Non Statutory Public Consultation on 2014 Bus Public Service Contracts

Public Consultation Submissions

Submission 36 TO 49

National Transport Authority
Dun Scéine
Iveagh Court
Dublin 2
September 2012
Non-statutory public consultation on 2014 Public Bus Service Contracts

Questionnaire

Q1. How can the new public service contracts best ensure a good quality of service is provided to passengers?

This can best be achieved by ensuring the public bus service contract contains stringent controls, enforced by the NTA, in areas of Reliability, Punctuality, Safety & Security, Cleanliness & Comfort, and Affordability. Furthermore Key Performance Indicators (KPI’s) need to be set by the NTA, and they must be met and surpassed by the Contractor under the control of the NTA.

The NTA should have ultimate responsibility and accountability for ensuring that the public bus service is uniform across all routes to provide the above to all citizens, regardless of location and profitability of routes.

Q2. How can the new public bus contracts best ensure the integration of the public bus services and the integration of these services with the wider public transport network?

The contractor needs to work in conjunction with NTA and liaise with other planning and local authority bodies in order to ensure the following:

- Be fully aware of the present network requirements,
- Stayed informed about developments regarding other public transport providers,
- Be involved in the decision making processes on future requirements and planning to ensure the Public Transport Network meets the changing needs of our citizens.

Capacity to react in a timely manner to changing requirements need to be built into the contracts to ensure that the service adapts quickly. Only then can they ensure the necessary flexibility required in the public bus service
contracts.

The protection of a stable Network is crucial as the issuing of multiple contracts to multiple operators will only guarantee less integration. It should also be noted that a number of Bus Companies presently refuse to carry passengers who are the holders of Social Welfare Passes although they would be compensated for same as they are operating on PSO routes. This practice is unfair on other operators as is the practice of some bus companies to depart from locations when full and disregard/abandon other passengers who want to travel and have no other means of travelling. Decent Bus Operators invariably provide auxiliary transport at high cost but this again needs to be addresses in the contractual arrangements.

Q3. How can the new contracts best ensure value for taxpayer money?

Value for money is essential in any public service, but value for money must not be confused with cheapness. Value for money must be judged and measured across all routes and networks and the ability of the NTA and the Contractor in providing a service that meets the needs of our citizens.

The economic and social cost of delivering the best service possible must be weighed against the economic and social cost of failing to deliver such a service. Contracts value can be measured by comparison to international norms which show that currently the subvention payable in Ireland per passenger carried and kilometre covered is in the lower quartile.

Q4. Are there benefits in introducing separate contracts for different bus market segments within the Dublin area? If so, how should such market segments be defined?

No.

To ensure a complete network integration it would be better and more efficient to have 1 publicly owned, adequately funded, operator answerable
to the NTA and ultimately to the citizens who rely on the service.

While dividing Dublin into segments may be viewed as a means to deliver competition in the market and deliver lower tenders from contractors, we believe the opposite would occur. Market failure would occur as some areas would get their service provision while other less profitable areas would see a withdrawal of service. In order to remain profitable, contractors would have to cherry pick existing profitable segments during the tender process which would result in a two tier system of public bus service. This would lead to a fragmentation of service and an inequality of access for citizens, depending on what particular area they reside in. Such fragmentation of Services would defeat efforts to integrate public services as admin costs rise and enforcement and monitoring of contractual arrangement become very costly. Ultimately, this would impose a greater cost on the State as it would have to increase subvention and allocate greater resources to ensure service delivery.

Q5. Are there benefits in introducing separate contracts for different bus market segments outside the Dublin area? If so, how should such market segments be defined?

No.

As per Q4.

Q6. What are the potential benefits or otherwise of competitively tendering for the award of new bus service contracts, compared to directly awarding contracts to Dublin Bus or Bus Éireann?

While a competitive tendering process may look attractive based on competition and the undercutting of costs by contractors during the process, this is short sighted and would not yield real benefit to our citizens. Based on
international evidence direct awarding appears to be best practice in major cities worldwide e.g. New York, Paris, Amsterdam, Barcelona, etc. There exists a large body of evidence which suggest that where competitive tendering is used e.g. London, subvention costs have increased and continue to increase.

The Deloitte Report of Jan 2009 “Cost & Efficiency Review of Dublin Bus and Bus Eireann” noted that the Dublin Bus PSO payment in 2007 equated to 29% of total revenue while other European comparable bus operations were significantly higher e.g. Brussels 68%, Zurich 57%, Amsterdam 62% & Lyon 79%. This report also noted Bus Eireann PSO payment equated to 12% of total revenue compared with Connexxion (Netherlands) 49%, Car Postal/Post Auto (Switzerland) 51% and TEC (Belgium) 78%.

We believe direct awarding would also ensure greater contractual flexibility, would be easier to manage and would provide a more integrated Network Service. As Ireland is a relatively small country with few Bus Companies with resources to fight big competitors it is inevitable that Duopolies and Monopolies’ on various segments and/or routes will emerge and then the taxpayer will be held to ransom for services.

Q7. Are there any other considerations you wish to identify or comment on, that are relevant to the new contracts for bus passenger services?

Since the direct awarding of the Public Bus Service contracts to both Dublin Bus & Bus Eireann the economic climate has changed drastically which has resulted in significant changes in passenger numbers and trends?

Dublin Bus & Bus Eireann has shown the flexibility required to adapt to such changes and have gone through significant network reviews, which in the case of Dublin Bus have seen the introduction of numerous cross city routes, the introduction of the Leap Card system, the introduction of the RTPI system and significant reductions in fleet and personnel. All these changes have
been achieved with an ever decreasing PSO payment and passenger numbers. We doubt this would have been achieved so successfully with an independent private operator or with several operators providing the service.

Both Dublin Bus and Bus Eireann have consistently met and surpassed the KPI’s set out under the current contracts. This proven track record should be noted during the consultation process.

We believe the Safety record of the current operator’s stand-up well with international competitors and the NTA must ensure this is a continued priority.

Any changes to existing contractors will ultimately impact on the employment levels existing in same and any new contractor will have to be aware of potential obligations under the “Transfer of Undertakings” legislation, which we believe could be a major stumbling block to providing a seamless transition of the Public Bus Service contract due to the impact of such transfers on the incoming contracts present employment models and their obligations to uphold the transferring employees current Terms & Conditions.

Please complete the questionnaire and
- submit by email to 2014busconsult@nationaltransport.ie or
- submit by post to

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Dun Scéine
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Dublin 2.

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Non-statutory public consultation on 2014 Public Bus Service Contracts

Submission by Matthews Coach Hire Limited, Callenberg, Inniskeen, County Monaghan

Contact person: Noel Matthews, e-mail: noel@matthews.ie

Questionnaire

Q1. How can the new public service contracts best ensure a good quality of service is provided to passengers?

There are a number of ways to achieve this:

1. Contract must be as detailed as necessary to spell out service requirements whilst ensuring sufficient flexibility to address the need for route changes etc.

2. Encourage operators to utilise eco-friendly and fuel efficiency systems by developing some form of fuel rebate which is cost neutral to the State where demonstrated fuel efficiencies are achieved, an example of such an approach would be that drivers must undergo eco-friendly and fuel efficiency driver training.

3. Operators keep fares. This way, there is a direct financial relationship between extra passengers and extra income.

4. Formal bonus procedure based on service level targets. This, again, incentives the operator to increase passengers, but in this case, the bonus is based on a wider set of criteria, such as comfort, punctuality and friendliness.

5. Operators have full benefit of advertising revenue.

6. Switch the Department of Social Protection Free Travel system to a ‘pay as you use service’, i.e. the operator is only paid when the holder of such a travel card uses the service and not as at present on an estimated service use which generates a fixed contractual payment to the operator. To achieve this objective, the Free Travel system must be integrated into the LEAP card system.

7. Allow for amendment of routes to identify ‘gaps’ in the service or to allow the service to more properly address the economic-social function that PSOs are supposed to address.

8. Effective security systems on vehicles such as CCTV. Marginalised groups in society must be both encouraged and re-assured about the use of public transport. Again this objective can be partially achieved by ensuring that the driver has as little money as possible on the vehicle, i.e. the use of LEAP cards etc. Increase penalties for identified anti-social behaviour when using public transport.
9. The key elements passengers will seek are **reliability** and comfort. Reliability takes in frequency and punctuality, but also the actual provision of a service.

10. Real time information at as many bus stops as is feasible

11. Development of QBCs along all main arteries into Dublin in particular, follow the example of the M1 into Belfast.

12. Comfort will include cleanliness, age of vehicle, staff training and friendliness of staff, policing of passengers (to eliminate behaviour such as smoking, drinking, violence).

13. Contracts should be for five years, with provisions to revoke them (following a formal warning and appeals procedure). There should be a provision in each contract, at the option of the NTA, to extend them by two years if standards have been excellent.

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Q2. How can the new public bus contracts best ensure the integration of the public bus services and the integration of these services with the wider public transport network?

A potential new operator must integrate into the Leap Card scheme, real time passenger
information scheme and multi-modal journey planner operated by the NTA.

We have no issues on any of the above in that we currently operate within the LEAP card system and the multi-modal journey planner operated by the NTA.

However we have already commented on the issue of the real time passenger scheme, it must be extended as far as is practical to all bus stops but realistically significant bus stops should be identified outside of the Dublin area where such information should be provided initially. Otherwise there is no real integration.

Where bus stops are currently utilised by both either of the public companies and a private operator providing a scheduled service are offering the real time passenger information scheme, the real time system should be extended to that service immediately.

The issue of bus depot access and ownership must be addressed immediately.

There is only one option and it does not depend on the award of PSO contracts it is about developing an integrated public transport system now! All depots and stations must be opened to private operators if integration of services is to be assured.

There are a number of possibilities for this to be achieved:

1. Such properties are transferred to a commercial semi-state company which assigns costs to all users including Bus Eireann and Dublin City Bus.

2. A variation on the above, tender out such facilities on a contract basis to a service provider who will then charge all operators for the utilisation of the facility

3. As suggested at 3.3 above transfer ownership of all such infrastructure to the NTA.

Either way, the depots simply charge each company for its services, and are indifferent as to whether they are charging State or independent companies.
Q3. How can the new contracts best ensure value for taxpayer money?

Competitive tendering in itself, if properly planned and structured should of itself be designed to deliver value for money.

The optimum duration for any tendered contract is five years. Any shorter time scale will make it more difficult for operators to receive funding for new vehicles to service their contracts.

The tendering procedure should in itself ensure value for taxpayer money. It will ensure a lower subsidy than is currently being paid by the taxpayer, and also will incentive cost reductions on behalf of the operators.

Clearly delineate cost base between the operator and the NTA, for example the operator to be liable for the operation of bus control centres.

The issue as to the ownership of the existing Bus Eireann and Dublin City fleet will need to be addressed. If some or the entire route network of these companies is tendered out what will happen to their existing fleet? Additionally the issue of access to and ownership of public sector infrastructure should be addressed.

Should all existing public network infrastructure not be transferred to the NTA and then the cost base of such infrastructure could be assigned to both the NTA and operators in the context of the award of a public tender contract which would involve the use of such infrastructure?

The greatest threat to cost reductions is the current cost of fuel. The NTA needs to work with Government on behalf of the operators to ensure this kind of tax is kept at a minimum. There should be some public transport sector ‘premium’ based on achieving by public transport operators of identified targets regarding fuel efficiency and reduction in fuel use. A way to incentivise the Government on this would be if the cost of fuel increased due to taxation in the course of a PSO contract period the additional cost would not be passed on to a PSO operator!
Q4. Are there benefits in introducing separate contracts for different bus market segments within the Dublin area? If so, how should such market segments be defined?

All of the current PSO contracts would interest us, but realistically we favour a phased tendering of them. Initially we would be interested in tendering on a ‘depot’ based approach.

Unless a tenderer emerges for example from the UK it is unlikely that any Irish operator could fulfil the requirements of a tender for the full Dublin City Bus network. However it is as a matter of policy important that some element of operator be allowed to emerge in the Dublin market.

In the event of all or part of the existing Bus Eireann/Dublin City Bus network being awarded to another provider the issue of the existing fleet ownership would need to be addressed. See below at Answer to Q7.
Q5. Are there benefits in introducing separate contracts for different bus market segments outside the Dublin area? If so, how should such market segments be defined?

We have experience in operating inter-urban, stage carriage, local, schools and rural services, and would like to compete for a greater share of those services. By operating such packages, it would enable us to drive efficiencies and integration of services. There must also be the capacity to amend and alter services to address gaps in service needs or where existing PSO services are not addressing market and socio-economic requirements. Outside of Dublin three possible approaches should be initially considered:

1. **A geographical approach**, for example all PSOs in the North East. Regional rural services are of interest but we have a considered view that many existing services do not meet the requirements of the potential commuter. The core issue is that the service must go to where people are and take them to where they want to go at the time they require not simply operate along regional routes. This requires issues such as routes, vehicle size and frequency to be addressed.

2. **Commuter bus services operating into Dublin city.** We already operate in this market. Services should operate along economic arteries such as M1 (from Dundalk), the N2 (Slane); N3 (Navan); N4 / M4 (Mullingar); N7 (Naas); and N11 (Wexford). Each artery should form a separate tender including supporting feeder services.

3. **Town based services.** There are clear advantages to tendering for such services due to the density of populations and the geographical limitations of the area concerned. These types of services would appear to offer the greater initial means of drawing a significant level of tenders. The issue of depot ownership and access would have to be addressed as part of any such tendering process. We would have significant interest in such services in Drogheda and Dundalk including proposals for a more innovative approach to the network as currently provided.
Q6. What are the potential benefits or otherwise of competitively tendering for the award of new bus service contracts, compared to directly awarding contracts to Dublin Bus or Bus Éireann?

Depending on the nature of the tendering process, i.e. geographical based, route based, depot based etc., there is a strong likelihood that we would take part in several tender competitions.

We would be in favour of a two stage process which would allow the emergence of a ‘best’ tender. Any initial stage, depending on the level of detail required, should concentrate on ensuring that the tenderer meets certain quality and qualitative criteria and in particular it should clarify the capacity of the tenderer to meet the tender requirements.
Q7. Are there any other considerations you wish to identify or comment on, that are relevant to the new contracts for bus passenger services?

It is absolutely essential that provision must be made to extend to all private operators the use of stations and depots that are currently in CIE ownership. This is public transport infrastructure that has been provided with public money. As an initial step to the planning for any tendering process such access should be provided immediately. Otherwise we are all being disingenuous about integrated public transport. In this context see section 62 of the Dublin Transport Act.

Provision must be made to include private operators in the Real Time Passenger Information system again as part of the planning for a tendering process but also to commence addressing the issue of integrated transport systems.

We already participate in the LEAP card system and again this should be rolled out for all scheduled services whether they are operated by Bus Eireann or a private operator under a route licence.

The combined private fleet is around 6,600 Large Public Service Vehicles. Our fleet comprises 35 vehicles, 49 – 56 seaters. The private coach fleet is primarily comprised of single deck vehicles with some small exceptions where operators provide services in urban areas.

If the private sector takes over Dublin Bus services, it will quickly find that there is a deficit of double deck vehicles in private hands. This is where the NTA will need to provide vehicles.

However, around 800 double deck vehicles will be required, and the NTA seems to have an intention to provide just 80, so it is likely that Dublin Bus vehicles will need to be used, even if those routes are not in Dublin Bus control, this issue has already been addressed above.

Where double deck vehicles are required, the NTA will need to offer longer-term contracts so that operators will be able to finance the necessary purchases and have security of tenure to pay them off.

Another issue is that of disability accessible vehicles. Again the representation of such vehicles in the private fleet would be significantly lower than that in the fleets of both Bus Eireann and Dublin City Bus. The reasons for this are various but one obvious issue is the cost of such vehicles and the reality that outside of Dublin and other major urban areas there are very few disability accessible bus stops. We note the recent provision of funds by the HTA for the provision of such stops in the Bus Eireann depots in Busaras, Ennis and Limerick. There is no use having a disability accessible bus if there is not a matching disability accessible bus stop! Again this raises the issue of access to public transport infrastructure.

The NTA would need to ensure that the buses in the existing public fleets would be available
to a private operator where he/she was awarded a PSO contract.

Rationalise the system for the provision and designation of bus stops particularly outside of the Dublin area. Currently it is necessary to engage with the NTA, the local authority and the Gardai and they are all doing their own thing with little or no co-ordination between the differing policies objectives that each body is attempting to pursue.

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Dublin 2.

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SUBMISSION 38
Warren Whitney

Non-statutory public consultation on 2014 Public Bus Service Contracts

Questionnaire

Q1. How can the new public service contracts best ensure a good quality of service is provided to passengers?

I will not suggest any specific measures. The potential of competitive tendering to contribute here should be considered, although the strongest argument for such tendering is an economic one. Measures to optimise the performance of the existing “direct award” contracts in this area will still be important.

Q2. How can the new public bus contracts best ensure the integration of the public bus services and the integration of these services with the wider public transport network?

The NTA has made some sensible moves in the direction of integrating bus timetables with rail services (e.g. Balbriggan town service, Cork city route 5), and this should continue.

If it is necessary to discontinue any of the more marginal rail passenger services, the NTA should ensure adequate integration of any replacement bus services with the rail network and with pre-existing bus services.

There may also be potential to improve the sharing of bus stops and other facilities between the CIÉ companies and other bus operators (who form part of the “wider public transport network”).
Q3. How can the new contracts best ensure value for taxpayer money?

Evidence from elsewhere indicates that competitive tendering is an effective way of cutting subsidies, though it cannot be presumed that it will work here and, in any case, it would be impossible to tender more than a minority of services at this point. I feel that the evidence is more than sufficient to justify a trial implementation of competitive tendering as part of the new contracts.

However, it is important not to lose sight of the potential to optimise contracts within the existing direct-award framework – particularly given that any use of competitive tendering will be necessarily limited. I make no comment on exactly which measures might be involved in such an optimisation, but the NTA’s experience to date has probably thrown up some possible candidates.

There may also be a case to be made for more subcontracting to private operators on the part of the CIE companies; however, efforts in this direction (particularly at Dublin Bus) have been stillborn in the past.

Q4. Are there benefits in introducing separate contracts for different bus market segments within the Dublin area? If so, how should such market segments be defined?

If “the Dublin area” refers to the Greater Dublin Area, then the BÉ Commuter services should obviously be treated as a separate segment to DB services. BÉ stage carriage and local services have somewhat more in common with DB, and there might be an argument for considering them together with the more rural DB routes.

Within the DB network (and excluding the more rural services), it is harder to make a case for segmentation, although orbital and/or local services could be considered separately from the main network.
A division into “existing” and “new” routes, with only the latter being tendered (which could apply to DB and/or BÉ services), has been discussed on more than one occasion in the past; however, this may be open to abuse.

Q5. Are there benefits in introducing separate contracts for different bus market segments outside the Dublin area? If so, how should such market segments be defined?

I believe that much of the analysis in Steer Davies Gleave’s 2002 report on “Regulation of Bus Services outside the Greater Dublin Area” remains valid, notwithstanding that I disagree with some of the conclusions and that others have been overtaken by events. Aside from “inter-regional services” (i.e. Expressway), which are not directly relevant to PSO contracts, the study divided the network into “regional” and “city” routes. I would add that, within regional services, there might be a case to examine rural and commuter routes separately (noting that, in rural areas, any contracting approach must be consistent with wider rural transport policy). It would also have to be established whether town services were better considered alongside regional/rural/commuter services or city services.
Q6. What are the potential benefits or otherwise of competitively tendering for the award of new bus service contracts, compared to directly awarding contracts to Dublin Bus or Bus Éireann?

**Potential benefits:**

Reduced subsidy levels (though it is unclear what the magnitude of such reductions would be in the current Irish situation).
Reduced vulnerability to industrial action at the CIÉ companies.
Increased innovation/introduction of good practices from elsewhere.

**Potential disbenefits:**

Increased administration costs (though this objection has been largely sidelined by the creation of the NTA)
Risk that an operator may fail (e.g. through overambitious bidding) and have to be “rescued.”
Risk of provoking industrial action at the CIÉ companies.

(This list is not exhaustive.)

Q7. Are there any other considerations you wish to identify or comment on, that are relevant to the new contracts for bus passenger services?

Where appropriate, any improvements to bus contracts should be applied to the rail and Luas contracts – accepting that the former will not be competitively tendered and the latter is not under direct NTA control.
SUBMISSION 39
Non-statutory public consultation on 2014 Public Bus Service Contracts

Questionnaire

Q1. How can the new public service contracts best ensure a good quality of service is provided to passengers?

Keep the status quo. By and large, Bus Eireann/Dublin Bus provides a reliable punctual service.

Q2. How can the new public bus contracts best ensure the integration of the public bus services and the integration of these services with the wider public transport network?

Buses could serve Railway Stations and perhaps link their timetables to facilitate the rail. Integrated tickets if possible would be helpful.

Q3. How can the new contracts best ensure value for taxpayer money?

Keep to a centralised authority under CIE. They have cut their costs in recent years and a single operator/authority would be more efficient rather than using a multiple range of companies.

Q4. Are there benefits in introducing separate contracts for different bus market segments within the Dublin area? If so, how should such market segments be defined?

I see no benefits in separate Dublin area contracts. That was tried in London in the late 1980s and created confusion, conflict and uncertainty. It also led to a de-moralised fluid workforce, making it difficult to retain staff.
Q5. Are there benefits in introducing separate contracts for different bus market segments outside the Dublin area? If so, how should such market segments be defined?

I see no benefits in separate contracts outside of Dublin. At present, I see up to 4 different operators on the Limerick/Dublin route, with some operators cherry picking or running just ahead of another operator to catch the cash paying passengers.

Q6. What are the potential benefits or otherwise of competitively tendering for the award of new bus service contracts, compared to directly awarding contracts to Dublin Bus or Bus Éireann?

Competitive tendering can lead to poorly maintained buses, low-grade staff, and lax safety standards.

Q7. Are there any other considerations you wish to identify or comment on, that are relevant to the new contracts for bus passenger services?

The CIE group of companies employ staff with fluent standard of communication, though employing both Irish and non-nationals the drivers have little difficulty in communicating. The cheaper alternative could result in a workforce not in tune with Ireland and its unique culture, i.e. friendly and helpful/considerate.

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SUBMISSION 40
Submission to National Transport Authority

Re; Non Statutory Public Consultation on 2014 Public Bus Service Contracts

The NBRU is a Trade Union which represents approximately three thousand eight hundred transport workers across three commercial semi-state companies, namely Dublin Bus, Bus Eireann and Iarnrod Eireann as part of the Coras Iompair Eireann Group.

The members of the NBRU are committed to the needs of the bus user, the objective to encourage sustainable public transport travel and good value for taxpayer money. This is consistent with our long standing ethos of equating the provision of a public transport service for the citizens of the state with the sustainability of our member’s employment. We have carried this ethos with us into the many economical and ideology driven challenges we have faced during our fifty years representing transport workers.

Government Policy/Ideology versus Public Transport Provision

The NBRU has previously interacted with the Department of Transport on public bus service issues. The most recent of those was a process (circa 2006) which had the market entry of operators outside of the CIE Group high on the agenda.

While this particular process predated the Public Transport Regulation Bill 2009 and the formation of the DTA (later to become the NTA) the NBRU’s primary concern/s of employment sustainability and public transport provision remains at the top of our agenda in responding to issues such as the 2014 Public Bus Service contracts.

The focus of the 2006 discussions with the Department was twofold, the maintenance of the existing Dublin Bus fleet/network and its ability to be competitive in a future market expansion.

Indeed we were assured by the Department during both the lead-in period and in the aftermath of the implementation of the legislation giving the DTA (NTA) its remit to licence public transport operators that our concerns were addressed by the inclusion in the legislation of the “direct award” clause with regard to the existing services/network of both Dublin Bus and Bus Eireann.
The compensation element of the direct award under the Act (Section 52) is consistent with and complies with Regulation (EC) No 1370/2007.

We are given to understand that the recent route changes within the network of both Dublin Bus and Bus Eireann was conducted in cooperation with the NTA and underpinned by a report commissioned by the previous Minister.

Indeed this report by Deloitte acknowledged that both companies performance in terms of efficiency ranked among the highest in the EU.

The level of subsidy to both companies is among the lowest in the EU.

The report found that the PSO funding received by Bus Eireann is 12% of total revenue, this compares with Connexxion (Holland) at 49% of revenue, Post Auto (Switzerland at 51% and TEC (Belgium) at 78%.

Any proposal that would effectively lead to a defragmentation of the networks would serve to contradict the principle of providing separate and distinct processes and procedures for Public Service Obligation contracts and licences issued for commercial public bus services leading to a blurring of the line between a public transport imperative and one based on ideological grounds.

The Minister for Transport recent admission that the Government was powerless to block slots owned by Aer Lingus at Heathrow being used for routes other than to Ireland is a salient reminder to those whose ideology blinds them to the potential repercussions of the loss of vital state infrastructure.

It is one thing providing taxpayer’s money to a taxpayer owned company; it’s an entirely different matter giving funding to a company whose raison d’etre is shareholder dividend/profit.
Consultation Questions

- The optimum assurance the authority can obtain is one where the quality of service is inserted as a condition of the contract.
- The new public service bus contracts can ensure the integration of the public bus service with the wider public transport network by encouraging relationships between the states funded PSO provider and a commercial sector where service to the customer is primary.
- The best value for the taxpayer is an assurance that their money is going to one of the lowest subsidised company/s in the EU, this value for money is further underpinned by the ability of our members to provide for themselves and their families without recourse to funding from other Government Departments in areas such as family income supplement, rent allowance etc.
- A defragmentation of the network would destabilise the structure of the public bus service and would be contrary to the principle of the PSO being based on securing network benefits. The network characteristics of integration, interchange, ticket information, through ticketing, inter-available ticketing and accessibility between routes and services provided by the PSO operator and other public transport operators would effectively disappear, this in turn would lead to confusion with regard to what constitutes a segment and may even lead to operator buses crisscrossing (head to head) each other when accessing their particular segment/route.
- The network outside the Dublin as currently constituted is one which we understand was developed with the cooperation of the NTA and contains all of the dynamics referenced in the preceding paragraph. It is important to note that a significant number of Bus Eireann’s commercially licensed operations are designed to provide network connectivity with PSO routes, thereby providing a true integrated public bus transport service.
- The potential benefits (if any) of competitive tendering are far outweighed by the negative ideologically driven impact of defragmenting the network/s; this would inevitably lead (initially) to the introduction of a myriad of operators driven not by service but profit. Those operators would undoubtedly end up being subsumed by a larger provider. The world’s largest transport group First Group were recently taken to task in the UK by the Traffic Commissioner who threatened to strip them of their Manchester Services because of
punctuality deficits with 20% of their services over the last year, incidentally the same report said that the group made €14million profit during the same period. One passenger/taxpayer commenting on the report said that First Group services in the Rochdale Oldham area were chaotic, and had ancient, tatty and unreliable buses littered with breakdowns and service cancellations.

Source Transport Xtra Issue 589 8th February 2012

Summary

The Government through the NTA has a duty to provide a reliable, punctual, comfortable, clean customer service orientated public transport bus service for the citizens of the state, this service requires the ability to encompass ticket integration, passenger information and ease of transfer.

The measurement of the value for money aspect of the state’s public transport obligation should include the ability of the service to provide for essential social needs along with an acceptance that Ireland ranks among the lowest in the league table of subsidy provision.

While market forces and the requirement to make a profit for company shareholders may derive from conditions facilitated by the provision of modern infrastructural enhancements the essential social needs (e.g. public transport) of the community are the responsibility of Government.
SUBMISSION 41
Non-statutory public consultation on 2014 Public Bus Service Contracts

Questionnaire

Q1. How can the new public service contracts best ensure a good quality of service is provided to passengers?

- Bus Éireann firmly believes that the direct award PSC approach has proven itself in relation to providing a very good quality of service to customers since its introduction in Dec 2009. Under the PSC, Bus Éireann has assumed the operating and revenue risk as part of its contract, which means that it has to remain responsive to customer and market needs to ensure farebox revenue. Through a close and effective working relationship with the NTA, a high level of stability has emerged in a very difficult economic trading environment.

- The present direct award contract is monitored by the NTA with quarterly reporting to ensure specific levels of performance are met. There are also negative financial implications in the event that key aspects of service quality are not met e.g. reliability.

- Customer satisfaction with the quality of service provided by Bus Éireann is tracked on a quarterly basis using the Customer Charter survey. The results point to a sustained high level of customer satisfaction and value for money among customers since 2009. This has been sustained at a high level despite cutbacks in service levels in line with reducing public service compensation. The Quarterly Customer Charter surveys report to the NTA illustrates the high levels of customer services ratings from customers for PSO services in relation to the following:
  - Punctuality and reliability
  - Bus and coach cleanliness and display information
  - Driver presentation
  - Station cleanliness, information and staff presentation
  - Customer service information
  - Customer Communications and complaints
  - Value for Money
  - Customer satisfaction and customer loyalty

- The integrated PSO network approach is integral to the best provision of service for the customer. The integrated PSO network must reflect the needs of the customer. Customer wishes are not fixed therefore the integrated PSO network must be dynamic and responsive. Under the direct award contract, the NTA has the power to undertake network reviews to
ensure that customer needs are met, that the best quality of service is continually provided by the internal operator. Tenders are more specific in nature and scope. There must be scope to alter the network in accordance with applicable law and this is currently possible using the direct award contract approach.

- Public service compensation levels are falling and will drop for a further 2 years. At the same time performance and service quality targets have been increased. Bus Éireann has continued to meet its contractual obligations and performance and service quality targets despite a declining rate of public service compensation per km.
Q2. How can the new public bus contracts best ensure the integration of the public bus services and the integration of these services with the wider public transport network?

- Integration is specifically covered in the current direct award contract and in both the DTA Act (2008) and the PTR Act (2009).

- Considerable evidence exists that the existing direct award public service contracts have ensured a high level of physical and ticket based transport integration, whether between Bus Éireann routes, with other PT routes or with the wider PT network. Our research shows that over 25% of our customers are making an onward journey. Current examples of PT integration include:
  - Interchange at bus and train stations and bus stops
  - PACE/M3 parkway interchange
  - Taxsafer ticketing integration with Irish Rail and Dublin Bus
  - Leap Card integration within the GDA by the end of 2012

- From a customer perspective, the network should be seamless between and within modes. As the number of actors increase within the network, integration may suffer. There would need to be a high level of control over the different operators to ensure that performance targets are met.

- Integration is being continuously improved upon by the NTA on projects and initiatives that run parallel with the direct award contracts, for example the introduction of the Leap Card, the integrated journey planner and real time passenger information.

- Bus Éireann has actively engaged with the NTA and local authorities in implementing various integration measures being undertaken by the NTA e.g. roll out of RTPI in regional cities and the GDA, Integrated ticketing.

- Any change in 2014 should be made giving careful consideration to the ramifications for the existing integrated PSO networks which are under contract.

- Within the direct award contract, the NTA has power to review, alter and amend the contract as required. Hence the NTA has the power to ensure that services integrate and that integration of services can be continually improved upon in a contractual setting.
Q3. How can the new contracts best ensure value for taxpayer money?

Efficiency reviews, as undertaken within Bus Éireann and as outlined in the present direct award contract, illustrate the efficiency and VFM improvements achieved under the contract so far. An analysis of performance on the public service contract with the NTA between 2009 and 2011, reveals the following:

- The reduction in available public service compensation from the NTA (-13%) between 2008 and 2012 was matched by a greater drop in operational costs (-14%), and a smaller drop in fare box revenue (-8%)  

**BÉ Financial Performance - Public Service Contract 2009 to 2011**

- In relation to operational key performance indicators, there have also been significant improvements as follows:
  
  - Cost per vehicle km (-11%)
  - Public service compensation per km (-10%)
  - Cost per passenger km (-11%)

**KPI Performance Improvements – PSC 2009 to 2011**
The illustration below shows that productivity has improved as payroll costs have reduced at a higher rate than staff numbers have declined over the period.

**Payroll costs and Staff numbers 2009 to 2011**

In relation to customer advocacy, Bus Éireann has managed to maintain high levels of customer satisfaction and advocacy despite the cutbacks in service, capital expenditure and public service compensation.

**Figure 8 – BE Customer Satisfaction and Advocacy ratings 2009 to 2011**

Within the PSO network approach, there are inherent economies of scale which ensure best value for tax payers money. Quality of service provision and fares are monitored and controlled by the NTA ensuring value for money.
Q4. Are there benefits in introducing separate contracts for different bus market segments within the Dublin area? If so, how should such market segments be defined?

There are already two direct award contracts for bus and coach services within the GDA:

- The Dublin Bus contract primarily focused on urban bus services in the city and county of Dublin.
- Bus Éireann services primarily focused on commuter belt coach services to Dublin city as part of the Bus Éireann direct award contract with the NTA.

It would be appropriate that if the NTA is considering a tendering approach, that it consults with other Competent Authorities across the UK and Europe as to the learning and knowledge they may have in relation to managing tendering processes across a variety of customer service offerings (City services, town services, commuter services, rural services etc) for both initial and subsequent tenders. As part of this study for the Dublin area, the NTA could look at a variety of city/metropolitan approaches across Europe to understand the cost dynamics involved in a tendering approach.

Arising from such a study, the NTA could undertake a cost benefit analysis of the tendering approach compared to direct award within an Irish context, and balance that with the views retrieved in the market consultation. This would seem to be a balanced approach to assessing the best approaches to value for money within the Irish context for the taxpayer and the Exchequer.

The analysis should also assess the impact of the loss of economies of scale currently present in the network PSO approach under direct award contract.
Q5. Are there benefits in introducing separate contracts for different bus market segments outside the Dublin area? If so, how should such market segments be defined?

It would be appropriate that if the NTA is considering a tendering approach for different bus market segments outside the Dublin Area, that it consults with other Competent Authorities across the UK and Europe as to the learning and knowledge they may have in relation to managing tendering processes within a smaller city and regional/commuter contexts, for both initial and subsequent tenders. As part of this study for outside the Dublin area, the NTA could look at a variety of small city and commuter service approaches across Europe to understand the cost dynamics involved in a tendering approach within that environment, and the approaches to operator management in those settings.

Arising from such a study, the NTA could undertake a cost benefit analysis of the tendering approach compared to direct award in a small city and commuter/rural environments, and balance that with the views retrieved in the market consultation. This would seem to be a balanced approach to assessing the best approaches to value for money for the taxpayer and the Exchequer.

Presently Bus Éireann provides PSO services under a direct award contract for its network of city, stage carriage and commuter services outside Dublin city and county. To date this has been effective. Quarterly performance monitoring by the National Transport Authority is undertaken to ensure that Bus Éireann is meeting its performance obligations. Bus Éireann is meeting these targets.

If a tendering approach is being considered, it should be noted that tendering outside of London in the UK was found to have had significant failings. The Office of Fair Trading found that there are fewer bids for services in areas outside of London. It was also found that there is a level of market concentration in large regions which has had the effect of preventing, distorting or restricting trade in that region.

The report notes that the limited competition in tendering has resulted in higher prices and lower quality hence, there is an increased cost to the tax payer and insufficient competitive pressure to achieve best value for both the bus user and the tax payer. The foregoing is also echoed in the UK Competition Commission’s recent report into the local bus market in England.
Q6. What are the potential benefits or otherwise of competitively tendering for the award of new bus service contracts, compared to directly awarding contracts to Dublin Bus or Bus Éireann?

The following are examples of the benefits of direct award that need to be considered when appraising the various contractual approaches:

- Network Effect across routes, corridors and wider area networks achieved with the direct award contract.
- Direct award contract to Bus Éireann ensures a national focus with local/community ethos.
- Scale Economies (National and local) in Bus Éireann.
- The skillset of PSO service management expertise that has built up within Bus Éireann in relation to operational planning and control, network planning and design, maintenance and safety quality assurance, marketing, sales and communications etc.
- The actual cost of tendering: According to KPMG’s “Independent strategic review of the provision of bus services in London” (July 2009) – “In the 1980s, the publicly-owned and operated bus service in London required a significant subsidy, and this was reduced year-on-year to a low point in the 1990s. Subsidy has since increased substantially from some £41 million in 1999/00 to £653 million in 2007/08.” In relation to financial pressures KPMG also noted that “Looking forward the level of support to operators is projected to be £766m in nominal terms by 2017/18.”
Q7. Are there any other considerations you wish to identify or comment on, that are relevant to the new contracts for bus passenger services?

Bus Éireann operates a direct award contract for public service obligation services outside of the GDA, and commuter services in the GDA to Dublin city and county. This complies with the EU Regulation 1370/2007 on public passenger transport services by rail and road, as well as with national legislation. In line with this EU Regulation, this direct award contract can be granted to Bus Éireann again in 2014. There is nothing in principle that prevents a direct award contract approach for public service obligation services. In fact, EU regulation 1370/2007 outlines this as an approach to contracting out public service obligation services.

Bus Éireann, as an internal operator, has received and can continue to receive a direct award contract for its bus services. Private ownership would not necessarily equate to a more efficient service than a public operator. It is not ownership that will drive efficiency in a contract, it is the contract itself which can drive efficiency.

Please complete the questionnaire and
- submit by email to 2014busconsult@nationaltransport.ie or
- submit by post to

2014 Bus Public Consultation
National Transport Authority
Dun Scéine
Iveagh Court
Dublin 2.

Any submissions must be received by the NTA by 5pm on Wednesday 11th July 2012.
SUBMISSION 42
The National Transport Authority should consider the role of public procurement in driving accessibility.

The new public bus service contracts should ensure that public bus services are accessible to everybody, regardless of age, size, ability or disability.

There is a legal requirement on all public bodies, under section 27 of the Disability Act 2005, to ensure that goods and services provided are accessible for people with disabilities. The National Disability Authority will shortly be publishing a detailed guidance document titled **Procurement and Accessibility** to help public bodies to meet their legal obligations. Contracts should ensure that all aspects of the service are accessible, including:

- pre-journey information
- visual and audio on-board information to tell passengers about the next stop
- web-based and smartphone app services with GPS features
- payment methods such as smart cards
- the physical bus service itself

Contracts should also include a requirement for training staff to deal with customers with disabilities, as outlined in the statutory ‘Code of Practice on Accessibility of Public Services and Information provided by Public Bodies’. To this end the National Disability Authority has developed an eLearning module providing basic disability equality training to public sector staff.
Q2. How can the new public bus contracts best ensure the integration of the public bus services and the integration of these services with the wider public transport network?

It is important that all aspects of an integrated service are available to all users, including people of any age, size, disability and ability as defined in the Disability Act 2005.

The contracts should contain provisions which specify that public bus service providers must commit to achieving some, or all of the following over a set time period laid out in the contracts:

- As journeys are often made by more than one mode of transport, it is beneficial if different modes of transport can be co-located. The convenient co-location of such facilities will promote public transport and have the added benefit of contributing toward a sustainable transport strategy.

- Timetable information should be presented visually and orally in a clear and logical format so that it is easy for everyone to understand and in a range of different ways to suit the needs of different users.

- Journey pricing information should be available in advance to allow people to budget for their journey and to make the necessary arrangements for payment upon arrival at the terminal. At the terminal and each stop prices should be clearly displayed and easily understood.

As smart card technology advances and more features are applied it is important that universal design principles are adhered to. Clear guidelines have been developed by the NDA on smart cards:

- [http://universaldesign.ie/useandapply/ict/itaccessibilityguidelines/smartcards](http://universaldesign.ie/useandapply/ict/itaccessibilityguidelines/smartcards)


- Digital displays:
- Literature and application forms:
  http://universaldesign.ie/useandapply/ict/itaccessibilityguidelines/smartcards/guidelines/smartcardguidelines/literature

The smart card could be used to hold information on passengers with free or reduced travel once the customer is made aware of this situation. Travel credits for people with reduced mobility could be recorded.

Q3. How can the new contracts best ensure value for taxpayer money?

The new contracts can ensure best value for taxpayer money by ensuring that services are accessible to people of any age, size, ability or disability from the outset, thus avoiding retrofitting costs at a later stage. Public funding and procurement of transport services should be conditional on compliance with accessibility standards.

Examine how free travel entitlement for people with mobility difficulties, within the current budget, can be realigned across an integrated, accessible travel network.

It is worth investigating, in conjunction with the Department of Public Expenditure and Reform, whether contract payments could be distributed in a manner that would allow public transport providers to subsidise uneconomic routes or services as well as compensating hired independent drivers for these routes and services that would be part of the standard contract work.

Q4. Are there benefits in introducing separate contracts for different bus market segments within the Dublin area? If so, how should such market segments be defined?

All providers of door-to-door transport should be eligible to compete for business in different segments of the market.

It should be possible to include accessibility and universal design requirements.
in transport procurement policies. This could specify that a certain percentage of the transport providers’ vehicles meet the accessibility standards for their vehicle type.

It should be open for transport providers with mixed vehicle types to combine and bid for contracts.

### Q5. Are there benefits in introducing separate contracts for different bus market segments outside the Dublin area? If so, how should such market segments be defined?

The area of door-to-door transport remains fragmented between different kinds of provision operating under different authorities and regulations: taxis; Rural Transport Programme; service provider and Health Service Executive transport; specialist disability transport, such as Vantastic; and school transport. Consideration of using a similar scheme as the “Taxi Allowance” scheme in the UK as another supportive mechanism particularly for people living in rural areas.

There is scope to make better use of the existing publicly-funded and publicly-licensed transport resources, to network them better, and to examine any regulatory, fiscal or other barriers to more effective use of these scarce resources.

### Q6. What are the potential benefits or otherwise of competitively tendering for the award of new bus service contracts, compared to directly awarding contracts to Dublin Bus or Bus Éireann?

It is important that core requirements such as access for all are included in any competitive tendering process as there is a potential risk arising from awarding bus service contracts to private service providers. The existing contract holders have a generally good reputation in accommodating passengers with disabilities. There is a risk that in awarding contracts to private service providers, that commercial priorities will mean the service to passengers with disabilities is reduced or eliminated for cost reasons.

It is important that this risk is mitigated by ensuring that services for people
with mobility difficulties covering across the age span covering age, size, ability and disability are a contractual requirement.

Q7. Are there any other considerations you wish to identify or comment on, that are relevant to the new contracts for bus passenger services?

A commitment to constructive consultation with customers of any age, size, ability or disability should be an ongoing requirement for any providers of public bus services. This could be done through the existing user groups that liaise with the public transport companies. Feedback on issues of general interest could then be relayed to the Public Transport Accessibility Committee (PTAC) for consideration.

People have diverse needs and abilities as users or customers (as well as employees) of transport systems. It is necessary to consider design factors related to vision or hearing disabilities (such as providing tactile features, both visual and audio announcements, and the optimal acoustic quality of stations).

Consider physiological factors beyond wheeled mobility (wheelchairs users) to include people with luggage, prams, walkers with limited endurance, issues related to fatigue, strength, balance and simply people of a much different size than most. Also consider cognitive and mental factors that relate to memory, concentration and comprehension, stress, literacy and people with limited English.

It is valuable to engage specifically with relevant stakeholders around the details of design of universal and accessible features of important infrastructure projects, the vehicles/rolling stock to be deployed along the route, the interface, the built environment and streetscapes at transport points and on the operation and maintenance of accessibility for people with reduced mobility.

One suggestion would be the facilitation of request stops – separate from the designated bus stops - for people with disabilities to enable easier access to the main commercial areas. Eligibility for this service would be based on information provided to the driver by the details contained in the person’s
smart card.

A universal design approach will allow the service providers to be better informed by listening to the practical issues for stakeholders of any size, age, disability or disability.

Currently, many people with intellectual disabilities avail of specialist transport rather than mainstream public transport to attend day services. In some cases, the location of someone’s home, or the degree of disability, may mean that public transport is not a viable option.

However, with travel training, and simple assistance from the driver, it may become possible for more individuals to avail of public transport

Please complete the questionnaire and
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- submit by post to

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National Transport Authority
Dun Scéine
Iveagh Court
Dublin 2.

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SUBMISSION 43
2014 Bus Consultation
National Transport Authority
Dun Scéine
Iveagh Court
Dublin 2

11th July 2012

RE: Public consultation on 2014 bus public service contracts

Dublin Chamber of Commerce offers the following input into the National Transport Authority’s “Public Consultation on 2014 Bus Public Service Contracts”.

Dublin Chamber’s vision for Dublin is to ensure a great city region to live, work, and visit. Central to achieving this vision is an efficient transport network that creates a connected and accessible Dublin. Therefore, the ultimate goal of any Dublin public transport policy should be focused on creating a fully unified, totally integrated transport network for public transport users while driving greater efficiencies and eliminating duplication.

Bus services continue to be the predominant public transport mode in terms of network coverage throughout the Greater Dublin Area. The quality of service (e.g. reliability, comfort and frequency) and the cost efficiency must be the main focus in the tendering process for the Public Service Obligation (PSO) for bus services in Dublin.

There is currently no need for any structural changes in the bus public service contracts.

Dublin Chamber believes that there is scope to improve the current service delivery by addressing the future needs for transport by bus within the region. This will ensure upgraded infrastructure and changing demographic movements are catered for from a transport perspective.

However, Dublin Chamber believe that a tender could be issued to operators for new bus routes across the city in areas that are poorly serviced due to constraints on the current service providers. Addressing this gap in the bus service market will help enhance the connectivity of the city region.

In conclusion, Dublin Chamber wants to ensure that the operation of bus services in the Dublin area continues to improve in order to provide a comfortable, efficient and cost effective service to meet the needs of commuters and visitors.
SUBMISSION 44
Non-statutory public consultation on 2014 Public Bus Service Contracts

Questionnaire

Q1. How can the new public service contracts best ensure a good quality of service is provided to passengers?

Strong Service Level Agreements are the best way to ensure a good quality service. They must be properly policed to make sure the service levels are being maintained. A contract holder must always be mindful that they can be sanctioned (including losing their contract) if standards slip, but rewarded (including contract extension) when performance is excellent.

By generating healthy competition between operators through the tendering system, operators will be incentivised to exceed rather than just meet the necessary Service Level Agreements.

Q2. How can the new public bus contracts best ensure the integration of the public bus services and the integration of these services with the wider public transport network?

Sharing of facilities is key to ensuring integration. At present, private bus and coach companies are prevented from using CIE train stations, bus stations and bus depots. The new contracts must ensure integration by opening all such facilities are open to all transport providers.

Private bus companies have also been excluded from the Real Time Passenger Information system. This must be rectified immediately in order to ensure integration.

The Integrated Ticketing system is currently only for operators who provide services in or into the Greater Dublin Area. It should be expanded to the entire country.
Q3. How can the new contracts best ensure value for taxpayer money?

In a word, tendering.

Only the tendering process can determine the true cost of running a services, so only it can ensure the lowest cost for the taxpayer.

If the new contracts are offered through a good tendering process based on sound service level agreements, then the taxpayer is ensured the best value.

Q4. Are there benefits in introducing separate contracts for different bus market segments within the Dublin area? If so, how should such market segments be defined?

Yes, there should be separate contracts for different bus market segments in the Dublin area. It would be a mistake to offer all the routes under one contract. It might result in a private monopoly replacing a public monopoly, and the same problems with monopolies would persist.

We advocate the awarding of contracts in small bundles of up to five routes. Each bundle might include a main service such as along an important artery, plus some routes that feed into that main service.

Another way to introduce separate contracts is to offer them on a depot by depot basis. For example, all the routes from the Summerhill depot might be tendered in 2014, and all those from the Donnybrook depot in 2015. This approach will necessitate the opening of depots to private operators.
Q5. Are there benefits in introducing separate contracts for different bus market segments outside the Dublin area? If so, how should such market segments be defined?

The argument for separate contracts in different segments outside the Dublin area is even stronger than that within Dublin.

Outside Dublin there is a greater variety of services, such as: Inter-urban, urban, stage-carriage and rural.

Contracts should still be offered in small bundles, but a bundle could contain a mix of all the above types of services.

Q6. What are the potential benefits or otherwise of competitively tendering for the award of new bus service contracts, compared to directly awarding contracts to Dublin Bus or Bus Éireann?

Tendering bring transparency. Only tendering can decide the true cost of providing a service, so it is only through tendering that the NTA can know what subsidy to apply to each service.

Tendering, therefore, brings the best value for the taxpayer.

To retain the Direct Award system would mean to subsidise bus services without knowing what subsidy should apply. This usually means the taxpayer over-subsidises transport, and leads to waste.

Q7. Are there any other considerations you wish to identify or comment on, that are relevant to the new contracts for bus passenger services?

A new system of tendering is likely to lead to reduced costs for PSO services. This will allow the NTA to either create new PSO services, or (in a difficult economic climate) retain the ones already in existence.
New services means new jobs.
It also brings more people onto buses and out of cars, thereby improving our national balance of payments, and reducing our carbon emissions (lower fines).

Please complete the questionnaire and
- submit by email to 2014busconsult@nationaltransport.ie or
- submit by post to

2014 Bus Public Consultation
National Transport Authority
Dun Scéine
Iveagh Court
Dublin 2.

Any submissions must be received by the NTA by 5pm on Wednesday 11th July 2012.
SUBMISSION 45
11th July 2012.

Mr. Gerry Murphy  
Chief Executive  
National Transport Authority  
Dun Sceine  
Iveagh Court  
Dublin 2.

Public consultation on 2014 bus public services contracts.

Dear Mr. Murphy,

Congress welcomes the opportunity to make a submission to the public consultation process been undertaken by the Authority into the awarding of public service bus contracts in 2014.

In the view of Congress the best way to ensure that citizens continue to be provided with a good quality service is to make a further direct award to both Bus Eireann and to Dublin Bus to operate bus services as currently configured with the flexibility to alter services as required to best meet customer demand. Since 2009 both companies have demonstrated the ability to provide and maintain an excellent service. These services have been provided against the backdrop of the worst economic recession in the history of the state and in circumstances where passenger numbers have fallen by up to 25%, fuel prices have been increasing and were there has been a very significant reduction in state financial support for public transport services. In response to this very challenging operating environment both companies have made extensive changes to their networks. The aim of these changes was to maintain good quality and high frequency services while at the same time meeting the very considerable challenges brought on by their deteriorating financial position. It is important to note that employees in both companies have played their part in positioning the companies to respond to these very challenging circumstances by agreeing significant work practice changes and significant cost containment measures with the companies.
The awarding of a further direct award contracts to the two companies will also facilitate the further integration of public transport services. Dublin Bus its through the network direct programme this together with the Real Time Passenger Information programme facilitates passengers switching between routes and modes and it is well placed to provide services that maximises potential use of new services including the LUAS BXD line once completed. Bus Eireann services are also designed to facilitate passengers accessing other modes of transport, a case in point being the integration of routes with Irish Rail on the N3 at Parkway. Congress can see no benefit that will accrue to public transport users by segmenting parts of the networks and indeed it is our view it will result in less integration.

For these reasons we would strongly urge the awarding of further direct award contracts to Bus Eireann and Dublin Bus.

Yours sincerely

Liam Berney
Industrial Officer.
SUBMISSION 46
Ref: 2014 Bus Public Consultation  
National Transport Authority  
Dun Scéine  
Iveagh Court  
Dublin 2.

11th July 2012

To Whom It May Concern:

Please note that CIE is participating in the Public consultation through the Bus Éireann and Dublin Bus submissions

Dublin Bus, Bus Éireann and Irish Rail are operating subsidiaries of CIE, and are internal operators to the competent authority grouping identified in the Public Transport Regulations Act (2009) and Dublin Transport Authority Act (2008), and in line with EU Regulation 1370/07 on Public Passenger Transport services by rail and road.

As part of this review, CIE would point to the success of the current contracts in terms of creating service improvements, operating efficiencies and value for money for the taxpayer and the Exchequer. Similar improvements are planned for the remainder of the current contracts.

Any change considered should also account for the skill sets that have developed over decades of Passenger Transport management and service delivery with the CIE companies

The appraisal of contractual options should also take account of the total additional cost of the introduction of tendering to the taxpayer and exchequer as part of such an approach. The ongoing administrative cost to supporting this approach should also be taken into consideration.

CIE would support a measured approach to the appraisal of contractual options, an approach that considers best practice across Europe and across the spectrum of bus and coach services provided under contract.

Networks should not be rigid. Any change in contractual approach needs to account for the need for flexibility and responsiveness to changes in the economic environment, evolving customer needs on the ground, changes in the cost of factor inputs (incl fuel), and severe weather conditions (snow, flooding, etc.).

Yours sincerely,

Geraldine Finucane  
CIE Group Secretary
SUBMISSION 47
Public Consultation on 2014 Public Bus Service Contracts

Submission to the National Transport Authority

July 2012

S/12/003

The Competition Authority
An tÚdarás lomaloicha
# TABLE OF CONTENTS

1. Introduction ........................................................................... 1

2. Benefits of Effective Competition in Public Bus Services ........ 2  
   Financial benefits .................................................................. 2  
   Improved quality of services and innovation ....................... 3  
   Integration ........................................................................... 4  
   Other potential benefits ...................................................... 5

3. Introducing Competitive Tendering ....................................... 6  
   (a) Network design ............................................................ 7  
   (b) Access to network facilities .......................................... 7  
   (c) Type of contract .......................................................... 8  
   (d) Identify subsidised routes ............................................ 9  
   (e) Bundling of routes ........................................................ 10  
   (f) Contract Period ............................................................ 10  
   (g) Monitoring Performance ............................................. 11  
   (h) Bid-rigging prevention ............................................... 11  
   (i) Long-term plan ............................................................ 11
1. INTRODUCTION

1.1 The Competition Authority welcomes the opportunity to make a submission regarding the non-statutory public consultation on 2014 Public Bus Service Contracts (the "Consultation") issued by the National Transport Authority (the "NTA"). The Competition Authority has previously recommended to the Government to introduce competitive tendering in the market for subsidised, or Public Service Obligation ("PSO"), bus services in the Greater Dublin Area.¹ The purpose of this submission is to explain the benefits of competitive tendering and outline some practical issues associated with implementing competitive tendering.

1.2 The Consultation document explains that the NTA is currently considering whether it should enter into new direct award contracts with Dublin Bus and Bus Éireann, or whether it should undertake competitive tenders in relation to some or all of the bus services subsidised by the State. The Consultation document also asks specific questions in relation to the design of the new public service contract, such as: how to ensure the quality of service, how to best ensure the integration of the public bus services and how to best ensure value for taxpayer money.

1.3 International experience of competitive tendering for subsidised public services is favourable. There are many benefits associated with introducing competitive tendering for subsidised public bus services, provided that the system of competitive tendering is well designed. Experience has shown that these benefits include the NTA’s three main objectives of (i) improved service quality, (ii) a more integrated transport system, and (iii) greater value for taxpayer’s money. Ultimately, the competitive tender procedure can actually give the NTA greater power and a stronger framework to achieve these goals than a direct award contract.

1.4 There is no one-size-fits-all method of introducing competitive tendering, but there are lots of experiences that Ireland can usefully draw on. However, it is important for policy makers to recognise the dangers associated with inefficient tender design and processes. If competitive tendering were not well thought through, it could facilitate cartels or lead to a reduced number of bidders over time. Therefore the expected cost savings would not materialise and so could not be passed on to consumers or to the Exchequer.

¹ Meanwhile, the Government has indicated that it considers our recommendation to have been implemented through two pieces of legislation: the Dublin Transport Authority Act 2008 ("the 2008 Act") and the Transport Regulation Act 2009 (the "2009 Act") and the creation of the NTA.
2. BENEFITS OF EFFECTIVE COMPETITION IN PUBLIC BUS SERVICES

2.1 This section is mainly relevant to question 6 in the Consultation document.

Q6. What are the potential benefits or otherwise of competitively tendering for the award of new bus service contracts, compared to directly awarding contracts to Dublin Bus or Bus Éireann?

2.2 Competition keeps prices and costs of goods and services down, and improves choice and quality. These benefits arise because competition encourages businesses to focus on their customers' needs and constantly manage their costs. One of the key features that occurs from competition is innovation and long term dynamic improvements to the service arising from the operators having to try to do things differently.

2.3 Competitive tendering remains an attractive reform strategy for subsidised public bus services. A monopoly bus service provider is less likely to use routes that best suit the needs of its customers and more likely to pass cost increases on to their customers. Competitive tendering of bus services generally leads to a better network, better service and competitive prices.

2.4 As discussed below, both economic literature and experience in other countries have shown that there are significant benefits associated with introducing competitive tendering in subsidised public bus service markets. These benefits include:

- **Financial benefits** - to consumers through lower fares and/or to the Exchequer;
- **Improved quality of services and incentives for innovation** - such as more reliable, punctual services and improving the bus network to better match consumers' needs;
- **Better Incentives** for the public bus services to integrate into the wider public transport system.

2.5 The precise gains from competitive tendering are highly dependent on the previous arrangements in each country/area and the particular policy objectives. Which combination of these benefits our society gets - for example, how much of the saving goes to the Exchequer and how much goes to consumers through lower bus fares - will depend on the policy decisions and trade-offs the NTA makes and how well the competitive tendering process is carried out.

**Financial benefits**

2.6 The Consultation document stresses that one of the NTA's objectives and considerations is to ensure that any subsidies for the operation of public bus services provide good value for taxpayer money. Competition is an effective way to achieve value for money and keep prices and costs down.

2.7 Savings in state subsidies for bus services following the introduction of competitive tendering have been found to be between 20% and 30% of the cost of services previously provided by a monopoly public company.

Submission to the National Transport Authority 2
These estimates take account of the administrative costs of competitive
tendering. The cost savings are mainly linked to reduced wages, reduced
use of labour, and the deployment of more appropriately-sized vehicles. 2

2.8 Hensher and Wallis (2005) summarise the evidence from 10 developed
countries, covering more than 20 cities, and assess the unit cost impact
associated with competitive tendering of urban bus services. 3 The survey
suggests very substantial cost savings from initial round tenders - savings
ranging between 20% to 30% for Scandinavian countries to almost 40% in
some Australian cities. 4

2.9 Introducing competitive tendering to the Greater Dublin Area alone, could
save the Exchequer a considerable amount of money. For example, the
Exchequer provided a total of €631 million of subvention to Dublin Bus
between 2002 and 2010. 5 If we apply a 20% saving (which is at the lower
end of the spectrum of estimated cost savings), introducing competition
in the Greater Dublin Area alone could have saved the Exchequer €126
million over the period between 2002 and 2010.

2.10 Therefore, at a time when the public purse strings have to be tightened,
the potential financial gain from competitive tendering of bus services is
critical in achieving one of the NTA's objectives - value for taxpayer
money through reduced use of subsidies from the State.

2.11 The cost saving made from competitive tendering can also be shared with
public transport users in the form of lower fares. 6 Decreased bus fares is
one factor that can encourage people to use public bus services. The
National Competitiveness Council's Annual Report 2010 found that
"Dublin ranks poorly compared to other European cities in terms of ... the
proportion of people taking public transport to work". This contributes to
congestion and damages the performance of the urban centres which are
important engines of growth for our economy.

Improved quality of services and innovation

2.12 Competition also encourages business to compete for consumers through
improved choice and quality of goods and services. Where public bus
service contracts are directly awarded to semi-state companies without a
competition, as is the current case, Dublin Bus and Bus Éireann are not
incentivised to compete for customers. As a result the consumer suffers
poorer quality of service and less travel options than they would
otherwise enjoy.

2.13 The competitive tendering process could specify the frequency of service
required, the quality of bus to be provided, and so on. This will ultimately
help the NTA to achieve one of its objectives - maintaining or improving
the quality of service.

3 Unit cost is typically measured as per bus kilometre or per bus hour.
4 The cost savings vary widely and depend on pre-tendering conditions, such as the initial cost
efficiency of operators and the ownership structure. For example, competitive tendering reduced
costs by only 10% in Norway because the bus industry has improved efficiency over a long period
before competitive tendering was introduced. Terje B.J Longva, F, Fearnley, N, Oddgeirr. (2006),
"Norwegian experiences with tendered bus services".
5 Data - Dublin Bus Annual Reports.
6 CSO data (CPI monthly) shows that the real bus fares in the Greater Dublin Area have been on
an upward trend for the past ten years. There has not been one single downward adjustment in
Dublin Bus's fares since 2001.

Submission to the National Transport Authority
2.14 Buses are widely recognised as the best option for increasing public transport capacity in the short-term. Network design and scheduling of drivers and buses should be led by the needs of the passenger. Monopoly providers who are not required to tender are thereby less motivated to take the initiative to redesign a bus network to meet the needs of passengers. The Deloitte 2009 *Cost and Efficiency Review of Dublin Bus and Bus Éireann* report identified a number of areas where there are opportunities to create a simplified bus network, offering improved services with improved cost efficiency.  

2.15 Competition can lead to innovative services that meet even unrecognised consumer demands. An Irish example of this is the entry of Air Coach. Air Coach entered into the Irish bus market initially by providing express coach services to Dublin Airport through the city centre. After Air Coach successfully entered the market, Dublin Bus started to provide direct express bus services from Dublin city centre to Dublin Airport to meet its new competition. Dublin Bus either did not previously realise the public’s need to transfer directly from Dublin Airport to and from city centre or it did not respond to this demand. In any case, this example shows that competition creates external pressure for Dublin Bus to provide services that meet consumers’ needs.

2.16 An efficient and passenger-oriented bus network promotes the usage of bus services. The experience in London shows that bus usage grew by 68% per cent between 1999 and 2008 after competitive tendering was introduced, and by 2008 buses in London were carrying the highest number of passengers since 1962. Competition for public bus service contracts in Ireland would promote Ireland’s consumers’ needs and help the development of a consumer-oriented bus network. Consumers are more likely to use public transport when the bus actually goes where they want to go. This will ultimately contribute to the national objective of sustainable travel and in particular promote the use of public transport.

2.17 Monopoly service providers have little or no incentives to introduce new technology. However, firms operating in a competitive market must constantly seek for new and better technology to strengthen their market positions. Competition speeds up the creation of new and innovative services to passengers. For example, bringing in technologies such as buses with Wi-Fi services serve the consumer interest.

**Integration**

2.18 The NTA may be concerned that competitive tendering could increase the risk of fragmentation of public transport services. However, tender contracts can specify requirements, such as timetable integration, co-ordination with other modes of transport services, a single bus fare system and accepting the integrated public bus ticket. Therefore, the NTA may use competitive tendering to ensure an integrated transport system.

2.19 Competitive tendering may even contribute to better public transport integration. Entrants will have new ideas and better incentives to develop an integrated public transport system in Ireland. For example, the Luas operator may have a better idea of how to integrate bus services with Luas services. Existing local bus service providers may have a better idea

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Submission to the National Transport Authority
of how to integrate local bus services with the train services. Allowing operators other than CIE to bid for routes and suggest route changes should ultimately promote the improved integration of public bus services into the wider public transport system in Ireland and accelerate overall public transport integration.

Other potential benefits

2.20 Although the current public bus service contracts were issued by means of direct award to Dublin Bus and Bus Éireann, it is not actually clear which Dublin Bus and Bus Éireann routes are loss-making and which are profitable. The Transport Act 1964 did not require a link between the subsidy to the CIE and the unprofitable routes. This situation has not really been changed by the introduction of the Dublin Transport Act 2008 and the Transport Regulation Act 2009. The current Public Contracts are still awarded as a single grant for the provision of a large network of services, so a specific amount of subsidy is not attributed to a specific route or a specific time of day.

2.21 The current Public Contracts for bus services provide competitive advantages for Dublin Bus and Bus Éireann’s positions in the public bus services markets in the State. Facilitated by its direct grant of all PSO routes and subsidies, it is difficult for private firms to compete with CIE even on commercial routes. Competitively tendering out (subsidies for) loss-making, but socially desirable, bus services would allow for a real challenge to be made to Dublin Bus and Bus Éireann’s positions.

2.22 Competitive tendering can also facilitate the achievement of other policy goals. Frankfurt provides an interesting example of how competitive tendering can be used to achieve other social objectives. In 2006, the organising authority responsible for local public transport services (TraffiQ) tendered a 6 year contract. One of the main policy aims of the tendering process was to reduce air pollution in the city. This was achieved by stipulating that the winning tender must use environmentally-friendly vehicles.

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Submission to the National Transport Authority
3. INTRODUCING COMPETITIVE TENDERING

3.1 This section is relevant to questions 1, 2, 3, 4, 5, and 7 in the Consultation document.

Q1. How can the new public service contracts best ensure a good quality of service is provided to passengers?

Q2. How can the new public bus contracts best ensure the integration of the public bus services and the integration of these services with the wider public transport network?

Q3. How can the new contracts best ensure value for taxpayer money?

Q4. Are there benefits in introducing separate contracts for different bus market segments within the Dublin area? If so, how should such market segments be defined?

Q5. Are there benefits in introducing separate contracts for different bus market segments outside the Dublin area? If so, how should such market segments be defined?

Q7. Are there any other considerations you wish to identify or comment on, that are relevant to the new contracts for bus passenger services?

3.2 A well designed competitive tendering process limits the monopoly rent that operators can charge, prevents the emergence of a dominant national operator and ensures a minimum level of service on tendered routes. Therefore, there is a growing interest internationally in using competitive tendering to achieve maximum incentives for bus operators to compete and deliver value for money over the long term for society.

3.3 It is important to carefully design the tender process to encourage competition, both in the short and long term, to achieve the desired outcomes. Many aspects of competitive tendering can be used to foster effective competition and achieve the social and economic objectives set by the regulator. A coherent institutional framework for competitive tendering is the key to obtaining the desired benefits. There are a number of issues that need to be determined when designing the actual tender contract, such as:

(a) Network design,

(b) Access to network facilities,

(c) Type of contract,

(d) Identifying subsidised routes,

(e) Bundling of routes,

(f) Contract periods,

(g) Monitoring performance,

10 Yvrande-Billon, (2006) reveals that although there are cost savings associated with the introduction of competitive tendering in the bus sector, over time fewer bidders compete and the proportion of competitive tendering procedures with only one bid increases.
(h) Big-rigging prevention,
(i) Long term planning.

(a) Network design

3.4 Designing a bus network involves a huge amount of expertise, experience and time. The efficient public bus network is designed to achieve economic efficiency and meet the consumers’ need. One of the measures outlined by the NTA’s Transport Strategy, 2030 Vision in the public bus area is "the Authority will regularly review the network of bus services and implement modifications as appropriate.". That public authorities are responsible for designing the network is not rare, for example, both Copenhagen and London use public authorities to draw up the public transport service.11

3.5 The Department of Transport engaged Deloitte to prepare a review on Dublin Bus and Bus Éireann’s cost and efficiency in June 2008.12 The 2009 report “Cost and Efficiency Review of Dublin Bus and Bus Éireann” identified that “several areas are serviced by multiple and duplicated routes. Where services share a significant portion of a route with other bus services, the timetables are not coordinated”. If this still is the case, the potential route and/or routes for tendering could be inefficient.13

3.6 The Dublin Transport Authority Act 2008 and the Transport Regulation Act 2009 together provide the legislative basis for the contractual arrangement for the procurement of public bus transport services on a national basis. This facilitates the development of a coherent, consistent and overarching national tendering policy, which would help maximise national expertise in this area. Effective communication with local authorities on transport strategy, planning and integrated public transport, can play an important role in designing local bus networks.

3.7 The NTA could develop the network over time using competitive tendering, potentially by inviting bidders to suggest modifications to routes as part of their tender.

(b) Access to network facilities

3.8 Bus network facilities such as bus terminals, bus stops, bus depots, parking slots at the train station or airport pick up points, are required to provide public bus services. International experiences differ in the ownership of those assets, however, it is normal practice to grant non-discriminatory access to the winning bidders. In some cases, bus terminals and stops owned by the transport authorities can be rented by winning bidders. In other cases, the winning bidder has access to the relevant infrastructure and the transport authority owns and maintains those facilities.

3.9 Without a clear decision on how those facilities can be accessed by potential service providers and what the costs of using those facilities are, it is difficult to encourage potential bidders to participate in the tender.

11 Van de Velden, D.M. (2005) "The Evaluation of organisational forms in European public Transport during the last 15 years".
13 With the NTA’s approval, Dublin Bus is currently conducting the Network Direct project which is aimed to improve the network design.

Submission to the National Transport Authority
process. Even if they do put in a bid, they will be at an information disadvantage to CIÉ. No matter who owns the bus network facilities, winning firms should have non-discriminatory access to them. The costs of using those facilities should be fair, reasonable, transparent and non-discriminatory.14

3.10 To ensure all winning bidders have fair access to network facilities, the NTA may want to (i) publish detailed terms and conditions for winning bidders to access the relevant network facilities and (ii) outline clearly in each contract what are the relevant network facilities associated with each contract.15

3.11 It is expected that all bus service providers should be able to accept the integrated ticket, or pre-paid tickets. There should be only one fare system among all operators, i.e., consumers should not need to figure out which ticket or price applies to which operator. Competition will be a lot less efficient if some winning companies cannot accept the Leap card or pre-paid tickets.16

(c) Type of contract

3.12 In light of Ireland's current financial constraints, it is clear that our public bus services cannot afford a beauty contest type of tendering, i.e., firms bid on the best services they can offer for a certain route and/or bundle of routes and the NTA pays for it. It rather should be an auction for the provision of a given route and/or bundle of routes with a service level agreement attached.

3.13 Which type of contracts is more suitable for Ireland depends on the NTA's policy objectives. Among different types of public bus contracts, the two main types of contracts are

(a) the Gross Cost Contract (cost-based), and
(b) the Net Cost Contract (subsidy-based).

3.14 Gross Cost Contracts are the most commonly used, especially when the authority’s main objective is to minimise the cost of running the services. The Gross Cost Contract is where the operators tender on the basis of all the costs required to operate the specified service - including vehicle, staff and overhead costs - and the authorities retain the fares revenue.17 When competitive tendering is further developed, some transport authorities uses Gross Cost Contracts plus incentives to encourage improved usage, quality and/or environmental standards. For example, quality incentives can be measured and paid on the basis of monitoring punctuality and customer perception of the service.

3.15 If the authority would like to minimise the subsidy, it may decide to use Net Cost Contracts. Under a Net Cost Contract, the operators tender on the basis of all the costs required to operate the specified service -

14 See Competition Commission UK (2011) “Local bus services market investigation, a report on the supply of local bus services in the UK”.
15 The Competition Commission UK (2011) “Local bus services market investigation, a report on the supply of local bus services in the UK” provides a few remedies to enable operators to have fair access to bus stations, those remedies focused on how to resolve disputes regarding access to bus stops.
16 Access to loyalty schemes or travel-agent incentive schemes is also important for effective competition. OECD DAFFE/CLP (2001)10.
17 It is also known as the cost-based or minimum-cost contract.
Including vehicle, staff and overhead costs - and then keep all the fare revenue from operating the specified service. Thus a Net Cost Contract transfers the financial risk to the operators. The current Public Bus Contracts in Ireland are more similar to the Net Cost Contracts plus incentives (to encourage improved usage, quality and/or environmental standards), but without a competitive procedure, i.e., the contracts are directly awarded to CIE.

3.16 Before competitive tendering was introduced in Sweden in 1989, bus services were provided by public companies. When introducing competitive tendering, Stockholm used Gross Cost Contracts plus quality incentives, where the winning bidder could gain or lose up to 23% of the contract price. This is a substantial incentive for the operators to improve the quality of the service. An early example of a tendered contract in Sweden is Sundsvall. The Sundsvall example is a pure Net Cost Contract without additional quality incentives, but there were specific incentives to achieve a 2% passenger increase included in the contract.

3.17 In preparation for the introduction of competitive tendering, London Buses Limited was divided up geographically into 13 subsidiary companies in 1985. The subsidiaries competed with private bus companies for tendered contracts. The winning companies were funded by a 'block grant' agreement to cover the cost of those services. Government policy at the time was to transfer risk to the private sector, so it was decided that these 'block grant' agreements should be on a net cost basis. This shifted the revenue risk to the operators and gave them the incentive to generate more revenue by increasing the quality of the service provided.

(d) Identifying subsidised routes

3.18 In order for a meaningful tender to take place, the NTA has to know which routes are potentially loss-making and which are potentially profitable. The current Public Contracts are awarded as a single grant for the provision of a network of services, and a specific amount of the subsidy is not attributed to a specific route or a specific time of day. For example, Dublin Bus does not provide separate accounts for subsidised routes and profitable routes. It is claimed by private operators that some of the routes covered by the Public Contracts can be made profitable.

3.19 It appears that the NTA does not yet have such information. Without information on how profitable/unprofitable a current route is, it is difficult to know if it is possible for competing operators to run the same route with a lower subsidy or none at all. It is even more difficult to make decisions such as: whether the authority should bundle a non-profitable route with a profitable routes, whether to tender the loss-making part/period of a particular route, or to reduce the services during the loss-making period of a particular route.20

3.20 Therefore, the information on which routes are loss-making is important for designing the tendered route and/or routes. It cannot be taken for granted that a route currently receiving a subsidy will require one in the future. Ultimately, transparency of such information can lower the

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20 It is also known as the subsidy-based or the minimum-subsidy contract.
21 These net cost contracts were initially not subject to competition as the routes were allocated to each subsidiary and the terms of the contracts were agreed by negotiation. The length of these contracts varied, to give each company a reasonable forward order book and to allow the network to be tendered over a reasonable timescale.
22 Sometimes a route can be un-profitable during a particular time of the day.
barriers for private operators to tender and increase competition in the relevant market.

(e) Bundling of routes

3.21 Designing routes and/or bundles of routes involves a huge amount of expertise and it takes time to learn how best to achieve economic efficiency and attract more bidders. Whatever routes and/or bundles of routes are decided during the 2014 tender process will have implications for competitive tendering in the years to follow.

3.22 As already mentioned above, in preparation for the introduction of competitive tendering of PSO bus services, the NTA may need to work out two important aspects of the bus network:

(i) designing a bus network that meets the consumers' need, and

(ii) identifying which routes are PSO routes and which are not.

3.23 Routes can be tendered individually or together as a pre-packaged bundle. Routes are generally tendered individually in London, but often at the same time as other routes in the same area to facilitate service changes.\(^2\) The routes tendered within one auction are usually in the same area of London.\(^3\) An auction covers on average 3.77 routes, though the range goes from one route to 21 routes in a single auction. It is a continuing programme of tendering with 15% to 20% of the network up for tender each year.

3.24 It is very common for more than one contract to be issued in a tender and for bundled bids to be allowed. Bundled contracts can usually allow some efficiencies in operation, or support investment in vehicles and facilities. For example, bundled routes can allow operators to use vehicles efficiently across different contracts. However, smaller operators may not have the capacity to compete for large contracts.\(^4\) In the early years of competitive tendering, the routes for tender may be designed so that they only require a small number of vehicles to operate, thereby allowing small companies to compete.

(f) Contract Periods

3.25 The contract period is an important aspect of competitive tendering. The current Public Contracts for bus service are five years. The bidders need a sufficient period of operation to get a return on their investments. The initial investment can be a considerable financial constraint. A new entrant may be less likely to invest in a new service if the duration of the contract is not long enough to yield an adequate financial return.

3.26 The average length of contract in the sample analysed by the Competition Commission UK 2011 report "Local bus services market investigation" was 4.2 years, while individual contract length varied from 18 months to

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\(^2\) For example, if the authority wants to modify one route in this area, it may affect other routes in the same area.

\(^3\) Estelle Cantillon and Martin Pesendorfer (2004), "Auctioning Bus Routes: The London Experience".

\(^4\) The Competition Commission UK (2011) "Local bus services market investigation, a report on the supply of local bus services in the UK" did not draw any conclusion on whether the use of bundled contracts increases or decreases competition for tenders.
seven years. The report concludes that longer contract duration significantly increases the number of bids and results in lower cost.

(g) Monitoring Performance

3.27 Clear contracting terms and monitoring schemes for evaluating the performance delivered in exchange for public funds is vital during the process of competitive tendering. During competitive tendering in London, comprehensive quality measurements are used across all aspects of delivery.

3.28 It is important that the NTA is active in identifying insufficient performance where it occurs, and active in applying effective sanctions. This is vital to secure the NTA’s credibility and the effectiveness of the contracts. Bonus payments for good performance and fines for bad performance are usual in service contracting in other industries. Where performance indicators are not met, the NTA can build into the contract the ability to:

- Impose fines,
- Withhold part of the subsidy,
- Arrange for compensation,
- Deny extension/renewal option.

(h) Bid-rigging prevention

3.29 Poor design of competitive tendering can facilitate cartels. Cartels are the most serious form of anti-competitive behaviour. They are illegal and typically involve secretive and collusive behaviour among firms which would otherwise compete with each other. Collusive tendering involves competitors agreeing on who will win a tender. It occurs when two or more firms agree not to bid against one another for a tender or contract. This means that the winning tender price will be too high. It deprives consumers and the Exchequer of the benefits of competition, enabling businesses to earn higher profits for less effort.

3.30 The Competition Authority is willing to provide any assistance or input which might be useful from a competition perspective, in drawing up the terms of the tendering process and assist the NTA to minimise the potential for cartels. In general, to help prevent competitors from knowing who to contact amongst potential competitors, the identity of proposed bidders should not be disclosed. The NTA may also consider not disclosing a contract estimate so that bidders do not have an incentive to use that estimate as a floor for their tenders.

(l) Long term planning

3.31 Given the 2014 deadline and the complexities of the tender process, the NTA may decide to proceed with competitive tendering in stages, e.g., at the beginning tendering out only a percentage of the routes covered by the Public Contracts.

34 The Competition Authority had produced a guide for public procurers, “The Detection and Prevention of Collusive Tendering”.

Submission to the National Transport Authority
3.32 The systems of tendering public bus services in London were not
devolved overnight, there were key milestones. This graduated approach
may serve as a useful model for the NTA when introducing competitive
tendering for Public Contracts.

- London Transport operated nearly all the bus services in London
  via its wholly owned subsidiary London Buses Limited ("LBL") up to
  1985.
- In 1985, LBL was divided up geographically into 13 subsidiary
  companies.
- The subsidiaries competed with private bus companies for
tendered contracts.
- In 1994, LBL subsidiaries were privatised, either through
  management buyouts or through sales to larger bus operators
  from outside London.
- In 2001, Quality Incentive Contracts were introduced to replace
  Net and Gross cost contracts as routes were tendered.25

3.33 The steps that the NTA takes now, will have strong implications for the
future market structure of public transport in Ireland. It is crucial that the
competitive tendering process is designed to maximise competition.
For example, were the NTA to tender out part of the Public Contract in
2014, it may want to inform the industry that all routes covered by the
Public Contracts would be subject to competitive tendering gradually, and
within a particular timeframe. This would encourage more bidders to
participate in the auction and to get involved in the Irish public bus
transport market as early as possible.

3.34 The Competition Commission UK 2011 report "Local bus services market
investigation, a report on the supply of local bus services in the UK" found
that competition in the market for the tendering of subsidised local bus
services may be restricted or distorted where the number of operators
bidding for tender contract is limited.26 Economic literature also reveals
that, over time, fewer bidders compete and the proportion of competitive
tendering procedures with only one bid increases.27 Inadequate service
specification, effective collusion (cartels) by the leading operators during
the tendering process, and poor ex-post control on contract execution can
lead to fewer and fewer bidders over time.

3.35 Overall, it is inevitable that introducing competitive tendering is a very
complex procedure and cannot be done overnight. The key element for
the NTA before designing the actual tender is to set out its policy
objectives, such as whether to minimise subsidies or to minimise cost.
While designing the competitive tender, the NTA should make sure that

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25 London uses gross cost contracts for 700 bus contracts in London, one for each line. These contracts include additional production incentives or penalties based on a "Quality Incentive Contract". Operators are able to earn 15% of the contract price in bonus payments and penalty payments can be 10%.
26 Also in Brazil a large number of small operators in the informal transport sector has been replaced by a few larger operators after adjusting for new regulatory requirements, such as minimum vehicle and labour standards and operator accreditation. David A. Hensher and Ian P. Walls (2005), "Competitive Tendering as a Contracting Mechanism for Subsidising Transport".
27 Yvrande-Billon (2006) "The attribution process of delegation contracts in the French urban public transport sector: Why competitive tendering is a Myth"
competitive tendering would neither limit the number of potential bidders nor the intensity with which operators compete for these tenders.
SUBMISSION 48
Submission to the Public Consultation on 2014 Public Bus Service Contracts

Contents

Foreword .........................................................................................................................................1
Competitive Tendering ......................................................................................................................3
Competitive Tendering in Ireland .....................................................................................................3
The Advantages of a Modern and Integrated Bus Service .................................................................4
Conclusion .......................................................................................................................................4
Recommendations .............................................................................................................................5

Foreword

Chambers Ireland believes an efficient and reliable public transport system is essential for businesses, their staff and their customers. We see a more competitive system as the best means to achieve this end. The National Transport Authority recognises that the bus is the most important form of public transport in Ireland today with 220 million passenger trips every year. Currently, these services are provided by Bus Éireann and Dublin Bus, along with licensed commercial operators who have been awarded contracts.

The Department of Transport, Tourism and Sport’s Smarter Travel Policy1 makes it clear that a sustainable and integrated transport system remains one of its high level goals.

Investment in transport is essential to ensure an efficient and successful economy and continued economic and social development.

1 http://www.transport.ie/transport/Sustainable/Index.asp?lang=ENG&loc=1913
This policy makes it clear that societal demands for evermore private car travel are simply not sustainable. It would result in a number of negative consequences: further congestion; increased air pollution; a rise in sedentary lifestyles; and advances in global warming.

In this context, the Government makes a number of key recommendations:

1. Improve quality of life and accessibility to transport for all and, in particular, for people with reduced mobility and those who may experience isolation due to lack of transport.

2. Improve economic competitiveness through maximising the efficiency of the transport system and alleviating congestion and infrastructural bottlenecks.

3. Reduce overall travel demand and commuting distances travelled by the private car.

These recommendations are significant as the current Government begins to consider the issue of public bus service contracts as we approach 2014.

Chambers Ireland is the country’s largest business organisation, with 50 member chambers representing businesses throughout Ireland. Our national remit is to support and develop the economic and social environment of Ireland’s communities in order to make it them a better place in which to live, work and do business. We believe that the principle of increased competition as a means to deliver this is good for businesses and communities. This should be the strategic direction of the NTA as it would lead to sustainable development and support economic growth.

Any decision taken by the Government on public bus service contracts must consider a number of stakeholders: businesses who rely on public transport for their customers; the users of public transport; the members of society who benefit from an improved transport system and a cleaner, greener society; and the companies competing for tender.

Any process of competitive tendering must be done in a way that maximises the potential for competition while also ensuring the existence of a core network of bus routes needed to facilitate business, staff and customers.
Competitive Tendering

Following the Road Transport Act (1985) in the UK, there was a move from public to private monopolies of public transport services. These failed to produce the desired cost savings: monopolies inherently lead to increased costs, whether they are public or private.

The benefits of an integrated ticketing system are often used to justify a monopoly system. Policy makers suggest it is important that ticketing and fares are standardised and coordinated to increase user numbers. However, competitive tendering allows for these advantages without the need for public ownership:
- Control over systems and structures remains in the hands of a strong transport agency;
- Fares can be decided by this agency;
- Contracts are awarded to companies for fixed time periods, which can be rescinded if the companies fail to facilitate integrated systems; and
- Contracts are awarded to companies, public or private, that best demonstrate the ability to provide this type of service.²

The creation of Transport for Ireland and the introduction of the ‘Leap’ card show that this is possible in Ireland. The structures that could lead to such a system are already in place to some degree.

These ideas are supported by examples from London, Copenhagen and Stockholm.

Competitive Tendering in Ireland

Any process of competitive tendering must be done in a way that maximises the potential for competition while also ensuring the existence of a core network of bus routes needed to facilitate business, workers and commuters. Many private providers of bus services in Ireland are not large enough, and do not have an adequate fleet, to tender for large contracts. For this reason competitive tendering must be done in a phased manner and should be focused initially on clearly defined service areas.

Therefore, Chambers Ireland recommends that the objective of the tendering process should be to build private sector capacity through the private sector delivering where the current transport provision is poor. For example within Dublin, this would allow for much greater competition on orbital routes before identifying the most appropriate radial routes. This would facilitate the phasing necessary to ensure the process remains fair and competitive.

This would be supervised and regulated by the NTA through existing powers, which would guarantee minimum standards and fares for travellers. This could benefit particularly as it could leverage off integrated ticketing.

However, for such a system to succeed the public must be aware of it, and be encouraged to take advantage of it. Currently the ‘Leap’ card has had a relatively low take up rate compared to similar schemes such as the oyster card in London. Much more must be done by Transport for Ireland to make the Leap card more attractive, with increased savings and increased flexibility being two options. It is important that the Leap card becomes the norm for travellers and commuters in Dublin and ultimately around Ireland.

The Advantages of a Modern and Integrated Bus Service

The bus is a mode of transport that many people take for granted. People rarely think about the service being provided unless it goes wrong. However, there are many clear advantages of an efficient bus service, and reasons to ensure Dublin and Ireland have a service fit for the 21st Century.

1. Buses ought to be an essential means of travel for all social groups.
2. Staff rely on an efficient bus service for travel to work.
3. Employers would struggle to recruit and retain staff without a reliable bus service.
4. The tourism sector relies on a quality bus service. Rural routes are as important as the major intercity network.
5. After walking, bus travel is the most common form of transport to and from school.
6. Bus providers are a major source of employment.

Conclusion

Ireland needs a modern bus service that will meet the needs of travellers, commuters, employers, the business community and the taxpayer. It is important that bus travel becomes a norm for all members of society. This will only be achieved with an efficient, reliable and integrated service. When the National Transport Authority comes to award new contracts in 2014 they must consider whether a new system moves towards full deregulation as was the case in many metropolitan areas in the UK, or a regulated system of franchises and private companies as was the case in London. It would appear that the latter option produces the greater efficiencies and the better service.
Recommendations

1. A system based on competitive tendering would lead to increased efficiencies, better performance and higher levels of customer satisfaction. Any process of competitive tendering must be done in a way that maximises the potential for competition while also ensuring the existence of a core network of bus routes needed to facilitate business, workers and commuters.

2. The Leap card should overtime and in accordance with current plans be developed to include both travel beyond the Dublin metropolitan area and to be fully interoperable. This would create convenience for all travellers and could have knock on benefits for business, especially the tourism sector. As we move towards a more integrated bus service it will be important that the NTA and Transport for Ireland have clearly defined roles and functions. This will be especially important as integration begins to take place across road, rail and tram services.

3. As an organisation that represents the interests of SMEs in rural areas, we urge the NTA to award licenses to companies who promise to fulfil their public service obligations. Rural dwellers must have access to public transport in order to support local businesses. Furthermore, the provision of services in non-mainstream routes is essential to maintain healthy communities and reduce levels of social exclusion.

4. The process by which licenses are distributed must be open and transparent. The public must have full confidence that the NTA is acting objectively to produce the best possible bus services throughout Ireland.
SUBMISSION 49
Engineers Ireland West Region

Submission on

National Transport Authority's

Public Consultation on 2014 Bus Public Service Contracts

July 2012
Engineers Ireland West Region

Submission on National Transport Authority's

Public Consultation on 2014 Bus Public Service Contracts

Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction to Engineers Ireland</td>
<td>3</td>
</tr>
<tr>
<td>2. Engineering the West Region to 2020 – Reinventing our Region</td>
<td>4</td>
</tr>
<tr>
<td>3. Submission from Engineers Ireland West Region</td>
<td>6</td>
</tr>
<tr>
<td>Appendix A – Members of the Engineering the West Team</td>
<td>8</td>
</tr>
<tr>
<td>References</td>
<td>9</td>
</tr>
</tbody>
</table>
1. Introduction to Engineers Ireland

Engineers Ireland is the operating name of the Institution of Engineers of Ireland which was founded in 1835. It is the largest professional body in Ireland with a membership of over 24,000 members from all engineering disciplines who are employed in both the private and the public sector. Its primary role is to be the representative voice of the engineering profession in Ireland.

It is organised on both a divisional and regional basis. Engineers Ireland West Region represents 2,300 members located in the counties of Galway, Mayo and Roscommon.

As engineers our work impacts on the quality of life of every individual in such diverse ways as:

- generation and distribution of electrical power,
- design of renewable energy generators
- exploration for and production of oil and gas
- design and construction of motorways,
- design and construction of piers and harbours
- design of public transport facilities,
- design and construction of hospitals and schools,
- provision of potable drinking water,
- design and manufacture of stents, artificial joints, prostheses, advanced surgical robotics, diagnostic and life support equipment,
- design of software solutions,
- design of Information and Communication Technologies
- production of pharmaceuticals,
- providing third level education, research and innovation.

Engineers also play an important role in mitigating the negative anthropogenic impacts on the environment by:

- the design of waste water treatment plants,
- the design of systems for the treatment of emissions to air which have the potential to cause air pollution,
- the design of recycling equipment and facilities,
- the development of renewable energy technologies.

Engineers are playing their part in the development of technologies to enable us to harness the tremendous ocean resources identified in the Our Ocean Wealth document, whether that is piers and harbours to service sea transport, tourism and leisure activities or sea fisheries and mariculture, offshore wind turbines and ocean energy devices in the hostile marine environment of the North Atlantic or communications technologies to facilitate wireless connection of monitoring buoys to enable real-time monitoring of water quality in Ireland’s bays and estuaries.
2. Engineering the West Region to 2020 – Reinventing our Region

For a considerable period of time, Engineers Ireland West Region has had a strong focus on its contribution to the development and sustained growth of the West of Ireland. Motivated by this ambition, a body of work was commissioned in which there was a critical assessment of the Region in terms of its resources and the enormous potential that exists. This work has led to the publication of a Report in May, 2011 entitled “Engineering the West to 2020 – Reinventing our Region”.

Our vision is to foster the growth of

An agile and sustainable West Region, benefiting from world class industrial clusters, a vibrant economy and our rich natural and cultural heritage.

The Report, through a series of key recommendations, spells out how this vision can be achieved. This will enable Engineers Ireland West Region to identify, promote and support all those activities necessary to realise that vision and advise and support local and central government and the development agencies in their work towards achieving the potential of the West Region. Given the current pressure on public finances it is more important than ever that the scarce resources are invested in the right projects at the right time so as to have the maximum positive impact on the sustainable development of the West Region.

The report recommends the adoption of a sustainability framework based on the ten One Planet Living principles. One Planet Living is a sustainability framework that was developed by BioRegional and the World Wide Fund for Nature (WWF) to enable people and organisations to live and work within a fair share of our planet’s resources.

The basic concept behind One Planet Living is to encourage people to live within an ecological footprint that can be supported by the planet. At present if everybody in the world had the same ecological footprint as the inhabitants of Europe, three planets would be needed to support the global population.

The core of the framework is the use of ten guiding principles to help individuals and organisations to examine the sustainability challenges that they face, and to develop appropriate solutions. The ten guiding principles which One Planet Living uses are outlined and briefly explained below:

- **Zero Carbon**: Making buildings more energy efficient and delivering all energy with renewable technologies.
- **Zero Waste**: Reducing waste, reusing where possible, and ultimately sending zero waste to landfill.
- **Sustainable Transport**: Encouraging low carbon modes of transport to reduce emissions, reducing the need to travel.
- **Sustainable Materials**: Using sustainable healthy products, with low embodied energy, sourced locally, made from renewable or waste resources.
Local and Sustainable Food: Choosing low impact, local, seasonal and organic diets and reducing food waste.

Sustainable Water: Using water more efficiently in buildings and in the products we buy; tackling local flooding and water course pollution.

Land Use and Wildlife: Protecting and restoring biodiversity and natural habitats through appropriate land use and integration into the built environment.

Culture and Heritage: Reviving local identity and wisdom; supporting and participating in the arts.

Equity and Local Economy: Creating bioregional economies that support fair employment, inclusive communities and international fair trade.

Health and Happiness: Encouraging active, sociable, meaningful lives to promote good health and well-being.

Our comments in the following sections are informed by the "Engineering the West to 2020 - Reinventing our Region" report and the key recommendations therein. The full report and a summary of the report, the Executive Report, is available from www.irelandwest2020.org under the Reinventing our Region tab.

The relevant key recommendations in the Sustainable Transport section of our report are;

Continue to pursue with urgency and determination, within the West Region, the 5 key goals on which the "Smarter Travel" policy is based.

All new developments, industrial, commercial and housing, must be located and designed so as to facilitate public transport services.

Develop a state-of-the-art integrated transport hub at Ceannt Station including both a rail terminus and a Bus Éireann terminus.

The relevant key recommendations in the Equity and Local Economy section of our report are;

Invest in health, education, transport and communication infrastructure, to enable the development of a world-class environment for local residents and industry.

Promote a culture of agility, preparedness and innovation for new opportunities so that the Region can respond rapidly when required.

The relevant key recommendations in the Health and Happiness section of our report are;

Support healthy lifestyles through design of our built environment, promotion of sport and recreation activities.

Happiness for the inhabitants in our Region is the ultimate objective and desired outcome from the implementation of the recommendations of this Report.
3. Submission from Engineers Ireland West Region

Recently Engineers Ireland West Region participated in an Advisory Group that worked with the Mayor of Galway to look at some of the key traffic issues in Galway. In the period November 2011 to February 2012, the Advisory Group engaged the citizens of Galway through a series of surveys that included online and direct face to face surveys. The key objective was to identify a range of implementable short term measures that would help alleviate the traffic problems in the city. A significant feature of the survey process was the use of the international best practice in online surveying and website technologies. This contributed to the very good engagement from the public and in total 1,300 responses were received.

There were a number of separate elements to the public consultation phase and this process was greatly enabled through an interactive website. The different elements were:

- Completed online surveys
- Comments posted to the website
- Participation in an online discussion forum
- Direct e-mail of comments and suggestions
- On street surveys of the public
- School transport survey.

Following a detailed assessment of the inputs, the submissions were categorised under a number of key themes. Probably the most significant of these was public transport and it was good to see that there is a strong desire for an enhanced public transport system in Galway. This attracted a considerable amount of attention. There was a strong demand for a much better public transport system and there were many considered comments in relation to the existing system. It was particularly interesting that the suggestions in the surveys were not car dominated. This indicated the readiness among the public to consider a modal shift away from cars and towards more sustainable forms of transport and it indicated that the public are willing to use public transport (the bus in particular) if they are guaranteed a reliable service with appropriate frequency. For example in Galway, the fact that 1,000,000 passengers were carried on Route 409 (Eyre Square to Parkmore) in 2010 proves that a reliable, frequent service is attractive to the public. The use of bus lanes along part of its route helps to ensure predictability, reliability and short journey times and the 15 minute frequency means that even if one misses one particular departure the most one will have to wait for the next bus is 15 minutes. The number of passengers carried on this route was twice what was carried on the next busiest route, Route 405 and five times what was carried on the least used routes, Route 404 and 407.
The Advisory Group were pleased to note the plans to implement Real Time Passenger Information later in 2012. This will make the service more attractive to the public as predictability and reliability are key factors in a successful public transport system. Many people do not use the buses, as due to their own experiences, they have found the service to be unpredictable and unreliable. The lack of certainty about bus arrivals at bus stops and the lack of Real Time Passenger Information is a major deterrent to potential users of the service who want reasonable certainty when making their travel plans. Dublin Bus has developed apps for iPhones and Android smart phones which were launched in July and December 2011 respectively. The iPhone app won the Best Travel and Tourism App at the second annual Appy awards ceremony in November 2011. The apps are free and include Real Time Passenger Information for all 5,000 bus stops in the Dublin Bus network, a Route Planner, Route Timetables and News Items. Users can check the actual arrival time of the next bus at any of the 5,000 stops or plan their journey from a choice of bus stops near them to a bus stop near their destination.

Another significant finding related to the important role of consultation with the public such as in the development of bus routes. It is clear that the public would welcome involvement in this process. This greater engagement enhances the likelihood that there will be greater take-up of a particular route. There is also the likelihood that better routes will be identified as a result of the consultation.

In summary, the Advisory Group made three key recommendations in relation to public transport and these were:

1. The success of Route 409, serving Parkmore with a 15 minute frequency, is indicative of the type of service that the public want and will use in increasing numbers. Use this as a model for other routes.

2. Develop apps for iPhones and Android smartphones to provide Real Time Information, Route Planning, Timetables and Service News for bus services in the city and serving the city similar to those developed by Dublin Bus.

3. Engage in public consultation on each bus route, using eParticipation, to give the public the opportunity to design routes that best suit their needs.
Appendix A – Engineering the West Team

The following are the members of the Engineering the West Team, a sub-committee of Engineers Ireland West Region, which prepared this submission;

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References

One Planet Living® is an initiative based on 10 guiding principles of sustainability developed by BioRegional and WWF

http://www.oneplanetvision.org/one-planet-living/opl-framework/