

Response to Article on Bus Franchising from Stagecoach East

Franchise the Buses? You need money in the tank (May 30 – June 05 2018) clearly sets out a view of an operator who is fearful of losing their stranglehold on a region which deserves much more from a public transport network. Unfortunately, the article is littered with misrepresentations in a poor attempt to guide the reader away from the opportunity that franchising presents – please allow me an attempt to provide some clarity to the matter.

Contrary to what my industry colleague says, the London bus franchising system is admired throughout the world and has seen passenger numbers grow since de-regulation of buses in the 1980s whilst outside of London it has fallen dramatically (DfT Annual Bus Statistics report). There are many more suitable examples, from Jersey in the Channel Islands, Singapore, Hong Kong through to Perth in Australia. However, London should not be held as a comparable for our region, for our community. Instead I would look to Jersey in the Channel Islands, which, since adopting a franchised system 5 years ago, has seen passenger journeys increase by over 40%, and subsidies reduce by over 10%. As people are using a more reliable and suitable bus service, the requirement for a car is reduced. With fewer cars on the road, the bus becomes quicker, so attracts more passengers, increases revenue and allows for future investment – a positive self-sustaining cycle.

And, let's not forget, Stagecoach operates 7% of the services in London, a franchised region. In 2016/17, in London, Stagecoach earned £162.7m in revenue and made £2.67m profit (1.6%).

By comparison, in Cambridgeshire, Peterborough, Huntingdonshire and Bedfordshire, Stagecoach's revenues were £56.7m (i.e. 34% of what they earned in London). Yet they made £7.13m profit (12.6%) – that's over 2.5 times more profit in a non-franchised region on 34% less revenue (all numbers are found from public filings on The Companies House website). How can they still claim they are offering a valuable public service? Why do we as a city accept this – the truth is the power lies with the monopoly operator, not the elected officials.

What's the difference? Franchising! The mayor of London, London passengers and the tax payer gets better value for money in London because there is more competition, and competition drives down prices and increases innovation and customer experience.

There are many benefits to franchising a bus network: imagine the local authority being able to harness the private sector ability for innovation and cost efficiency for the public good. Being able to control integrated ticketing, fares, times, routes, vehicle specifications (greener vehicles) and driver training. The process of designing and managing the system will mean additional cost to the authority, but local authorities already subsidise buses and at least they will be able to re-invest surpluses in profitable routes to areas that have a social need for public transport. These are the areas currently affected by cuts to services. Mayor James Palmer has a real opportunity to make Cambridge a world leading transport city and region.

One must think not only of the cost of the services, but also the other benefits this brings to the community:

- Road congestion – with more people using the bus service, cars come off the roads, bus travel times become shorter and more reliable, therefore even more people use the service – just imagine Hills Road with 40% less people using it.
- Social mobility – the additional strain on the NHS for patients and carers who cannot easily get to health services is well documented. Having a reliable, local bus services that serve the community, not just the profitable city centre or Park and Ride services will help our hospitals.
- Affordability & economic growth – the region is set for major growth in the coming years, and without a suitable public bus system the road network will bring the region to its knees and we all will not prosper.

I think everyone accepts that companies need to make a profit, but let's be clear, bus services are public services, and margins need not be excessive. Take a look at any monopoly operator's accounts outside of London and you will see much greater profit, delivered to shareholders & directors, compared to those in London, where the profit is given to authority to reinvest into public services. Through franchising the taxpayer and local government can make sure profits are fair and reflect the level of risk they take on and can re-distribute surpluses to less profitable routes that are needed.

Margret Thatcher believed that the free market (outside of London) would self-regulate and provide communities with the services they need. She believed that the competition would drive up standards and services, which would reduce the fares to the passengers. However public services such as buses do require a more Keynesian approach from government, and requires government intervention for them to be a success. The barriers to entry into the bus market are high, a new entrant needs to buy / rent a depot, buy / lease vehicles, then start running services and hope to recoup some of their costs. The bus market has consolidated and the most profitable routes are already well established and cannot be competed against. This is why there have been very few new bus operators to the region.

This is because the large monopoly operators in every major city control the depots, the profitable routes, and will respond aggressively using predatory tactics to smother new operators trying to start up.

With the right franchising model those barriers to entry can be removed, a level playing field created and we would see new operators come to our region and genuinely compete to deliver better, innovative services at a competitive price. In Singapore, those barriers were recently removed and the transport authority saw eleven new, international operators come and compete for work. The quality of service and patronage has increased significantly as a result. So if there isn't a monopoly on the services, then the franchise competition comes down to quality of service, customer experience and price (i.e. effectively profit & operational efficiency, as we all pay the same for the buses, the fuel, the insurance etc...). Every operator wants and needs to make a profit. But while some want to make excess profits, others, including Whippet, will accept a lower profit to be able to compete for market share and deliver a good service to their community.

We firmly believe that the local transport authority and the Mayor should be in control of the **public** service that affects everyone whether they use buses or not.

Last week was Catch a Bus Week and we saw an increase in passengers on our services, and we hope to retain those passengers who tried our services for the week. If franchising is introduced by Cambridge and Peterborough Transport Authority we are convinced it will be a Catch a Bus Week every week.

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