



Rewarding Learning

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General Certificate of Education

2016

Business Studies

Assessment Unit A2 2

assessing

The Changing Business Environment



AT221

[AT221]

TUESDAY 24 MAY, AFTERNOON

TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer the **one** question.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.
Quality of written communication will be assessed throughout the paper.

ADVICE TO CANDIDATES

You are advised to take account of the total mark stated for the question in allocating the available examination time.

Study the information and answer the question that follows.

Translink – The Way Forward

Source 1: Translink

Translink is the trading name for the Northern Ireland Transport Holding Company (NITHC). It is the main provider of bus and rail passenger transport in Northern Ireland through its Metro, NI Railways, Enterprise, Goldline and Ulsterbus services. Translink is managed by a Board of Directors which is held accountable by the Minister for Regional Development for its continued operation.

Translink's business objectives are:

- to deliver its vision of customer focused growth whilst shaping up for the future
- to continue to improve bus and rail services
- to make best use of its assets
- to enhance the commercial aspect of its services

© adapted from [http://www.translink.co.uk/Corporate/About-Us/Key-Facts/ And Going Places, Connecting People Annual Report & Accounts 2012-2013](http://www.translink.co.uk/Corporate/About-Us/Key-Facts/And-Going-Places,Connecting-People-Annual-Report-&Accounts-2012-2013). Translink for NITHC
<http://www.translink.co.uk/Documents/Corporate/publications/Annual%20Report%20and%20Accounts%20201213.pdf>

Source 2: NITHC (Translink) Annual Reports

The following information is contained within the Annual Report for each financial year ended 31 March.

Financial Year	2014	2013	2012
Sales Revenues	£200.3 m	£199.8 m	£188.3 m
Operating Profits/Losses	(£0.9) m	£1.7 m	£5.6 m
Number of Employees	3983	3942	3931
Number of Passengers:			
Bus	66.9 m	66.9 m	66.5 m
Rail	13.2 m	11.5 m	10.7 m

Translink reported a financial loss in 2014. The poor trading results were affected by reduced levels of funding imposed by the NI Assembly.

© adapted from *Going Places, Connecting People, Annual Report & Accounts 2012-2013*. Translink, NITHC
<http://www.translink.co.uk/Documents/Corporate/publications/Annual%20Report%20and%20Accounts%20201213.pdf>
and Life's Better, Enjoy the Journey, Annual Report & Accounts 2013-2014. Translink, NITHC
http://www.translink.co.uk/Documents/Corporate/publications/Annual%20Report%20%20Accounts_FINAL.pdf

Source 3: Report on the Inquiry into The Future of Public Transport in Northern Ireland

In Northern Ireland, there is currently an integrated transport system with bus and rail services provided, in the main, by just one operator, Translink.

During 2013 members of the Northern Ireland Assembly (MLA's), conducted a review of public transport in Northern Ireland. A sub-committee made a number of recommendations to the Minister for Regional Development, one of which was the introduction of franchising to increase competition in the provision of public transport in Northern Ireland. The Committee also recommended that increased competition may be one of the best ways to effect real and meaningful efficiencies in Translink to the benefit of all transport users.

The Sub-committee suggested that each franchise would include a combination of profitable and non-profitable routes. This strategy would be welcomed by private operators in Northern Ireland and national operators further afield who would want access to Translink's near monopoly status in the Northern Ireland Public Transport system.

Under the proposed arrangement the Department for Regional Development would effectively be the Franchisor. Translink and other transport providers could apply to become franchisees. A Franchisee could apply to operate some or all of Translink's profitable and non-profitable routes throughout Northern Ireland.

*Source adapted from <http://www.niassembly.gov.uk/Assembly-Business/Committees/Regional-Development/Reports/Report-on-the-Inquiry-into-Comprehensive-Transport-Delivery-Structures/>
Source: adapted from <http://www.niassembly.gov.uk/News-and-Media/Press-Releases/Committee-Sets-Record-Straight-on-its-Transport-Structure-Proposals/>*

Source 4: Competition

There are a number of private transport providers who may be interested in becoming franchisees. Belfast Taxis CIC, a private operator has made representations to the Assembly Sub-Committee to have access to Translink's Belfast routes as they co-exist alongside Translink on a number of routes. Other locally based transport providers who may be interested include Rooney's Coach Hire, Airporter and Chambers Coach Hire.

National transport operators (such as First Group, Arriva and Go Ahead) and international based operators such as (Transdev and Viola) may also express an interest in acquiring a franchise to operate Translink's bus services.

In addition businesses such as Virgin Trains (in Great Britain) and Iarnród Éireann (rail operators based in the Republic of Ireland) may be interested in managing the franchise for rail services. Such an agreement would allow Translink to bid for the franchise to continue to operate the rail network if such a business model was proposed.

© adapted from <http://www.niassembly.gov.uk/assembly-business/committees/archive/regional-development/reports/report-on-the-inquiry-into-comprehensive-transport-delivery-structures/>

Source 5: Translink Employment

In 2013 Translink employed 3942 people and had an annual wage bill of £132 million. Approximately 1000 additional jobs across Northern Ireland support Translink's trading activities. Not only is Translink a large employer, it brings considerable added value to the NI economy. However, in light of its recent losses a voluntary redundancy scheme will see 65 managers, administrators and supervisors leave Translink yielding cost savings of £3.1 million per annum.

The recent purchase of 42 buses from Wrightbus, (Ballymena) at a cost of £9m enhances the reputation of Translink for passenger safety and service reliability. The investment is good for local jobs and the local economy. This investment is an example of the multiplier effect which will benefit the Northern Ireland economy.

However, reduced future capital funding from the NI Assembly will affect Translink's ability to purchase new buses.

*© Northern Ireland Assembly, Committee for Regional Development. Official Report (Hansard)
Translink Corporate Plan and Annual Accounts, 02 July 2014*

Source 6: Privatisation/Franchising – The Trade Union Viewpoint

A local trade union, The Transport Salaried Staff's Association, (TSSA), representing workers within the public transport system claims that it is wrong to assume that private sector operators are better than anything deliverable in the public sector. The experience from private sector companies in the rest of the UK is that once privatisation/franchising occurs private sector companies are less committed to meeting the social objectives than public service organisations.

Privatisation/Franchising experiences in Britain and overseas have quickly lead to adverse consequences such as:

- fare rises
- operating costs increasing
- significant increase in administrative costs
- deterioration in safety and other standards
- job losses and the erosion of working conditions and benefits of workers and others in the wider industry.

Translink is responsible for providing transport services to populated parts of Northern Ireland. The notion of privatisation/franchising routes, which help to support transport services to the more rural parts will damage the ability to reduce social isolation and deliver efficiencies.

The TSSA position is to resist any attempts to privatise or franchise the transport network. The TSSA believe that public transport should remain in public ownership, provided for in the most efficient manner.

© Privatisation Threat Translink. Published by TSSA, 7 October 2013

Source 7: Fare Increases

Translink has recently introduced increases averaging 3% across its bus fares and a 5% increase in rail fares to the dismay of passengers already struggling with salary freezes and rises in the cost of living.

Marketing Executive Ciaran Rogan said: “Fares on average are rising by 3%, this is unfortunately necessary as many of our costs are rising sharply – but we have kept it as low as possible and below inflation. Many improvements have been made and efforts have been made to reduce costs and keep the hikes as low as possible”.

Stephen Armstrong, Finance Director, claims that “Translink cannot continue its current set up given the losses. Its costs need to come down and fares need to go up”.

Consumer groups have expressed their concerns about continued fare increases and it is clear that fares will be a major issue in a competitive market.

© adapted from Bus ticket process may rise despite Translink's 65% hike in profits by Margaret Canning. Belfast Telegraph, 29-06-2013 and Train and bus fares to rise 3%. Belfast Telegraph, 19-04-12

Source 8: Government Funding Arrangements

During 2014 a number of Government Ministers stated that Translink should remain in public ownership. Indeed Translink is funded by the taxpayer. Subsidies shown below have been paid to Translink so that it can continue trading, buy new buses and update the railway infrastructure. Translink has indicated that 85% of its routes are unprofitable and are subsidised by government.

	2014	2013	2012
Total Government Support	£110.9m	£141.4m	£180.2m

Severe cuts in public spending are to blame for Translink's losses and its Chief Executive warns the only way to protect frontline services is to increase funding. It is untenable to expect Translink to provide the same services with future funding cuts.

Translink faces future funding cuts of £15m in subsidies and as a consequence is looking to cut all local bus services in Armagh City and 13 towns across Northern Ireland. This suggests that the present transport system has failed the population and may need to be remodelled.

*Adapted from © Translink Annual Report & Accounts 2012/13
© They work of r you.com - Report on the Inquiry into Comprehensive Transport delivery structures
© Hansard Official Report – Transport Salaries Staffs Association Briefing, 10 April 2013.
© Cuts plan will not deliver efficient transport service by Gail Walker. Published by Belfast Telegraph, 09-12-14*

Question 1

You are a business consultant employed by the Board of Directors of Translink. You have been asked to prepare a formal report entitled “Translink – The Way Forward”.

The aim of the report is to examine the main issues surrounding the Assembly’s Sub-Committee proposal to create increased competition in the public transport system in Northern Ireland. You should analyse and evaluate how increased competition from potential new entrants (such as Belfast Taxis CIC, Airporter and Virgin Trains), in the Northern Ireland public transport system may affect Translink’s overall future financial position and draw appropriate conclusions.

Your report should be in an appropriate format and should include recommendations to the Board of Directors of Translink as to how they might respond to the sub-committee’s proposal to increase competition in the public transport system in Northern Ireland.

(You may find it useful to consider some of the following areas in your report: forms of business organisation; spectrum of competition; marketing mix; investment and productivity; business objectives; stakeholder objectives; company accounts; macroeconomic framework; government objectives; business ethics; conflict; culture; change.)

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THIS IS THE END OF THE QUESTION PAPER

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