

APPENDIX 1

ANALYSIS OF COST REDUCTIONS REPORTED BY TRANSLINK, 2008-10

Cost Reductions in Bus Operations

Within the group's bus operations, Translink has indicated it has been able to generate some £4.6m of cumulative annual cost reductions between 2007-08 and 2009-10, as detailed below:

Table A1.1:
 Cost Reductions in Bus Operations Reported by Translink for 2008-09 and 2009-10

Item	2008-09 £'000	2009-10 £'000	Total £'000	Source of Efficiency	NOTES
Duty savings	791	2,255	3,046	Reduction of staff duties from full-time to part-time and service optimisation	
Travel Centre/Parcels	2	13	15	Reduction in staff numbers	
RTF Unit technical support reorganisation	20	41	61	Reduction in staff numbers	
Voluntary redundancies					
Non-drivers	-	300	300	Voluntary redundancy programme	Saving reported is for part of year only. Annualised saving is £408k
Engineering	-	373	373	Voluntary redundancy programme	Saving reported is for part of year only. Annualised saving is £505k
Sub-total – staff costs	813	2,982	3,795		
Procurement					
Reduction in contracted services	104	103	207	Reduction in services outsourced	
Lubricants	72	72	144	Reduced supplier costs	
Antifreeze	6	6	12	Reduced supplier costs	
Subscriptions	32	-	32	Discounts negotiated	

Item	2008-09 £'000	2009-10 £'000	Total £'000	Source of Efficiency	NOTES
Electricity	27	227	254	Reduced supplier costs and increased use of renewable sources	
Gas	-	39	39	Reduced supplier costs	
Hazardous waste management	-	10	10	New innovative contract with supplier	
Laundry services	-	20	20	Reduced supplier costs	
Non-hazardous waste management	-	39	39	Rationalisation in number of suppliers used	
Maintenance of cash handling equipment	-	21	21	Reduced supplier costs	
Inspection/maintenance of fuel installations	-	5	5	Reduced supplier costs	
Tyres	15	15	30	New contract renegotiated	
TOTAL	1,069	3,539	4,608		

Source: Translink

Around three quarters of the savings reported are associated with reductions in staff costs linked to:

- Changes in staff duties from full-time to part-time;
- Service optimisation; and
- Voluntary redundancies among non-drivers and engineering staff.

This is consistent with the analysis in the original OBC, which suggested that there was potential within both Metro and Ulsterbus to generate financial savings by reducing staff costs to levels typical of other operators in comparable settings.

Translink has stated that salary savings have arisen during part of 2009-10 from the group's voluntary redundancy programme. Information supplied by Translink indicates that, of the 51 voluntary redundancies within Ulsterbus and Metro in 2009-10, 47 occurred in the first quarter of the accounting year. The projected full-year salary savings Translink has attributed to voluntary redundancies appear reasonable in light of this.

Cost Reductions in Rail Operations

Table A1.2 below sets out the cost reductions Translink has reported achieving in its rail operations in 2008-09 and 2009-10:

Table A1.2:

Cost Reductions in Rail Operations Reported by Translink for 2008-09 and 2009-10

Item	2008-09 £'000	2009-10 £'000	Total £'000	Source of Efficiency
Reduced labour costs				
Conductors	175	175	350	Reduction of 12 conductors
Train drivers	25	25	50	Revised contract
Other staff	240	402	642	Reduction from 316 to 284 in two years
Overtime savings				
Train operations	447	125	572	Revised contracts
Customer service	330	90	420	Revised contracts
Engineering labour				
Savings on external professional advice	200	200	400	Greater use of in-house resources
Reduced labour costs	100	100	200	2 engineers plus contract cleaners
Reduced material costs	-	102	102	Efficiency and waste reduction
Voluntary redundancies				
Operational	-	154	154	Voluntary redundancy programme
Engineering	-	30	30	Voluntary redundancy programme
Sub-total – staff costs	1,517	1,403	2,920	
Introduction of anti-wheel slip measures	230	-	230	Sandlite train
Fuel consumption	17	18	35	Fuel efficiency and mileage reduction

Item	2008-09 £'000	2009-10 £'000	Total £'000	Source of Efficiency
Inspection and maintenance of fuel installations	-	4	4	Lower prices from supplier
CAF maintenance	448	243	691	Revised maintenance agreement
TOTAL	2,212	1,668	3,880	

Source: Translink and FGS McClure Watters

As with the two bus companies, the highest proportion (around 75%) of the reported cost reductions relates to reductions in staff costs, including the impact of a voluntary redundancy programme. This is consistent with the analysis in the original OBC, which indicated there was some potential to reduce NIR's operating costs as a proportion of passenger revenues.

Cost Reductions in Rail Infrastructure

In terms of rail infrastructure, Translink has stated that the following revenue cost reductions have been achieved in 2008-09 and 2009-10:

Table A1.3:
 Cost Reductions in Rail Infrastructure Reported by Translink for 2008-09 and 2009-10

Item	2008-09 £'000	2009-10 £'000	Total £'000	Source of Efficiency
Increased productivity of S&T staff	75	-	75	Restructuring and reduced hours
Savings on external professional advice	310	310	620	Increased use of in-house resources
Third-party maintenance	-	100	100	Lower prices from suppliers
Staff reductions	-	30	30	Two managers not replaced
Sub-total – staff costs	385	440	825	
On-track plant for ultrasonic testing	155	-	155	Mechanical vs manual testing
Tasks taken in-house	294	-	294	Reduced use of outside suppliers
TOTAL	834	440	1,274	

Source: Translink and FGS McClure Watters

Around two-thirds of the cost reductions reported relate to staff costs.

Cost Reductions in Finance

Translink has also reported cost reductions within its group finance function, as analysed in Table A1.4 below:

Table A1.4:
 Cost Reductions in Finance Reported by Translink for 2008-09 and 2009-10

Item	2008-09 £'000	2009-10 £'000	Total £'000	Source of Efficiency
Staff reductions	64	86	150	Reduction in staff numbers
Sub-total – staff costs	64	86	150	
Insurance				
Insurance premiums	-	16	16	Revised limits and new insurers
Brokers' fees	18	-	18	Change in brokers
Motor insurance	120	-	120	Change in cover for cars/vans
Procurement				
Pre-printed stationery	-	6	6	Lower prices from supplier
Credit card fees	-	8	8	Change in service provider
Smartpass bureau service	-	11	11	Lower prices from supplier
TOTAL	202	127	329	

Source: Translink and FGS McClure Watters

As with other business areas, the bulk of the savings reported relate to reductions in staffing.

Cost Reductions in Information Technology

Table A1.5 below sets out the revenue cost reductions Translink has reported within its Information Technology function:

Table A1.5:
 Cost Reductions in Information Technology Reported by Translink for 2008-09 and 2009-10

Item	2008-09 £'000	2009-10 £'000	Total £'000	Source of Efficiency
Staff reductions	30	30	60	Staff not replaced
Savings on external professional advice	50	50	100	Increased use of in-house resources
Sub-total – staff costs	80	80	160	
Procurement				
Software and hardware maintenance contracts	74	48	122	Revision and renegotiation of contracts
Development of in-house systems	-	100	100	In-house software development capability
Computer maintenance	11	11	22	Greater use of OGC Framework
Fixed line telecommunications	107	107	214	Contract renegotiated with supplier
Mobile telecommunications	36	37	73	Savings from using new supplier
TOTAL	308	383	691	

Source: Translink and FGS McClure Watters

A substantial proportion of the cost reductions reported relate to renegotiation of contracts with suppliers and development of systems in-house rather than through using outside suppliers.