

CPT Cost Index

Summary of results: change in bus & coach industry costs for the 12 months to 31 December 2019



Overall change in operating costs	Overall national result	Regional indices:							Percentage that each category represents of total costs	
		Greater London bus	Home Counties	Midlands	Northern England	South West England	England (all regions)	Wales		Scotland
	3.0%	2.0%	3.7%	4.0%	3.7%	3.6%	3.2%	4.2%		1.8%
Change in individual cost categories:										
1 Drivers wages and on costs	3.6%	3.3%	3.8%	3.1%	4.5%	4.0%	3.8%	4.0%	2.5%	47.0%
2 Other labour and staff costs	4.4%	5.5%	6.1%	5.7%	2.0%	5.1%	4.5%	5.2%	3.7%	13.5%
3 Insurance and claims	-0.6%	-1.9%	-2.5%	8.9%	-1.9%	-2.7%	-0.7%	5.5%	-3.4%	2.5%
4 Fuel	0.5%	-3.0%	2.6%	0.0%	1.5%	3.2%	0.4%	3.4%	0.1%	12.9%
5 Maintenance materials	3.8%	3.1%	6.4%	5.4%	6.1%	3.1%	5.1%	8.1%	-2.4%	4.3%
6 Vehicle depreciation	0.8%	-3.5%	-1.5%	4.9%	10.4%	-5.3%	1.5%	-1.4%	-1.9%	7.0%
7 Other operating costs	3.9%	2.5%	4.6%	7.5%	2.4%	6.3%	3.9%	5.8%	3.3%	12.8%

Sample size:

Representing operating costs of:	£3,137,400,000	£707,600,000	£357,400,000	£296,000,000	£811,900,000	£297,400,000	£2,470,700,000	£139,900,000	£527,200,000
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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, as there may be atypical influences in individual operator results.

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 the 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%
June 2017	1.9%
December 2017	3.0%
June 2018	3.1%
December 2018	3.3%
June 2019	2.7%

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 until May 2019 before dropping back over the rest of the year to end close to the starting position, to give an average increase of just 1%, net of VAT, over the year.

However, individual operator experiences for fuel on a pence per mile basis ranged from an increase of 19.8% to a *reduction* of 7.3%, with a weighted average increase of 0.5%. This average reduction, a little under the 1% average rise in spot prices over the year, suggests a number of respondents were continuing to use hedging programmes at advantageous rates or were swapping to more fuel efficient vehicles.

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, contracting out say cleaning of buses moves the cost from Other Labour to 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 and may represent an overall reduction in costs. 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.

In this latest period, there have also been some impacts from the changed accounting rules which now require the capitalisation of many operating leases. The impact has been to reduce other operating costs but to increase depreciation.

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 2020 and will be published in mid-September 2020.