



One of 380 buses that Tower Transit Singapore will begin operating later this year

‘We specialise in franchising’

Adam Leishman talks about Tower Transit’s ambitions in Singapore, London and the rest of the UK



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► 2016 will see the 30th anniversary of bus deregulation - but will there be a 40th anniversary? For the past three decades, private operators have played the dominant role in planning and providing local bus services in England (outside London), Scotland and Wales, with local authorities and passenger transport executives limited to procuring ‘non-commercial’ services on the periphery. Over the past 18 months, however, chancellor George Osborne has included bus franchising powers in devolution deals with a succession of English regions - Great Manchester, West Yorkshire, the North East, the Sheffield and Liverpool city regions and Cornwall - and more look set to follow.

If these powers are implemented it will be a huge change for Britain’s bus sector. Despite their opposition to franchising, it seems unlikely that the ‘big five’ groups that dominate the industry will disappear (they’re happy to operate within the franchised environments of London’s bus market, the railways and elsewhere), but could this revolution open up the market to new entrants?

London-based Tower Transit is one of the companies that is waiting for this opportunity to emerge. And the group’s Australian chief executive, Adam Leishman, describes the

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company as a “franchise specialist”.

The company is a spin-off from Transit Systems, a company which won its first tender for bus operation in Perth, Western Australia, in 1995. Today the company operates a fleet of around 1,000 buses in Australia, with contracts across the country. Tower Transit is a separate business, although it does share some of the same shareholders as Transit Systems. Leishman is one of four Tower Transit shareholders, along with chairman Neil Smith, who is a co-founder of Transit Systems. The pair of them have relocated to London, where the company now operates 430 buses for Transport for London (around 5% of the market). The remaining two shareholders are based in Australia and are actively involved in the Transit Systems business.

Tower Transit was founded in 2013 when

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Leishman and his fellow shareholders acquired three London bus depots which UK-based PLC FirstGroup had been forced to sell off in a fund raising exercise. Unlike FirstGroup and many of its other peers, Tower Transit is not publicly-listed. It isn't government-owned either. Leishman describes it as a “family business”.

“I think bringing the shareholders into the management enables us to have a very strong connection with our staff,” he says.

“Our staff know who they are working for, rather than working for faceless shareholders and that builds a really strong culture.”

Does it also help to be free of the demands to hit short term profit targets that PLCs face?

“We are constantly scratching our head at some decisions made by larger operators based on analysts' three-month reports in an industry that requires significant infrastructure and capital investment over long periods of time,” he responds. “We are looking 10, 20 years out.”

Leishman cites the example of the group's capture of the first contract awarded by Singapore's Land Transport Authority to run buses in the city state. Singapore is moving from a concession-based system, where two operators effectively had their own monopolies, to a franchising model, and he believes that the company's long term investment horizon is vital to making the venture a success.

“We are not looking at that as a short term contract,” he says. “We are doing things to invest in a city's system and redefining it, and that takes a long term perspective on things, and that's how we run our business in the UK. We're looking at long term partnerships with our government clients.”

“I think that sets us apart from companies that have to report to thousands of shareholders on a regular basis,” he adds. “They're focussed on much more short term horizons.”

The expansion of Transit Systems in Australia, and latterly Tower Transit in London and Singapore, has been through steady, incremental growth rather than a big bang approach. “We are a very risk averse company,” Leishman explains. “Whilst we are ambitious we always want to over-deliver to our clients, so we make sure we don't over extend ourselves.”

For example, having won the first Singapore contract, Tower Transit chose not to bid for the second, which has since been awarded to the UK's Go-Ahead Group. Tower

Transit is focussed on delivering its contract commitments, which include moving into a brand new depot, procuring a fleet of 380 buses and hiring 900 employees before operations begin later this year. He is pleased to report that well over 2,000 people recently turned up to Singapore's first ever depot open day, exceeding all expectations.

It's a high profile contract - on the day it was announced the news shared the front page of *The Straits Times* along with the Conservative victory in the UK general election.

“Five million people in Singapore are watching closely and have been tracking our progress,” says Leishman. “It's unlike any contract we've been a part of so far.”

“We're 100% committed to executing that to perfection because not only Singapore, the whole world's watching it. This in my opinion is probably the most exciting bus project in the world - not only just to win a contract but actually to transform a system.”

“And being focussed has paid off - with 900 positions to fill in an industry with staff shortages we have had almost 6,500 applications for jobs so far, with many new to the industry, and we are still five months out from commencement, the depot is outstanding,



ADAM LEISHMAN

▶ Adam Leishman's father, Graham, was one of the three co-founders of Transit Systems. At that time, in 1995, Adam Leishman was heading to university to study commerce. He later worked as banker before moving into business development for a retirement living company and running a student accommodation business. He joined Transit Systems as business development director in 2008 and became chief executive of international spin-off venture Tower Transit in June 2013.

the culture developing is extraordinary and there is genuine excitement about the change we are already bringing to the community.”

Andrew Bujtor, an Australian with a background in finance, has been recruited from outside the bus industry to head Tower Transit Singapore. He is assisted by operations director Stuart Thomas and engineering director Satnam Cheema, who have each been recruited from the ranks of Tower Transit's London bus business.

Singapore aspires to be a leading global city and its leaders felt that its bus network had been under-performing. After travelling the world to look at examples, the LTA found London and Perth to be the best delivery models. They then took the best elements of both of those models and customised it for the Singaporean environment. Whereas London's network is tendered out on the basis of individuals routes, Singapore has opted for area franchises, based around a depot. And while London's bus operators own their depots, Singapore's LTA will lease these facilities to the franchisees.

Leishman believes that Singapore has come up with a bus franchising system that will deliver huge improvements over the coming years and will come to be regarded worldwide as an example of best practice.

“They came up with a model which I think will rival London as the world's best,” says Leishman. “I think they've really nailed it.”

They key to success, he says, is getting the right balance between the government and the private sector, to get the best out of both.

“We've seen a lot of models out of balance,” he says.

“If it's too much government sided, it doesn't work as well as it should for the community and it's not good value for money.”

“And if it's too lop-sided to the private side, which I think is the issue here in the UK at the moment, then ... the community is not getting the service to levels that they could if there was a very strong partnership between government and private with clearly defined and balanced powers, which I believe only the franchising model can offer.”

He adds: “Franchising is a framework and it can be customised to the unique environment of each city, and that's the beauty of it, whilst ensuring competitive tension which is necessary to get the best out of private operators.” ▶▶



Although he's a businessman, Leishman says that it's important to recognise that public transport offers things that are not measurable purely by profit, and therefore the government has a key role to play. "If those broader public policy issues are not addressed, and in a full deregulated model they are not addressed, or they are addressed in a way that is not optimal, then you miss out," he says.

Tower Transit's aim is to be a problem solver for governments, working hard to understand what their objectives are and find the best ways of helping to deliver them.

"We specialise in franchising," Leishman explains. "If you look at the Australian business, if you look at Tower Transit, the vast majority of our business is franchised operations, so our mindset is 'what does our government want?' ... and coming to the government with solutions, not problems."

For example, after taking over a contract in Perth, Transit Systems reviewed the network and timetables over an 18-month period and then went to the government with unsolicited proposals to revise these operations to better meet the needs of that community. The result was patronage growth of well over 20%.

In London, the group is also focussed on being a good long term partner. It has expanded since entering the market in 2013, securing a new depot in Enfield in addition to its initial three bases (Westbourne Park, Atlas Road and Lea Interchange).

Commenting on the London business, Leishman says: "I'm really pleased with where we've come in almost three years. We took over a business with very low morale at the time, with a lot of very poor performance, and we turned that around significantly. The culture within the business is [now] exceptional."

He adds: "We've given opportunities to people that a lot of other companies probably wouldn't have given that opportunity to this early in their career - and they've done nothing but excel. That's the philosophy we take."

Tower Transit's new garage in Enfield has capacity for over 100 buses. Leishman says it's a show of commitment in London's future.

"It takes time to expand into new depots; you can't fill those depots right away," he says. "It's an investment over a long period of time, but we've taken that decision because we are committed to London for the long term, and we know that over time there will be a

requirement for more buses."

The Singapore contract and the existing London operation remain Tower Transit's primary focus, but, as a 'franchising specialist', the company is watching events elsewhere in the UK with interest.

"Everybody [around the world] looks at London as the leading example. It is exceptional what has been achieved there," says Leishman. "It's surprising that the rest of the UK is so vastly different from the experience in London. It's kind of baffled us a little bit but we see the winds of change have finally arrived. It's well overdue, I think, because it's widely accepted, certainly in the academic world and in our experience in the rest of the world, that the trend towards franchising is for a very good reason and that it certainly delivers better outcomes for the community."

"So, it's an exciting time to be in the UK with what is happening ... and we would be keen to play a key role."

While the introduction of bus franchising appears to have George Osborne's backing, there are still many unanswered questions. What will the process be? What tests will cities have to pass? What will be their preferred franchising model? Will the incumbent operators bid? And if they do bid, will they have an unfair advantage over new entrants?

Leishman says that the recent rejection of Nexus' bus franchising plans for Tyne & Wear by the Quality Contract Scheme Board shows that "it is not always easy to bring change, no matter how obvious that change is".

"I think if this did not go ahead, the commuters of the UK would be far worse off," he adds. "It is very obvious that there are deficiencies in the UK and commuters would be far better off with a franchising model; I am absolutely of that belief."

If the hurdles are overcome, he stresses the need for cities to create a healthy, competitive market for contracts, and offer equal access to assets and information. "They [cities] need to be thinking on the key issues that would give

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competitive advantages to some companies over others," he says. "If those issues are not addressed the benefits won't be optimised."

However, Leishman says that Tower Transit and its Australian cousin, Transit Systems, have been very successful in breaking into new markets when the odds are against them. The company was the first operator to win tenders to operate bus services in Perth, Sydney, Darwin and Singapore. In Sydney it was not expected that Transit Systems could win because the incumbents had the depots and the buses, giving them a huge advantage. However, in late 2012 the company became the only non-incumbent operator to win a contract, and today it operates a fleet of 230 vehicles from three depots in the region.

"I think we've proved it's possible," says Leishman, "but my strong advice to authorities going down this route is make it as competitive as possible by levelling the playing field because this is a long term play. Governments need to be thinking [about] not just the first round of tendering, the second round, the third round of tendering. This is a long term play to get the best results for the community, and to do that you need competitive tension which is what really, realistically, does not exist in most of the market today."

What are the deficiencies that Leishman believes that franchising will address? Integration? Easier ticketing? What elements are missing in cities like Manchester? "Both of those things," he responds. "Don't get me wrong, there are some good operators out there, but the problem is the structure doesn't bring about the best results for the community."

"There's a pendulum between public and private," he adds. "At the moment it's very much on the private side, which means you miss out on benefits to the community like the social welfare and other city vision items - joint ticketing, network planning, all of these kind of things."

"Governments shouldn't have to be trying to fight for these things that are so obviously beneficial to the community. But also very important is value for money, which will only be delivered where sustained competitive tension exists - franchising delivers this very effectively without confusion for customers - which is what deregulated competition brings, where it exists occasionally. It's about bringing competition for services, not competition



“We have an ambitious target of being the most respected public transport operator in the world”



Tower Transit operates 650 buses in London

in services. This is where the secret is - the strengths in both government and private harnessed for the community with value for money ensured over the long term.”

Prior to the introduction of franchising in Australian cities, Leishman says there was a lot of conflict between the government and the operators, who were each pulling in different directions. Once franchising was brought in, the conflict ended and the government and their contracted operators began working together to improve the network. He believes that the same could happen in the UK.

“The focus changes,” he says. “You have the strong competition to win the contract. As soon as you win that you move into ‘let’s deliver this and maximise the benefit

for the community’. Where you don’t have a franchising model you tend to find there’s a lot more conflict between government and private and, in fact, even though the term partnership is thrown around it’s not a genuine partnership.”

Summing up Tower Transit’s philosophy, Leishman says: “We have an ambitious target of being the most respected public transport operator in the world. That sounds crazy but the reason that is our objective is because we pride ourselves on excellence. What we want to do, we want to do to a very high level and we believe strongly that if we do things well our business and reputation will just grow naturally.

“That’s proven over the last 20 years to be spot on.” ■

TRANSIT TIMELINE

1995

▶ Transit Systems wins its first tender for bus operations in the Midland area of Perth. The company operates as Swan Transit.

2000

▶ Transit Systems is awarded a major contract to operate bus services in the Adelaide metropolitan area, trading as Torrens Transit.

2005

▶ Transit Systems acquires the Bay Islands Transit ferry service in Southern Moreton Bay, Queensland.

2011

▶ Transit Systems begins transporting workers to Curtis Island, off the coast of Gladstone, Queensland, in support of the construction of two significant Liquefied Natural Gas projects, and purchases Stradbroke Ferries.

2012

▶ Transit Systems is awarded the Sydney Metropolitan Bus Service Contract for the Liverpool, Hoxton Park and Fairfield local council areas. Operations begin in October 2013 and the company now operates a fleet of 230 buses from three depots across the region.

2013

▶ Tower Transit, a spin-off from Transit Systems, is formed with the acquisition of FirstGroup’s London bus operations. Tower Transit currently employs over 2,000 staff in the UK and operates 650 buses.

2014

▶ Tower Transit acquires Cambridgeshire-based bus firm Go Whippet from its family owners.
▶ Transit Systems’ subsidiary Territory Transit wins the Darwin Urban Bus Services contract from the Northern Territory Government.

2015

▶ Tower Transit is awarded the first bus contract tendered by the Singaporean Government’s Land Transport Authority for 26 bus routes operating from the new Bulim bus depot.
▶ Transit Systems announces the sale of its marine operations to the SeaLink Travel Group.