

THE OXFORD BUS STORY

**Janet Jeffery, Chairman
Thames Transit Limited**

INTRODUCTION

The Transport Act of 1985 was seen as the turning point in the history of the bus industry. Bus usage in the United Kingdom had been steadily declining for 40 years, and it was hoped that by adopting a free market approach in the industry, this downward trend could not only be arrested, but reversed. The Conservative Government of the 1980s was keen to alleviate itself of the burden of nationalised industries, and deregulation of buses was just another example of the privatisation drive that would decrease the constraints on the public purse, whilst encouraging innovation, investment and efficiencies against the threat of competition.

Competition, in the ideal sense should always result in a better deal for the consumer, as efficiencies lead to lower prices and higher quality, all coordinated through comprehensive marketing and awareness campaigns by the respective companies. In all aspects of our everyday lives, competition gives us benefits; quality and prices in today's major supermarkets are aspects of competition that we all recognise as beneficial.

However, when traditionally public companies fall into the private sector, an air of caution seems to prevail. Public sector companies tend to be very large, making entry into the market a very costly and risky exercise when competition is encouraged. Further to this, there is a limited number of people who know enough about the particular industry, or have ever thought about the intricacies of running a company within the industry, unless they were involved in its operation when under public ownership.

This is where the comparison with supermarkets ends: every one of us has to buy food, and so every one of us knows what improvements we would like to see. But in an industry that had suffered 40 years of declining usage, how many of us, in 1985, ever thought of using a bus, let alone knew what the shortcomings were? Consequently, when deregulation was announced, the industry was in very poor shape. Even environmental concern (which is used to its full in today's bus marketing) was not as prevalent as it is today, offering very little to build on. Add to this the fact that anybody who really had the opportunity to enter the deregulated bus industry would be from the industry itself (and well aware of the declining trend), and the whole scheme looked doomed from the start. The image of an old, spluttering double-decker with a driver to match did not really conjure up a vision likely to attract flare and imagination from budding entrepreneurs.

All these points are important in understanding why deregulation has not achieved its aims in many places across the country. Several new operators have set up in various towns, but unfortunately, typically, they lacked the finance and the innovation to compete with large, established operators, failing to attract more passengers. Competing in a declining market had its inevitable consequences.

In Oxford, however, exactly the opposite has been the case, and this paper examines the reasons why the city has reacted so differently to deregulation: indeed, Oxford is often cited as the best example of how deregulation was supposed to work. Innovation and a whole new attitude towards the industry have been the foundation stones of Thames Transit's success, but this paper also examines in detail the other factors involved, from the culture of the competing bus company to the attitudes of local authorities.

TRANSPORT POLICY IN OXFORD

There are many factors that have contributed to the success of deregulation in Oxford and the role of the local authorities should not be underestimated. Whereas in other towns and cities across the UK, increased traffic congestion has been tackled through the building of new roads, in Oxford the politically sensitive action of discouraging car use has been a policy for many decades.

Anyone who has visited Oxford will know that there are several elements that have persuaded people to use public transport in the city and the surrounding areas, although the quality of service provided is obviously a major attraction. This itself is partly a result of the pro-public transport environment that Oxford's City and County Councils have encouraged. To what extent the high levels of bus usage are attributable to the deregulated structure of the post-1985 industry as opposed to other factors is hard to determine without examining the structure of the city.

The City of Oxford

Urban Layout

Oxford is almost a combination of two distinct halves: the famous university and "city of dreaming spires" and the car producing centre of Cowley to the South East. The city has expanded in all directions along a radial road network, lending itself well to bus route planning.

Development has been constrained by the green belt and the county plan, which have aimed to shift any new development from the city to the surrounding county towns, although some fringe developments have been allowed to proceed. However, unlike some towns and cities in Britain, these developments are small and scarce, ensuring the city centre retains its position as the focal point for almost all regular shopping and business travel.

This has probably resulted, indirectly, from the city's recognition before the Second World War, that increases in traffic were not compatible with the urban structure and quality of life in Oxford. Thus, plans for edge of town developments, involving more car use, have never been looked upon favourably, allowing the bus to remain a competitive alternative to the car for most trips within the city boundary.

Balanced Transport Strategy

The idea of building more roads both through and around the city to relieve the traffic effects was considered at several planning inquiries, but was finally abandoned in 1973 and replaced with a 'Balanced Transport Strategy'. In addition to the cessation of any new road building, this involved enforcing tougher parking restrictions in the centre, improved public transport and the introduction of a Park and Ride scheme. Thus, Oxford has had a consistent policy of transport demand management for over 20 years. This process was added to and strengthened systematically in

transport planning reviews, including the addition of a further three Park and Ride sites and more recently the decriminalization of parking controls in the city. The net result is that traffic levels in the centre of Oxford have not increased in the last two decades.

Over the next few years, further restrictions on car use are planned as a result of the 1992 Oxford Transport Study, conducted by consultants, Colin Buchanan and Partners (Oxfordshire County Council and Oxford City Council, 1992). The recommendations from this report have now formed part of the Oxford Transport Strategy, which involves pedestrianisation of the city centre and various bus priority measures, aimed at helping to encourage more environmentally sustainable modes of travel in Oxford.

BUS OPERATIONS PRIOR TO 1986

Before deregulation, therefore, the incumbent operator benefited from more pro-bus policies than in many other towns, making Oxford a prime target for any new operator in the years following deregulation. However, it might also be expected that the bus network was very comprehensive as a result of these policies and thus more difficult to compete against by any new bus company. Thus, it is important to understand the background to bus operations prior to deregulation.

Local Authority Control

The make up of public transport operations in the area was unusual during the run-up to the 1985 Transport Act. By 1984, Conservative-controlled Oxfordshire County Council operated a system whereby bus services were split into commercial and subsidised operations. Consequently, bus services in Oxfordshire were operated on the smallest subsidy budget in the country, only £250,000 in early 1985. However, there was much disenchantment with public service provision and in the County Council elections of 1985, the Conservatives lost their majority, leaving a council with no party having overall control. One of the first policy changes was the trebling of the annual subsidy, resulting in improvements to the Public Transport system until the spending cuts of the early 1990s recession. This period of investment undoubtedly protected Oxfordshire from some of the more negative effects of deregulation experienced elsewhere, although this was built upon by Thames Transit's desire to expand public transport provision in the county.

The Incumbent Bus Operator

Before 1987, almost all services were run by National Bus Company (NBC) subsidiary, Oxford and South Midland. This company was split into two after privatisation: City of Oxford Motor Services (COMS) running the urban network, whilst South Midland operated in the rural areas. This break-up obviously helped any new entrant to the bus market, in that it was faced with a much smaller incumbent operator than could have been the case.

Also, after its January 1987 management buy-out, COMS was still very traditionally organised, resulting in a company that was not prepared for competition. Hence, apart from its initial 'blocking tactics' on Thames Transit buses (mentioned later), COMS reacted very weakly to competition in Oxford following the establishment of Thames Transit in March 1987.

This complacency led to declining market share as Thames Transit's overall quality of service encouraged more people to swap their allegiance. Hence, by the time COMS was acquired by the Tyne and Wear based Go-Ahead Group, in 1994, Thames Transit was a well respected and established operator in the area.

THE 'FRESHER'S' ARRIVAL IN OXFORD

Thames Transit was one of many new bus companies to be set up in the early days of deregulation, yet possibly the only one of any size to survive, independent of the major bus groups that dominate today's bus industry.

The attitude towards public transport by both the councils and the public was far more positive than in most other places around the UK and no doubt some observers may consider this the overriding factor that has led to the success of Thames Transit. However, initial opposition to the company and the strength of the COMS' network were factors that could also have led to Thames Transit's downfall.

Indeed, those who have been with the company since 1987 know just how hard it has been to survive the last ten years, but by staying one step ahead of the competition, the company is now a multimillion pound enterprise and enjoys almost 50% of the bus passenger market in the area. Yet, ten years ago, few people would have predicted the company surviving more than a year. The culture and attitude of Thames Transit are an intrinsic part in this survival and the success of Oxford's bus industry as a whole.

Why compete in Oxford?

It is not surprising that the founder of Thames Transit, Harry Blundred, already knew the city well, being a former manager of Oxford and South Midland prior to 1982. In the four years prior to deregulation, however, he was transferred to NBC subsidiary, Devon General, where he became famous for his experimentation with minibuses. In July 1986, Mr Blundred was part of the management buyout of Devon General and this helped him to establish one of the first operating bases in the private sector.

The whole notion of Thames Transit arose later that year; the result of a 35 minute wait for a bus on a busy Oxford route:

"I had an hour and a half to spare in Cowley, and decided to nip into the city by bus. The City of Oxford Motor Services (COMS) promised a bus every six minutes. After thirty-five minutes at the Cowley Centre bus stop, no bus had appeared and I had to abandon my trip.....It seemed to me there was a perfect business opportunity to enter the bus market in a city where public transport was an essential element in its economic life." (Blundred, H., 1997)

The first days of competition in Oxford

Just a few months later, on a snowy March morning, twelve 16-seater Ford Transits appeared on the Cowley Road, providing a bus every five minutes between the Blackbird Leys estate and the city centre. The operation was coordinated from a service station car park in North Oxford!

The Thames Transit minibuses were met by a column of double deckers 'flooding' the corridor, and blocking all the city centre bus stops, resulting in our buses being moved on by the police. It is when you are faced with opposition from the incumbent operator like this that the viabilities of competition diminish.

The almost arrogant way in which the company reacted to COMS' tactics, rather than accept defeat, is one reason Thames Transit has succeeded where others have failed. This determination to survive was also shared amongst all staff, not just the management. Hence, rather than struggle on one route, the company expanded onto all major roads into the city, forcing the incumbent to spread its defensive resources and so enabling Thames Transit to consolidate its position. It was at this point that a period of healthy competition began, with COMS seemingly at ease with a diminishing market share, almost reliant on the Oxford people to support the traditional operator.

INCREASING THE MARKET FOR BUS TRAVEL

Overcoming the Odds

Oxford is a highly traditional city, and a large number of its inhabitants seem to share a fear of change to the status quo; every week, the local newspaper publishes letters and articles rejecting development and progress in the city. Thus, competing against an operator that has been around for nearly a century is not accepted lightly! In such a situation, a company has to offer something new, different and better, but more importantly, something the competitor cannot match, which is where other bus companies have failed.

Fare reductions cannot be used in isolation, as ultimately, the company with more resources (generally the incumbent) can sustain the loss in revenue for longer. Perhaps if more new bus operators had been prepared for stiff opposition, they would have been more open-minded in their approach and stood more chance of survival. However, with today's bus industry being dominated by the powerful bus groups, it is unlikely that many new operators would survive, no matter how innovative and consequently very few try, leaving the industry looking more and more as it did before deregulation.

The actual success of Thames Transit can be attributed to three main areas: people, service and innovation and it is no coincidence that these words - and the subsequent culture they give the company - are not normally associated with the bus industry.

A People Business

The author, now chairman of Thames Transit, has been involved with the company from the beginning and as the daughter of a bus driver, knew many of the problems connected with the traditional 'regimental' style of bus companies that had existed since the First World War.

The vision of a bus driver as an unhelpful person (at best) and the bus itself as an unattractive mode of transport needed to be changed. The 1980s had been a time of change with emphasis in many industries (especially the newly privatised utility companies) being placed on customer service. A bus company that offered any level of customer service was going to be different and most importantly was something a new company could easily adopt compared with one with many years of traditional working practices.

Thus in the weeks before Thames Transit started operation (and in the following years), drivers were recruited from outside the industry and trained not just in driving, but in customer service. The first experience customers had with Thames Transit was therefore a pleasant one, with helpful, friendly drivers; and the drivers quickly saw the benefits of being polite as customers were more likely to be satisfied, even if the bus was late!

This is an attitude that has become associated with Thames Transit and is still cited by customers - old and new - who choose to travel with the company. However, as the company has grown in size to its present level of over 400 staff, training in customer care has become part of a comprehensive induction course for all new drivers as well as a refresher course for longer serving members of staff. This is particularly important now that drivers are recruited from within the industry.

Obviously COMS have tried to follow suit in some aspects of customer care, realising the benefits that it has brought Thames Transit, but the whole culture of the company has meant that some of the aspects needed to ensure drivers' attitudes are right when dealing with the public cannot be duplicated. In particular, Thames Transit has always been focussed on providing what people want. This ultimately means that the company has to be aware of the needs of its staff.

All members of the management have an open door policy, such that no driver ever needs to make an appointment to see his or her manager - or even the chairman. The author's experience with her father taught her that in order to have a contented workforce, the management need to be flexible, and as such, the day to day workings of the company are often adapted to the needs of individual employees. And if an employee has a problem, there is always somebody to listen. This 'family' atmosphere is something that even the building layout of a traditional bus company does not lend itself to.

From the customers' perspective, Thames Transit has also adopted a listening approach. Customer consultations, taking the form of an open forum, are conducted in various places across the company's network identifying problems and listening to suggestions from not only those who do travel, but those who might travel by bus if certain changes were made. Many of these people would never write in to the company, and so make points that can only be good for the area's bus patronage.

Customer Questionnaires, which all receive a personal reply from the Quality Manager and a 24 hour manned telephone service are also factors that help the company to encourage bus use and identify factors that need to be changed.

Finally, there is a strong belief in community involvement, which has - this year - led to Thames Transit being nominated for a local business award. Bearing in mind the aforementioned Oxonian fear of change, it was considered, from the start, that involvement in the communities that the company's buses served was vital to convince the people of the benefits of competition.

There have been many examples of how Thames Transit has helped out various groups and whole areas, from providing free buses for a local women's institute, to providing birthday parties for children in an area that suffered years of bad publicity due to crime. The author has even written a set of children's books, indirectly extolling the virtues of bus travel!

In itself, each customer orientated action has been of little effect to the bus industry in Oxford, but together, the role of the bus company has become a more prominent feature in the everyday lives of many people. And when your housing estate's mascot is painted on the side of every bus to that area, it certainly encourages people - especially the young - to see the bus as an essential part of the community!

Quality of Service

Nomatter what level of customer care a company offers, the actual bus service must meet expectations, and in Oxford this is definitely the case. Real competition abounds in the city, i.e. two operators per route, and as such reliability, frequency and hours of operation are all important aspects to encourage not just travel by bus at all, but loyalty to a particular operator. However, there is also the need to encourage more people to use bus services as a two-operator system effectively halves revenue which cannot be regained by fare increases due to the sensitivities of competition. Undercutting the competitors fares - which can increase bus use - is also not viable as a long term measure, as both companies will almost always suffer.

But as Thames Transit was set up in 1987 to compete with existing bus companies, not co-exist, the level of service has been a very important factor in its success. Rather than 'poach' existing passengers (which critics of deregulation expected would happen) the company set out to offer something different, which has been highlighted in many cases in this paper.

In the beginning, high frequency, sustainably lower fare bus services were registered to operate in Oxford from early in the morning until midnight, seven days a week. By running buses not just for getting to the shops or going to work but for evening and weekend travel as well, Thames Transit immediately offered a real alternative to the car. The incumbent operator, restricted by Union power, was - and still is to a lesser extent - restricted to finishing operation well before midnight.

With the acquisition of South Midland by Thames Transit in the late 1980s, this level of service was also introduced to the country areas, whereas elsewhere in the UK, villages and outlying towns were the subject of service cutbacks.

Today, the ease of bus travel is unparalleled in any other provincial town of Oxford's size; each operator runs a network of services in the city that are individually better than pre-deregulation. Thames Transit runs two routes in Oxford 24 hours a day, seven days a week, with a minimum frequency of every 20 minutes through the night. Another route operates until 2.30am at weekends, and some rural services offer daytime frequencies of 10 minutes and boast last buses as late as 3.45am.

Sunday frequencies have also been improved, helping to encourage shopping and leisure trips into Oxford, where the vast majority of shops now trade seven days a week, and services to London and Heathrow even operate on Christmas Day.

However, it is not just in Oxfordshire where the companies have improved bus service provision; Oxford's proximity to London has made the capital a popular destination for commuters and leisure travellers for many years. In fact, this was so much so, that when Thames Transit began operating, it was considered vital that services also ran along this corridor.

Coaches to London began running at half hourly intervals under the now famous 'Oxford Tube' brandname in March 1987, offering a lower priced alternative to the existing bus and coach services already operating. Surprisingly, passenger growth was as rapid on this route as in Oxford itself, and before long the Oxford Tube was operating every 20 minutes with luxury, toilet equipped coaches.

In April 1993, due to customer demand, the service became Europe's first 24-hour, high frequency, inter-city express and soon afterwards further improvements led to daytime frequencies of every 10-15 minutes, offering - as in Oxford itself - a real alternative to the car. Combined with the competing operation of COMS, which also runs every 20 minutes for most of the day, there are some 150 luxury coaches per day to and from the capital, costing the customer just over £1 more than the 1984 fare!

Innovation - Added Value

So many of the improvements you have read highlight the innovative approach that Thames Transit in particular has adopted in attempting to increase bus usage in Oxfordshire (and between Oxford and London), both for commercial gain and environmental benefit.

The company believes that public transport need not be a drab, terminally declining industry and it has always tried to smarten up and even introduce some humour. Never more so when it adopted the character Bertie Blackbird for its service to Blackbird Leys in 1994.

A fleet of 13 Dennis Darts were bought specifically for the route and, rather than brand the vehicles with a number, printed a cartoon Blackbird on the side of each bus, naming the route 'the Blackbird Flyer'. The huge popularity and publicity this brought led to the branding of each of the city routes when they were converted to Dennis Dart operation (incidentally representing the fourth fleet renewal in 8 years). Indirectly, the branding resulted in a rise in awareness of the bus and increased use, since it was found that people could identify more easily with names than route numbers!

The mistakes made in so many other towns and cities have been caused basically by a lack of vision both from the local authorities and the bus companies. There have been very few instances of service improvements other than the purchase of newer buses (even then in very few cases) when in fact these are some of the only ways in which the general public can be dissuaded from using their cars. Today, with most bus operators being subsidiaries of the large groups, every service change has to show an almost immediate financial return, resulting in high profit levels but no extraordinary service enhancements. Indeed, whereas in Oxford, most buses run commercially until at least midnight, towns such as Shrewsbury have very limited evening services, most of which are subsidised by the local authorities, even though the bus company is part of a very profitable and very large bus group.

Exactly the reverse has occurred in Oxford, where the cost efficiencies of commercial operation have exerted a downward pressure on subsidy requirement, saving tax payers' money. The City Circle and Thames Valley Route to Heathrow are, for example, now operated commercially, saving hundreds of thousands of pounds each year. This has particularly helped following the previously mentioned spending cuts of the 1990s.

It is obvious that the paramount concern in Oxford is for an excellent bus network, almost at the expense of profit, although for the first seven years, Thames Transit managed to do both, COMS seemingly content with a declining market share. However, things have obviously changed since the arrival of the Go-Ahead Group, since the overall aim of the company, due to its PLC status, has to be profit maximisation.

GO-AHEAD'S INFLUENCE ON OXFORD

It was fortunate that Thames Transit was given the opportunity under the traditionally organised COMS to test out new routes, such that by the time of the COMS (now known as the Oxford Bus Company) takeover in 1994, a comprehensive network had been established.

By 1995, the period of healthy competition had all but ceased, the period of mutual toleration ending dramatically. The Go-Ahead Group had a record of references to the Monopolies and Mergers Commission for aggressive behaviour towards competitors and lived up to their reputation a short while later by slashing fares to bring Thames Transit down. Through an effective marketing campaign, the group persuaded many people to travel with them as the only company that really cared about Oxford's environment. They cited out-of-text comments from councillors regarding Thames Transit's reservations towards pedestrianisation as well as offering very low priced fares as an 'environmental measure'.

Although forced to follow most of the price cuts, Thames Transit was aware of the potential damage that could result from fluctuating prices, the inevitable price rises and the possibility of only one operator winning the 'price war'. After nine months, hostilities ceased, with nobody having benefited (other than the travelling public), although the bad publicity for Oxford's bus companies overturned many years of hard work. In certain instances the perception of quality was so badly undermined, that some customers returned to their cars for commuting purposes.

THE FUTURE

Mature Competition

A change of management at COMS has brought about a reversion to a period of healthy competition which both benefits bus and coach users in Oxford and ensures the long term viability of the bus and coach networks which are so vital to Oxford's prosperity.

Even so, things are still much harder for Thames Transit, now that it faces a group the size of Go-Ahead. Investments in new vehicles and higher frequencies have dampened the effect of Thames Transit's unparalleled investment and innovation over the last 10 years, especially when one can almost guarantee that all changes will be mirrored by Oxford Bus Company within a few weeks of implementation by Thames Transit.

However, although this means that, as far as Oxford's environment and travelling public are concerned, things have never been better, it makes life harder for Thames Transit. Investment, innovation, new ideas and customer care were the foundation rocks of the company and could guarantee extra ridership (estimated by Thames Transit to be about 70% since 1987) compared with COMS' traditional approach. Obviously this has reduced the effect of initiatives by the company, making them less viable regarding the benefits they will bring to the company. But as for the customers, they know something will change for the better every few months!

CONCLUSIONS

The market for public transport in Oxford has expanded due to the city's increasing attraction as a tourist and education centre, coupled with an increased awareness and increased quality of service to almost all areas in the region.

There is only one major hotel in the city centre and therefore most tourists stay in cheaper places - often located on or near the radial arteries into Oxford which are well served by the two bus companies. Students are another growth area, and Thames Transit targets them heavily from the first days they are in Oxford. The ever-increasing number of part-time and vacation students, in addition to the large full-time student base during term time means that there is enough trade for both companies not only to survive but to develop new markets as well.

The city has continued to grow as an economic, academic and tourist centre. Five years after the 1985 legislation, a report concluded that: "The public have benefited as a result of deregulation in Oxford" (Heseltine et al 1992). It qualified the statement by citing the improvements made to the quantity and quality of bus services and the subsequent rise in passenger use. It also suggested that the balanced transport strategy was the significant factor in encouraging competition in Oxford of the form that occurred. The strategy offered a secure bus service market that attracted Thames Transit, which subsequently seemed to frighten off any potential adversaries because of its comprehensive and almost arrogant strategy to make its mark in Oxford. The similar size of both the operators has meant that neither could buy out the other and since neither side wanted to quit, healthy competition has resulted in the way it was meant to everywhere.

The City of Oxford is often cited as the prime and possibly only example of how competition in the bus industry was supposed to develop in the wake of the 1985 Transport Act. Competition has led to investment in new buses (including experimentation in alternative fuel technology) and very high frequencies. Parallel to these developments, the number of passenger miles by bus into the city centre have markedly increased over the last decade. The competitive environment in Oxford has certainly fostered a climate of continual product improvement, investment and innovation. The public now have a choice of bus companies and since the formation of Thames Transit, passenger growth has been estimated to have increased by about 70% - compared to a national decline of about 2-3% per annum. In the last two years alone, bus use has increased by over 10% (Oxford City Centre Management, 1997).

The overall quality of service is an essential part in making the improvements work, and it is for that reason that Thames Transit, perhaps unsurprisingly, was the first bus company in the UK to achieve not just BS5750 (ISO9002) but the coveted Investors in People award. It is only years later that other bus companies are realising the benefits of quality and employee centred systems and one wonders whether it is only as a selling point to the new Labour Government, who have made clear their desire for higher standards in the industry.

Innovations in various forms, from the treatment of passengers as the most important people in the industry's operation to late night bus services, have all played a part in making the bus an essential part of virtually every Oxford inhabitant's life. And the role of the local authorities in providing a framework in which the bus industry can thrive - from parking restrictions to bus lanes - cannot be underestimated. It is unfortunate that there are so few comparative towns or cities in the United Kingdom and that what could have become a bus *service* industry has been transformed into just another profit led business opportunity.

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