CPT Cost Index

Summary of results: change in bus & coach industry costs for the 12 months to 30 June 2017

	Overall national result	Regional indices: Greater London bus	Home Counties	Midlands	Northern England	South West England	England (all regions)	Wales	Scotland	Percentage that each category represents of total costs
Overall change in operating costs	1.9%	1.1%	2.0%	2.2%	1.4%	3.3%	**1.7%**	0.1%	3.1%	
Change in individual cost categories:										
1 Drivers wages and on costs	2.8%	2.9%	2.7%	2.3%	2.9%	3.9%	2.9%	2.3%	2.4%	45.7%
2 Other labour and staff costs	3.1%	2.4%	3.0%	4.4%	0.0%	0.9%	1.6%	4.7%	9.3%	13.9%
3 Insurance and claims	9.3%	0.2%	7.2%	11.9%	10.7%	10.0%	7.8%	6.8%	23.5%	2.5%
4 Fuel	-7.1%	-9.0%	-6.6%	-5.5%	-6.1%	-5.5%	-6.8%	-5.1%	-8.8%	15.9%
5 Maintenance materials	2.6%	4.5%	0.5%	-2.0%	3.0%	4.3%	2.6%	-1.3%	3.2%	4.4%
6 Vehicle depreciation	5.4%	12.3%	6.4%	2.7%	3.3%	10.6%	6.8%	-7.7%	2.3%	6.4%
7 Other operating costs	5.1%	-4.0%	7.2%	9.8%	3.1%	10.9%	4.0%	-4.9%	12.7%	11.2%
Sample size:										100%
Representing operating costs of:	£3,183,300,000	£695,600,000	£338,100,000	£294,800,000	£940,300,000	£289,400,000	£2,558,400,000	£122,500,000	£502,600,000	

All data are weighted by the size of each respondent's cost base and by their relative spend in each cost category.

The regional indices are shown for information but care should be taken in interpreting the results, especially where there are relatively few respondents. In some cases where costs per mile have *reduced,* that is likely to reflect increases in mileage operated by the existing staff and vehicles rather than any actual reduction in costs. It should also be noted that the Wales' result in this period contradicts most other areas and there are a number of atypical trends that may reflect specific one-off factors in the individual contributors.

The CPT Cost Index is compiled by an independent consultant using data supplied directly to that consultant by a representative selection of bus and coach operators who are members of CPT, to satisfy regulatory guidance.

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Comments on results and presentation:

It is important to understand that the Index is designed to report historically on the actual changes in costs (measured on a "pence per mile" basis in order to reflect the changes in the costs of operating bus and coach services) and does not attempt to predict forthcoming changes.

It must also be borne in mind that the results reflect the experience of the operators who submit data; whilst every attempt is made to adjust for or to eliminate any returns where there are exceptional or one-off changes, there may still be cases where the position of one operator is atypical. Therefore individual regional results should be interpreted with care.

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Summary of previous results

Covering the 12 months to:

June 2010	3.4%
December 2010	1.7%
June 2011	3.8%
December 2011	5.3%
June 2012	3.4%
December 2012	3.5%
June 2013	3.7%
December 2013	2.8%
June 2014	1.7%
December 2014	1.6%
June 2015	1.6%
December 2015	1.2%
June 2016	1.2%
December 2016	0.8%

In addition, as we have commented in previous returns, some operators use hedging programmes to fix the cost of their diesel. This means that there can be a number of quite different and distinct outcomes, depending on whether an operator was hedged or not, when those individual hedging contracts expired and the strike prices in the contracts.

Average diesel prices rose steadily through most of the period under review, only dropping in the final four months, to give an average increase of 8.1%, net of VAT over the year. Prices in the final month of the year were still 5% higher than the equivalent 12 months previously.

Individual operator experiences for fuel on a pence per mile basis ranged from an increase of 13% to a reduction of 19%, with a weighted average *reduction* of 7.1%. This average reduction, in contradiction of rising spot prices for much of the year, suggests a significant number of respondents were using hedging programmes.

The actual change in the cost of fuel per mile operated not only reflects movements in diesel prices but also changes in average consumption (mpg) which are due to factors such as fleet replacement programmes (new vehicles may have a different mpg to those being replaced), the impact of worsening traffic congestion and the impact of driver training initiatives (anti-idling campaigns, fuel efficient driving techniques, etc).

Finally, care should be exercised in looking at the changes in certain individual cost categories, where there can be offsetting movements. For example, if an operator replaces owned vehicles by ones on operating lease, there will be a drop in the depreciation charge but an increase in other operating costs. Such changes can show up as large percentage movements in both headings, but in reality one will partially or wholly offset the other change. Movements in the insurance heading can also be quite volatile, reflecting the claims experience of individual respondents, but bear in mind that insurance averages less than 3% of total operating costs.

The Cost Index continues to be compiled by measuring the industry's outputs, typically costs per mile/km operated, and hence not only reflects general inflation but also changes in the efficiency of businesses and cost changes caused by external factors such as employment legislation, congestion, changing fuel efficiency of new vehicles, etc.

The next CPT Cost Index will cover the 12 months to December 2017 and will be published in mid-March 2018.