

Bus and Coach Risk Management Survey

2003

ensign



Earlier this year, a comprehensive national bus and coach risk management survey was carried out amongst a representative sample of 50 UK bus and coach operators.

This survey provides valuable insights into attitudes and practices in the area of operational risk management and industry views on public policy. Below are some highlights:

- **In sharp contrast to some other sectors of the economy, the majority of bus and coach operators see rising sales and profits in the next three years. However, some smaller regional operators (outside London and the South East) feel more vulnerable to cost inflation and are less confident.**
- **Most operators are very concerned about rising operating costs, in particular the cost of retaining, and recruiting competent drivers and the prospect of a sharp increase in fuel costs in the next 12 months.**
- **The vast majority have experienced increases in the cost of motor, employers' liability and property insurance in the last 12 months. There are fewer insurers to choose from and just over half of all operators are predicting a sharp rise in insurance premiums this year.**
- **Nearly half of all operators predict that accidents caused by other road users, criminal damage to vehicles and passenger injuries will increase this year. Passenger injuries and related claims are a major concern for bus operators.**
- **Generally, risk mitigation measures focus on increasing the concentration and reducing the carelessness of drivers. Regular driver training, drug/alcohol monitoring and CCTV systems are having a significant impact on reducing the frequency and cost of claims.**
- **The jury is out on the London congestion charge. The majority of operators (53%) do not believe that the charge will greatly reduce congestion. An even larger majority (67%) of all operators in London and the South East doubt its effectiveness.**
- **The vast majority of operators are clearly very concerned about the creeping 'litigation culture' and the resulting increase in liability claims and nearly all of them would like to see the Government legislate against claims lawyers who go out touting for business.**

The survey was sponsored by Ensign Motor Policies (Ensign) in association with the Confederation of Passenger Transport UK. Established at Lloyd's 75 years ago, Ensign is a leading provider of insurance services to bus, coach and road haulage operators throughout the UK.

The Confederation of Passenger Transport UK (CPT) is the national trade association representing UK bus, coach, light rail and metro operators.

The survey was devised and conducted by Moffatt Associates, an independent research and marketing consultancy based in London.

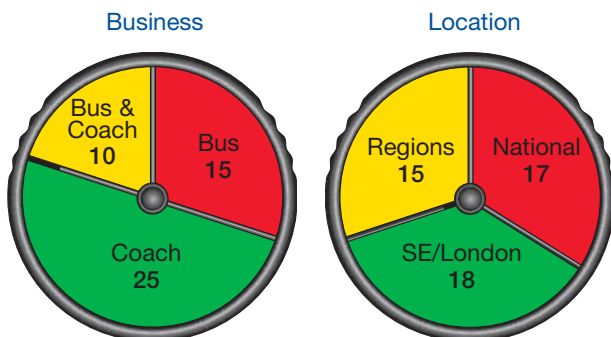
Research Objectives

The **main objectives** of the survey were to identify trends and explore industry views on the following issues:

- general **business prospects** including expectations in respect of sales, operating costs and profitability (see pages 2 and 3);
- expected **frequency of accidents or incidents** and their likely impact on operating costs (see pages 4 and 5);
- main **causes of accidents or incidents** resulting in physical damage, personal injury and business interruption (see page 5);
- measures that are or could be taken to **mitigate risks** and the likely impact of such measures (see pages 5 to 7);
- views on the availability and cost of motor, liability, business interruption and property **insurance** (see pages 7 and 8); and
- views on what action regional transport authorities, the **UK Government and the EU** could take to facilitate improved risk management (see pages 8 to 10).

Research Sample and Responses

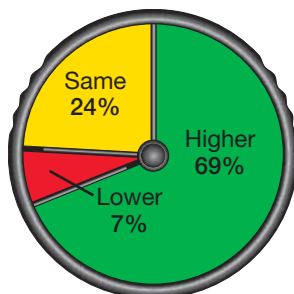
The 50 companies interviewed in January/February 2003 were selected to form a representative sample, reflecting the size and regional distribution of member companies of the CPT.



The 50 companies interviewed operate a total of 21,860 buses and 897 coaches. The average bus operator ran 714 buses and the average coach operator ran 14 coaches.

Business Performance and Prospects

Compared with a year ago, the majority (69%) of bus and coach operators experienced an increase in sales revenue.



Bus companies fared better than coach operators with 92% of them reporting higher sales revenue compared with 60% of coach operators.

Large companies were more likely to have experienced revenue growth (88%) than smaller companies (56%).

As regards cost expectations (see table below), the vast majority of operators expect general staff costs (88%) and driver costs (including training) (84%) to rise moderately in the next 12 months.

Cost Expectations (the next 12 months)

	Steep Rise	Rising	Stable	Falling	Steep Fall
Fuel costs	31%	63%	6%	0%	0%
Staff costs (drivers, inc. training)	14%	84%	2%	0%	0%
Staff costs (general)	4%	88%	8%	0%	0%
Cost of vehicles	4%	45%	51%	0%	0%
Cost of vehicle maintenance	4%	50%	42%	2%	2%
Insurance costs	52%	44%	2%	2%	0%
Claims costs	21%	48%	29%	2%	0%
Legal costs	2%	42%	52%	4%	0%
Compliance costs	12%	49%	37%	2%	0%

Virtually all operators (96%) expect insurance costs to rise and, more significantly, 52% of operators expect insurance costs to rise sharply. In addition, 31% predict that fuel costs will also rise sharply.

The survey also indicates that 50% of all operators expect the cost of vehicle maintenance to increase.

In addition, for a majority of bus operators the cost of third party claims and related legal expenses are expected to rise.

Looking to the future, operators are generally cautious about the prospects for sales and profits in the next 12 months but more bullish about the medium term.

Business Prospects: Sales (the next 12 months)

	Improve	Same	Worsen
All operators	50%	46%	4%
Bus operators	67%	26%	7%
Coach operators	32%	64%	4%

Business Prospects: Profits (the next 12 months)

	Improve	Same	Worsen
All operators	46%	44%	10%
Bus operators	60%	20%	20%
Coach operators	32%	64%	4%

Business Prospects: Sales (the next 3 years)

	Improve	Same	Worsen
All operators	68%	28%	4%
Bus operators	73%	20%	7%
Coach operators	72%	28%	0%

Business Prospects: Profits (the next 3 years)

	Improve	Same	Worsen
All operators	62%	28%	10%
Bus operators	60%	27%	13%
Coach operators	68%	28%	4%

The majority of bus operators are expecting sales and profits to rise over the next 12 months whereas only one-third of coach operators feel similarly bullish – the majority of these expect no change in sales and profits.

Looking further ahead the majority of bus and coach operators anticipate rising sales and profits with the larger national operators being the most confident.

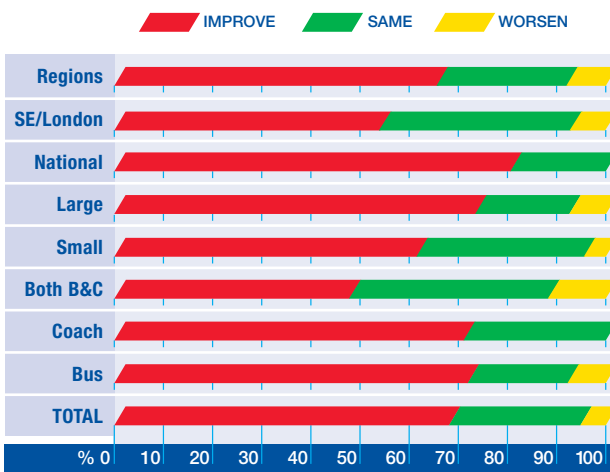
Small regional operators feel more vulnerable to rising costs and competition with 27% of regional operators expecting profits to fall by 2006.



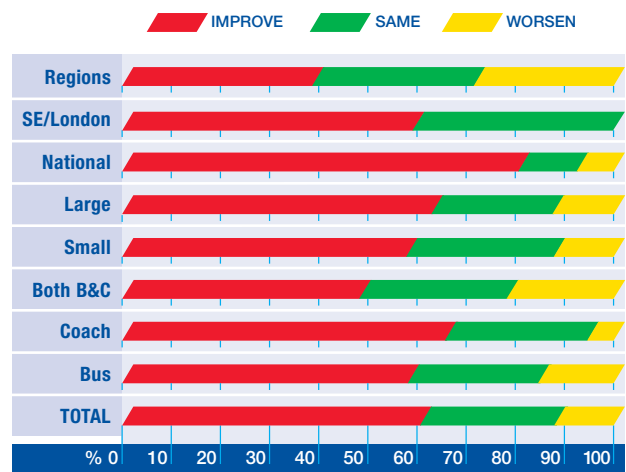
“It is encouraging that, in contrast to some other sectors of the economy, the industry is generally bullish about its prospects despite 9/11 and economic slowdown which have had a detrimental impact on travel and tourism. However, there are clearly some growing concerns surrounding the state of the economy and the likely impact on fuel prices of the war with Iraq.”

Confederation of Passenger Transport

Business Prospects: Sales (the next 3 years)



Business Prospects: Profits (the next 3 years)



“For several years, insurance costs for bus and coach operators were artificially low and there has been some catching up in recent years. This upward trend has been aggravated by the higher incidence of liability and criminal damage claims. This underlines the importance of regular risk management.”

Ensign Motor Policies

Operational Risks – General Trends

A significant proportion (between 40-50%) of bus and coach operators expect that over the next 12 months there will be an increase in (a) accidents caused by other road users (46%), (b) criminal damage to vehicles (46%), and (c) passenger injuries (40%). (See tables below).

For bus operators, passenger injuries (73%) are deemed most likely to increase in the next 12 months. Coach operators see an increasing incidence of accidents caused by other road users (48%).

Operational Risks: Expected Frequency and Cost Impact (Bus Operators)

Operational Risk	Expected Frequency		
	↑	↓	↔
Accidents caused by your drivers	20%	27%	53%
Accidents caused by other road users	47%	0%	53%
Passenger injuries	73%	7%	20%
Vehicle breakdown	7%	53%	40%
Injuries to employees	20%	40%	40%
Injuries to the public	20%	20%	60%
Criminal damage to your vehicles	47%	13%	40%
Assaults on staff	47%	6%	47%
Accidents caused by roadworks	0%	7%	93%
Accidents caused by poor road design	7%	7%	86%

Operational Risk	Cost Impact		
	Major	Some	None
Accidents caused by your drivers	20%	73%	7%
Accidents caused by other road users	33%	60%	7%
Passenger injuries	40%	47%	13%
Vehicle breakdown	13%	40%	47%
Injuries to employees	13%	47%	40%
Injuries to the public	13%	33%	54%
Criminal damage to your vehicles	6%	47%	47%
Assaults on staff	14%	50%	36%
Accidents caused by roadworks	0%	14%	86%
Accidents caused by poor road design	0%	43%	57%



Operational Risks: Expected Frequency and Cost Impact (Coach Operators)

Operational Risk	Expected Frequency		
	↑	↓	↔
Accidents caused by your drivers	0%	12%	88%
Accidents caused by other road users	48%	4%	48%
Passenger injuries	24%	4%	72%
Vehicle breakdown	12%	28%	60%
Injuries to employees	4%	12%	84%
Injuries to the public	8%	4%	88%
Criminal damage to your vehicles	44%	12%	44%
Assaults on staff	16%	4%	80%
Accidents caused by roadworks	12%	4%	84%
Accidents caused by poor road design	25%	0%	75%

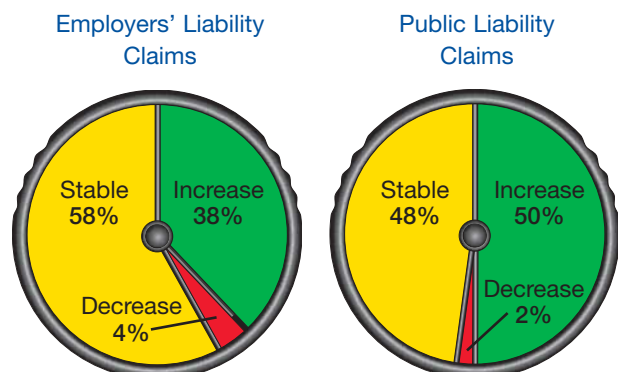
Operational Risk	Cost Impact		
	Major	Some	None
Accidents caused by your drivers	4%	48%	48%
Accidents caused by other road users	12%	56%	32%
Passenger injuries	16%	44%	40%
Vehicle breakdown	4%	56%	40%
Injuries to employees	8%	20%	72%
Injuries to the public	8%	20%	72%
Criminal damage to your vehicles	29%	33%	38%
Assaults on staff	8%	16%	76%
Accidents caused by roadworks	4%	20%	76%
Accidents caused by poor road design	0%	33%	67%

Other interesting findings are that over the next 12 months (a) buses are expected to be mechanically more reliable, and (b) overall, injuries to employees and the public are expected to be about the same as last year. However, a significant proportion of bus operators (47%) expect an increase in assaults on staff.

In terms of the cost impact of operational incidents, the majority of bus and coach operators expect that (a) accidents caused by other road users (72%), (b) accidents caused by their own drivers (65%) and passenger injuries (62%) will have a major or some impact on costs over the next 12 months.

In connection with injuries to staff, a significant proportion of all operators (38%) expect an increase in employers' liability claims and this figure is higher (53%) for bus operators than coach (28%).

Liability Claims Expectations (the next 12 months)



In terms of public liability, half of all operators expect an increase in the next 12 months and again this figure is higher for bus (67%) than coach (48%).

For all types of liability claims, both larger operators and regional operators (outside London and the South East) expect that claims will increase over the next 12 months.

“The competence and performance of drivers is critical to reducing accidents but other road users need to be better educated about what to do when driving near to buses and coaches.”

Confederation of Passenger Transport

“The rising frequency of assaults on employees is alarming. Of equal concern, is the public’s preparedness to claim for every bump and scrape. As regards passenger injuries, there are sometimes spurious claims to consider. Society at large is becoming too tolerant of the growing claims culture – and we all end up paying a price for this.”

Ensign Motor Policies

Operational Risks – Specific Causes

Operators were asked to list in order of priority the main accident risks associated with (a) drivers, (b) passengers, (c) road users, (d) vehicles, and (e) road infrastructure. Below, in order of priority, is a summary of the main causes for each category of risk followed by a selection of comments from operators.

Drivers – Main causes of driver related accidents:

- Lack of concentration • Carelessness • Speed
- Behaviour/Attitude of driver • Impatience

“Behaviour - drivers don’t concentrate as they could; they don’t respect the vehicles they’re driving; they need to be more careful.” (Bus)

“A lack of anticipation of actions of other road users, and the driver’s own lack of concentration or carelessness.” (Coach)

Passengers – Main causes of passenger injuries:

- Bus** – Falls, slips and trips • Sharp braking • Sudden acceleration • Passengers standing
- Coach** – Passengers standing • Falls, slips and trips
- Not wearing seatbelt • Sharp breaking

“Falls when getting on and off, plus standing in motion.” (Bus)

“Passengers not sitting in their seats.” (Coach)

Other Road Users – Main causes of damage or injury caused by other road users:

- Poor driving standards • Impatience • Speed
- Congestion • Pedestrians stepping out

“There’s just a poor standard of driving, with a notable deterioration over the years. And there’s some younger drivers who’ve not had the opportunity of experience, like driving in snow before.” (Bus and Coach)

“A lack of common sense – everyone’s in a hurry, no time to think about road safety or what they’re doing.” (Coach)

Vehicles – Main causes of operational failure or damage to vehicle:

- Bus** – Accidents • Mechanical failure • Vandalism
- Bad driving
- Coach** – Mechanical failure • Accidents • Vandalism
- Manoeuvring

“Road traffic accident damage, and damage from graffiti.” (Bus)

“Poor maintenance, particularly poor mechanical design primarily caused by the greater use of electrical/electronic components.” (Coach)

Infrastructure – Main environmental reasons causing damage or injury:

- Poorly maintained roads • Overhanging/low trees • Poor road design/layout • Traffic calming measures • Adverse weather

“Poor signage and not enough maintenance of road surface.” (Bus and Coach)

“Grass cutting and hedge cutting has been reduced so there’s overhanging trees.” (Coach)

Risk Mitigation – Actions and Intentions

Operators were asked to indicate their use, and perceived effectiveness, of a range of measures to reduce accidents and incidents on a scale of 1-10 (where 1 = no impact and 10 = extremely effective).

In terms of reducing driver related accidents the results were as follows:

Reducing Driver Related Accidents (Bus)

Measure	Uptake	Effectiveness
Regular driver training	80%	7.7
A drugs and alcohol policy	100%	7.5
Driver testing on recruitment	100%	7.4
Health checks on recruitment	93%	6.5
Eyesight testing in addition to PCV test	13%	4.8
Regular health checks	27%	4.6

Reducing Driver Related Accidents (Coach)

Measure	Uptake	Effectiveness
Regular driver training	52%	6.7
A drugs and alcohol policy	61%	8.9
Driver testing on recruitment	74%	6.7
Health checks on recruitment	13%	3.8
Eyesight testing in addition to PCV test	13%	4.6
Regular health checks	22%	4.2

Clearly, for both bus and coach operators the emphasis is on improving the competence and performance of drivers, and this is viewed as having the greatest impact on reducing accidents and incidents.

However, there are some significant variations between bus and coach operators. For example, all the bus operators interviewed tested drivers on recruitment and had a drugs and alcohol policy; but a significant proportion of coach companies do not operate such controls.

Furthermore, 80% of bus operators run regular driver training but only 52% of coach operators do so, and while 93% of bus operators run health checks on recruitment, only 13% of coach operators do.

Neither bus nor coach operators see additional eyesight testing or regular health checks as being particularly effective and take-up is low.

In terms of measures to reduce damage and injury claims, the survey revealed the following results:

Reducing Damage and Injury Claims (Bus)

Measure	Uptake	Effectiveness
Invest in CCTV systems	87%	7.4
Invest in defensive driver training	73%	6.8
Invest in mobile communications	93%	5.6
Invest in black boxes	27%	4.8

Reducing Damage and Injury Claims (Coach)

Measure	Uptake	Effectiveness
Invest in CCTV systems	30%	5.4
Invest in defensive driver training	22%	4.9
Invest in mobile communications	100%	6.4
Invest in black boxes	0%	2.8

“Operators will see the benefits of conducting regular health checks on drivers.

For example, one of our concerns is the ageing driving population and regular eyesight tests should be the norm for all bus and coach operators.”

Confederation of Passenger Transport

“With rising insurance costs being a major concern it is surprising that around one-third of bus and coach operators are not running regular driver training schemes.”

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CCTV systems and defensive driver training rate highly amongst bus operators, while for coach operators mobile communications between base and coach are clearly very important.

“CCTV is increasingly helping to combat vandalism and helping operators to defend themselves against spurious claims. Defensive driver training should focus on accident avoidance (rather than accident severity) which is often directly associated with vehicle speed.”

Ensign Motor Policies

“For bus and coach operators, the ‘black box’ is a relatively new and very sophisticated technology which requires a significant investment in monitoring and reporting.”

Confederation of Passenger Transport

Operators were asked to identify the single most important step they have taken, or could take, to reduce claims and the cost of risk.

Operators have adopted a wide range of measures. The most popular were:

- Driver training
- Careful driver recruitment
- Educate as to the cost of claims
- Financial incentives if accident-free
- CCTV
- Monitor driving standards

Some typical operator comments were:

“We’ve raised the profile of accidents amongst employees through training and staff newsletters etc. They had no idea how much it was costing.” (Bus)

“We identified that the majority of drivers who have accidents have them in the first three months so we do follow-up training at that time.” (Bus)

“We sack drivers if they are not up to scratch.” (Coach)

“We’re introducing a bonus scheme whereby drivers pay for damage caused.” (Coach)

“CCTV provides evidence for later on and affects threats of bogus claims from claims firms.” (Bus and Coach)

In terms of priority measures that could be taken in the future, driver training and improved driver awareness were by far the most popular:

- More driver training/improve awareness
- CCTV or hand-held cameras
- Improved reporting procedures
- Improved standard of vehicle used
- Monitor driver standards more thoroughly

Some typical operator comments were:

“Revising reporting procedures; issuing cameras to drivers so that they can photo accidents and prevent bogus claims.” (Bus)

“Regular driving standards check linked to defensive driver training.” (Bus)

“Instil common sense in drivers, and give them more training.” (Coach)

“Better tracking of vehicles.” (Coach)

“CCTV and black boxes. CCTV will be the thing to take care of this.” (Bus and Coach)

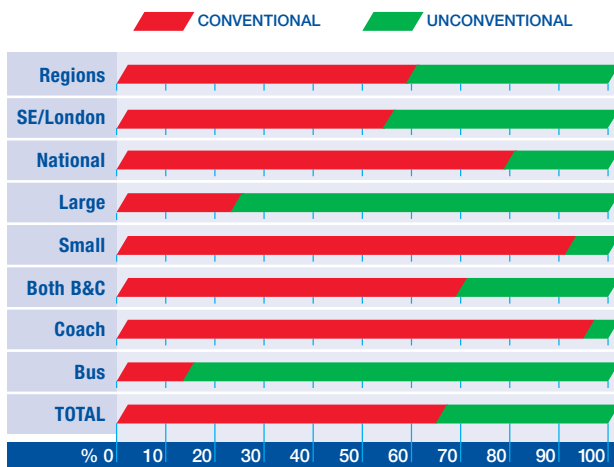
Risk Transfer – Purchase and Cost of Insurance

Without exception all operators said that the number of insurers who could provide the cover they need is falling rather than rising. In most cases operators have only three insurers from which to choose.

- The average number of insurers was higher for coach companies (3.2) than for bus operators (2.1)
- The average was lower for large operators (2.4) than small operators (3.1)
- Regional companies claimed to have more choice (3.2) than others

Only large companies (21%) and bus operators (29%) buy direct from insurers instead of via a broker.

In terms of insurance cover, operators were asked whether they had conventional insurance (standard insurance with nominal excess) or unconventional insurance (meaning the acceptance of a high degree of self insurance). The results were as follows:



There is a significant difference between bus operators – 87% of whom have unconventional insurance, and coach operators – 96% of whom have conventional insurance.

Not surprisingly, smaller companies tend to have conventional insurance (93%).

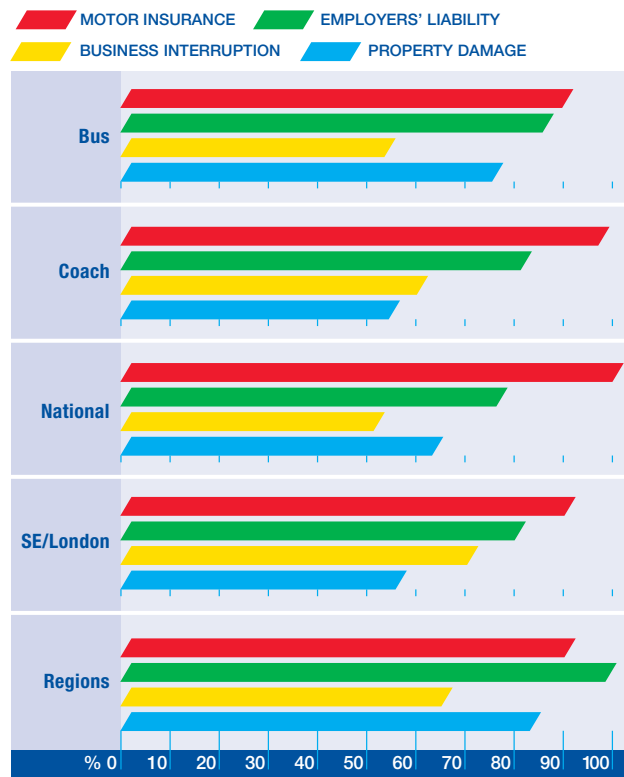
For the majority of operators, insurers who understand their business, credit their investment in risk management to reduce claims, and offer competitive rates are more important than reputation, personal relationships or loyalty bonuses for staying with the same insurer.

Criteria for Selecting an Insurance Company (Rankings)

Criterion	All	Bus	Coach
Know my business	1	2	2
Competitive rates	2	4	1
Premium based on own claims	3	1	3
Discount premium for risk mitigation	4	3	9
Well-defined claims procedure	5	5	5
Settle claims quickly	6	6	4
Advice on risk mitigation	7	9	6
Recognition/Reputation	8	7	7
Personal relationships	9	8	8
Offer loyalty bonuses	10	10	10

The survey revealed widespread concern about the rising cost of insurance.

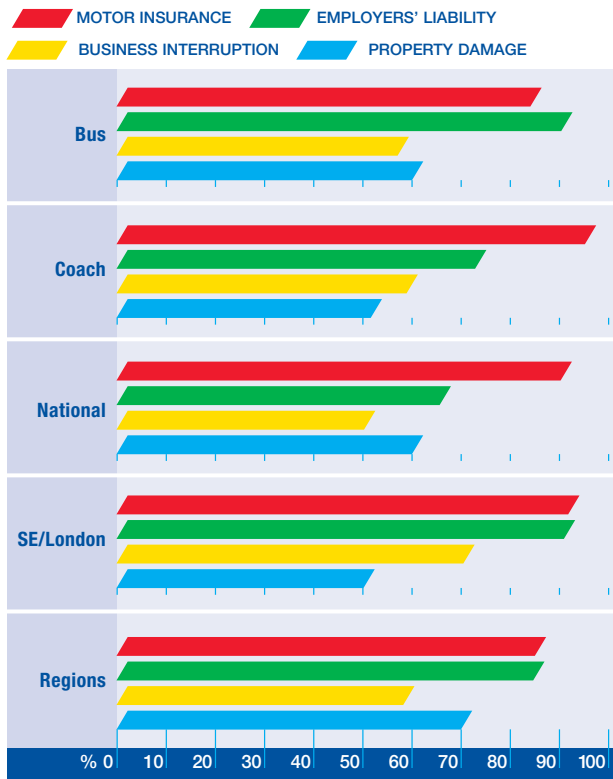
Cost of Insurance (last 12 months)



Overall, the cost of motor insurance has increased for nearly all operators (90%), followed by employers' liability (81%), with property damage up for 64% of respondents and business interruption up for 59%.

Further, significant rises in the cost of insurance are expected in the coming months.

Cost of Insurance (next 12 months)



Overall, expectations for the next 12 months are that motor insurance costs will increase (86% of respondents), as will employers' liability (77%), followed by property damage and business interruption (both 56%).

“The historic volatility of insurance premiums and M&A activity in the sector have meant that there are fewer insurers prepared to write commercial vehicle business in this sector but with premiums rising we expect to see more carriers entering the market.”



Liability and property rates are likely to rise faster than motor insurance rates in the next 12 months. The general rise in premiums reflects an adjustment to years of artificially low rates and growing liability claims.”

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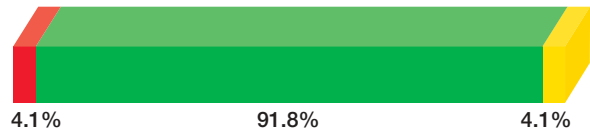
Public Transport Policy – What Operators Think

Operators were asked for their views on what actions (a) regional transport authorities, and (b) UK Government/EU could do to improve the environment in which they have to operate.

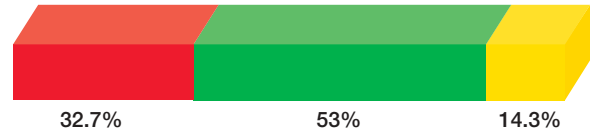
Responses to certain specific recommendations were as follows:



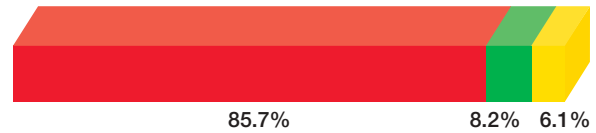
“Further regulation needed to reduce driver time on the road”



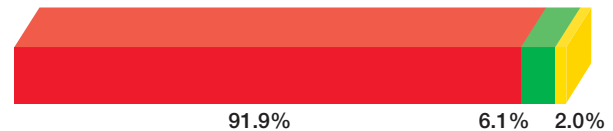
“The London road-user toll will greatly reduce congestion”



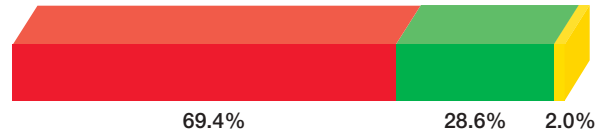
“More park and ride schemes are needed across the country”



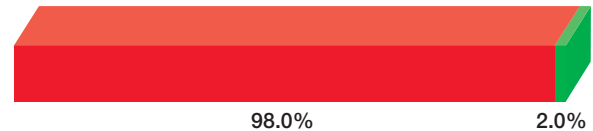
“Coach operators should also benefit from fuel duty rebate”



“Legislation or regulation for compulsory driver training”



“Government should legislate against liability lawyers touting for claims”



When asked what single most important action that the authorities could take, the responses were varied (see page 10).

In summary the most popular recommendations, in order of importance, were as follows:

Local or Regional Transport Authorities

Bus Operators

- More bus priority measures
- Enforce parking restrictions
- Improve traffic flows

Coach Operators

- Better access for coaches
- More consultation
- Ease congestion

UK Government/EU

Bus Operators

- Clamp down on claim firms
- Less regulation/interference
- Deliver on a long-term transport policy

Coach Operators

- Same fuel rebates as bus companies
- Improve road network
- Less complex EU legislation
- EU should fund driver training



“Clearly operators are looking to the Government to deliver on its public transport strategy with more controls over the private car and greater investment in infrastructure.

Too much bureaucracy could lead to a significant increase in costs and drive out some operators but it is encouraging to see that the majority of operators would favour regulation on compulsory driver training. In addition we would argue that there is a need for greater political commitment to create a road transport system which reduces accidents.

The jury is still out on the likely impact of the new London Congestion Charge but early indications suggest that traffic is becoming a little easier for bus and coach operators.

Bogus liability claims are becoming a serious problem and it's not surprising that nearly all operators would like to see strict controls on lawyers using pressure selling techniques to promote 'No win, No fee' claims.”

Confederation of Passenger Transport

Public Transport Policy – What Operators Think

“We want a better working partnership. In London there are 30+ local authorities plus London Transport so you get a tripartite arrangement with lots of bureaucracy and no action.” (Bus)

“Introduce on-the-spot fines for parking in bus lanes and more severe penalties for frequent offenders.” (Bus)

“A far firmer control over rogue operators.” (Bus and Coach)

“Introduce bus priority, etc. to give buses smoother passage, especially in rural areas.” (Bus)

“Give more help to coach companies, as they do to bus companies, e.g. be able to use facilities that buses use – bus stations/stops etc.” (Coach)

“Should involve coach operators as well as bus operators when designing ‘street furniture’ – kerbs, roundabouts, etc. At the moment the only consultation is with bus companies.” (Coach)

“Speedier and more positive response to requests (e.g. cutting back overhanging branches).” (Bus and Coach)

“Capital funding of vehicle replacement i.e. low-floor vehicles would reduce risks. The problem with EU is the UK tries to adopt European model without funding. It is expected to be done commercially so EU involvement in UK is counter-productive.” (Bus)

“Greater regulation of road users in general and by introducing a better system to ensure all road users have better insurance.” (Bus)

“Legislation against liability lawyers’ ‘no win, no fee’ offers.” (Bus)

“EU should produce grants and aid to assist infrastructure as a whole. There should be a structured plan to give aid to approved schemes.” (Bus)

“The Government must ensure that road systems are adequate – they are not at present.” (Coach)

“Better capital allowance on vehicles as there is currently no incentive to invest in better vehicles. If there were you’d update sooner so there would be less pollution and more comfort.” (Coach)

“The EU do more harm than good. The industry is already over-regulated.” (Bus and Coach)

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