REGENERATION COMMUNITY AND CULTURE OVERVIEW & SCRUTINY COMMITTEE

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AN ASSESSMENT OF THE COST OF BUS TRAVEL IN MEDWAY

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Summary

A report in response to Member's concerns about bus fare levels in Medway and how Medway compares with other areas.

1. Background

1.1 The 2014 National Highways and Transport (NHT) Survey in examining all aspects of public transport across all UK local authorities showed that the lowest satisfaction levels in Medway were for bus fares. The NHT Survey is initiated, devised and led by all UK local authorities and is the largest, most robust and comprehensive survey of public views on highways and transportation services. (It is worth also mentioning that Medway Council was recognised as being the most improved local authority for public transport, cycling and walking).

1.2 Bus fares are determined by the interaction of a number of factors, which means that any comparison should take account of local circumstances. The cost of owning a bus is more or less universal across the country, whilst depot and staff costs can vary enormously. Income needs to be set at a level that covers the totality of these costs and allows for profit, to provide funds for re-investment into the business and to service the cost of capital used in the business.

1.3 Income is principally made up from fares. There is some ancillary income e.g. from advertising, but this is a very small proportion of the total. Where fares are insufficient to cover costs, bus operators will not provide services without payment from a third party. Usually this is local authority funding, but may also come from other sources, such as universities, section 106 payments and companies that desire specific services to be provided.

1.4 Across the country, around one-third of passengers are concessionary pass holders who pay no fares on the bus. These fares are paid by the local transport authority, which receives a grant from central government. In most cases, the Government's determination of a formula for reimbursement is insufficient to meet actual levels of travel and so it has to be topped up from local funds.

1.5 In simple terms, the denser the population, the easier it is to fill up a bus with passengers. Cities with flats and students tend to have inherently higher levels of bus use, which enables fares to be lower because the costs of operation are spread amongst a larger number of passengers. Conversely, as Medway has grown, population density has tended to decline.
This trend has been in progress since the end of the Second World War and, as a rough rule of thumb, the further from a town centre, the lower the population density. Thus, the number of potential passengers living in an area such as Hempstead will always be less than in a higher density area of the same size, such as Twydall.

1.6 Higher bus operating speeds give faster journey times, so attracting more passengers. It also lowers the cost of service provision, since fewer buses can maintain a given schedule. Improvements in speed are achieved through bus priority and other traffic management measures, including easy access and egress to bus stops (e.g. by eliminating laybys) and a high level of parking enforcement. On this measure, Medway has a mixed level of achievement although there is now an obligation upon the Local Authority through the Punctuality Improvement Plan (PIP) to deliver improvements. These will reduce journey times and, therefore, the number of vehicles and drivers that a bus operator would need to use, thereby reducing operational costs.

1.7 Many of the locations frequently cited as having good bus services and are those where central area car parking is limited or has been reduced, and is priced to deter casual trips. This includes Brighton, Cambridge and Oxford; locally, Canterbury has followed similar practices. Car parking charges in Medway are quite low when compared with a number of other similar sized towns.

1.8 Whilst child fares are available in most locations, these may not be as generous as the half-fare scheme available in Medway to young people up to the age of 18. This is financially supported by Medway Council. Many areas only offer two-thirds fares to children e.g. Bournemouth, and there are still locations such as Leicester where child fares are only available to under 14s.

1.9 As noted above, concessionary fares for older and disabled people are a statutory requirement, with reimbursement to bus operators for the travel undertaken intended to be on a “no better, no worse” basis. However, national under funding of the scheme has pushed down reimbursement rates, with many operators negotiating for a fixed annual payment rather than a variable amount based on actual travel. The unintended consequence of this is that bus companies can only recover the lost revenue by charging higher fares to paying customers. Since reimbursement arrangements usually focus mainly on single and return fares, the increase in these fares has often been at a higher rate than for weekly or longer period tickets.

1.10 As bus operators introduce new methods of buying travel other than paying cash on the bus, it is common to introduce differential pricing to encourage take up of these methods. Arriva is no exception as tickets purchased on line or by mobile are eligible for discounts of up to 10% compared with on-bus prices. This also reflects the time saved by moving the transaction off bus, thus speeding up boarding time.

1.11 With the introduction of Smart ticketing across Kent and Medway during the next few months and take up increases, it is likely to bring improvements in boarding times which should improve journey time. Whether this can lead to any long term cost reductions remains to be seen but should certainly boost revenue which may offset other cost increases and minimise the need to increase fares or only by a lower rate.

1.12 There is some evidence that where there is more than one major operator, fares are a little lower than where there is a single operator. In Medway, there is healthy competition for the relatively small tendered bus market, but very little competition to provide commercial services, which are mainly in the hands of Arriva. This is a common situation in many towns, where the major operator's position was established and protected under the provisions of the 1930 Road Traffic Act, which prevailed until 1986 when the provision of bus services was deregulated.

1.13 The resources needed to set up a new competitive operation are considerable, as are the financial risks of achieving success. Nu Venture ran half-hourly commercial services between Chatham and Hoo for a number of years, but was not able to sustain this level of service and now only provides four return journeys between Chattenden and Chatham. Nevertheless, fares – particularly returns and weeklies - are lower on this route than on others in Medway.

2. A comparison with Medway

2.1 Most conurbations of similar size have one very strong centre and a series of smaller suburban centres. Medway is quite unusual, in that there are five town centres in close proximity and whilst Chatham is the largest retail and business area, it is rather smaller than would serve a city of around 250,000 people, such as Derby, Portsmouth or Southampton. Perhaps a nearer comparison is the multi-centred city of Stoke-on-Trent, though economic and topographical conditions are rather different.

2.2 Of these five locations, Land Registry information shows that Medway has the highest average house price. Figures for October 2014 for these locations are:

Stoke on Trent £68,635
Derby £110,712
Southampton £149,777
Portsmouth £152,872
Medway £158,140

Source: Land Registry website – average price for all house types as at October 2014

2.3 The following tables are attached as follows;

- Figure 1, ‘Comparison of single, return and child fares’
- Figure 2, ‘Period ticket comparisons’
- Figure 3, ‘Comparison with other Arriva period tickets’

2.4 Taking some examples from the attached tables, Chatham – Walderslade is a similar distance between Bournemouth and Bournemouth Hospital, although an adult single for the former, of £3.50 compares with £2.20 for the latter, with return adult fares of £5.80 and £3.30, respectively. A similar contrast can be made between Medway Hospital and Parkwood, Bournemouth and Pokesdown and between Southampton City Centre and Thornhill, with the Medway fare being the most expensive, by a significant margin.

2.5 In Figure 3 it is interesting to note that First charge significantly less for a Derby city wide ticket, which is a geographical area only slightly smaller than the ‘Medway’ zone ticket. However, when compared with other Arriva period tickets across their Kent operating area, the Medway tickets give quite good value particularly when service frequency is factored in. Of particular note is the Arriva ‘South East’ ticket (covering the whole of their operating area in Kent & East Sussex, including Medway), with the adult day ticket priced at £7 and the child ticket at £5 with no restrictions.

2.6 It is worthy of note that Arriva has made some significant investment in Medway since 2009, having purchased 54 new vehicles in the past 5 years which is almost half of the Gillingham based fleet. Compared to other depots and operators, this is high.

3. Conclusions

3.1 Evidence would suggest that Medway does have high fares compared with a number of similar sized urban areas.

3.2 There are a number of factors which could have resulted in the current situation, eg., lack of competition, low car parking charges, population distribution and a lack of bus priority measures, measures that would help reduce journey time, improve reliability and thereby reduce operational costs. However, Arriva has invested heavily in the local Medway based bus fleet.

3.3 The existence of a signed PIP between Medway Council and the local bus Operators does place obligations on all parties to improve bus reliability, with the issue of addressing network congestion primarily resting with the respective local authority.

3.4 Smart ticketing, which is planned to be introduced across Medway and Kent in the next few months, as well as reducing boarding time and thereby speeding up journeys should also bring cost savings through the reduction of cash handling, which will all contribute to reducing overall operational costs.

4. Risk Mangement

4.1 This report is for information only.

5. Financial Implications

5.1 This report is for information only.

6. Legal Implications

6.1 This report is for information only.

7. Recommendations

7.1 The Committee is requested to note the report.

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Background papers – None