

LONGER-TERM IMPACTS OF BUS AND COACH DEREGULATION IN BRITAIN

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1. This paper follows those presented at the previous three conferences in this series. Those at the first (Thredbo) and second (Tampere) conferences presented a broad overview of developments in the local bus sector since implementation of the Transport Act 1985. The third (at Mississauga) examined specific aspects of tendering policies outside London. Strong debate continues regarding such policies in Britain, but as yet no substantial changes have occurred. At the time of the Mississauga conference (September 1993), it was government policy that deregulation would be extended to London, and London Transport's bus subsidiaries privatised. However, in November 1993 it was announced that while the latter process would continue, the former was dropped.
2. In this paper, the long-term outcomes of express coach deregulation since the 1980 Transport Act are examined, some fifteen years' experience in that sector now being available. The overall picture regarding outcomes of local bus deregulation is updated. The way forward in London following the 1993 policy statement is then reviewed. In conclusion, comments are offered on the rapid concentration now taking place. Unfortunately, the timing of this conference conflicts with examination commitments at the University of Westminster. I am grateful to Ian Wallis for reading it on my behalf.

EXPRESS COACH DEREGULATION

3. The Transport Act of 1980 removed most regulation applying to express coach, excursion, and tour operations in Britain. Taking the scheduled long-distance services as the main element of interest, a dramatic impact could be seen. Total trips rose by about 50% by 1985. This was associated with extensive price competition (both between coach operators, and between coach and rail), together with higher frequencies, faster timings making better use of the motorway network, and quality improvement such as on-board refreshments. However, the degree of inter-operator coach competition was perhaps less than expected. National Express remained the dominant operator, with 70 to 80% of the market. Its share grew further with the takeover of Scottish Citylink in 1993, and no comprehensive competing network exists, although independent competition is significant on certain corridors.

4. The 1980 Act also created the possibility of operating 'commuter coach' services into London, as services carrying all their passengers distances of over 30 miles were deregulated. Growth developed more slowly than in the long-distance market, but was stimulated by the rail strikes of 1982. Activity has been concentrated mainly on the North Kent and South Essex corridors (characterised by low income travellers and poor quality rail services), and the M4 corridor to the west (with better motorway access). By 1986 over 400 coaches were entering central London in the morning peak period, although they only represented 1% to 2% of all commuter movement.
5. Central government has not published any meaningful statistics on express coach trips since 1984. However, using National Express as a proxy, it can now be seen that 1985 represented a peak in coach travel. Table 1 shows trips on the National Express network. A steady decline from the mid-1970s had occurred, with just over 9 million trips in 1980 itself. The early 1980s saw a rapid growth, peaking at about 15.4 million in 1985, then subsequently falling to 10.5 million in 1992, and 9.8 million in 1993. A recovery to 10.9 million took place in 1994, partly attributable to the effects of rail workers' strikes.
6. Other data sources give similar trends. Since 1986 a central London coach survey has been carried out in a fairly consistent form, on behalf of the Statistics Directorate of the Department of Transport. Roadside counts are taken each summer, classified by service type (commuter/limited-stop, long-distance express, general tour, and other). Table 2 indicates results for a cordon around the central area (intercepting major coach corridors) up to 1993 inclusive. A peak in express movement in 1986 is evident, followed by a decline. A similar trend is seen for commuter coach activity. Coach vehicle departures from Victoria Coach Station in London rose from 128,000 in 1979 to 284,000 in 1984, then fell to 152,000 in 1991. The estimated total for 1994 is 170,000.
7. National road traffic estimates produced by the DoT indicated a rapid growth in coach and bus vehicle-km on motorways in the early 1980s: by 54% between 1979 and 1986, exceeding the growth rate for cars in the early 1980s (Doganis and White 1990). Unfortunately, this data (for vehicle-type km. by road type) is no longer published in a convenient form by the DoT.
8. The initial phase of growth in long-distance express travel in the early 1980s was largely explained by a combination of higher frequencies on trunk routes, greater motorway running to raise speeds, and fare reduction of about 50% immediately upon deregulation, together with increased public awareness of coach travel.
9. National Express currently handles about 10 million passenger trips per year, compared with about 60 million on services within the former 'InterCity' sector of British Rail. However, it is likely that the average trip length by NE is somewhat greater (the BR InterCity sector included the Gatwick-London service and substantial commuting flows into London, for example), giving it a somewhat higher share of passenger-km in the combined coach/rail long-distance market than passenger trips alone might suggest: around 2,700m passenger-km in 1994 (Dick, 1994) compared with 12,200m passenger-km for the InterCity sector in 1993/4.

TABLE 1 NATIONAL EXPRESS PASSENGER TRIPS 1980-1994 (MILLION)

Year	Passenger Trips (million)	Year	Passenger Trips (million)
1980	9.2	1988	13.1
1982	14.0	1989	13.9
1984	15.0	1990	13.5
1985	15.4	1992	10.5
1986	14.4	1993	9.8
1987	14.7	1994	10.9

Source: National Express, and technical press reports.

Note: Changes in some years are associated with changes in definition and scope. Totals from 1989 were increased by introduction of Scottish services.

TABLE 2 TRENDS IN COACH MOVEMENT IN CENTRAL LONDON

Service Style	Year 1986	1988	1989	1991	1993
Scheduled express	251	154	151	122	122
Commuter/regional	847	632	n/a	528	504
Other	1172	1348	n/a	1173	1337
Total	2270	2134	2147	1823	1963

Notes: Data shown is for total movements observed at 23 cordon sites, both directions combined. Surveys were taken for a three-hour morning peak (0700-1000) and a three-hour evening peak (1600-1900). An average for Tuesdays-Fridays is shown. In the 'other' category, the main group is that of general tour and shuttle operations. Also included were staff and works buses, empty movements, and round London Sightseeing tours.

Source: Central London Coach Survey 1993 (Department of Transport Statistics Bulletin 94 (32), May 1994), table 2a. The 1993 survey was undertaken by Wootton Jeffreys Consultants Ltd, the 1988, 1989 and 1991 surveys by the Polytechnic of Central London.

10. From the first day of deregulation in October 1980 a rival consortium of independent operators, British Coachways, introduced competing services on the main trunk routes, but was unable to match the high frequency of service that National were able to offer. National also 'saw off' the competition by cutting its fares to the levels of British Coachways, in some cases by 50%, notably on trunk routes to London. A fuller description is provided by Robbins and White (1986), and of subsequent events by Doganis and White (1990). Price reductions were also made on major cross-country routes and other London-based services. National also benefitted from their greater number of sales outlets, and access to coach stations, notably London Victoria. They were already a nationally known name which could take advantage of the publicity given to coach travel as a whole, whereas British Coachways was not. The independent consortium gradually broke up, and ceased in January 1983.

11. Substantial independent competition has continued on a number of corridors, but no single operator has been able to establish a competing network as such. Recently, significant all-year-round competition has been focused primarily on the following corridors:

o London - M3 - Poole (sole survivor of the 'British Coachways' network)

o London - M4 - Bristol - Somerset (several operators)

o London - Birmingham (however, this ceased from November 1994)

o London - Leeds/North East corridors (currently provided by one company, although for a number of years another major company also operated)

o London - Glasgow/Edinburgh. This trunk route offers very attractive scope for high vehicle utilisation (running daytime in one direction, overnight the other). A succession of operators has emerged. Following the merger of National and Citylink, two 'independent' services are provided.

o West Midlands - Heathrow - Gatwick. This direct airport feeder service (also serving Manchester in summer months) was pioneered by Flights of Birmingham, who continue to offer a similar frequency to National.

The most substantial competition for some years has been that between National Express and Express Travel Ltd of Liverpool, who operated a network of services between the North West and London from September 1994 to May 1995.

12. In some cases, independents are the main operators, with National operating only a very limited service or none at all (for example, the Gatwick - Heathrow - Stansted - Cambridge service). In addition to growth on long-distance services, substantial expansion has been seen in coach operation at the regional level, notably between London and Oxford on the M40 (where two operators run every 20 minutes one increasing to a 10 minute headway at peak periods), and in Northern Ireland, where Ulsterbus has expanded its 'Goldline' network.

13. However, despite the service quality improvements, very few firms' business trips have been attracted to coach. The survey of passengers at Victoria Coach Station undertaken as part of the London Area Transport Surveys in 1991 (LRC, 1994) gives a very similar picture to our own surveys in the early 1980s - 44% of passengers were visiting friends or relatives, 24% on holiday, 6% on personal business and only 4% on work or employer's business.
14. At coach deregulation in 1980, National Express was the trading name for the network of coach services offered by regional bus and coach companies within the National Bus Company (NBC). National Express was subsequently set up as a separate company, and as part of the NBC privatisation, it was privatised through a management buy-out in 1988. After a subsequent change of ownership, it was floated in 1992. National Express Group PLC is the holding company, of which National Express Ltd is the largest subsidiary, operating the express network (other subsidiaries include Speedlink Ltd., operating airport services, East Midlands Airport and Bournemouth Airport, acquired on privatisation from local authority ownership in 1993 and 1995 respectively). NEG has recently merged with West Midlands Travel (WMT), principal bus operator in the West Midlands, and holding company for some other local bus operations (whose turnover was in fact slightly greater than that of NEG). National Express Ltd. as such owns only about six vehicles as such, the remaining 700 or so vehicles in its white livery being contracted-in from other operators, on a distance-based rate (now known as 'partner operators'). From the passengers' point of view, a single network is offered.
15. A somewhat different pattern has applied in Scotland. At the time of deregulation, the Scottish Bus Group (SBG) traditionally operated trunk routes between London and major Scottish cities, while other cities in England were connected by joint National Express/SBG routes. Very little development of express coach services in Scotland had occurred, despite substantial motorway construction. Independent operators took a greater role, both on the London trunk routes, and in setting up new services within Scotland, notably on the Glasgow/Edinburgh - Perth - Dundee - Aberdeen, and Perth - Inverness corridors. SBG subsequently placed the trunk routes between London and Scotland, and within Scotland, under its 'Citylink' company, which played a similar role to National Express in England and Wales. It was established as separate organisation in 1982, and like National Express, came to contract in from a wider range of operators.
16. Competition between National and Citylink as such was negligible until 1989, when National purchased the express coach services of the Stagecoach Group, thus competing both within Scotland and on London trunk services. A period of intensive competition between the two major networks then followed. Citylink was privatised through a management and employee buy-out (MEBO) in 1990. However, the degree of competition proved unsustainable. In May 1993 Citylink was acquired by National, and services rationalised. National thus exercises a remarkable dominance in a deregulated market.
17. Following the merger between the National Express Group and Saltire Holdings (the holding company for Citylink), an enquiry was carried out by the Monopolies and Mergers Commission (1994). This concluded that the main competition lay between coach and rail, notably in pricing, and that the merger had enabled both

operators to escape a loss-making situation on the trunk London routes. The report also contains much other useful data on the express coach market, not otherwise made public. Its approach contrasts with that of enquiries into bus competition by the MMC, in which competition between bus operators has been examined, but not the issue of competition between buses and other modes.

LOCAL BUS DEREGULATION: RIDERSHIP AND SERVICE LEVELS

18. The Transport Act of 1980 effectively removed most price control from local bus services in mainland Britain (outside London), and made introduction of new, competing services less difficult than before, but with only moderate impacts. The Transport Act of 1985, effective from October 1986, introduced almost complete removal of quantity controls outside London, except for the requirement to register a route and timetable, giving 42 days notice. London, subject to the London Regional Transport Act of 1984, remained a significant exception, together with Northern Ireland, in which the great majority of services are provided by the state-owned Ulsterbus and Citybus. A review of initial impacts was provided at the 1989 conference (White and Turner 1991).
19. Table 3 updates the picture to 1993/4. It can be seen that only marginal falls occurred in passenger numbers in London (3%) and Northern Ireland (7%), compared with an average of 27% for the deregulated areas. In all cases, vehicle-km operated rose substantially, by around 20 to 25% or more, and hence this is not a factor explaining the differences in ridership trends. The greater passenger drop in the Metropolitan areas (33%) than other deregulated areas (around 20% to 25%) can be explained by the impact of the very steep fare increases in 1986 and subsequently, but the large difference between London/Northern Ireland and the deregulated areas as whole remains conspicuous.
20. Comprehensive data for changes in passenger-kilometres travelled in the areas defined in table 3 is not available. However, the 1991/93 National Travel Survey, and monitoring of local trends by the West Midlands and Greater Manchester PTEs, suggests that average trip length may have risen by about 10% outside London since 1985/6. Hence, total passenger-km outside London would have fallen by about 20% rather than 27%. Within London, average trip length fell by about 5%, as growth occurred mostly in shorter trips (for example, feeding rail stations in the suburbs). Hence passenger-km would have fallen by about 8%. On this measure, the differences between London and the deregulated areas are less marked than in the case of passenger-km, but nevertheless remain substantial. In 1994/5 London Transport bus trips rose by 4.2% to 1,159 million (London Transport 1995), thus marginally exceeding the 1985/6 figure of 1,152 million. Assuming an unchanged trip length, since 1993/4, passenger-km would then be about 4% lower than in 1985/6. Statistics for the rest of Britain for 1994/5 are unlikely to be available before the Autumn, but even allowing for a reduced rate of passenger decline, are likely, at best, to show the same volume of passenger trips as in 1993/4.
21. Among the likely explanations are the effect of service instability, poor passenger information, and losses of through ticketing and comprehensive off-vehicle travelcard facilities in deregulated areas.

22. The impact of the additional vehicle-km (in most cases representing higher frequency, rather than longer routes) has varied enormously with local circumstances. Well-planned conversion of low-frequency full-sized operation to high-frequency minibuses has shown some welcome gains, with service elasticities of up to +0.5 (i.e. 50% extra riders if the service is increased by 100%). However, the most spectacular percentage gains tended to be in areas where per capita bus use was rather low to begin with (such as Exeter), and hence may not be transferable to other areas which have retained greater use (although the operators concerned are to be congratulated on turning around what might have seemed an irreversible decline in those cases).
23. In many cases, however, competitive operation has resulted in increased frequency on routes already with high service frequencies, where the main effect has been to split the market between more operators rather than stimulate total ridership - this can be seen in Manchester, for example. Given the low price elasticity for urban bus travel (about -0.3 in the short run), it is far more tempting for a new operator to enter an existing market at existing fares, picking up passengers already waiting at stops, rather than compete on price, or establish new routes.
24. Deregulation has been associated with a sharp fall in unit operating costs, of about 40% per bus kilometre in real terms. This resulted primarily from increased staff productivity (bus-kilometres per member of staff), together with changes in wages and working conditions, the lower fuel and maintenance costs of minibuses, a worldwide drop in real oil prices, and cuts in overhead costs. However, the drop in passengers boarding per bus-kilometre was almost identical (due to the combination of extra bus-kilometres and fewer passengers in total), so that real cost per passenger carried showed no significant change. Conversely, in London, a similar fall in cost per bus-kilometre was associated with a modest drop in average loads, so that cost per passenger fell by about 20%. Real revenue per passenger also rose in London, so that total revenue in London increased. The net support required for bus services outside London fell by 55% in real terms between 1985/86 and 1993/4, but by 72% in London, mainly due to this revenue effect. London Transport estimate that its grant per passenger mile fell by 80% between 1984/5 and 1994/5 (London Transport 1995, figure 11)
25. For the rest of mainland Britain, real total revenue from passengers fell in every year to 1992/3 inclusive, but a small rise occurred in 1993/4. Together with further cost reductions, this may have roughly doubled the profit margin (profit as percentage of turnover) from about 4% to about 8%. However, total passengers continued to decline (the gain in total revenue being due to real revenue per passenger rising faster than passenger numbers fell).
26. Table 4 shows changes in public expenditure on local bus services between 1985/6 and 1993/4. A more comprehensive review of the impacts of local bus deregulation up to 1993/4 is provided elsewhere by the author (White 1995).

TABLE 3 TRENDS IN LOCAL BUS RIDERSHIP AND BUS-KILOMETRES OPERATED SINCE DEREGULATION.

Percentage changes, 1985/86 to 1993/94 inclusive.

Area	Passenger Trips	Bus-kilometres
Metropolitan	-35.5	+20.6
English Shires	-20.2	+24.5
Wales	-20.2	+33.7
Scotland	-21.6	+26.7
Average for deregulated areas	-27.4	+24.0
London	-3.0	+24.0
Northern Ireland	-6.7	+22.9

Source: Bus and Coach Statistics Great Britain 1993-94 (HMSO, London, November), tables 1.1 (bus-km) and 2.1 (passenger trips). Northern Ireland data is derived from the combined total for Ulsterbus and Citybus, supplied by the operator.

TABLE 4. TOTAL OPERATOR INCOME AND OPERATING COST.
At 1993/4 prices, £ million

	London		Rest of Britain	
	1985/6	1993/4	1985/6	1993/4
Passenger income	345	357	1683	1485
(plus concessionary compensation)	(95)	(106)	(321)	(312)
Total operating cost (excluding depreciation)	631	515	2327	1678
Revenue support	213	59	526	237
Fuel duty rebate			196*	220*

Includes London.

Source: Ibid, tables 1.1, 4.2, 5.1, 5.2, 5.3 and 6.1(b). Further year-by-year details to 1991/2 may be found in the reports of the Chartered Institute of Transport's Working Party on the bus industry, in respect of London (1994) and the rest of Britain (1993).

THE LONDON CASE

27. As described at the previous conference in this series (Newton, 1993), control of London Transport was transferred from that of the former Greater London Council to that of the board appointed by central government, under the London Regional Transport Act of 1984. A regulated, planned network was retained, but a system of competitive tendering was introduced. Initially, this applied mainly to minor routes in suburban areas, which existing independent firms could easily operate, but was subsequently extended to include trunk routes, and high-frequency services in central London (including, from 1992, some of those still operated with conductors). Each route was advertised separately, but in almost all cases the entire schedule has been covered as a single contract (except for some peak school journeys), rather than separating the 'commercial' periods of operation as in other parts of Britain.
28. By April 1993, about 40% of the network had been tendered out in this fashion, operated both by London Buses Ltd (LBL) and other operators, dependent upon success in the tendering process. This proportion rose to about 50% by April 1994. The other half of the bus-km was still operated directly by LBL companies, but on a 'negotiated contract' basis from April 1993, rather than a block grant for the whole network.
29. The separately-tendered services as such in London are operated on a 'gross cost' basis, i.e. all revenue accrues to the tendering authority (LT), and the operator is paid for total costs incurred (including capital charges on vehicles, etc.). Hence, the operator does not incur revenue risk. This system also has the advantage that complex apportionment of revenue between routes and operators is not required in fine detail : about 70% of bus journeys in London are made on bus passes (a card purchased by the passenger giving unlimited use of the bus network in defined zones for a defined period), Travelcards (covering buses, underground and British Rail services), or concessionary passes (given to the elderly and disabled) which do not involve cash transactions on the vehicle. A noteworthy feature in London is that, while fares for adults are high compared with other European cities (both in cash and for Travelcards), pensioners and disabled receive free travel, except in the morning peak : this represents about 25% of all bus trips.
30. In November 1993, the government announced that deregulation in London was not to proceed, but all the existing LBL companies would be privatised. It was also intended that all future contracts (whether with former LBL companies, or other operators) would be on a net cost basis. Subsequently, privatisation of LBL companies was completed in December 1994, but in view of the difficulties encountered in net cost tendering, further route-by-route tendering has been resumed on a gross cost basis for the period to 1997.
31. Overall, of the routes put out to competitive tendering, about half were retained by LBL companies, the other half passing to other operators. In addition to small private companies, the latter also include regional companies, originally in public sector ownership, operating around Greater London, who were well placed to bid for services within the capital. For some of these, notably Kentish Bus, and London & Country (both now parts of the British Bus Group), the operations within London now represent a large part of their total business. Some of the

independent companies have also grown rapidly as a result of gaining service contracts, notably Grey-Green and Capital Citybus, who now operate over 100 vehicles each.

32. While the overall performance in London is clearly better than that in the deregulated areas taken as a whole, a number of improvements could be made in the existing system in London, and some tensions reduced. These were considered by a working party of the Chartered Institute of Transport, which produced a report in October 1994 (CIT 1994).
33. Following privatisation of the LBL companies in the Autumn of 1994, all bus operations within London are now performed by private sector companies. However, LT retains a major role, through its responsibilities for service procurement (contracts) network planning, pricing, passenger information, etc. It has also provided an element of public transport planning expertise otherwise lacking in London since the demise of the Greater London Council - for example, in bus priorities, and interchange design. The bus responsibilities of LT are grouped under a part of the organisation known as 'London Transport Buses' (LTB), which has succeeded the role of the LBL holding company, and bus planning work undertaken centrally within LT. LT thus retains a major role, both within London, and nationally, since few organisations elsewhere have developed similar expertise in passenger information systems or network planning.
34. A number of problems arise from the decision to adopt net cost tendering, firstly for the negotiated contract with LBL's subsidiaries in April 1993, and then subsequently as an aim for the whole network in the November 1993 policy statement. While in theory this provides incentives to operators to attract more passengers through better service quality and marketing (since all the extra revenue is retained, within the period of a contract), it creates many practical problems.
35. The net cost decision was made before sufficiently accurate methods of attributing passenger trips and revenue to individual routes had been determined. Sampling methods are used (such as diaries kept by Travelcard holders) to determine use of services by non-cash fare payers. On-bus checks are also made, and drivers are encouraged to record the boarding of each Travelcard or pass holder on their electronic ticket machines (all passengers must pass the driver, either to pay a cash fare, or display their Travelcard/pass). The sampling methods enable robust estimates of network-wide ridership to be obtained, but over short periods (such as four weeks, the usual accounting period in the bus industry), or for individual operators or routes, they are not very precise. An operator may thus experience considerable fluctuation in allocated revenue due to sampling variations, rather than changes in actual ridership.
36. Major improvements should arise from the contactless smart card system, now being tested in Harrow, a suburb in north west London. This scheme was introduced in February 1994, including over 100 buses, of several different operators. The pass or Travelcard is replaced by a smart card, encoded for each user, which is validated by a reader adjacent to the driver's ticket machine (to check whether the card is valid for the zone boarded, date of use, etc.). This data may then be collected and retrieved from the ticket machine module, as for cash fares (however, no data is obtained on trip length). Should the experiment prove

successful, a fleet-wide system could be adopted. This would enable retention of the existing passes and Travelcards, with their marketing and operational benefits, but ensuring much better validation procedures and data collection. Some limited surveys would still be needed to estimate trip length (since fares are related to fare stages or zones covered).

37. It is not the aim to replace the Travelcard or pass, but to collect better data, and to introduce stored value ticketing for users still paying in cash. The Harrow experiment has now been extended to include a flat fare ticket, which permits interchange within a given period (unlike existing cash fare tickets), with a discount offered vis a vis equivalent cash fares. Subject to such a smart card system proving sufficiently reliable, it could be extended to the whole network during the next few years, so that future net cost contracts could be based on much more accurate revenue allocation.
38. For the time being, contracts have reverted to the gross cost form. Following a period in which little competitive contracting occurred, while the LBL companies were being privatised, the rate of contracting has been increased to about 15% of the network in each year. In this year and the next, contracts will take the gross cost form, but from 1997/8 it is intended that all will be net cost (both for the former LBL companies, and all other bidders, including renewals of existing contracts held by independent companies).
39. However, even where revenue allocation is sufficiently accurate, the net cost system still causes some problems. Where each route is the subject of a separate contract, and many cases occur of routes with parallel sections, revenue may vary according to shifts between routes. For example, if two routes both run every 20 minutes over a common section, and one is increased to 10 minutes, while the parallel route remains every 20 minutes, the first route will gain an increased proportion of passengers (since passengers board the first bus to arrive), and hence both net contracts would require modification. The net cost system makes the procedure of modifying existing networks considerably more complex as a result.
40. Another issue raised in the process of the CIT study was that of the degree of freedom currently given to operators to modify services. At present, the route contract is specified in great detail by LT, including not only the route to be followed, but also the exact timetable. While operators can make suggestions arising from their experience for modifications to services, these are subject to LT's approval. To some extent this is unavoidable, due to the duties imposed on LT by the 1984 Act, in which it has a duty of public consultation when routes are changed or introduced. However, greater flexibility may be possible - for example, specifying the exact route, and minimum levels of frequency and/or capacity to be provided in each period of the day or week, leaving the operator to determine the exact schedule offered.
41. Another option considered by the CIT working party was whether contracts or franchises over a larger area might be more appropriate than single route contracts. For example, an operator might bid to operate all routes over the same corridor (thus reducing the problems of revenue allocation where services run in parallel), or a small network (for example, routes into a suburban shopping centre). This would also be consistent to with the 'net cost' contract approach, since the

operator could be given more responsibility for marketing and service planning. However, if contracts were based on larger areas in this form, the bidding process could become less competitive, as smaller firms might be unable to take on the scale of work involved. In any case, such a contract system would also involve changes in legislation.

RECENT TRENDS

42. A marked shift has taken place towards consolidation, following the initial diversification of ownership as the National Bus Company (NBC) and Scottish Bus Group (SBG) companies were sold individually. In particular, many management, or management-employee, buy-outs (MEBOs) have sold on to larger holding groups after a fairly short period in separate ownership.
43. Larger groups have gained access to greater capital resources either through flotation on the stock market (Stagecoach, Badgerline, GRT Bus Group, National Express), or through funding from city institutions (British Bus Group). This has enabled them to purchase many other companies, as well as to fund fleet renewal. From June 1995 Badgerline and GRT were themselves merged into a larger group, 'First Bus' (strictly speaking a misnomer, as Stagecoach Group remain the largest holding company). National Express has merged with West Midlands Travel (WMT), and British Bus may seek flotation later this year.
44. This rapid consolidation is also associated with a rationalisation of competing services in many areas, as operators realize that such competition is unsustainable in terms of making sufficient profit to provide for vehicle replacement. The future is thus likely to be characterised by fewer, larger companies with relatively little direct competition. This may enable a more stable and profitable industry to survive, but is not, perhaps, what the authors of the 1985 Act envisaged.

CONCLUSIONS

45. So far as local, urban bus operations are concerned, the evidence suggests that in many cases the main effect of deregulation is to create competition in the form of expanded supply, rather than lower prices. Where this simply duplicates existing services, the outcome is likely to be little if any growth in demand, and hence a fall in average load factors, such that low revenue per bus-kilometre is produced. This is evident both in Chile (Koprich 1994), and Britain. Although examples have occurred of ridership growth in specific areas (notably due to minibus conversion in smaller towns, and suburbs), there are no cases in developed countries of local bus deregulation producing a nationwide growth, nor in large cities.
46. In developing countries, where overcrowding is a serious problem, such increases in supply are clearly welcome. However, in countries where bus loadings are lower and car ownership much higher, service quality appears to be much more critical. While Britain and New Zealand have gained from lower unit costs and reduced subsidies, the decline in ridership is most worrying, especially at a time when broader changes in transport and environment policy suggest a greater role for the bus. An approach based on getting improved efficiency and worthwhile

innovations from operators - and high-quality vehicles - is required.

47. In the case of express coaching, competition appears to work more effectively. The market is much more price-sensitive than for urban and short-distance travel, stimulating price and quality competition. While express coach travel in Britain has now returned to the level of 1980, this is nonetheless a much more positive outcome than a projection of the previous decline from the mid-1970s, or the experience in local bus markets. However, scope for express service improvement in Britain is curtailed by increasingly restrictive regulation on speed (although the safety rationale for this is unclear), and the proposed banning of coaches from the 'outside' (fastest) lane on motorways with three or more lanes in each direction (again, the safety rationale is questionable). Together with the effects of road congestion, the overall average speed of express coach services is thus likely to diminish, reducing the competitive advantage vis a vis rail. However, prospects remain for further growth in direct services to major airports.
48. In terms of directly following the deregulation policy of Britain, New Zealand and Chile, few examples are likely to emerge, given the poor outcome in terms of ridership and loadings. However, there is widespread concern about the cost and efficiency levels of bus services in many countries. This is leading to an approach similar to that in London, i.e. retention of co-ordinated network planning and marketing, but competition for service contracts or franchises. This policy has already been adopted in many parts of Sweden, and also in Copenhagen. A recent national policy review in the Netherlands also favours such an approach. There is also scope for introducing UK-style minibus operations in suburban areas and smaller towns in many other countries, where low frequencies are offered if only full-sized vehicles are used.

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All responsibility for conclusions drawn is that of the author alone.

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