

CPT Cost Index

Summary of results: change in bus & coach industry costs for the 12 months to 31 December 2011



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	Overall national result	Regional indices:							Breakdown Percentage that each category represents of total costs	
		Greater London bus	Home Counties	Midlands	Northern England	South West England	England (all regions)	Wales		Scotland
Overall change in operating costs	5.3%	6.1%	5.5%	2.4%	3.7%	8.7%	5.0%	1.7%	7.8%	
Change in individual cost categories:										
1 Drivers wages and on costs	4.6%	5.9%	4.0%	4.2%	3.6%	8.5%	4.9%	2.7%	3.7%	44.5%
2 Other labour and staff costs	3.5%	3.5%	6.8%	-2.9%	3.2%	5.4%	3.4%	-5.0%	6.6%	14.4%
3 Insurance and claims	6.5%	13.8%	7.2%	1.9%	0.0%	15.0%	5.3%	12.4%	14.0%	2.9%
4 Fuel	4.4%	1.8%	0.1%	4.3%	3.0%	6.4%	3.0%	4.1%	10.9%	15.4%
5 Maintenance materials	4.8%	-7.2%	5.4%	1.3%	5.7%	9.1%	2.7%	9.4%	14.1%	4.5%
6 Vehicle depreciation	4.5%	5.2%	11.0%	4.3%	1.4%	6.8%	4.7%	-2.2%	4.9%	6.4%
7 Other operating costs	11.2%	22.8%	13.5%	-0.8%	6.6%	14.0%	10.4%	-1.7%	19.7%	11.9%
Sample size:										100.0%
Representing operating costs of:	£3,087,400,000	£520,700,000	£390,500,000	£291,500,000	£945,300,000	£327,500,000	£2,475,600,000	£131,500,000	£480,300,000	

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.

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 OFT guidance.

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Comments on results and presentation:

In view of the forthcoming reductions in BSOG rates, which will have differing impacts in England, Scotland and Wales, the presentation of the results has been altered slightly to include an overall English data set, covering the English regions, alongside the Welsh and Scottish results. Whilst the BSOG rates remained the same across all three countries for the period covered by this return, there will be a divergence from the next 6-monthly update.

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 cannot predict forthcoming changes. From April 1st, 2012 there is a significant reduction in the rate of BSOG (which impacts on the Fuel line in the Index) but the impact will differ between the three countries: in England, there is to be a 20% reduction in the rate; in Wales a 25% reduction; and in Scotland the whole basis is being changed in a way that the reduction will bear disproportionately on shorter urban routes.

Summary of previous results

Covering the 12 months to:

June 2004	7.7%
December 2004	7.8%
June 2005	8.7%
December 2005	8.2%
June 2006	7.8%
December 2006	7.1%
June 2007	5.2%
December 2007	5.3%
June 2008	4.2%
December 2008	5.7%
June 2009	6.2%
December 2009	5.0%
June 2010	3.4%
December 2010	1.7%
June 2011	3.8%

Continued . . .

None of those changes are reflected in the current Index results; the next iteration, covering the 12 months to June 2012, will only show 3 months at the new lower rates (and hence higher operating costs); the return for the year to December 2012 will include 9 months at the new lower rates; and it will not therefore be until the June 2013 Index that the full impact of the BSOG reductions will be seen. Therefore we encourage users to interpret the results with care if using the Index to inform negotiations on revising contract prices and the like.

Turning to the current results, we have continued to see the impact of two important trends evident in recent iterations of the Index, viz:

- a) Firstly, it is evident that a significant number of respondents have achieved improved efficiencies in various areas of their businesses, including staff utilisation, so that when measured by outputs (costs per mile), some costs have reduced despite general inflation.
- b) Secondly, as we have commented in previous returns, many larger operators use hedging programmes to fix the cost of their diesel. This means that there are effectively two quite different and distinct outcomes, depending on whether an operator was hedged or not. During 2011, it would appear that some respondents had the benefit of hedged prices that were similar to or *lower* than they had paid in 2010, in contrast to those who paid the spot price. **Average diesel prices, assuming a constant monthly purchase, increased by around 16.3% net of VAT over the year.** Individual operator experiences on fuel range from an increase of 39% to a reduction of 15%, with a weighted average of 4.4%.

We have also taken the opportunity to republish the June 2011 results to correct an error in the calculation of some of the data; the correct change in costs for the 12 months to June 30, 2011 should have read 3.8% rather than the 1.4% originally published. We apologise for this error.

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 June 2012 and will be published in mid-September 2012.