Public Transport Provision in Two Cities – Oxford and Odense

Torben Holvad
Transport Studies Group
University of Oxford

1. Background and purpose

In the last decade(s) significant changes in the regulatory structure of urban public transport have been implemented in a number of European countries including United Kingdom, Sweden, Germany and Denmark. Although, there are differences between the countries in terms of the details of the reforms general trends include some form of deregulation in order to enable entry to the public transport industry. In most cases deregulation has been linked to the introduction of competitive tendering procedures for the selection of the public transport service operators such that increased competition is mainly off the road rather than on the road. These trends are supported by EC initiatives; in particular the proposals for the revision of Regulation 91/1893 include provisions for competitive tendering for public transport services where contracts should be valid for a fixed term. This paper will provide a comparison of public transport provision in two cities, Odense and Oxford, in terms of organisational and regulatory frameworks used for bus service provision. A comparison of these cities is interesting because public transport is organised in significantly different ways – in Oxford; bus services are based on an open entry model, whereas bus services in Odense are provided by a public entity (Odense Bytrafik). In contrast to the rest of Great Britain usage of buses in Oxford has increased significantly since bus deregulation was implemented through the Transport Act 1985.

2. Bus provision in Oxford

Oxfordshire is located in the South East of the UK with a population of approximately 600000 of which some 120000 are in the City of Oxford. This area is rather affluent compared to other parts of the UK with average income being above £22,000 (1998 data) and low unemployment. The City of Oxford has a high student population and there is a relative high influx of tourists. Substantial changes have taken place concerning the framework for public transport in Oxford over the last two decades reflecting changes at a national level. Deregulation and privatisation of the local bus industry with the 1985 Transport Act and the splitting up and privatisation of British Rail with the 1993 Railways Act. Oxford is seen as the prime example of a successful implementation of the bus deregulation reform where bus travel has increased significantly, in contrast to the general situation in UK outside London. Competition on the road between two equal-sized operators has contributed to this situation, although other factors may also have contributed, e.g. a comprehensive Park and Ride System combined with a transport policy at the local authority level aiming to promote the usage of public transport, cycling and walking. At present the two companies (Oxford Bus Company and Stagecoach

Oxford) carries on average some 600,000 passengers per week and over 50% of journeys into the city centre is by bus.

2.1 Past situation

In Oxfordshire (in parallel with the situation in the rest of the country), local bus services were until 1986 in the main regulated through the Road Traffic Act 1930 that introduced a system of road service licensing providing the basis for quantity regulation. The right of initiative rested in principle with the operators combined with strict regulation as specified by the 1930 Act, where operators could apply for a license to provide a service but the regulatory authority (Regional Traffic Commissioners) could reject the application taking into account the public interest. Although, the regime was legally based upon market initiative, only few private operators existed in Oxford with the publicly owned National Bus Company (NBC) subsidiary, Oxford and South Midland (OSM), being responsible for the vast majority of services. OSM operated commercial and subsidised services, with subsidised services being supported by Oxfordshire County Council and district councils. The licensing system was operated in practice to discourage entry, where the burden of proof concerning public need for the service was placed on the applicant. The local authorities in Oxford promoted through innovative transport policies a favourable environment for bus provision. This included bus priority measures, off-street parking controls, on-street parking controls, restrictions on movement, planning controls, park & ride. This contributed to the situation where revenue support to bus services was the lowest per capita and the lowest overall absolute levels. Local bus services in Oxfordshire were subject to less direct authority involvement compared to other parts of Great Britain.

2.2. Triggers for discussion on reforms

The main elements that contributed to the changes in relation to the local bus industry outside London relate to reduced performance during the preceding decades leading to the need for increased revenue support. Bus patronage declined during the fifties and sixties and increased government support during the seventies did not seem to be able to reverse the declining passenger levels. There were also concerns regarding the public ownership from a general perspective in terms of insufficient incentives to control costs and less innovation. However, bus provision in Oxfordshire was among the cheapest in Great Britain in terms of subsidies. Deregulation was part of a consistent policy by the Conservative government of privatisation and deregulation of publicly controlled activities from 1979 onwards. The process of deregulation of the local bus industry was initiated by the 1980 Transport Act that removed price regulation. In the 1983 Transport Act the possibility for local authorities to put out for tender the provision of bus services was introduced. Subsequently, the government started the preparation of deregulation and privatisation of the whole bus industry through the White Paper “Buses” (published in 1984) taken forward in the 1985 Transport Act.

2.3 Intended transitional path and preferred situation

The aims of the deregulation of the local bus industry with the 1985 Transport Act were: improve efficiency and reduce costs; decrease the involvement of authorities, increase the freedom of operators in designing services; increase competition to provide the opportunity for lower fares, new services, more passengers. For commercial services (private) operators would have the initiative subject to regulation from the traffic commissioner mainly concerning safety, road traffic provisions and quality standards. Local authorities would have the right of initiative for subsidised services determined as socially necessary, but an authority would not be allowed to be both orderer and producer of services (the operator should be selected on the basis of competitive tendering). The intended transitional path included the following elements (listing the ones of relevance for the Oxford bus market): (1) anyone with an Operator's License granted by a regional traffic commissioner would be allowed to operate bus services wherever they want, subject only to safety and road traffic provisions; (2) local authorities were allowed to secure socially necessary services through subsidy (the subsidy should be linked to public service contracts) on the basis of competitive tendering; (3) operators had a right to participate in concessionary fares schemes and authorities have the powers to require operators to participate in the schemes; (4) the break-up of the National Bus Company where units of the subsidiaries were to be sold off; (5) protection against unfair competition with powers (but no resources) being given to the Traffic Commissioners to police these aspects of the Act.

2.4 Actual transitional path

The privatisation of the NBC involved the splitting of the subsidiaries into smaller units (from 40 subsidiaries 70 companies were created). In the case of the Oxford and South Midland NBC it was split in two: Oxford responsible for the urban services and South Midland responsible for the rural services. The urban company was sold in 1987 to a management buy out team. Soon after the removal of the quantity restrictions for the local bus industry under the 1985 Transport Act a competitor (Thames Transit) to the urban company (City of Oxford Motor Services Ltd., COMS) appeared. Thames Transit achieved over the next few years to increase substantial their market share through innovative marketing, operating services with high frequency including late night services as well as limited reaction from COMS (or the Oxford Bus Company, OBC). A more substantial response from the incumbent followed the Go-Ahead Group's acquisition of OBC including cost-cutting initiatives and removal of the wage specifications and other conditions from the mid seventies. Thames Transit has grown from just 6 coaches and 12 minibuses to become one of the largest operator in Oxford. In July 1997 Thames Transit was sold to Stagecoach Holdings PLC. In contrast to the situation generally outside London, bus patronage in Oxford has increased by between 35 and 70 per cent along with reduced costs. In fact, Oxford is recognised as the prime example of the successful implementation of the Transport Act 1985. The most important recent change of importance for the reform of the bus industry is the change in government in May 1997 with the election of New Labour. A White Paper “A New Deal for Transport: Better for Everyone” was published in 1998 setting out plans for an integrated transport policy in order to engineer a switch from cars and lorries to buses and trains. For buses, amended tools for local authorities to ensure services according to their objectives including the formulation of strategic transport plans (local transport plans) where integration within and between modes was central. Subsequently, the Ten Year Plan for Transport was launched in July 2000 with significant investment in public transport. The Transport Act 2000 introduced improved regulatory tools for local authorities to control the bus operators through Quality Partnerships, Quality Contracts (which reintroduces exclusive rights for local bus services), and provisions concerning joint ticketing and information provision. The most important barriers (for achieving the aims of the reform) were: lack of co-ordination between operators; road capacity problems; lack of stability and reliability of services; attitudes by competition authorities. Tools applied during the transitional period included: Oxford Transportation Strategy; Quality partnerships; strengthened quality regulation of bus operators; non-statutory co-operative bodies; bus industry under competition legislation; sequential deregulation of coach and bus sectors; distinction between commercial and social services prior to deregulation; consistent transport demand management policy; competitive environment. These tools have contributed to ensure that the aims of the reform in terms of improved bus service provision and higher patronage have largely been achieved (in contrast to other cities outside London).

Table 1. Persons Entering the Centre of Oxford in an Average 24 Hour Period

		Cycle	Bus & Coach	HGV	LGV	Motor-cycles	Cars & Taxis	Total
1991		9,000	21,000	2,000	3,000	2,000	42,000	79,000
	%	11	27	2	4	2	54	100
1999/2000		8,000	31,000	1,000	3,000	1,000	27,000	71,000
	%	11	44	1	4	1	39	100

Source: Oxfordshire County Council (2000).

2.5 Current situation

The fundamental structure regarding the right of initiative for bus services remains similar to the provisions in the 1985 Transport Act. Bus operators are still free to run whatever commercial services they choose (subject to satisfying certain quality, safety, traffic conditions, environmental and competition aspects). Local authorities can still only subsidise services that do not duplicate commercial services. However, the Transport Act 2000 has provided local authorities with enhanced powers concerning: (1) Quality Partnerships (where authorities agree to provide certain facilities/initiatives in exchange for operators providing services of a certain standard), (2) Quality Contracts (limited possibility to introduce exclusive rights to specific routes) (3) integrated ticketing schemes and (4) information provision. In Oxfordshire, two operators (Stagecoach in

Oxford and the Oxford Bus Company) are providing the vast majority of services in Oxfordshire for both commercial and subsidised services. These operators have succeeded in increasing the bus market significantly by virtue of the competitive drive. The traffic commissioner can exercise control on all bus operators through its licensing responsibilities combined with its functions to monitor traffic conditions, quality and safety standards. (Tacit) agreements between bus operators are controlled by OFT in order to avoid anti-competitive measures.

2.6 Future plans

In the case of Oxford the following elements are of relevance: (1) preparation of bus strategy as part of the new statutory local transport plans, where the authority outlines how it will ensure that the bus services considered necessary are provided in accordance with standards set out by the local authority, (2) increased usage of Quality Bus Partnerships; (3) usage of extended powers for Traffic Commissioner to impose Traffic Regulation Conditions at the request of local authorities on congestion, safety or environmental grounds; (4) enhanced integrated ticketing systems; (5) enhanced information provision whereby the local authority are obliged to ensure appropriate information provision from the operators; (6) possibility for not choosing bidder with lowest tender but taking into account congestion and environmental considerations; (7) subsidies to be directed towards high–quality routes with high frequency as well as ensuring evening and Sunday services; (8) implementation of a range of public transport capital schemes such as bus stops, bus priority, capital grants for wheelchair accessible buses

3. Bus provision in Odense

In contrast, the organisational framework for bus service provision in Odense has until recently remained stable with all bus services within Odense Municipality being planned and provided by Odense Bytrafik. This situation is in contrast to the general trend for bus provision in Denmark. Although there is no legal obligation to use tendering Denmark, the general trend has been towards increased usage of tendering and it can now be considered the norm. The public transport companies are therefore increasingly becoming public transport planning entities without direct responsibility for operations.

Odense Bytrafik is owned by Odense Municipality and organised as a self-managing unit within the Environment and Highways Department. However, in 2001 a first round of tendering of bus services in Odense was organised covering approx. 25% of the services. Two bidders took part in the tendering with Odense Bybusser winning the contract for a six year period with possibility for extension in additional two years. As part of the changes planning and operation functions were separated with Odense Bytrafik responsible for planning and ordering of bus services while Odense Bybusser was established as a unit (within the Environment and Highways Department) being responsible for the operation of the services planned and ordered by Odense Bytrafik.

Table 2 shows information about the total number of vehicle kilometres, number of passengers and cost coverage between 1995 and 2000 with respect to Odense Bytrafik.

Table 2. Vehicle kilometres (mln.), cost coverage (%) and number of passengers (mln.) from 1995-1999.

	1995	1996	1997	1998	1999
Vehicle klm (mln)	6.1	6.4	6.4	6.1	6.0
Cost coverage %	66%	66%	60%	58%	58%
Number of trips (mln) (estimated	19.8	19.8	20.3	20.8	20.2

Source: Odense Bytrafik (2000)

These services concerns only local bus services within Odense Municipality. Regional services are under the responsibility of FynBus (the public transport authority at the Fyn County Council). All regional services are tendered, in contrast to the situation in Odense.

3.1 Past situation

Odense Bytrafik as a self-managing unit within Odense Municipality has a high decision-making power concerning the operation and planning of bus services as well as investment in buses (other investment in public transport such as infrastructure and ticketing equipment is decided by Odense Municipality, the Municipality Council). Odense Bytrafik prepares an annual budget that has to be approved by the Municipality Council. There are possibilities to transfer budget deficits/surpluses between years. All operational related decisions can be taken by the management of Odense Bytrafik whereas proposals concerning service levels, fare level etc. has to forwarded to higher (political) levels in Odense Municipality: political head of Environment and Highways Department, The Committee for Environment and Highways, Budget Committee or the Municipal Council.

Overall, the Municipal Council has specified a number of goals that Bytrafikken has to fulfil. These goals include the following:

- The citizens in the municipality must have access to public transport, that provides a qualitative alternative and supplement to individual passenger travel
- Public transport must be operated with the highest possible attention to the environment, i.e. in terms of vehicle and engine type, fuel types and operational procedures

These goals imply that: (1) the citizens should have confidence in that the bus services provide a stable and reliable mode of transport, (2) the public transport contributes to an efficient organisation of the overall transport system, (3) the planning of bus services take into consideration as far as possible citizens with special needs.

3.2 The changes

In the Business Plan for Odense Bytrafik for 2000 two alternative scenarios were outlined (Odense Bytrafik, 2000):

- Either a political decision that Odense Bytrafik remains unchanged in terms of organisational framework, but that Odense Bytrafik is imposed a significant cut in expenditure
- The alternative scenario involved an introduction of competitive tendering for part of the services where Odense Bytrafik should be allowed to participate but with the possibility for granting the contract to other public transport companies.

The Municipal Council decided to introduce competitive tendering for part of the services provided by Odense Bytrafik (25%).Four routes were put out for tender in 2001: 2 normal urban bus services and 2 service bus routes. Bidders should bid on all four routes as a single package. Two bidders participated in the tendering procedures Connex and Odense Bybusser. Odense Bybusser won the tender and the operations under the new framework started in July 2002. This means that the outcome of the tendering process did not result in entry of other operators to provide bus services in Odense; all bus services are still provided by the municipal in-house operator, Odense Bybusser. Odense Bytrafik is now the unit responsible for the planning and procuring/ordering (internally) of bus services from Odense Bybusser. For the 75% of the services the framework is the same as before the introduction of tendering, whereas for the 25% Odense Bybusser will have to provide the services according to agreed rates per vehicle hour. In effect, the contract for the 25% is a gross-cost contract where the operator bears the production risk and the authority bears the revenue risk. The contract will run for a period of 6 years followed by up to 2 years extension.

3.3 Future plans

Following the first round of tendering of bus services in Odense Municipality it remains to be decided whether additional parts of the services will be selected for competitive tendering. No political decisions have been made explicit on this, but it remains an option for the Municipality Council to decide to use competitive tendering in the future. A critical point will emerge at the point in time where the contract regarding the 25% runs out in 6-8 years. A main factor in the decisions regarding additional rounds of tendering and re-tendering of the 25% tendered bus services will be how this group of services perform within the new framework. There will be a need to consider the reasons for the low number of bidders participating in the tendering. Only 2 bidders participated in the process including the incumbent.

4. Discussion

Currently, the organisation of public transport is changing across Europe mainly away from a model with regulated publicly owned monopolies towards a more deregulated model – controlled competition where operators compete for exclusive rights of limited periods. The paper has illustrated the range of options available regarding the precise nature of the regulatory structure for public transport systems with specific reference to the cases of Oxford and Odense. In the case of controlled competition models including competitive tendering as used for socially desirable services in Oxford and for 25% of the services in Odense since 2001, there are a number of unresolved issues regarding the optimal specification of the contract between the operator and the authority, including:

- Route vs. network contracts
- Gross vs. net cost contracts
- Length of contracts
- Contracting out of planning as well as operation
- Service quality incentives

These issues are of importance in terms of the performance of the operators and hence decisive for whether public transport is able to regain its position in the transport market. In this context the market concentration trends are of concern and require attention in order to ensure that the potentially positive impacts from competition (for the market) are not eroded due to lack of competitors/contestability. The way forward may in fact require a strengthening of the regulatory tools available to the authority in order to ensure that a controlled competition model will deliver a more sustainable development.

As part of the consideration of the appropriate regulatory structure it is also of importance to consider the contribution from public funding towards those services which cannot be provided commercially. This would refer to individual services as well as the overall contribution to public transport services. The public funding decision will have a significant influence on the level of public transport services provided.

References

Enoch, M. (1997) “Oxford and Darlington: The Mess and Success of Bus Deregulation”, Proceedings of the Chartered Institute of Transport, Vol. 6, No. 1, p.29-47.

Danish Transport Council (2000) “Benchmarking af den kollektive bustrafik i Aalborg, Odense, Århus, og HT-området” (Title in Danish), Copenhagen, June 2000.

Jarman, M. (1994) “A Cost-Benefit Appraisal Weighting Positive Environmental Measures Against Planned Traffic Delays”, Transportation Planning Systems, Vol. 2, No. 2, p. 23-37.

Odense Bytrafik (2000) “Virksomhedsplan 2000” (Title in Danish), Odense Bytrafik, Odense.

Odense Bytrafik (2002) “Overview of Introduction of Tendering in Odense”, Personal Communication

Oxfordshire County Council (2000) “Oxford Transport Strategy: Assessment of Impact”.

Oxfordshire County Council (2001) “Oxfordshire Local Transport Plan 2001-2006: Annual Progress Report 2001”

Oxfordshire County Council (2001) “Overview of Bus Provision in Oxford”, Personal Communication, May 2001.

White, P. and Tough, S. (1995) “Alternative Tendering Systems and Deregulation in Britain”, Journal of Transport Economics and Policy”, Sept. 1995, p. 275-289.