Bus Industry Costs in 2023

Confederation of Passenger Transport
August 2023

Version for Publication

Contents

1. Introduction 5
   1.1 The Purpose of this Document 5
   1.2 Methodology 5
   1.3 Responses 5
2. Industry Cost Structure 6
   2.1 Introduction 6
   2.2 The Analysis Results 6
   2.3 Comparisons with the Past 8
3. Changes in Cost Levels 10
   3.1 Changes in 2023 10
4. Comparisons with Other Figures 13
   4.1 The Two Surveys 13
   4.2 The Results 13
5. Operating Data 15
   5.1 Overview 15
   5.2 Operating Speed 15
   5.3 Staff and Productivity 16

1. Introduction

1.1 The Purpose of this Document

1.1.1 This document reports on the survey of bus operating members of the Confederation of Passenger Transport (CPT) undertaken in May and June 2023. It also provides revised data for the 2022 surveys previously reported, incorporating additional and updated data.

1.2 Methodology

1.2.1 Members were requested to supply operating statistics and cost data for a representative week during February 2023, either via completing a spreadsheet template or completing an online form. The design of the template and the data requested was the subject of extensive consultation with members during the autumn of 2022.

1.2.2 The responses were transferred into a database format to assist with the analysis process and this report provides an analysis of the data supplied. The data itself was supplied on the basis of strict confidentiality and individual responses will not be disclosed or published.

1.3 Responses

1.3.1 Data was supplied for a total of 54 operators across the country. They are spread across all regions and nations, and between them operated 20,111 peak vehicles. This represents over 55% of the total local bus fleet in Great Britain, as recorded by the Department for Transport at March 2022.

1.3.2 As such, we believe that the results offer a representative sample of the fleet, and for each of the main local bus market segments, as illustrated in Table 1 below.

Table 1: Response Rate by Fleet Size, Main Market Segments

	PVRs in responses	Fleet Size per DfT †	% response rate
Greater London	4,722	9,026	52.3%
English Shire Counties	7,496	14,285	52.5%
Metropolitan Counties	5,622	8,044	69.9%
Scotland	1,544	3,721	41.5%
Wales	727	1,398	52.0%
All GB	20,111	36,474	55.1%

† Annual Bus Statistics, Sheet Bus06, DfT

1.3.3 Every effort is made to verify the data the logicality, consistency and structure of the data supplied on arrival. However, this report is of necessity an analysis of data supplied by third parties, and we cannot therefore warrant the accuracy of the inputs that were received.

2. Industry Cost Structure

2.1 Introduction

2.1.1 The returns permit us to examine the structure of industry costs, i.e. the relative importance to the total of each individual heading. We can compare these with the previous breakdowns supplied by the *Bus Industry Monitor* project.

2.2 The Analysis Results

2.2.1 The figures for Great Britain outside London for February 2023 are shown in Figure 2-1 below, and can be compared with the same breakdown for June 2022 and February 2022, which are shown in in the graphs at Figure 2-2 and Figure 2-3 below. Note that to aid legibility, "Ownership" includes depreciation and leasing charges, and "Overheads" includes semi-variable costs.

2.2.2 As can be seen, labour costs continue to dominate the picture in the February 2023 chart, albeit to a slightly lesser extent than previously. They accounted for 51.9% of the total, down from just over 54% in the two 2022 surveys.

2.2.3 Drivers form the largest component – their wages alone accounted for around 35% of total costs in all three surveys. Adding in Employer's NI, Employer Pension Contributions and other on costs, takes the proportion to 44.9%, up from just over 41% in the 2022 surveys.

2.2.4 Direct vehicle operating costs account for a further 18.5% (20% in June and 21.4% in February 2022) of which the largest component is fuel, oil and tyres on 13.9% (13.8% and 15% in June and February 2022).

2.2.5 Fixed costs account for the balance of 29.6%, a significant increase, rising from to 25.6% and 24.3% in the two 2022 surveys.

Figure 2-1: Breakdown of Bus Industry Costs, February 2023

Great Britain outside London

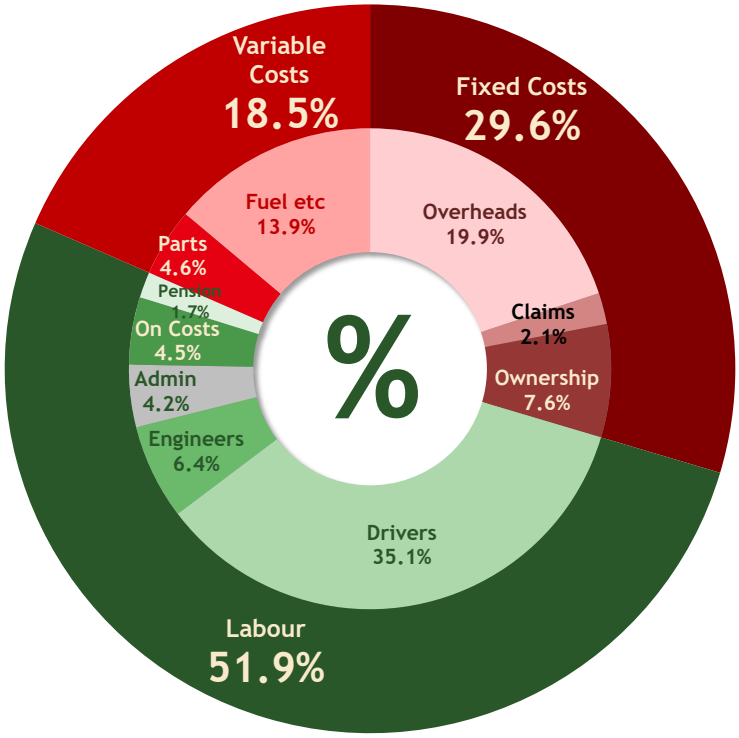


Figure 2-2: Breakdown of Bus Industry Costs, June 2022

Great Britain outside London

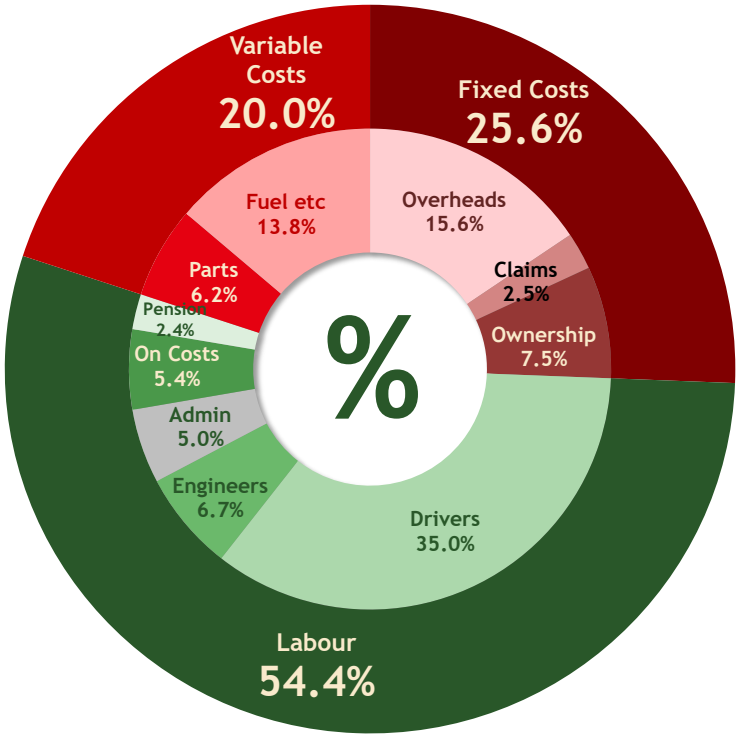
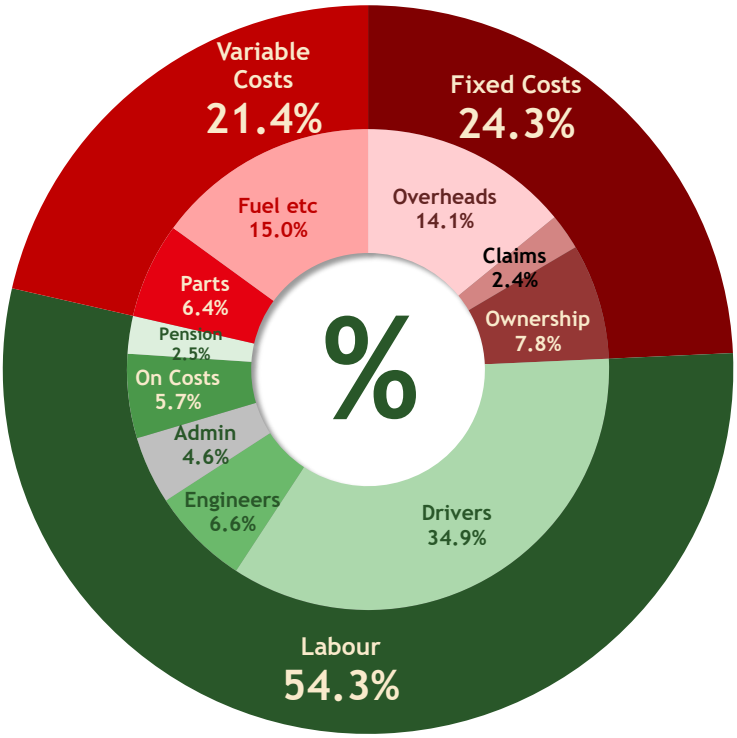


Figure 2-3: Breakdown of Bus Industry Costs, February 2022

Great Britain outside London



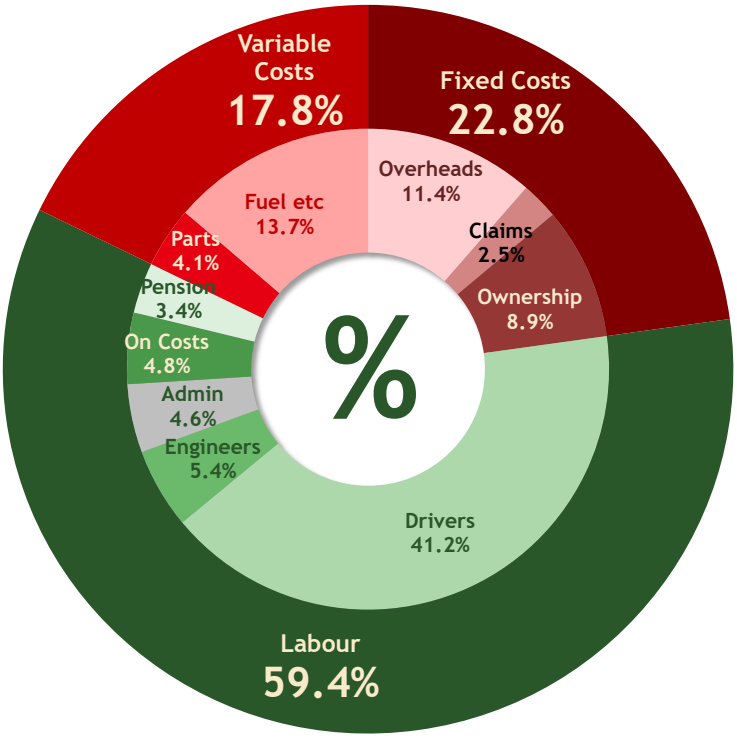
2.3 Comparisons with the Past

2.3.1 The figures above can be compared with the last set produced in 2020, covering the financial year 2018/19, based on an analysis of statutory accounts alongside the CPT cost index. The published breakdown for that year can be seen in Figure 2-4 below. There may be minor differences in the treatment of individual cost headings, such as employee on costs (including NHI), but the comparison is still of interest.

2.3.2 As can be seen, there have been some significant shifts, as the proportion taken by labour costs has fallen from almost 61% down to the 51-55% range. This does not reflect any reduction in labour costs, however, merely that other elements of the mix have increased at a faster rate.

Figure 2-4: Breakdown of Bus Industry Costs, 2018/19[1]

Great Britain outside London



[1] *Source: 2FM analysis of Bus Industry Monitor database, courtesy of Passenger Transport Monitor*

3. Changes in Cost Levels

3.1 Changes in 2023

3.1.1 The returns enable us to provide a picture of operating costs in the different regional and sector markets. The percentage increases in each sector for each main cost category are shown in Table 2 below, followed by the same for each English region.

Table 2: Changes in Principal Cost Headings by Sector (%)

February 2022 to February 2023

% changes	English Shires	English Mets	Scotland	Wales	GB o/s London	London	All GB	English Shires
Running Costs	4.7%	9.6%	10.8%	29.5%	8.1%	10.1%	8.6%	4.7%
Dep'n & Leasing	7.3%	27.3%	10.2%	16.0%	14.8%	6.8%	12.9%	7.3%
Labour	9.2%	14.2%	18.1%	14.7%	12.1%	0.6%	8.7%	9.2%
Engineering	-9.0%	-10.3%	-46.8%	-18.8%	-16.8%	-8.4%	-14.7%	-9.0%
Semi-Var. Costs	29.0%	16.1%	156.5%	210.4%	42.2%	-51.4%	10.7%	29.0%
Claims & Ins	5.7%	-5.5%	2.5%	5.5%	1.4%	22.4%	6.8%	5.7%
Overheads†	75.0%	83.9%	67.4%	33.8%	75.0%	53.6%	70.4%	75.0%
Overall	13.5%	21.2%	20.0%	16.5%	17.0%	2.7%	13.5%	13.5%

Table 3: Changes in Principal Cost Headings by English Region (%)

February 2022 to February 2023

% changes	Eastern	East Midlands	North East	North West	South East	South West	West Midlands	Yorks & Humber
Running Costs	4.9%	12.8%	10.1%	2.9%	6.4%	-3.8%	11.2%	4.1%
Dep'n & Leasing	8.9%	-5.7%	46.4%	24.0%	-0.3%	4.2%	10.5%	9.5%
Labour	8.4%	3.0%	10.8%	11.2%	14.4%	19.4%	16.1%	9.3%
Engineering	-12.7%	12.5%	-30.2%	-61.8%	-26.0%	19.2%	-2.9%	-4.6%
Semi-Var. Costs	97.5%	8.4%	-31.5%	47.0%	28.6%	41.8%	19.0%	2.5%
Claims & Ins	-2.0%	34.1%	-257.5%	39.0%	-16.3%	40.8%	2.3%	39.7%
Overheads	53.4%	79.5%	107.4%	262.6%	58.8%	155.6%	78.2%	50.3%
Overall	**12.8%**	**10.0%**	**12.7%**	**26.5%**	**13.7%**	**27.8%**	**20.9%**	**11.2%**

3.1.2 The chart at Figure 3-1 below shows the variation between the gross unit costs per bus hour for each sector. As can be seen, there is comparatively little variation here, with

Scotland, Wales and the English Shires all being above the average and the English Metropolitan areas below.

3.1.3 The analysis is repeated for the English regions in Figure 3-2. As can be seen, the largest variant seems to be North East England, which was significantly below the national figure in all three surveys – primarily because of much lower unit labour costs, which are up to 30% below more expensive regions in the south of the country

3.1.4 Following this, in Figure 3-3, we see the change in cost levels between the February 2022 and February 2023 returns. Costs were ahead substantially in all areas with the lowest increase being 10%. Five saw increases of more than 20%: the South West leads the way on 27.8%, followed by the North West (26.6%), the English Metropolitan areas on 21.2%, West Midlands on 20.9% and Scotland on 20.0%.

Figure 3-1: Gross Operating Costs per Bus Hour: Sector Differentials

Variance from figures for Great Britain Outside London

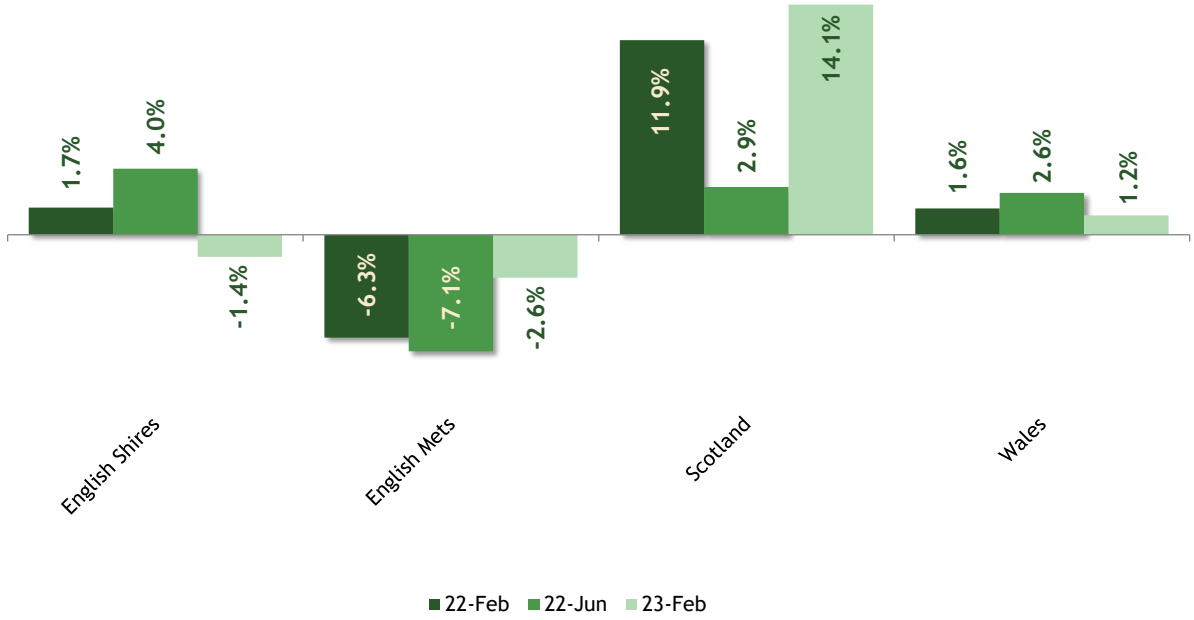


Figure 3-2: Gross Operating Costs per Bus Hour: Regional Differentials

Variance from figures for Great Britain Outside London

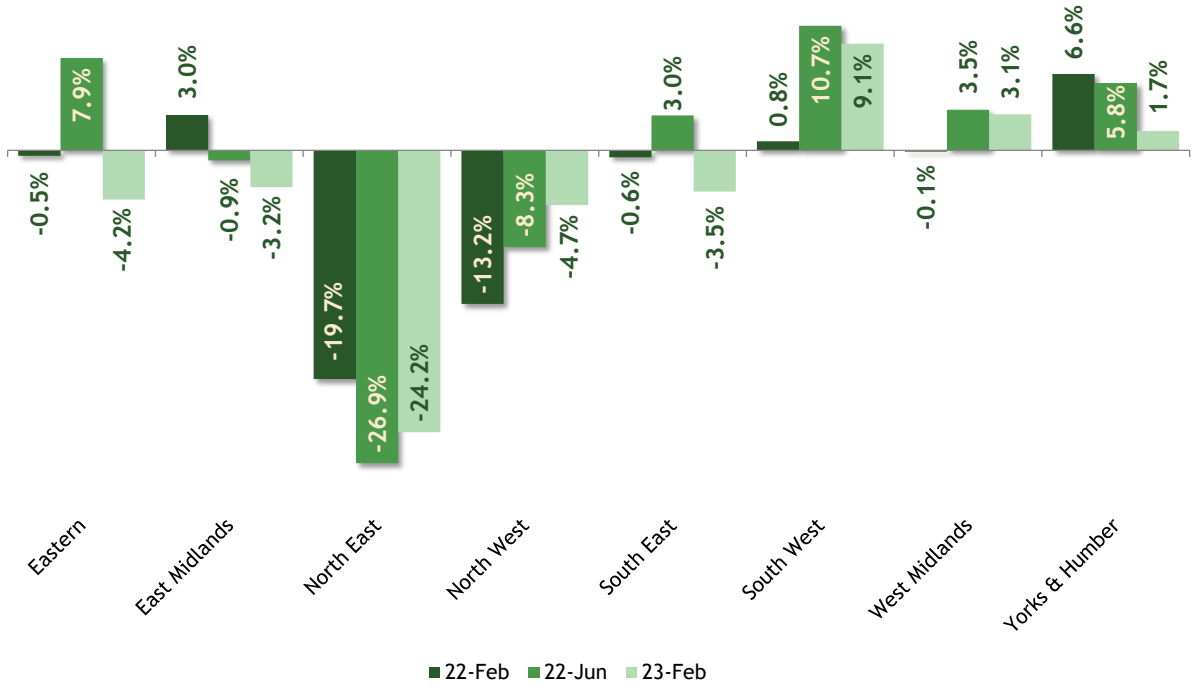
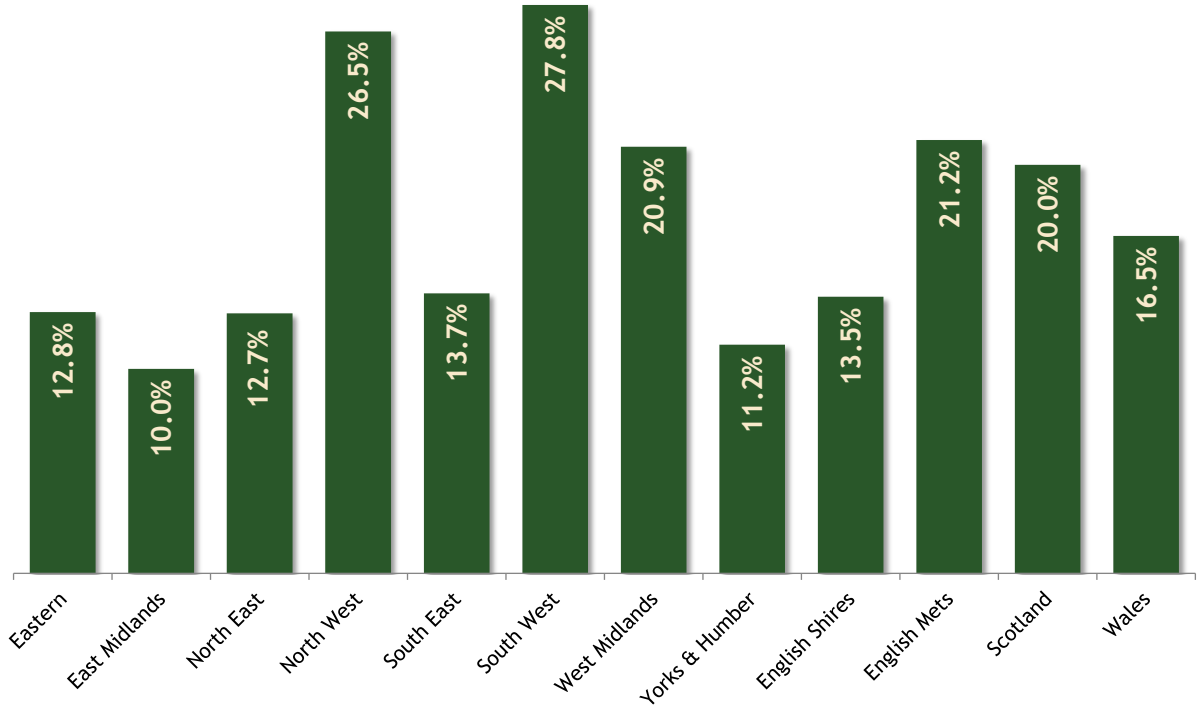


Figure 3-3: Change in Gross Operating Costs per Bus Hour by Region/Sector

February 2022 to February 2023



4. Comparisons with Other Figures

4.1 The Two Surveys

4.1.1 In addition to their voluntary completion of the CPT survey, bus operators are required to provide, in an annual statistical return, information on all aspects of their business, including costs. This annual survey receives information from over 500 operators of all sizes.

4.1.2 It is therefore interesting to compare the results of the February 2022 CPT survey reported here with the most recent DfT figures, which covered the year to 31 March 2022.

4.2 The Results

4.2.1 The comparison is shown in Table 4 below. As can be seen, the two results were within 1% of each other in the English Shire areas and in Scotland. However, there was a larger divergence in the English Metropolitan areas, with the CPT survey showing a figure just over 9% below the level reported by the DfT. In Wales, there was a very significant difference, where the CPT survey suggests cost per km almost 36% higher than the level reported by DfT.

4.2.2 The divergence in Wales is likely to reflect differences in the fleet size of the operators analysed – since all the respondents to the CPT survey were large operators from the more urban areas of the country. As can be seen, though, the costs per km in the CPT survey are roughly in line with those in other parts of the country. The CPT figure may also reflect the cuts of over 20% in kilometres run since the onset of Covid (double everywhere else) without operators having the opportunity to reduce their fixed costs in proportion.

4.2.3 At the higher level of Great Britain outside London, the divergence between the two surveys is just 0.2%.

Table 4: CPT and DfT Surveys Compared

DfT results for 2021/22 and CPT Results February 2022

Cost (£) per Km	English Mets	English Shires	Scotland	Wales	GB outside London
CPT Survey	2.631	2.472	2.266	2.318	2.493
Per DfT	2.899	2.452	2.255	1.706	2.497
% difference	9.2%	-0.8%	-0.5%	-35.9%	0.2%

4.2.4 In Table 5 below, we have taken the last results of the DfT figures from the analysis above and added on the results of the CPT Cost Monitor surveys for February 2022 and February 2023. The 2018/19 and February 2023 results have been adjusted for inflation to June 2022 prices by use of the GDP Deflator.

4.2.5 It will be seen that, after adjusting for inflation, unit operating costs rose by 9.8% more than inflation in the year to February 2023, taking the total rise since the last pre-Covid year of 2018/19 to 18%.

4.2.6 Given the differences in timing and sample sizes between the DfT figures and the Cost Monitor survey, direct comparisons between the two data sets need to be treated with some caution – but are useful in pointing to the overall trends.

Table 5: Recent Trends in Overall Costs per Km

£ per kilometre, Constant (June 2022) Prices, adjusted using GDP Deflator

Period	English Metropolitan areas	English Shires	England outside London	Scotland	Wales	Great Britain outside London
2018/19 DfT	2.692	2.229	2.390	2.224	1.675	2.319
2021/22 DfT	2.899	2.452	2.606	2.255	1.706	2.497
Feb 22 CPT	2.631	2.472	2.537	2.266	2.318	2.493
Jun-22 CPT	2.709	2.578	2.630	2.179	2.671	2.574
Feb 23 CPT	2.940	2.642	2.763	2.647	2.501	2.737
	% Changes					
Since 2018/19	9.2%	18.5%	15.6%	19.0%	49.3%	18.0%
Since Feb 22	11.8%	6.9%	8.9%	16.8%	7.9%	9.8%

5. Operating Data

5.1 Overview

5.1.1 Certain operating data was requested from operators, both to assist in the accurate calculation of unit costs, but also to fill gaps in key data such as speeds and productivity with a view to benchmarking and tracking changes over time.

5.1.2 The data requested was:

- Kilometres run
- Diesel (and other fuels) used
- Peak Vehicle Requirement
- Bus Hours operated
- Driver Hours paid
- Staff numbers employed by category
    - drivers
    - engineering staff
    - management and administrative staff

5.1.3 Using these numbers together can provide a useful ongoing picture of the state of the industry looking in particular at:

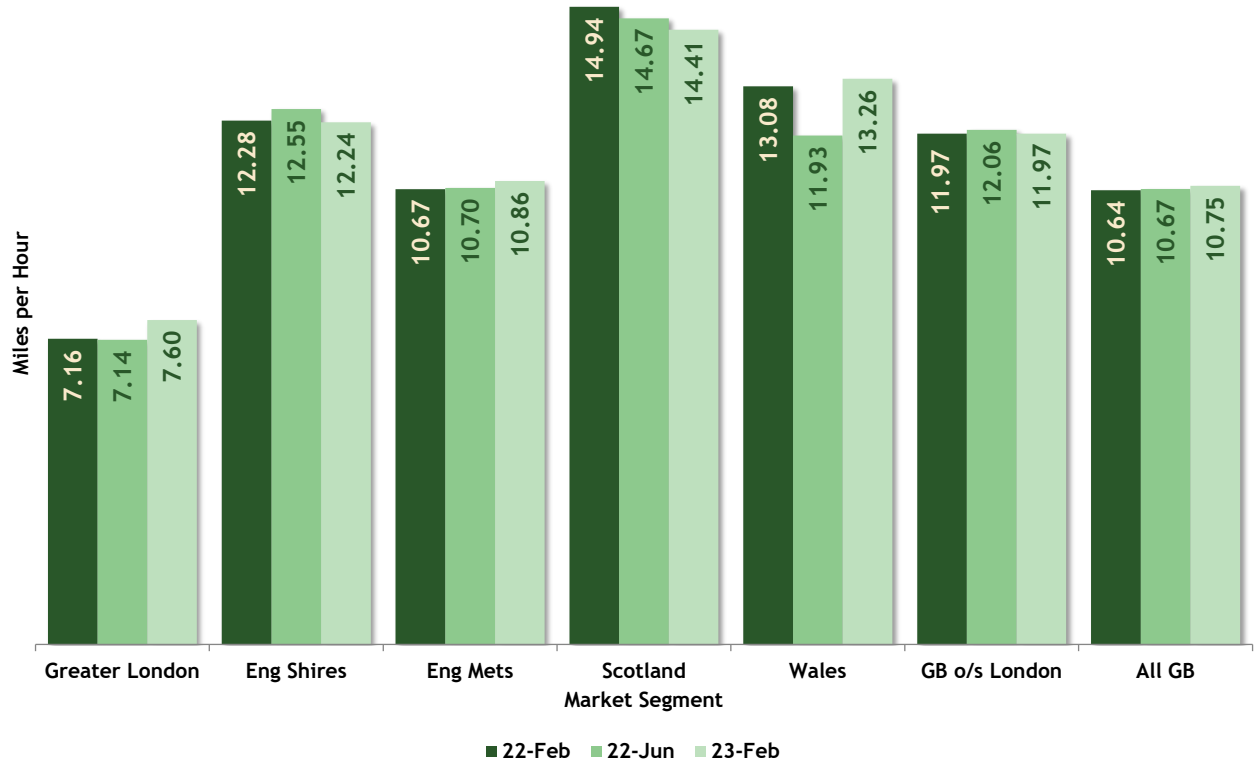
- Service Provision
- Fuel Consumption
- Fleet and Utilisation
- Staff and Productivity.

5.1.4 Data on all these matters is available to respondents to the survey and provides a useful understanding of trends. Probably the most important of these are speed and staff productivity, which are discussed further below.

5.2 Operating Speed

5.2.1 The operating speed calculated for each region/nation is shown in Figure 5-1 below. As can be seen, operating speeds vary widely across the country, with the fastest of around 14 mph (in Scotland) being more than double the slowest (London) on 6.8 mph. Speeds are faster in the more rural areas, including Scotland and Wales and slower in markets with a greater concentration of urban areas, such as London or the English Metropolitan areas.

Figure 5-1: Average Bus Speeds by Industry Segment



5.2.2 Comparisons with a survey of English operators undertaken on behalf of CPT in 2022 show small improvement in operating speeds – from 11.57 to 11.64 mph in England outside London, though in most places speeds remain well below the levels achieved in 2014/15. In the most recent twelve months, four regions saw some deterioration in average speeds, but four others showed some signs of improvement. The details are contained in Table 6 below.

Table 6: Average Speed Comparisons for England

Whole Sample	2014/15	2018/19	Feb 2022	Feb 2023	% change since 2014/15	% change since 2018/19	% Change Last Year
England o/s London	11.70	11.40	11.57	11.64	(0.5%)	2.1%	0.6%
Metropolitan Areas	11.00	10.80	10.67	10.86	(1.3%)	0.6%	1.8%
Shire Areas	12.20	11.70	11.68	12.24	0.3%	4.6%	4.8%

5.3 Staff and Productivity

5.3.1 There was a reduction of 0.7% in the total workforce of the companies who submitted returns between February 2022 and February 2023, whilst the number of drivers employed fell by 0.7%.

5.3.2 There are two variables driving the number of people in the workforce, especially drivers:

- the *requirement* for staff, which may change in the face of network and schedule changes
- the *recruitment and retention* of staff which will vary depending on the state of the local labour markets around the country.

At times of staff shortages, therefore, changes in employee numbers do not solely reflect changes in requirement. At the same time, it is vital that operators are able to make maximum use of the staff they have.

5.3.3 One measure of staff productivity which *Bus Industry Monitor* looked at for many years was the number of kilometres run per driver employed. This has trended downwards since 2005. There have been several reasons, including:

- the principal cause, being increasing journey times as a result of slower bus speeds
- less intensive schedules as services are cut
- increases in recovery time to allow for congestion and improve reliability
- increased training requirements for safety, disability awareness and CPC.

5.3.4 The weekly average for kilometres run per driver in February 2022 was 541.4, falling to 537.2 in June and to 534.8 in February 2023. The figures for each market segment are shown in Figure 5-2 below. However, some areas did see an improvement, notably Greater London and Wales.

5.3.5 Finally, lest there be any doubt about the correlation between speed and driver productivity, the chart at Figure 5-3 plots the two variables against one another in June 2022. This shows a clear correlation, as demonstrated by the trend line.

Figure 5-2: Staff Productivity by Market Segment

Weekly km run per driver employed, February 2023 versus February and June 2022

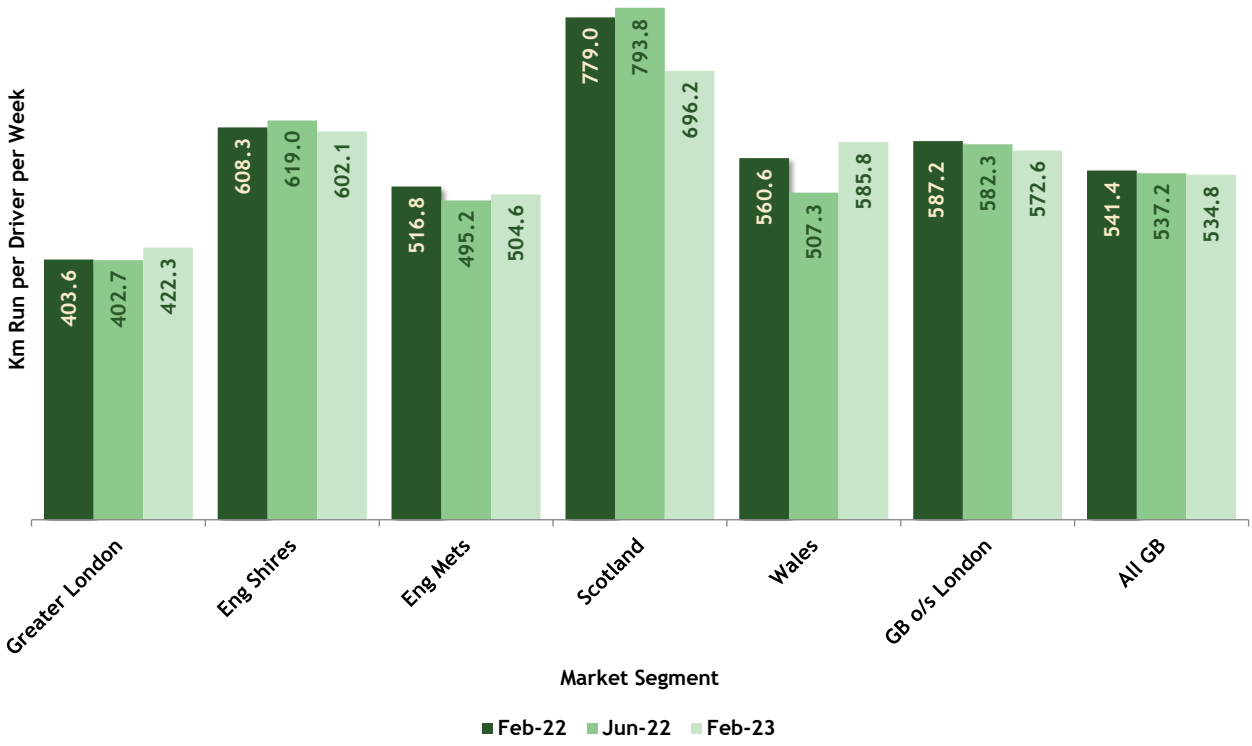


Figure 5-3: Speed v Driver Productivity by Region and Market Segment

Average Vehicle Speed (mph) v Weekly Kms Run per Driver, June 2022