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## Secretariat Memorandum

Agenda Item 8 b)  
LTW 307

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### **'Dead mileage' and contracting arrangements for the London bus network.**

#### **1 Purpose of report**

- 1.1. To report to members the conclusions of the report commissioned by London TravelWatch from JMP consultants on the potential for running 'dead' or out of service mileage in passenger service and inform London TravelWatch's response to the review by Transport for London (TfL) of its procurement and operating practices in relation to the bus network.

#### **2 Recommendations**

- 2.1. Members are recommended to accept the consultants recommendations in relation to 'out of service' mileage that a 'Value for Money' test should be adopted by TfL when implementing bus contracts in order to secure additional passenger benefits.
- 2.2. Members are recommended to accept the consultants' recommendation that in relation to bus contract procurement and operating practices that:-
  - 2.2.1. The use of net cost tendering is not suited to the intensive nature of the London bus network, because of the difficulties in making accurate revenue projections on a route by route basis, and that there is no clear passenger benefit from reintroducing this method of tendering.
  - 2.2.2. TfL should continue to encourage smaller operators to enter the contracted bus market in London, particularly on low frequency local routes where a smaller operator may be able to give added value in terms of personal service to the passenger.
  - 2.2.3. The quality of 'back office' systems such as iBus, bus lane enforcement cameras, ticketing systems and closed circuit television within vehicles has an impact on passengers. Therefore it is essential that such systems where they are supplied by TfL are consistent across the network, and have the confidence of operators that they will enhance their ability to deliver the standards in the contracts that TfL expects. Operators should have the confidence and ability to suggest alterations to these systems where these have demonstrable passenger benefits.
- 2.3. The current system of bus contracting has significant advantages to passengers in terms of minimum standards for reliability and accessibility of services, quality of vehicles, on board security for both passengers and drivers, the certainty and stability of the network, consultation well in advance on possible changes, complaints handling procedures, common conditions of carriage and revenue handling, consistency of fares

policy and acceptance of Travelcards and Oyster products. Any change in the contracting regime should as a bare minimum protect these passenger benefits, and ideally enhance these standards and the ability of operators to deliver them.

- 2.4. Note that in the DfT's annual survey of bus passenger satisfaction that London as a region scored lowest at 79% in the 'overall service' category.
- 2.4.1. To recommend to TfL that they consider measures to improve this satisfaction rating, including changes within the contracting regime to incentivise operators to develop passenger focused activities, which may include financial or other rewards for exceptional performance either operationally, in terms of passenger satisfaction or growth in usage, particularly amongst previous non-users.

### **3 Background**

- 3.1. In May 2008 London TravelWatch in its' submission to the Department for Transport's consultation on reform of bus service operators' grant, highlighted its concerns about the perceived high level of 'out of service' mileage operated on the London bus network. The board agreed that the subject would be subject to further research.
- 3.2. In December 2008 following a competitive tendering exercise JMP consultants were commissioned by London TravelWatch to produce this report, which was expanded to cover the passenger perspectives of TfL's bus contract procurement and operating practices. JMP's report is attached at Annex A.

### **4 Discussion**

- 4.1. Members will be aware that the issue of 'dead mileage' has been discussed at some length by London TravelWatch and its' predecessor bodies. However, there was no definitive work to identify the advantages and disadvantages of seeking to make such journeys available to the public. This report seeks to plug that gap by suggesting a framework which London TravelWatch and TfL could apply to suggestions for making up such journeys into public services, and applying a value for money test for doing so.
- 4.2. Prior to the commencement of the study a meeting was held with London Buses by officers from London TravelWatch and JMP consultants, firstly to appraise London Buses of the scope of the study and also to seek their co-operation.
  - 4.2.1. During the meeting London Buses stated that up to now they have not encouraged their contract managers to consider 'dead mileage' in their negotiations with operators when awarding new or renewed contracts.
  - 4.2.2. However, members may wish to note that on the 26<sup>th</sup> March 2009 TfL wrote to London TravelWatch advising them that from the commencement of the new contract the 205/n205 route with East London buses in August 2009, this service will be extended from Mile End to Bow bus garage. This is an example of the circumstance / issue of a garage off line of route at one of the route (as in page 18 of the consultants report). London TravelWatch has supported this extension as it improves interchange with London Underground at Mile End and Bow Road stations, the Docklands Light Railway at Bow Church and other bus routes at Bow. It also meets aspirations to improve capacity along the Bow Road, where route 25 is substantially the only service to and

from the City at present. This is an example of where a framework as recommended here can usefully be used to produce additional passenger benefit at little or no extra cost.

- 4.3. JMP consultants were also asked to review the TfL's tender processes and documentation for the bus network as to their efficacy for meeting passenger interests. Their conclusions are that substantially the contracting regime at present does have substantive passenger benefits (confirming other previous studies such as that by the London Assembly in 2007), which in any review of the regime need to be at minimum preserved and preferably built upon particularly measures of service quality, maintaining comprehensive operational standards (and identifying a mechanism for assessing 'added value' when proposed by operators, and delivering the highest levels of service, including livening out of 'out of service' mileage unless clear reasons dictate otherwise).
- 4.3.1. London TravelWatch has previously lobbied for and seen an increase in the standard and quality of the bus network over a substantial period of years (to TfL's credit), and it would be inappropriate if these quality standards were to be lost in an overall quest to reduce the cost of bus operation.
- 4.3.2. The bus operators that the consultants spoke to clearly feel that the contracting regime could be improved if there were greater incentives on operators to develop passenger focused activities. This is an area which clearly be developed, particularly in relation to current non-users of the network and how they might be attracted to become users.

## **5 Equalities and inclusion implications**

- 5.1. Buses provide the substantive base network of public transport in London, particularly to those sections of the community that are disadvantaged through low income, mobility difficulties, age or if they are part of a minority ethnic or faith community. Therefore the provision of an effective and comprehensive bus network is absolutely crucial to their ability to access work, health care, education and social activities. The bus contracting arrangements therefore must reflect the needs of these people (who often do not have access to other means of transport). Poor quality standards of reliability, vehicle design and personal security will therefore have a disproportionate effect on these groups.
- 5.2. 'Out of service' mileage often takes place at the beginning or end of the operational day and any additional journeys that could be made available to the public are likely to be of benefit to shift and low paid workers who often need to travel at these times because of their pattern of work.

## **6 Financial implications**

- 6.1. No specific financial implications for London TravelWatch arise from this report.

## **7 Legal powers**

- 7.1. Section 248 of the Greater London Authority Act 1999 places upon London TravelWatch (as the London Transport Users Committee) a duty to consider - and where it appears to it to be desirable, to make recommendations with respect to - any matter affecting the functions of the Greater London Authority or Transport for London which relate to transport (other than of freight).

London TravelWatch



## **Dead Mileage and Contract Study**

Report

JMP Consultants Ltd

# Executive Summary



JMP was commissioned by London TravelWatch to examine the potential for running dead mileage on the London Bus network in passenger service. A secondary element of the commission was to examine the Transport for London bus tender and contract documents to help inform London TravelWatch's response to a recently-announced review of Transport for London's procurement and operating practices.

The review is set against the background of the new Mayor wishing to reduce the overall cost of providing the London bus network and make changes in policy such as removing bendibuses and deploying a new Routemaster bus.

The core methodology employed was to proceed by way of case study analysis and discussions with appropriate bus operators to give an "on the ground" operational view of the possibilities and issues involved in turning dead mileage live.

The review of the tender documents also relied on operator-focused discussion to identify areas where the tendering regime could be revised to the benefit of the travelling public.

Our key findings are :

- Operators consider that turning dead mileage live would not be feasible in all circumstances and that a case by case approach to assessing proposals is needed;
- The additions to the network offered by turning dead mileage live are nominal in core areas on the route network. However, in certain circumstances, such as a limited nightbus services and the creation of links to key places in the 24/7 economy (such as onwards links to Heathrow by route 65 at Ealing Broadway), cases could be made for additional journeys, especially to/from garages, to be run in passenger service;
- The current tendering regime does not make clear the relative weight attached to operators offering service variations, including livening of dead mileage;
- Increased competition for operating tenders may not deliver benefits to the travelling public due to the rigid specification set by Transport for London and any move towards operators taking revenue risk has uncertainty;
- The supply of passenger focused back office systems, such as real time information, is best left with a single, centrally arranged supplier to ensure consistency;
- It is recommended that London TravelWatch makes a comprehensive response to the Mayor's review using the points discussed in this report as a starting point.

# Introduction



JMP was commissioned by London TravelWatch (LTW) to examine the implications of dead mileage on the London Bus network. The remit of the study was subsequently widened to include a review of contract conditions for Transport for London (TfL) tendered bus services.

London TravelWatch is the statutory body that represents public transport users in the capital and the immediate surrounding area. Part of its remit is to examine possible improvements to the public transport service offered to the public.

Dead mileage is mileage operated by bus operators where, for operational and other reasons, the public are not allowed to use the bus. Typical examples of dead mileage include:

- The journey from the bus garage to where the bus starts working on its specified route.
- The journey back to the bus garage from the route a bus has operated.
- Journeys to allow for the regulation of bus services which may occur regularly or be unplanned
- Journeys for “operational” purposes of the bus operator. Examples of this include buses taking drivers from the garage to a remote route for crew changes and the routine swapping over of buses for practical reasons such as refuelling and cleaning .

The aims of the study were to review the amount of dead mileage operated and to identify if any of this mileage could be opened up for public use. To enable this assessment to be made we examined a series of routes where either passengers have raised issues regarding empty buses or where the garage is located a significant distance away from the route itself.

The selection of routes included some highlighted by London TravelWatch, ones that are remote from their operating base and a route both distant from its base and worked by an operator who had services both within the London franchised network and other bus work. We believe that this selection of routes represent a range of the operating conditions found in London from a heavily trafficked route in zone 1 (73) to key trunk services (68/X68) and suburban operations (463). Our primary source of information has been the operators of these routes, as they have the most up-to-date local knowledge of operating conditions and practices concerning their routes. Discussions with operators allowed us to assess the issues surrounding making dead mileage run in public service and whether the current contractual arrangements for running bus services in London would make this possible. In addition, we questioned operators about key operational issues such as supervisory practices, rostering and driver recruitment / retention to ensure a full picture of the liveness of the issue was gained.

The routes selected were :-

- 65 Kingston to Ealing ( London United )
- 68 / X68 Croydon to Euston – 68 and Russell Sq to Croydon -X68 ( London Central)
- 73 Tottenham / Stoke Newington to Victoria (Arriva London North)
- 123 Wood Green to Ilford (Arriva London North)
- 263 Archway to Barnet Hospital (Metroline)
- 463 Coulson to Mitcham (Epsom Buses / Quality Line)

# Study Methodology



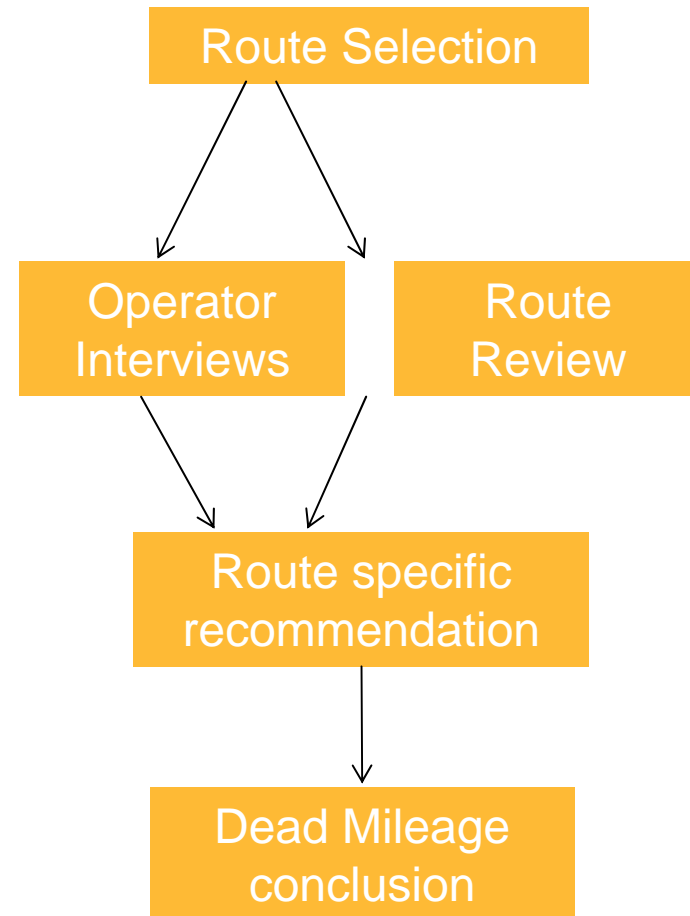
Our methodology was developed to enable the reaction of operators to be gauged in respect of turning dead mileage into publicly available services.

Following identification of the range of routes to be examined operators were contacted and a specific set of questions posed. The questions revolved around five key areas:

- Ease of operation away from your operating base, particularly in relation to crew flexibility;
- Cost / time implications of dead mileage;
- Other operational and supervisory issues related to dead mileage / routes operating remotely from your operating base;
- Any wider comments regarding the tendering regime relevant to dead mileage.

A review of each route was undertaken and its context within the overall bus network considered. The potential for conversion of dead mileage to live mileage was assessed.

A final recommendation on each route was then drawn from this information and the operators' responses. Finally, we have identified any general conclusions were identified in relation to the operation of dead mileage in public use.



# Study Methodology

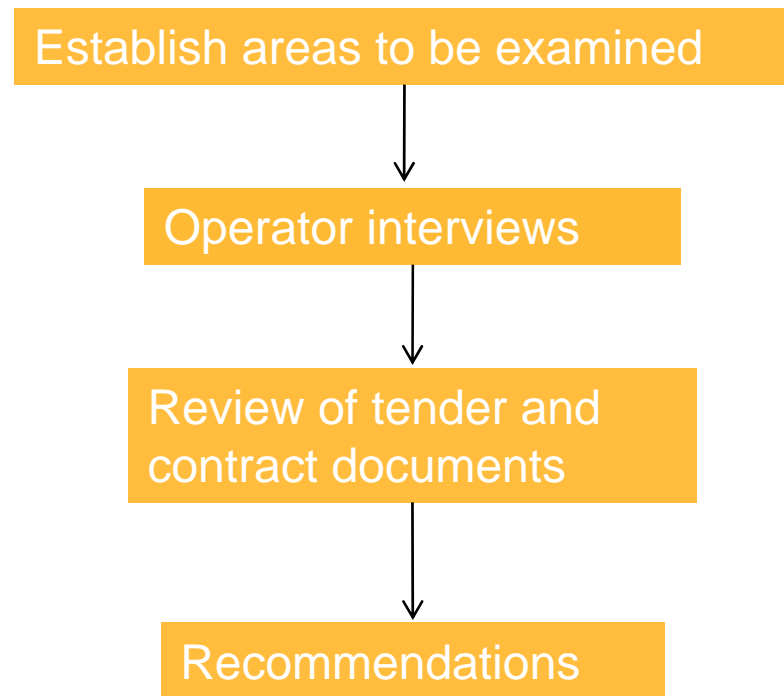


In parallel to the dead mileage study we discussed with operators their general operating practices and recruitment levels, to gain an understanding of their views on TfL's conditions of contract and tendering practices. This was to help inform London TravelWatch's response to the review of TfL bus services and the bus tendering system recently instigated by the Mayor. In particular, we were seeking through a range of general questions and the response to the dead mileage questions to establish operators' flexibility to respond to changes that the review might propose.

To undertake this element of the exercise we focused our questioning on the following key areas:-

- Driver retention and recruitment;
- The share of business derived from TfL;
- General comments in relation to the tendering regime and the amount of innovation allowed;
- Willingness to tender for contracts outside the usual operating area.

In parallel to the discussions with operators we reviewed the tender documentation for TfL bus service and the conditions of tender in order to establish if barriers existed to changes in operating practices and innovations such as livening dead mileage





# Route 65



Route 65 operates from Kingston on Thames (Brook Street) to Ealing Broadway via Richmond and is 15 km in length. Operated by London United from Fulwell (FY) bus garage the route is remote from the garage at all points.

Currently route 65 operates on a Quality Plus contract from Transport for London, awarded in February 2002 for 5 years, with an extension for good performance which is now operating. The vehicles used are Dennis Trident low floor double-deckers with a peak vehicle requirement of 20. Typical operating hours are 0500 to 2359, with frequencies of 7/8 minutes at peak times, every 12 minutes during evenings and 10 minutes during the main part of Sunday.

The timetable indicates that all buses are scheduled to start and finish service at either Kingston or Ealing Broadway, thus leading to dead mileage.

The route network in the areas served by route 65 indicate that opening dead mileage on this route to the public would not generally be duplicated by other services at the times that such mileage would be operated. The journey from Fulwell to Kingston is straightforward and would create little additional cost, but offer minimal additional passenger facilities as this section of route is covered by existing services. Over the section of route that could be covered between Fulwell and Ealing Broadway, there are likely to be time penalties when compared to running directly between Fulwell and Ealing. This would result in additional cost to TfL but which would provide a valuable link, especially with the connections available at Ealing Broadway Station



# Route 68

Route 68 operates from West Norwood Station to Euston via Elephant and Castle and Camberwell and is 13 kilometres in length. The service is operated by London Central from Camberwell (Q) bus garage. The route passes near to the garage in Denmark Hill, which is approximately 300m from Camberwell bus garage.

Currently route 68 operates on a quality contract from TfL which was awarded in April 2006 for 5 years. The vehicles used are double deck, low floored buses, which are either Volvo B7TLs or Wright Eclipse Gemini types. There is a peak vehicle requirement of 21. Typical hours of operation are 05:20 to 00:45. The frequency of the service is 7-8 minutes in the day time, and 12 minutes on Sundays and evenings. Night Bus N68 covers the same general corridor and also runs from Camberwell bus garage under the same contract as route 68.

Examination of the timetable indicates that all buses are scheduled to commence and finish service at either West Norwood or Euston Station, thus leading to dead mileage on their return to the depot at Camberwell.

The route network in the areas served by route 68 indicates that opening dead mileage on this route to the public would generally be duplicated by other services at the relevant times, particularly over the section of route from Camberwell to Central London. Additional benefits to passengers over this section would be minimal. Over the section from Camberwell to West Norwood less duplication would occur, but the likely benefit would be minimal.



# Route X68

Route X68 operates from Russell Square to West Croydon Bus Station in peak hours only, in the direction of peak travel. The route operates non-stop over a section of route between West Norwood and Waterloo. It operates in conjunction with route 68 and is part of the same contract run by London Central from Camberwell (Q) bus garage. The route passes near to the garage in Denmark Hill which is approximately 0.1 mile from Camberwell bus garage, but does not stop in the vicinity as this is on the non-stop section of route.

Currently route X68 operates on a quality contract from TfL, awarded in April 2006 for 5 years. The vehicles used are double deck, low floored vehicles - either Volvo B7TLs or Wright Eclipse Gemini types, with a peak vehicle requirement of 10. Typical hours of operation are between 05:50 and 09:48 in the morning peak and 15:50 and 19:57 in the evening peak. All buses commence at either Russell Square or West Croydon bus station and operate in the direction of peak travel only.

The route network in the areas served by the X68 indicate that opening dead mileage on this route to the public would generally be duplicated by other services. The section of route from West Norwood to Russell Square is covered by route 68 and the section from West Norwood to Croydon by route 468. Night Bus N68 also covers the same general corridor. The efficient operation of route X68 in light of its peak only operation and the dead mileage involved needs to be considered against the volume of passengers on the central London to West Norwood corridor, the direct links created between central London and areas between West Norwood and Croydon. Certainly, additional journeys on the Camberwell garage to/from Central London section of route could be beneficial.



# Routes 468 and N68



The 468 is one of London's longer routes, operating between Elephant & Castle and South Croydon. The number reflects the fact that it parallels the 68 for a substantial part of its length, and it was once the southern section of the 68. It was split from the 68 in 1994. The service is operated by London Central from Camberwell (Q) bus garage. The route passes near to the garage in Denmark Hill, which is approximately 300m from Camberwell bus garage.

Route 468 operates on a quality contract from TfL, which was awarded in April 2006 for 5 years. The vehicles used are double deck, low floor Volvo B7TLs Wright Eclipse Gemini types, with a peak vehicle requirement of 25. Typical hours of operation are 04:15 to 00:38. The frequency of the service ranges 6-8 minutes in the day time, and 12 minutes on Sundays and evenings. Night Bus N68 covers the same general corridor and also runs from Camberwell bus garage, but under the same contract as route 68.

The route network in the areas served by route 468 indicate that opening dead mileage on this route to the public would generally be duplicated by other services. However, the current situation with long dead mileage trips from the garage and limited stand capacity at South Croydon (Swan and Sugar Loaf) would suggest that some dead mileage operating live journeys would be welcome.

Route N68 covers the full corridor of the 68, X68 and 468 routes, operating from Old Coulsdon (Tudor Rose) to Tottenham Court Road Station. The southern extremity of the N68 is covered by route 60 which operates from Old Coulsdon (Tudor Rose) to Streatham Bus Garage.

Currently the N68 operates on a quality contract from TfL, which was awarded in April 2006 for 5 years. The contract covers route N68 and day route 68. The vehicles used are double deck low floored vehicles which are Volvo B7TLs Wright Eclipse Gemini types, with a peak vehicle requirement of 6, vehicles being drawn from the allocation for route 68.

The times for operation of the N68 overlap with the operation of day routes 68 and 468. Continuity of service is thus ensured, even when British Summer Time commences.

The main role of the N68 is to ensure a service is operated over the complete corridor. Dead mileage is operated between Camberwell Bus Garage and Tottenham Court Road Station or Old Coulsdon (Tudor Rose). The stand at Old Coulsdon (Tudor Rose) is limited in capacity and shared with route 60. At the beginning and end of the traffic day for route 60 a lack of stand space may result, especially when vehicles arrive early. Works at Tottenham Court Road Station for Crossrail may limit stand capacity there, again this would be exacerbated by early running. It is understood the N68 is operated by a dedicated roster of drivers; this may lead to early departures from the garage and the issue noted above. Running these dead journeys on service would lessen the possibility of early arrival making stand management more effective.

# Route 73



Route 73 operates from Seven Sisters Station to Victoria Station and is 13 km in length. The service is operated by Arriva London North on a quality contract from Transport for London. The garages operating route 73 are located at Lee Valley (LV) and Tottenham (AR). Lee Valley is 3.9 km north of the start of the route and Tottenham is immediately north of Seven Sisters. A number of buses on route 73 are scheduled to start and terminate at Stoke Newington, short of Seven Sisters. Garage journeys to and from Tottenham garage are made in service but those to and from Lee Valley operate dead.

The vehicles used are Mercedes Benz Citaro articulated types. The peak vehicle requirement on the route is 43. Typical operating hours are 04:18 to 00:47 from Seven Sisters to Victoria, and 05:15 to 01:51 from Victoria to Seven Sisters. The service has a daytime frequency of 6 minutes, and 3½ to 4 minutes in the peak.

The Night Bus, the N73 runs from Walthamstow to Victoria half hourly from 23:41 to 06:18 weekday nights and every 15 minutes at weekends.

Examination of the timetable confirms that that dead running occurs on the journey between Seven Sisters station and the depot at Lee Valley

The route network in the areas served by route 73 indicate that opening dead mileage on this route to the public would generally be duplicated by other services. The coverage given by the N73 in addition to the 73 day route suggests that opening up dead mileage for passenger use would be of little benefit. Lee Valley garage is an out-of-the-way location, remote from passenger objectives so little benefit would be gained by running in service.



# Route 123



Route 123 operates from Ilford High Road to Wood Green Station and is 19 km in length. The service is operated by Arriva London North and is based at the Tottenham (AR) garage on Phillip Lane which is situated on the route.

Currently route 123 operates on a 5 year quality contract from TfL for 5 years. The vehicles used are 10 metre B7TL ALX400 double deck buses. The service has a peak vehicle requirement of 18. Typical operating hours are 05:00 to 01:34. The service has a daytime headway of 10 minutes, and 15 minutes on Sundays and evenings.

The timetable suggests that at night, two services stop short at Tottenham, to return to the Tottenham depot. In the morning services also begin at Tottenham at 04:57.

The route network in the areas served by route 123 indicates that opening dead mileage on this route to the public would generally be duplicated by other services. There is, however, a significant section of route from Forest Road to Woodford Road over which additional services at the times dead mileage would operate would allow journeys in the direction of Ilford particularly to be made open to public use. The importance of the link across the Lee Valley created by route 123 may increase during the build up to the Olympic Games.



# Route 263



Route 263 runs from Barnet Hospital to Holloway Road. Until February 2009 the route terminated at Archway Station but as part of a recent re-tendering exercise the contract for the 263 includes the extension to Holloway Road. The route is 13.5 km long. Vehicles for the route are presently garaged at Potters Bar (PB) bus garage.

The service was operated prior to February by Metroline on a Quality Plus Contract from TfL, which was awarded on in February 2002 for 5 years. This was extended as a result of good performance. In the re-tendering Metroline were again successful also on a Quality Plus contract basis. Typical operating hours are 05:30 to 00:50. The service has a daytime headway of 10 minutes, and a Sunday and evening headway of 12 minutes.

The vehicles used on the route are Dennis Trident 9.9m or Plaxton President double deck buses. The service has a peak vehicle requirement of 16 vehicles in the week and 17 vehicles on Saturdays. All journeys start or finish at Barnet Hospital or Archway Station. A special school journey also operates.

The route network in the areas served by route 263 indicates that opening dead mileage on this route to the public would generally be duplicated by other services. The majority of dead journeys operate between Potters Bar and Barnet Hospital with only a nominal number of dead journeys to Holloway Road / Archway. The location of the garage at Potters Bar is remote from the route at its northern end and this may compromise the establishment of highly efficient driver schedules .



# Route 463



Route 463 runs from Couldson to Eastfields. The route is 18 km long. Vehicles are garaged in Epsom, which is a considerable distance from the route.

The service is currently operated by Epsom Coaches / Quality Line on a 5 year tendered quality contract from April 2004.

Quality Line currently operates the route with a fleet of 8.5m Optare Solo single deck vehicles. The service has a peak vehicle requirement of 8. The service has a daytime headway of 20 minutes and 30 minutes in the evening and on Sunday. The operating day is typically from 05:45 to 23:59 with a later start on Sunday.

All services either begin or terminate at Couldson, Red Lion, or Eastfields, Grove Road.

Discussions with Epsom / Quality Line highlighted a number of practical considerations in the operation of route 463. The route is operated by a dedicated team of drivers whom are ferried to the route by car. A number of such movements occur during the working day and are linked with driver changes on other Epsom / Quality Line routes.

The route network in the areas served by route 463 indicate that opening dead mileage on this route to the public would generally be duplicated by other services. Epsom / Quality Line felt that there would be a limited market for travel between Epsom and Couldson / Eastfields especially with the garage being located in an industrial area of Epsom.





# Summary of Operator Discussions



Operators were broadly of the view that for a number of reasons the “livening” of dead mileage would not be a practical proposition in the majority of cases.

Key reasons stated for this were:-

➤ Duties and bus working were optimised against the live mileage that the contract require to be delivered. Dead mileage could result in diversions from the most direct route between garages and route starting / finishing points, leading to inefficient duty schedules

➤ The network of services in London offered sufficient coverage of all areas at all times of operation. The “nightbus” network of services offers 24 hour coverage on most key routes and corridors. At the time dead mileage turned live would operate in many cases this would duplicate existing services.

➤ The financial rewards from the TfL tendering process for adding additional live mileage to a route would be marginal and given the “overall value for money” test in the tendering process hold little attraction over a compliant tender with no livening of dead mileage.

➤ Many of the journeys livened would be outside the normal day time route pattern and usage would be low due to the nature of the new links created.

➤ Retendering could result in a new pattern of “dead mileage” services to link up to a new operator’s base.

## Discussion

The operator view that dead mileage would be difficult to be turned live appeared from our face to face and telephone discussions to focus on the inability of the current tendering regime to give weight to bids with minor variations such as turning garage journeys live. Greater weight was felt to be given to the establishment of common headways on common sections of route and reliability of the core service.

A further concern detected from the larger operators regarded retaining market share. Each of the larger operators we talked with had the view that retention of their tenders within their, often historic, operating area outweighed any innovation that may come forward. They were of the view that the current tendering system allowed a concentration on their strengths of running and scheduling buses without the overt risks of operating in a fully deregulated environment. Thus, innovation was stifled at the outset. The certainty and lack of revenue exposure offered by the tendering regime when couple with the perceived need to have a balanced portfolio of activity was the major reason for the one smaller operator we had discussions with seeking TfL tenders so again innovation would not be to the fore despite the operator being one of the most forward thinking in the south-east.

Ultimately it is suggested that as TfL is the larger operators’ major, and in some cases only, customer, the operators have little incentive to look beyond the immediate issue of tendering / re-tendering in terms of adding value to the bus network.

# Summary of Operator Discussions



Conversely, arguments developed for the livening of dead mileage were made by operators who then highlighted the difficulties created by the tender regime:

- It could make our tender stand out.
- We see a need for such a service that has been missed by TfL.
- We see that we could up our tender price on the basis of the unique selling point of establishing new passenger links but our operational efficiency could suffer.
- We could increase our market share of the overall bus network in London by bidding for work outside our “traditional” areas of operation.
- Operators noted that recruitment of additional drivers would not be an issue if duty schedules required more resources. Cost implications would be a matter for TfL through tendering.

In developing these lines of thought the operators had examined the likely reaction of their competitors and the apparent unwillingness of TfL to accept more radical proposals.

Operators considered that for practical and competitive purposes a tender for a route which required more than 15% dead mileage in relation to live mileage was highly unlikely to be successful on the grounds of added costs and, if outside or on the fringes of the operator’s main area, cause issues in relation to supervision and driver changeovers. This view was less strongly held in relation to tranches of tenders that could form a critical mass of operation.

## Discussion

Operators were keen to develop innovative proposals if they considered it would give their tender bids a unique selling point. They did however note the highly prescriptive nature of the TfL tendering system and the limited ability they had to influence route specifications with their local operational knowledge. On the basis that the operators have local experience to input TfL may benefit from operators being involved at a general level in the setting of tender specifications.

The issue of excessive dead mileage was of commercial and operating concern to operators in seeking to develop their businesses. It was commonly agreed that any tender that required dead mileage of greater than 15% was unwinnable. Operators raised issues about control and driver changeovers at the margins of their networks but did note that the LiveBus system has made this issue of less importance. Operators felt that journeys serving crew changes could not be made live due to the need for flexibility and the use of taxis etc to provide these journeys.

For operators to suggest in tender bids livening dead mileage TfL should give a clear indication as to the value of such proposals – at present operators are uncertain of TfL’s reaction.

It would be of great assistance if TfL would confirm its dead mileage policy, even if only to treat each case on its merits against a specified set of criteria.

# Prospects for reducing dead mileage -

## 1



The operators considered that turning dead mileage live would not be feasible in all circumstances and that a case by case approach to assessing proposals would be needed.

That noted, there are opportunities for dead mileage, especially where minimal Nightbus routes exist or the creation of links to key places in the 24/7 economy (such as onwards links to Heathrow by route 65 at Ealing Broadway), tot be turned into live journeys.

Livening of journeys used for staff transport / crew changes was seen as impractical due to the flexible nature of these operations.

The key to greater use of dead mileage was seen as a greater weighting to such proposals in the TfL tendering system and clearer understanding of TfL's assessment of tender proposals, especially innovative submissions.

The view that routes which left an operator with more than 15% dead mileage were not winnable through the tender system leaves operators with difficulties in breaking out of their traditional areas. Whether the livening of high levels of dead mileage would be attractive to TfL is unclear.

Overall it is suggested that a case by case approach to assessing proposals to liven dead mileage is needed.



# Prospects for reducing dead mileage -

## 2



Although the operators are of the view that limited amenity would result from the conversion of dead mileage to live it is suggested that no-cost operation of additional journeys is of benefit to passengers. To enable a case by case assessment framework to be developed a range of scenarios for the operation of dead mileage in passenger service need to be considered. A matrix has been developed and is shown on page 18. The purpose of the matrix is to identify the circumstances in which dead mileage could be converted to live mileage in passenger service. Issues that would need to be considered are identified and the effect of dead mileage becoming live assessed.

Issues which require examination are:

- Stand Capacity. Dead Mileage sometimes results in early running giving parking space issues at some bus stands.
- Publicity. Can the roadside and other publicity cope with journeys running part routes or extended beyond the normal terminal points?
- Reliability and Quality Standards. Does a change to running live mileage improve reliability?
- Local route network. The question of duplication of existing services needs to be considered and the location of key journey destinations in relation to any dead mileage which may be livened for passenger use.

For each issue a generic response is suggested with an overriding issue being a value for money test that Transport for London apply in all tendering situations

Passenger interests are the key driver for London TravelWatch. The core remit of London TravelWatch is to promote integrated transport policies and press for better public transport, with higher standards of quality, performance and accessibility. It is suggested that having the maximum quantum of bus journeys available for public use will improve quality and accessibility.

TfL's service planning guidelines indicate that services should be:

- Comprehensive
- Frequent
- Simple
- Reliable

In the London environment of frequent bus services passenger needs are generally best met by the operation of the most frequent service possible for the longest possible time. To meet this requirement the default position adopted by Transport for London should be the testing of the value for money and operational issues for livening dead mileage at the route tendering stage. Whilst the value for money test may be the final arbiter a number of other factors such as those discussed opposite will be relevant. If no additional cost scenarios results it suggested the dead mileage could be opened up to public use for the duration of that contract period.

# Matrix for dead mileage scenarios



Circumstance / Issue	Stand capacity	Publicity	Reliability and Quality Standards	Local route network	VFM assessment
Garage off line of route at one end of route	Lowers stand requirements	No issue – individual stop TTs	No issue unless congestion	Additional service possible and may be of passenger benefit if garage is located near key attractors	Likely to be +ve as additional live mileage at no cost
Garage on line of route	No change but improved timing may lower need	Short workings will need to be identified individual stop TTs	May improve – journeys arrive at set time rather than at random when out of service	Additional short working services possible	Likely to be very +ve, additional live mileage at no cost
Garage off line of at mid-point of route and dead mileage follows route	Generally, no change but improved timing may lower need	Short workings will need to be identified individual stop TTs	May improve – journeys arrive at set time rather than at random when out of service	Additional short working services possible	Likely to be +ve, additional live mileage at minimal cost
Garage off line of at mid-point of route and dead mileage does not follow route	Generally, no change but improved timing may lower need	Short workings and off route workings will need to be identified individual stop TTs	May improve – journeys arrive at set time rather than at random when out of service	Additional short workings possible – route numbering may be an issue – should short workings off route carry a more appropriate route no. and trade union reaction to the principle of multi route working ?	Likely to be +ve, additional live mileage at minimal cost
Garage off line of at mid-point of route and dead mileage substantially follows route	Generally, no change but improved timing may lower need	Short workings and route variations need to be identified individual stop TTs	May improve – journeys arrive at set time rather than at random when out of service	Additional short working services possible but minor variations will need to be assessed on merits and a target market identified	Likely to be +ve, additional live mileage at minimal cost
Extension of route to garage / other location for operational reasons	Lowers stand requirements	No issue – individual stop TTs	May improve – enhanced supervision at garage and availability of, for example, in service vehicle cleaning	May produce passenger benefits and reduce the need for interchange	Likely to be very +ve, additional live mileage at no cost
Ad-hoc but scheduled movements for crew relief, vehicle refuelling etc.	No change due to limited nature of movements	Issues arise due to random nature of such movements.	Limited effect – perception may be worse due to random nature of journeys	Minimal impact on the basis that the random nature of these journeys would not have major effect unless meeting a specific market need	Likely to be –ve due to random nature unless specific market identified

# Contractual Issues



The Mayor and his transport advisors have instigated a review of the operation, performance and funding of the London Buses network. A key remit of the review is to bring a reduction in the cost of operating the bus network by seeking out innovative procurement and operating practices. An early stage of the review process is likely to be consultation with key stakeholders including transport user groups such as London TravelWatch.

The Mayor's review of TfL bus procurement and operating raises concerns, as it may lead to a reduction in the overall level of funding for bus services. The Mayor's transport strategy "Way to go" highlights the perception that key routes in the West End are over-bussed but beyond noting that London is "constellation of suburbs" makes no assessment of suburban bus services giving critical links, although a trial of inter-suburban express services is proposed.

The review needs to be considered in the context of the wider activities of TfL. Key matters of relevance include the cut back of capital spending and specific to bus operations, the commitment to remove bendi-buses from service, the deployment of a 21century Routemaster bus and cross-London bus lane enforcement practices.

Given the reduction in capital investment and likely curtailment of funding for bus operations it is suggested that at an operational level the review will focus on the areas where savings can easily be made, namely the heavily bussed corridors in the West End and City of London and suburban services. Ironically, the removal of bendi-buses is likely to result in increased costs as replacement vehicles will be smaller and peak vehicle requirements to deliver similar passenger capacity may rise.

To aid London TravelWatch in responding to the likely review consultation we have reviewed the conditions of contract and assessed the potential barriers to entering the market for London Buses contracts.

As part of the study TfL kindly supplied its conditions of contract and details of the tendering regime. As part of our discussions we posed questions relating to the tender regime generally and the implications resulting from the tender regime for the turning of dead mileage into journeys in passenger service and the wider issues for service delivery associated with both dead mileage and normal operations.

# Contractual Issues



The current contractual structure requires a potential to, in effect, prequalify for the right to bid for individual route tenders which are normally let in tranches every 3 or so weeks. Pre-qualified operators are required to enter into a framework agreement with TfL. On the award of a tender for an individual route the successful operator is required to enter into a route agreement which details the particulars of the route and financial arrangements.

The framework agreement is specific in the obligations placed on the pre-qualified operator and generally relate to the business probity of the operator. Unlike in the UK rail franchise system defaulting on a route agreement does automatically trigger a default on the framework agreement. It can be suggested that the collapse of Harris Buses and Durham Travel Service led to this more flexible approach. In those cases both businesses failed but they were quite small in size and the establishment of East Thames Buses allowed the situation to be recovered. A situation where a larger company failed could result in a situation where, should a default of the framework be triggered, it could be impossible due to resource issues to cover the failed operator's work.

The invitation to tender for individual routes requires operators to provide a tender fully compliant with TfL specification and encourages alternative proposals to be developed. Some of the circumstances suggested by TfL for alternate specifications includes "additional journeys - positioning trips which depend on the location of the operator's base relative to the route could be included as additional journeys along all or part of the route, possibly worked by buses proceeding to or from an operating base". Assessment of alternative proposals will be on the basis of awarding the contract to the operator submitting the most economically advantageous tender. The invitation to tender offers no clear guidance on how this value for money assessment will be made nor as to the relative weight that would be given to alternative service specifications within the value for money test.

Indeed, the invitation to tender document makes reference to a number of factors such as deliverability and impact on competition within the entire bus network but no details of the relative merits of each area considered is offered beyond a general statement that previous performance will be considered.

# Contractual Issues



For the former London Buses subsidiaries in our sample the key issue facing them is the general increase in competition for tenders in the last 2/3 years. Their traditional core network, i.e. that around their key operating bases, have seen incursions by operators from neighbouring areas. The operators noted the previous failure in the London context of the use of net-cost tendering to pass more or all revenue risk to operators.

The prime reason for this failure was seen as the intensive nature of the London bus network which made accurate revenue projections on a route-by-route basis difficult and the need for a suitable method of allocating travelcard and oystercard revenue between operators and travel mode. The livening of dead mileage was suggested by a majority to be considered only when the public interest would benefit from such a move. It was, however, noted that what constituted the public interest may change as a result of the review instigated by the Mayor. The consensus was that a case by case basis should be the only way to assess this question.

For the smaller operator in our sample the level playing field and certainty created by the TfL tendering system was seen as a significant advantage compared to the system employed in the shires. The lack of revenue risk and the difficulties in estimating revenue were cited as the interest in bidding for London work along with having a diverse portfolio to ride out the current economic circumstances.

In this situation it could be argued that within the rigid specification set by TfL that the public are receiving good value for money at the point of supply due to the increased level of tender bids and interest from operators on the fringes of the TfL network. The real issue for the Mayor's review is whether TfL's network / route development activities and tender assessment processes are picking up that value. For London TravelWatch a key issue to highlight in the review will be the need for transparency in the tender process to ensure benefits to the travelling public receive suitable weight.

The rigid TfL specification extends to the supply of "operational equipment" to successful tenderers. Epsom / Quality line had previously broken the monopoly supply of operational equipment (in this case bus radios) by TfL and had procured its own more reliable system which was compatible with the GPS system fitted to the wider Epsom fleet. The recent development of the Live-bus system has allowed Epsom to revert to using TfL supplied equipment. The key issue here is does the TfL monopoly on the supply of "back-office" equipment serve the operators and the public well. Certainly having a single supplier integrated system for "operational equipment" gives a consistent product to the passenger in terms of information provision and certainty to operators when bidding that the technologies involved will work. The downside is that innovative solutions offering greater passenger benefits may be stifled by the supply side tendering system currently in force. For the London TravelWatch response to the review the key is suggested to be the quality of "back-office" systems that affect the travelling public, RTP1 and bus lane enforcement being examples. To ensure consistency the use of a single supplier for each product will ensure consistency across the network.



# Contractual Issues



For operators of London Bus contracts the conditions require adherence to a set of minimum standards for key public facing activities:

- Reliability of service and the QSI assessment regime
- Quality standards for vehicles, including on board security, and drivers
- Certainty of the network and consultation by Transport for London on changes
- Complaints handling processes
- Common conditions of carriage, revenue handling and Travelcard / Oyster acceptance.

In each case the delivery of high quality services is dependant in the first instance of on the attention to detail by the operator and Transport for London where the service, such as complaints handling, can be centralised by the operator asking Transport for London to provide it.

The reliability of service will affect directly the use of bus services, unreliable services will make travellers use other modes. The quality of vehicles and driving standards will also affect use of the bus service. Perceptions of old or sub-standard vehicles and poor driving are easily and difficult to lose. Complaints handling is a key area of interest to London TravelWatch given the statutory role of investigating unsatisfactory responses from operators and Transport for London. The Transport for London system of having a set of standard paragraphs for responses to complaints is to some extent dictated by the volume of complaints received and the need to ensure consistency but may not adequately reflect the personal perception of a complaint by the public.

The benefit to passengers of this contractual regime is the certainty of product and the general availability of products such as Travelcard and Oyster.

As a baseline for developing arguments about quality of service the DfT's annual survey of bus passenger satisfaction London as a region scored lowest at 79% satisfaction in the "overall service" category<sup>1</sup>.

For the key areas of the London TravelWatch remit to improve the key standards relating to quality, performance and accessibility monitoring and management by Transport for London of operator performance will required to be continued at the current high level in order to ensure standards are maintained.

London TravelWatch's response to the consultation on the review should refer to, as a minimum, the retention of these standards and the development of the standards to include matters that will become of greater interest to the public such as money back guarantees should things go wrong and a single set of standards for reliability which is not dependant on service frequency and in the case of "high frequency routes" the statistical measures employed to measure reliability.

Given the increases competition noted by operators it is possible that to make stand-out bids operators may wish to provide standards above the minimum dictated by the contract terms. Should this be the case it is unclear how any increase in costs would be treated in the value for money assessment.

1. DfT Public Transport Statistics Bulletin GB: 2008 Edition

# Conclusions



Operators generally consider that turning dead mileage live would not be feasible in all circumstances and that a case by case approach to assessing proposals would be needed.

The current tendering regime is seen as stifling innovation but for most operators TfL is their major customer.

Should garage journeys be run in service re-tendering is likely to reshape the route network. This could prevent the long term development of an effective passenger base for any services where dead journeys are opened to public use.

The additions to the network offered by turning dead mileage live is perceived as nominal in core areas on the route network but in certain circumstances such as a limited nightbus services and the creation of links to key places in the 24/7 economy (such as onwards links to Heathrow by route 65 at Ealing Broadway) cases could be made for additional journeys, especially to/from garages, to be run in passenger service.

The bus market in London is rigidly defined by TfL. Clear specifications exist for all elements of bus service provision.

The contracting regime places no risk or incentive to develop the market by operators in terms of passenger focused activities.

Competition is supply based and, provided the contracted quality and reliability standards are met, operators have no financial or other reward for exceptional performance beyond the option to extend the contract life under the current “quality plus” arrangements.

The Mayor’s review of the TfL bus procurement and operating arrangements raises concerns, as the overall level of funding for bus services may be reduced. The Mayor’s transport strategy “Way to go” highlights the perception that key routes in the West End are over-bussed, but beyond noting that London is a “constellation of suburbs” makes no assessment of suburban bus services giving critical links although a trial of inter-suburban express services is proposed.

In the short term a move to passing greater revenue risk to operators must be seen as of questionable sustainability given previous experience. The supply of passenger focused back office systems, such as real time information, is best left with a single, centrally arranged supplier to ensure consistency of the offer to the public.

It is recommended that London TravelWatch makes a comprehensive response to the Mayor’s review using the points discussed in this report as a starting point. The response will need to be developed to argue that the perceived quality of bus services in London is low and can be improved and that relaxing the quality of the bus service is not acceptable.

Key points to be developed in the response are suggested to be:

- Service Quality is paramount and must be protected by proactive management by operators and TfL.
- Comprehensive operational standards should be maintained and mechanism identified for assessing “added value” proposed by operators in operational standards. The standards should be applied on a pan-London basis to ensure consistency of product.
- The highest deliverable levels of service are required including livening of dead mileage unless clear reasons dictate otherwise.