

REPORT NO: ECONOMIC EVALUATION NO.37 REPORT DATE: 8/7/86

TITLE AND SUBTITLE: RATIONALE OF PTE POLICY FOR BUS STATION DEPARTURE CHARGES

AUTHOR(S): W J TYSON
CONSULTANT ECONOMIST

ADDRESS(ES): First Floor
24 Mosley Street
MANCHESTER M2 3AG
England
(Tel: 61-228-2492)

SPONSORING ORGANISATION NAME AND ADDRESS:
Greater Manchester PTE
9 Portland Street
MANCHESTER M60 1HX
England (Tel: 61-228 6400)

SPONSORING ORGANISATION CONTACT:
A M MUNRO

ABSTRACT: Under the provisions of the 1985 Transport Act the Passenger Transport Executive will be responsible for providing bus stations (terminals) throughout its area. Operators are free to choose whether they will use these terminals or not. The Executive has the power to charge for use of the terminal on a per departure basis.

The report summarises the rationale for the Executive's proposed charges. Instead of basing charges on the cost of providing the terminals the pricing policy is based on the benefits to passengers and the extra patronage generated by the terminals. It also takes into account supply and demand factors - thus introducing a degree of flexibility where circumstances warrant.

HE
5664
M3
J6
1986

GREATER MANCHESTER PASSENGER TRANSPORT EXECUTIVE

RATIONALE OF
PTE POLICY
FOR
BUS STATION
DEPARTURE CHARGES

ECONOMIC EVALUATION NO. 37

W. J. Tyson

Economic Adviser

8th July, 1986

I INTRODUCTION

Under the 1985 Transport Act the Executive will retain responsibility for providing bus stations. It must make them available to all operators on an equal basis and may make charges for using them. This paper describes the reasoning behind the charging policy the Executive intends to follow from 26th October, 1986. Both the principles and the absolute levels of charges which result from them will be subject to periodic review with the first review likely on 1st April, 1987.

The first approach considered by the Executive was on the principle of cost recovery. This would have based charges on rates which would have allowed the Executive to recover the costs of providing and maintaining bus stations from charges. Within this, charges at individual bus stations could have been related to costs at that station or an average charge could have been used. Fully to cover all relevant costs would have required the average charge to be 40 pence per departure. This approach has been rejected for these reasons:

- There are difficulties in identifying and apportioning costs at some bus stations. Elements of cost would have been determined on an arbitrary allocation.
- The level of costs to some extent reflects investment decisions in the past in a non-commercial environment.
- It ignores the benefits (and disbenefits) to operators and passengers of bus stations and in consequence it is likely that charges would be out of line with operators' willingness to pay. Following from this, demand and supply would get out of line with excess capacity in some stations and congestion in others. This is, if nothing else, inefficient and potentially wasteful.

For these reasons the Executive has decided to adopt a policy which bases charges on the level of benefits operators are likely to obtain from using a bus station. This will determine a reference charge which will be modified to take account of

- Demand for space relative to supply.
- Size of vehicle.
- Charges for parking space (as opposed to stand occupancy).

The rationale of this policy is discussed in Section II.

II PRINCIPLES OF A BENEFIT-RELATED CHARGE

In its investment programme for bus stations over the past 10 years the Executive has adopted a social cost-benefit criterion for deciding whether individual bus station investments are justified. This attempts to estimate the costs and benefits to all parties involved - passengers, operators and the Executive - as well as some of the community benefits like reduced accidents.

Some of these costs and benefits are fairly easy to identify. These include the effects of operating costs as a result of diverting buses into the bus stations, the effects on passengers' walking times to and from their ultimate destinations and the effects on the time needed to change buses. Others are less easy to quantify, such as the benefits to passengers of improved amenities like shelters, seats, clocks and toilets.

As a result, the Executive investigated the subject in some depth and commissioned a market research survey to determine passengers' priorities for improvements to individual features (for example, do passengers prefer more seats or better shops?) and their willingness to pay for them. The latter is a complex exercise and can only be done as an integral part of the market research interview. It is carefully structured to avoid both over- and understatement of willingness to pay and several cross-checks are built in to verify the results. The technique is used not only by the Executive but also by other agencies, including London Transport.

This research showed that most passengers were willing to pay for a higher quality of facility. By providing the facilities without explicit charge, additional travel is generated, leading to higher revenue.

These findings were recently put to the test at Ashton where, before the bus station was rebuilt, it was estimated that about 1.7 per cent extra passengers would be generated if the bus station were rebuilt. In the event, at least 4 per cent more passenger journeys have been made as a result of the rebuilding. The bus station monitoring is described in the Economic Adviser's report, Monitoring Report On Ashton Bus Station (Economic Evaluation No. 34), available through the Director of Planning.

Given that bus stations and the level of facility within them can generate passengers and revenue, this benefit together with other operator benefits and costs can form the basis for charging for bus stations. The way it has been applied is discussed in Section III.

III APPLYING THE BENEFIT PRINCIPLE

Reference Prices

The Ashton monitoring report estimated the level of operator benefit as between £63,000 and £159,000 per annum. The reason for this wide range was that the bus station rebuilding resulted in a significant reduction in accidents. If half of the benefits from reduced accidents are ascribed to operators the higher figure is obtained but if none of the accident benefit is considered to be operator benefit the lower figure results. The lower figure works out at a benefit of marginally over 1 penny per departing passenger and would equate to a charge of 40 pence per bus departure.

The Executive has therefore decided to use these findings as the basis for its policy on departure charges. At any bus station the charge will reflect

- Benefit per passenger, which depends on the quality of facilities.
- Number of passengers per departure.

Three levels of charge have been used and the allocation of bus stations to charging groups is given below. The prices will be termed reference prices and will be modified to take account of factors such as demand and supply.

Reference Prices For Departure Charges For Greater Manchester PTE Bus Stations

Group 1 - 40 pence per departure

Altrincham	Oldham (Town Square)
Arndale	Rochdale
Ashton	Stockport
Bolton (Moor Lane)	Wigan (new bus station when completed)
Bury	

Group 2 - 30 pence per departure

Airport	Piccadilly Gardens
Eccles	Victoria
Hyde	Whitefield
Leigh	Wythenshawe
Middleton	

Group 3 - 20 pence per departure

Chorlton	Southern Cemetery
Farnworth	Stalybridge
Radcliffe	Stevenson Square

The charges for Groups 2 and 3 reflect the level of facilities at these bus stations relative to that in Group 1 and/or the level of passenger utilisation per departure. A survey of passenger use is being carried out at present and will

Demand And Supply

The Executive must also take into account demand for space in each bus station relative to the supply. When operators have determined which services they wish to run from each bus station on the basis of the reference prices it may be necessary to adjust the prices

- Upwards if demand exceeds capacity.
- Downwards if a bus station is underutilised and could relieve congestion at a nearby bus station where there is excess demand.

Size Of Vehicle

It is appreciated that some vehicles could not generate the number of passengers per departure to make the departure charges an economical proposition. Thus, vehicles with a capacity of less than 17 seats will be charged 50 per cent of the above rates.

Parking Spaces

Parking spaces occupy land which could be put to an alternative use and which therefore has a value to the Executive. Parking spaces will be allocated on an annual rental basis at a reference price of £175 per space per annum. This, too, will be adjusted if excess demand develops.

SECRET LIBRARY