent's resources and ability to sustain competition and launch counter offensives.

Essentially, there are two potential battlegrounds. The one chosen by the new entrant and the one which might be chosen by the incumbent. In both cases, these will be where the market is strongest, subject only in the latter case by also being where the antagonist's existing market is strongest. For instance, a small contract and private hire based operator attacks a municipal company on 2 or 3 primary routes knowing that even a small percentage share of the traffic will be better than trying to find, market and develop new territory. The incumbent, however, sees that the 'bread and butter' of the small company is its reliance on certain key contracts (determining its peak vehicle requirement et al). Hence, undercutting on the contracts takes place, eroding the strength and ability of the small operator to compete. After both operators sustain short term losses, the strongest fittest wins. Competition ends. Moral - watch your back!!

The key to 'successful' competition is therefore to fight on terms which are one sidedly favourable to the aggressor. To generalise, these vary greatly dependent on the relative size of the undertaking. Here are some appropriate Do's and Dont's.

To compete effectively as a small operator:

- DO : Consider creaming traffic on a modest scale. One bus per hour on, say a 5 minute frequency corridor, may be too difficult and too inconsequential for a large company to deal with.
- : Seek out market niches. Areas of the market poorly or unserved where there is evidence of a need for service. A competitive response from others is least likely in this context.
- : Ensure that operating costs are lower than the incumbent.

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- : Use the tendering process. 'Off the road' competition does not provoke such hostility from incumbents as when their commercial territory is invaded. It also establishes a presence and a resource strength in the market.
- DON'T : Compete with radically lower fares. They will almost certainly be matched by the incumbent if your service threat is credible. Major losses will occur.
- : Expect the incumbent not to attack your own core activity/services.

To compete effectively as a large operator:

- DO : Seek to duplicate the incumbent's primary network comprehensively and exactly. Identical route numbers and service patterns remove any uncertainty in the mind of the passenger that your service is going the same way as your competitor.
- : Market and advertise your presence. Marketing here includes free publicity from the media - Bus war begins; Rivals slog it out, etc.
- : Practice headrunning. Your services should run 1-2 minutes in front of the incumbent. It is also useful to encourage long dwell times and plenty of vehicles being available to occupy key central area stops used by the incumbent.
- : Endeavour to be cheaper and better.
- DON'T : Expect to win overnight and not sustain financial losses into the bargain. Competition is an investment in the future.
- : Break too many rules. Your opponent will be pleased to report bad driving, poor maintenance, non adherence to timetables to the relevant authorities.

CHANGES TO COMMERCIAL PROFIT MAKING

Conclusions

The deregulation and privatisation of urban bus services has brought about the need for a fundamental rethinking in the way managers act and react in the new environment. There is much learning still to do, and for some there will be a heavy price to pay. Others will prosper. The position of the customer remains paramount, and must be served efficiently and adequately. As yet it is probably true to say that they regard the events of the last two years as a distinctly mixed blessing.

New levels of entrepreneurialism and risk taking are required, though this must be tempered with realism and sensitivity to available resources and market needs. The future remains an intriguing uncertainty. Watch this space!

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