

2 Management, organisation and planning

Introduction

2.1. The reference is concerned with Ulsterbus Ltd (Ulsterbus) and Citybus Ltd (Citybus), the two main undertakings providing stage carriage bus services in Northern Ireland. Both are wholly-owned subsidiaries of the Northern Ireland Transport Holding Company (NITHC), a public company established under the Transport Act (Northern Ireland) 1967 (the 1967 Act) to oversee the provision of public transport in the province. The directors of the NITHC are appointed by the Government (Department of the Environment for Northern Ireland (DOE (NI))).

Role of NITHC

2.2. The objective of the NITHC, as specified in the 1967 Act, is to act 'as if the Holding Company were a company engaged in a commercial enterprise'. The NITHC describes its own principal activities as property and car park management. It has a Board of seven directors (including the Chairman) and a staff of 25. Apart from the two main bus companies the subsidiaries of the NITHC are:

- Flexibus Ltd
- Sureline Coaches Ltd
- Northern Ireland Railways Ltd
- NIR Leasing Ltd
- NIR Travel Ltd
- Northern Ireland Airports Ltd

2.3. The NITHC is responsible for the appointment of the chairmen and directors of all its subsidiaries and has general oversight of their activities. However, operational matters are left very much to the subsidiary companies. For example, the holding company has no involvement in specifying the route network to be operated by Ulsterbus or Citybus nor in the level and quality of service provided. The NITHC does provide a group taxation service, plays a supporting role to the subsidiaries in all property matters and retains all deeds relating to property occupied by the subsidiary companies. It is also responsible for assessing and allocating the net resources available to the company, including grants to the subsidiaries.

2.4. In 1986 the Government, through the DOE (NI), sought to establish a more direct relationship with Ulsterbus and Citybus. On 20 June of that year a ministerial letter to the Chairman of the bus companies (see paragraph 2.37) set out seven broad objectives for the companies which were to be formalised in a corporate plan covering the next three to five years starting April 1987. The NITHC was concerned about the implications of this direct approach and sought legal advice. The advice was to the effect that the Government's move was ultra vires and that new legislation would be required to make it lawful.

2.5. Following a period of reconsideration the Minister wrote to the Chairman of the NITHC on 27 September 1988 confirming the need to review the 1986 guidelines and to make a fresh start on the basis of the 1967 Act. The DOE (NI) and NITHC would agree a new framework of objectives to be in place by 1 April 1989. In its latest corporate plan, covering the period 1989/90 to 1991/92, the NITHC sets out the following objectives:

- (a) to encourage maximum utilisation of public transport within the resources available to the subsidiary companies by meeting the criteria of efficiency, effectiveness and economy;

- (b) to assist the subsidiary companies by grant aiding specific capital projects when resources are not otherwise available;
- (c) to monitor performance;
- (d) to maximise the return from the property portfolio and use the resources to grant aid the subsidiary companies; and
- (e) to maximise the return from privatisation of the subsidiary companies.

Ulsterbus and Citybus

2.6. Ulsterbus was formed in 1967, taking over the road passenger transport activities of the former Ulster Transport Authority. It is responsible for virtually all bus services in Northern Ireland except Belfast City services. Citybus was formed in 1973 following the transfer of the Belfast Corporation Transport Undertaking to the NITHC. Maps showing the principal Ulsterbus routes and the principal Greater Belfast routes are at Appendices 2.1 and 2.2.

The Board

2.7. Although having different backgrounds and being separate legal entities producing separate statutory accounts, Ulsterbus and Citybus have a common Chairman and Board. The Chairman appointed on the formation of Ulsterbus in 1967 held office until the appointment of the present Chairman, effective from 1 July 1987. The Chairman and four of the five directors are part-time, non-executive, while the fifth is the full-time Managing Director. The Board as a whole is responsible to the parent company (NITHC) for the operation of the bus businesses. In the past it has had considerable freedom in this respect.

Senior management structure

2.8. Ulsterbus and Citybus also share, with the exception of two Chief Engineers, the same senior management. The organisation chart at Appendix 2.3 reflects changes introduced immediately following the retirement at the end of October 1988 of the former Managing Director who had been in post since the formation of Ulsterbus in 1967. However, the basic structure of four Area Managers, including one common to Ulsterbus and Citybus, and separate Chief Engineers has remained unchanged for many years. The new Managing Director has been with the companies for over 17 years serving as Accountant, Company Secretary, Deputy Managing Director and, for the last year, Managing Director Designate.

2.9. The structural changes of November 1988 included the appointment of the former Accountant as Company Secretary, who will, however, retain overall responsibility for the Finance Department, and the abolition of the post of Projects Manager. This post was replaced by two new posts of Inspector General and Commercial Manager. The Inspector General will be responsible for performance auditing, a new function not previously undertaken in any systematic way. He will also be responsible for fleet control and licensing. Some of the activities of the former Projects Manager, notably the coaching business based on Glengall Street, have been transferred to the Commercial Manager, who will also be responsible for the parcels business and for training.

Area organisation Ulsterbus

2.10. In Ulsterbus, responsibility for operating bus services rests with the four Area Managers and through them the 19 local Depot Managers. Table 2.1 gives some information on the Ulsterbus areas.

TABLE 2.1 **Ulsterbus areas**

<i>Area</i>	<i>Area office</i>	<i>No of depots</i>	<i>No of Depot Engineers</i>	<i>Scheduled vehicle requirement including spares and minibuses 1.9.88</i>	<i>Total miles operated 1987/88</i>
Southern	Craigavon	7	4**	310	7,911,028
Western	Londonderry	5*	5*	238	6,420,229
Northern	Ballymena	5	5	218	5,214,713
Central	Belfast	<u>2</u>	<u>4**</u>	<u>125</u>	<u>3,580,687</u>
		19	18**	891	23,126,657

Source: MMC study based on information from Ulsterbus and Citybus.

*Includes Londonderry City and Londonderry Country services which are treated as separate profit centres but based on one depot.

**See paragraph 2.21.

2.11. The Western area is by far the largest, covering about half the total land area of Northern Ireland; it is, however, also the most sparsely populated. The Central area, based on Belfast, is the smallest but most densely populated. The Northern and Southern areas are somewhat closer in size. The Southern area is the smaller of the two but, as can be seen from Table 2.1, operates the more intensive services, which account for 35 per cent of scheduled vehicle requirement and 34 per cent of total miles operated by Ulsterbus.

2.12. The depots form the basic accounting units for both revenue and costs. Each depot, with its associated sub-depots (if any), is controlled by a manager responsible for all company activities within an adjacent area. The area boundaries are not precisely defined, but are said by Ulsterbus to be understood by the staff concerned. The Depot Manager's responsibility includes the level and quality of service provided within his area by buses and drivers from other depots.

2.13. As the manager responsible for a defined fleet of buses and group of employees, the Depot Manager retains authority over them wherever they operate. Thus should, for example, a disciplinary matter arise while a driver was operating in another Depot Manager's area, it would be referred to the 'parent' Depot Manager for action.

2.14. Each Depot Manager is assisted by a small number of inspectors (four on average) and a small clerical staff. The inspectors are responsible for immediate supervisory control at depots, including the timely despatch of buses, dealing with day-to-day problems and some monitoring of services on the road.

2.15. Most of the workforce at each depot comprises the drivers who actually operate the services (Ulsterbus and Citybus services are all one-person operated). In addition, there are cleaners and shunter/drivers (restricted to movements of out-of-service vehicles). Thus the chain of command in Ulsterbus is very short and can be summarised as Managing Director Area Manager Depot Manager inspector driver.

Area organisation Citybus

2.16. Since its services are largely confined to Belfast City (a few operate to new developments beyond the old city boundaries) Citybus is treated as one operational area. It has an Operations Manager (who is also the Ulsterbus Central Area Manager) and three Depot Managers. The role of the Depot Managers is similar to that of those in Ulsterbus in relation to resource management. However, as might be expected from the nature of the environment, there is more central involvement in the control of the level and quality of service and of revenue.

2.17. Each Depot Manager has an additional Citybus-wide responsibility. One is responsible for all inspectors, one for bus stops and other street furniture and one for schedules, private hire and the central staff canteen.

2.18. As with Ulsterbus the line of control below Depot Manager is through inspectors to drivers. Relative to the number of scheduled vehicles operated, Citybus employs three times as many inspectors as Ulsterbus (Ulsterbus 761 scheduled vehicles and 89 inspectors, Citybus 244 scheduled vehicles and 74 inspectors). This difference is explained in part by the relatively intense urban services operated by Citybus and in part by the fact that Citybus uses inspectors to undertake duties performed in Ulsterbus by clerical staff (see paragraph 5.4).

Engineering management

2.19. It is only in their engineering functions, where differences in the history, nature and relative size of the companies and their operating areas have resulted in different approaches to organisation, that Ulsterbus and Citybus have separate structures from senior level downwards. Even here, however, there has been some amalgamation in relation to purchasing and stock control. Each company has a Chief Engineer who is a member of senior management reporting directly to the Managing Director.

Ulsterbus engineering

2.20. The Ulsterbus Chief Engineer has three managers reporting directly to him: the Operational Engineering Manager, who is responsible for depots and the administration of the Technical Department, the Works Manager, central workshop and a manager responsible for stores, material distribution and work study related matters. In addition the Chief Engineer controls the projects carried out by the four staff comprising the Technical Department.

2.21. The Operational Engineering Manager has four Area Engineers reporting to him, responsible for 18 Depot Engineers and for areas which are generally equivalent to those described in paragraphs 2.10 and 2.11. For engineering purposes the Central area includes two depots included in Southern area for operating management and Newcastle depot (Southern area) has no Depot Engineer. In addition there are five sub-depots manned by a fitter who looks after about 12 vehicles and is supervised by a Depot Engineer. Londonderry, for example, has two such sub-depots, one at Limavady and one at Strabane.

2.22. The Works Manager is responsible for the central workshop at Duncrue Street, Belfast. He has two superintendents reporting to him, one controlling bodywork repairs and overhauls, and the other mechanical work. Each controls a number of foremen (ten in all) who run particular sections or shops in the works. The Works Manager also has a small office (with a staff of four) to assist him.

2.23. Some 440 staff are employed in Ulsterbus engineering with 180 at Duncrue Street and about 260 in the areas and depots. More detail is given in Chapter 7.

Citybus engineering

2.24. The Citybus engineering function covers a much smaller area than that for Ulsterbus and with less than one-third of the vehicle fleet is both smaller and simpler. The Citybus Chief Engineer has an Assistant Chief Engineer reporting to him and then three Depot Engineering Foremen, one for each of the three running depots Short Strand, Ardoyne and Falls Road. The Falls Road foreman is also responsible for the overhaul section (Citybus equivalent of a central workshop) on the same site and controls seven supervisors one for the depot and six in the overhaul section.

2.25. Citybus employs 136 staff in its engineering function, nearly half of them in the Falls Road workshop. Included in the total are eight staff engaged on building repairs for both Citybus and Ulsterbus.

Finance function

2.26. The Finance Department covers both companies and has a staff of 52. As noted above (paragraph 2.9), the former Accountant was recently appointed Company Secretary for the bus businesses but retains overall charge of the Finance Department. A new Accountant has recently been appointed, reporting to the Company Secretary.

2.27. Within the Finance Department are separate sections for accounts, wages, revenue and internal audit under the direct charge of the Accountant and for insurance, purchasing and the Computer Department reporting to the Company Secretary. The work of the department is described in Chapters 3 and 4.

Environment

2.28. Apart from two small independent operators introduced in the mid-1960s (subsequently purchased at their own request by Ulsterbus in 1974 and 1987) stage carriage bus services in Northern Ireland have been in public ownership for over 50 years (60 years in Belfast). Ulsterbus and its predecessors (Ulster Transport Authority and Northern Ireland Road Transport Board) had a virtual monopoly on such services dating back to 1935. Within Belfast, Citybus and its predecessor (Belfast Corporation Transport Undertaking) had a statutory monopoly dating back to 1928.

2.29. At present Ulsterbus and Citybus are the only undertakings providing stage carriage bus services wholly within Northern Ireland. However, associated with the outbreak of civil disorder from 1969 onwards a new form of competition has appeared in the shape of shared taxis. Known as Black Taxis (the vehicles used are all Austin black taxis purchased second-hand in Great Britain) they operate what is effectively a stage carriage service on specific routes, usually from 6.00 am to 2.00 am on weekdays on a fill-up-and-go basis.

2.30. The first Black Taxis appeared in the Falls Road area of West Belfast during 1971, a period of severe civil disorder when Citybus services were forced to withdraw for as long as ten days at a time. In subsequent years the Black Taxis in this area were grouped to form the West Belfast Taxi Association currently operating about 250 vehicles. Similar outbreaks of disorder in North Belfast in 1974 saw the introduction of Black Taxis in the Shankhill Road and Shore Road areas. These are now grouped as the North Belfast Mutual Association with some 90 vehicles in operation.

2.31. Initially none of the Black Taxis conformed with any legal requirement for road vehicles. However, over the years their operations have been regularised to the extent that all the vehicles are now taxed and insured and subjected to roadworthiness tests annually. The drivers must hold PSV driving licences. In general they also observe restrictions on maximum load (six excluding the driver). However, they remain unlicensed for stage carriage operation.

2.32. In 1981 Black Taxis appeared in Londonderry City operated by the Derry Taxi Association which was started as a community job creation scheme. Some 40 vehicles are currently operating from the city centre to outlying estates in direct competition with Ulsterbus services. However, the Black Taxis in Londonderry have not been able to achieve the same impact or growth as those in Belfast.

2.33. The incidence of civil disturbances in recent years, although still very serious, has not been on the same scale or duration as that experienced in the early 1970s. There have been recurrent outbreaks over the years, usually associated with an anniversary or particular event, and the companies have sometimes been forced to suspend services on certain routes, usually for no more than a day. The Black Taxis have not been subject to the same level of harassment during these periods of disruption. Between them the bus companies have had over 1,100 buses totally destroyed

since the outbreak of civil disorder in 1969, including some 600 Citybus vehicles in Belfast. In 1987/88 the companies lost 79 buses, 53 of them Citybus vehicles. Considerable other damage is also caused; for example, Citybus in the last year has had some 2,300 windows broken on its buses with a fleet of just over 300.

Corporate objectives

2.34. When created in 1967 Ulsterbus derived its objectives from those of the NITHC (see paragraph 2.2), essentially taking its brief to be to generate sufficient profits to renew its assets and pay such dividends as were required from time to time by the holding company.

2.35. The Ulsterbus Board at that time formulated further objectives as follows:

- (a) it would provide and maintain a good service to the public throughout the whole of Northern Ireland;
- (b) it would do so with good buses operating from well-maintained bus stations and depots;
- (c) it would offer staff good pay and conditions of service and security of employment; and
- (d) it would do all this at fares which compared favourably with those charged elsewhere in the United Kingdom.

We were told that these objectives remained unchanged.

2.36. With effect from April 1973 the Board also became responsible for Citybus. The transfer of responsibility from Belfast Corporation came against a background of mounting losses, and the Government undertook to meet losses for the first three years of Citybus trading, in pursuit of the objective that Citybus should generate sufficient surplus for its needs taken one year with another. The Board extended the Ulsterbus objectives referred to in paragraph 2.35 to Citybus.

2.37. The company told us that the DOE (NI) gradually accepted that because of the special problems of Citybus, which were:

- (a) difficulties arising from civil unrest;
- (b) erosion of revenue by Black Taxis; and
- (c) fares evasion;

it was unable consistently to make a surplus on its own, and that therefore the requirement for there to be sufficient profits should be for the two companies taken together. A formal statement to this effect was included in the letter of 20 June 1986 from the Minister at the Northern Ireland Office responsible for transport to the Chairman of the bus companies (see paragraph 2.4).

2.38. This letter laid out objectives as follows:

Your basic objective should be to run an efficient road passenger transport business, providing services which are reliable and convenient and which meet the needs of the travelling public at acceptable fares and charges. In these respects the dominance of Ulsterbus and Citybus in the road passenger market in Northern Ireland imposes special obligations upon you.

The approach to the management of the business should be profit-orientated. Taken together the bus companies have had a record of profitable operation. I want you to ensure that this continues, and that the business earns an appropriate surplus.

The letter went on to state that the companies would, from time to time, be asked to modify their commercial approach in respect of fares for certain classes of traveller and the nature of certain routes (eg concessionary fares), but that in these cases the companies would be compensated. It referred to the need to minimise Government financial support (which was generally to be in the form of assistance with capital rather than revenue). It also said that the companies' co-operation in the preparation of the review of Belfast Transport Strategy was important, and asked the companies to prepare a corporate plan covering the next three to five years. The letter also stated:

There is scope for marketing bus and coach services. Your management has already shown that an alertness in marketing can generate profitable business and help travellers. You should continue with such innovative approaches and to develop further aspects of the business services which are directly related to road passenger transport.

As to corporate structure, you should continue to assume that the organisation of the public sector bus industry into two companies, supervised by a common board and top management, will remain valid for the foreseeable future.

2.39. The companies told us that they had understood this letter to signal an intention on the part of the Minister that his department should supervise the bus companies more directly (see paragraph 2.4). The letter was also taken as confirmation that the existing structure and objectives of the companies were satisfactory, although the reference to marketing indicated that a more market-orientated approach would be expected in the future: the companies were now responding to this expectation. The companies told us that although they acted as commercial enterprises, they were not profit-maximising ones. They commented, 'We see our role as providing the best possible service subject always to paying our way in the world.'

Strategy

2.40. The bus companies aim to maintain a general level of service throughout Northern Ireland consistent with their financial objectives. They told us that fares had been maintained at a level broadly comparable with similar operations in Great Britain, and much effort had gone into maintaining and improving efficiency. They told us that they had paid, and continued to pay, good wages but with high labour utilisation factors (eg early conversion to one-person operation). They had sought, as opportunities had arisen, to harmonise pay and related conditions in the two undertakings.

2.41. Cross-subsidy (ie profitable services supporting unprofitable ones) has been an element of strategy, as has been the provision of a fairly basic 'no-frills' service, and this, the companies believe, has helped optimise the service network. The companies pointed out, in this connection, that profitability could vary with day and time, as well as with geography. We put it to the companies that they seemed to have assumed that they should maintain the network handed down in 1967, although there was no explicit instruction to this effect. We were told that, in general terms, this was understood to have been the expectation of the DOE (NI) and was the intention of the Board.

2.42. The companies decided that they should have their own comprehensive maintenance facilities, and as far as possible standardise their bus purchases. They do their maintenance in-house to permit close supervision of quality standards, and fleet standardisation is intended to help minimise inventory and training costs. The companies pointed out that their engineering costs compared favourably with those of similar undertakings. They saw their policy of having the vehicle bodies built on to the chassis at coachbuilders in Northern Ireland as providing beneficial spin-off in local employment, as well as low-cost but well-engineered vehicles.

2.43. A further feature of the companies' strategy has been their decentralisation of operational responsibility, with a manager at each location, effectively in every town of significance, so as to be closely attuned and responsive to the needs of the population. Recent emphasis has been to heighten managerial awareness of the customer so as to provide a better service, eg by developing minibuses services. The emphasis of the companies' use of minibuses has been on penetration with new services rather than on conversion of existing services from conventional buses to minibuses.

2.44. With the intention of bringing the companies' facilities up to date and in line with their customers' expectations, a property development programme was under way at the time of our inquiry (see Chapter 6).

2.45. The beginning of our inquiry coincided with the retirement of the companies' Managing Director. At his inaugural management conference the incoming Managing Director presented On the Move, a paper which signalled a change in corporate direction. We noted in particular:

- (a) the appointment of an Inspector General, implying an increased emphasis on 'quality' as perceived by the customer; and
- (b) the adoption of a 'market-led' approach involving:
 - segmentation of the market;
 - targeting the market segments to be served;
 - positioning the product to do this; and
 - using market research.

At the same time Citybus mounted a new campaign against fares evasion and began installing video cameras to combat vandalism.

2.46. We asked the companies about this change in direction. They told us that they regarded the changes as evolutionary rather than revolutionary; the essential element was to take more account of the customer.

Threats and opportunities

2.47. The five-year plan produced by the companies in 1986 laid out the following 'assumptions':

- (a) the revenue accruing to Ulsterbus from the carrying of schoolchildren is absolutely vital to the continued existence of the undertaking in its present size;
- (b) without the bus grant neither Ulsterbus nor Citybus could maintain the fleet in reasonable shape. They would need notice of a year to enable them to cope with a reduction or elimination of the bus grant;
- (c) the undertakings would need at least six months' notice of any changes in the reimbursement of concessionary fares; and
- (d) the Government's attitude to the licensing of private hire operators and the activities of the Education and Library Boards remains basically unchanged.

The companies have also faced other significant threats, namely the frequent outbreaks of extreme violence, the Black Taxis and vandalism. The companies have observed that there is an opportunity to exploit the potential of minibuses.

2.48. We were also told that deregulation represented a potential threat to the companies. Privatisation could be either a threat or an opportunity, depending on how it was handled. The schools business provides the cornerstone of the Ulsterbus services and without it much of the rural network would be unsustainable. Loss of the bus grant was also seen as a potential threat and at the time of our inquiry the companies were concerned that this might be imminent.

Strengths and weaknesses

2.49. We observed that the companies' strategy, as laid out in paragraphs 2.40 to 2.44, had concentrated on internal efficiency and a 'no-frills' service. The change in direction signalled by *On the Move* involves adopting a marketing approach. We asked the companies what they regarded as their strengths and weaknesses. They told us that they thought of themselves as having an efficient staff and good local contacts, as being hard-working and as running a tight ship. They commented, 'We have demonstrated the stamina in management terms to keep services going when other people may have thrown in the towel'.

2.50. On the question of weaknesses, the Managing Director told us that his first priority on taking office had been to tackle (with considerable success see paragraph 9.51) fares evasion on Citybus, where one in eight passengers was not paying a fare. The companies also referred to the need to ensure that they were bringing forward successors to the present senior managers.

Future business environment

2.51. We observed that there were a small number of strategically important factors affecting the companies' future. Notable amongst these are the prospects of privatisation and of deregulation as well as the existence of the Black Taxis and the importance of retaining the schools business. We asked the companies which factors of this sort seemed to them to be of strategic importance. They replied that those we had identified were important. They also pointed out that if the Black Taxis were to spread into other areas in Belfast, Citybus would have problems in maintaining its present level of public service.

2.52. We suggested to the companies that they should seek to influence the future business environment, particularly through making representation to the Government. The companies were making representations on the form of privatisation, favouring a management-led employee buy-out. Citybus was continuing to press for legislative backing to underpin its successful anti-fares evasion measures.¹ It commented that the DOE (NI) had promised such legislation in January 1986. The DOE (NI) told us that the Transport (Amendment) (Northern Ireland) Order 1989, which was scheduled to be made in October or November 1989, would contain provisions enabling the bus companies to initiate penalty fare schemes. Powers to arrest defaulters would be given to police by virtue of the Police and Criminal Evidence (Northern Ireland) Order 1989 which was under consideration by the Northern Ireland Office.

Policy-setting

2.53. The companies explained that they were executive-led, with endorsement by the Board. Broad policy was determined by the Board and as this comprised non-executive directors (except the Managing Director) there was also a considerable input from senior management mostly, but not exclusively, through the Managing Director and Company Secretary. There was considerable, often informal, interaction between the directors and senior managers. The senior managers meet regularly and set up small working parties to ensure comprehensive consideration of specific issues and an appropriate degree of uniformity of application of policy throughout the companies.

¹ Powers for police to arrest passengers contravening the PSV regulations in certain circumstances, together with the removal of some inconsistencies in the PSV regulations, would also underpin the enforcement of the Citybus ban on smoking.

Corporate planning

2.54. The companies have only once produced a corporate plan going beyond the next financial year. The 1986 five-year plan was produced at the behest of the Minister (see paragraph 2.38), using the same method as that used to put together the companies' annual budget. It contained a statement that the plan really devolved round the replacement of the fleet and the building of bus stations and depots. The companies' bus replacement is planned four to five years ahead, firmed up at suppliers' lead time. Depot and bus station rebuilding is done as opportunities arise, subject to resources being available at the time.

2.55. The companies told us that, as bus transport was a business which needed to respond flexibly to changes in population and demand and required little major infrastructure investment to do so, there was little need for planning to be more than two to three years ahead. Indeed, the recent history of Northern Ireland showed that a 'crisis planning' capability was an essential attribute. The companies said that in future, long-term thinking on matters which required it, and which the companies had always undertaken, would be dealt with more formally.

CONCLUSIONS AND RECOMMENDATIONS

2.56. Ulsterbus and Citybus are wholly-owned subsidiaries of the Northern Ireland Transport Holding Company (NITHC). While they are separate legal entities producing separate statutory accounts, they have a common Chairman and Board appointed by the NITHC Board which is in turn appointed by the Government (the DOE (NI)).

2.57. With the exception of their two Chief Engineers, the bus companies also share the same senior management. For traffic management the posts of Citybus Operations Manager and Ulsterbus Central Area Manager are combined. It is only at Depot Manager level and below that separation takes place.

2.58. The separate engineering functions, each with a Chief Engineer in senior management, reflect the different backgrounds and requirements of the companies. In the prevailing circumstances it has not been considered by the companies to be either necessary or appropriate to combine the two engineering organisations. However, on the retirement of the present Chief Engineers in the next few years, the need for two such posts will be reviewed.

2.59. Managerial responsibility for the provision of services in Ulsterbus rests largely with Depot Managers but in Citybus the Operations Manager is more directly involved. The chain of command in both companies is short with only three levels between operatives and the Managing Director.

2.60. We conclude that the management structure and levels of responsibility currently in place are effective, have stood the test of time in difficult circumstances and remain appropriate to the present needs of the companies.

Objectives

2.61. Ulsterbus and Citybus are not profit-maximising enterprises, although the holding company's objectives require it to act as if it were a company engaged in a commercial enterprise. The companies set out to provide the best possible public service consistent with their financial objective of making a surplus. Their behaviour has been consistent with their pursuit of this objective.

2.62. Although Ulsterbus and Citybus have separate legal identities, most of the benefits of merger have been obtained and the reality is more like that of an integrated company with Citybus a significant operating division.

2.63. The objectives set by the original Board in 1967 remain unchanged, but the Board's subsequent understanding of what is required of it has been obscured by the confusion over the

relationships between it, the holding company and the DOE (NI). We understand that a new framework of objectives will be agreed between the holding company and the DOE (NI) in 1989. We recommend that the Board of Directors should formally review the companies' objectives at that time, and regularly, in the light of the companies' circumstances at the time, and of any instructions the Board may have from Ministers or the holding company.

Strategy

2.64. The companies have concentrated on delivering a 'no-nonsense', 'no-frills' service, at low cost. Their priority has been the efficiency of production; to some extent this has been at the expense of marketing. They have been cautious in their approach to innovation, generally preferring to act in the light of others' experience.

2.65. Recently the companies have recognised the need for a market-led approach. Their use of minibuses to improve penetration of housing estates, their use of market research to identify weaknesses and their attempts to improve quality, notably in passenger comfort, are examples of the new strategy.

2.66. We welcome this change in direction. Nevertheless, we think that the task of changing attitudes throughout the companies is substantial. We recommend that senior management should set out a plan for this, with targets and a timetable, which it should implement with vigour, reviewing progress regularly. In subsequent chapters we make proposals which we think are in keeping with this new approach.

Threats and opportunities

2.67. The maintenance of Ulsterbus at its present scale depends on the continuation of the schools business, and we agree that the Black Taxis, vandalism, fares evasion and deregulation are significant threats to one or both of the companies. The potential for minibuses represents an opportunity. Privatisation may represent an opportunity for the companies and their employees: much depends on the form of privatisation and the financial, institutional, regulatory and other arrangements prevailing afterwards.

Strengths and weaknesses

2.68. The strengths of the companies lie in their efficient, low-cost, lean organisation and their loyal, hard-working and frequently courageous staff. In Ulsterbus, contacts with the local community have proved invaluable. The weakness of the companies is their production rather than marketorientation, evidenced by a concentration on the functional at the expense of comfort and aesthetics. The companies are now addressing this weakness.

Future business environment

2.69. We have shown that there are a small number of strategically important factors affecting the companies' future. Amongst these are the prospects of privatisation and deregulation. Immediately there are the threats, such as the Black Taxis, vandalism and fares evasion. In the case of fares evasion, the companies formulated exactly how they wanted their business environment to change (through legislation) and set out to lobby for that change. We understand from the DOE (NI) that the necessary legislation is scheduled to be in place in 1989 (see paragraph 2.52) and we believe it is very important that this programme should be maintained. Citybus has installed video cameras in vulnerable buses to identify those responsible for vandalism, and this is proving effective.

2.70. The Black Taxis provide significant competition to the companies' stage carriage services in Londonderry and particularly in West and North Belfast. They first appeared in 1971 in West Belfast during a period of severe civil disorder when Citybus services were forced to withdraw for as long as

ten days at a time. They do not suffer the severe harassment to which bus services are subjected from time to time. Additionally, it appears that the Black Taxis are effectively operating unlicensed stage carriage services but this is a matter for the authorities and not for this Commission. On the face of it their competition with the bus companies is not on even terms.

Corporate planning

2.71. The companies felt that long-term planning had its limitations in their circumstances. Changes could be responded to fairly rapidly and, moreover, external influences could make planning documents obsolete overnight. We would agree that long-term planning would be futile if such plans were concerned primarily with projecting profit and loss accounts and sources and uses of funds forward for (say) five years. But we think that the companies' long-term plans should summarise matters which have to be planned beyond the current year (notably new building and bus replacement), making explicit statements of the main elements of strategy and declaring key corporate targets. Financial analysis would be relevant in so far as it revealed the potential implications for profit and cash flow of proposed actions. We recommend that the companies should put together a long-term plan along these lines and review it every year.