

NTA Consultation to Directly Award a Public Service Contract to Dublin

Dublin Bus Response 11th October 2013

Introduction

Dublin Bus welcomes the proposal by the NTA to award the Direct Award Contract to Dublin Bus from 2014, and for 90% of the contract to be awarded until 2019.

This document will demonstrate that Dublin Bus is an efficient, progressive, performing and delivering urban transport operator. The position that Dublin Bus outlines in Section 1 is that the case for awarding a direct award contract for 100% of the current PSO network to Dublin Bus is strong.

Publicly owned urban transport systems do operate successfully across Europe and can continue to do so within EU regulations. There is no legal requirement for the NTA to put a percentage of the network to tender given the strong performance of the direct award contract. Other points raised include the following:

- The proposal to tender using gross cost contracts carries risks to quality and flexibility.
- There is a history of below cost bids by large multi-national companies to clear out the markets of incumbents and small local operators
- The means by which Dublin Bus will 'downsize' must be dealt with
- It is well established that the PSO subvention required by Dublin Bus is low in international terms
- The redistribution of buses to tendered operators should not result in the average fleet age of Direct Award Contract buses being reduced
- Dublin Bus performed well in terms of contract performance since 2009.

Dublin Bus and NTA must agree a sound and financially robust direct award contract where reasonable profits are possible as permitted under EU regulations.

Section 1

Performance of Dublin Bus

1.1 Background and Context

Dublin Bus offers a comprehensive PSO service to Dublin and surrounding areas. Dublin Bus plans, in conjunction with NTA and other transport agencies, the strategic network decisions. Dublin Bus manages the resulting network across a range of functions: Marketing, Sales, Customer Relations, Ticketing, Bus Stops and Shelters and Information. Finally, Dublin Bus operates almost 900 buses out of 7 depots, under the supervision of a bus central control, which delivers the bus service to the capital city.

What Dublin Bus provides is a service that can adapt to changing economic circumstances. In the years 2000 to 2008, economic growth required Government policy to introduce additional buses and capacity into Dublin, while at the same time, being flexible for rail and Luas projects. Dublin Bus provided answered this requirement and in a short space of time, provided the necessary fleet and facilities required by Government. As the economic situation changes, so too did Government policy and scaling back of bus services was required. The public service contracts between Dublin Bus and the NTA permitted these changes which were carried out seamlessly.

Since December 2009, Dublin Bus has operated the public service obligation (PSO) services across the Dublin region under a Public Service Contract (PSC) with the NTA. The PSC requires the annual submission of a plan specifying levels of services to be operated and the production of four quarterly reports outlining the actual performance levels versus target. Performance targets have been increasing in line with increasing customer expectations and quality demands. Dublin Bus has complied with all the PSC requirements as requested by the NTA and produced the reports and quarterly reports within agreed timeframes with backup and support documentation as requested. Quarterly reports are available on the NTA website.

During most of the period of this PSC, a severe economic downturn has taken place in Ireland and extreme pressures on costs and revenues have been exerted. To offset the effects of this downturn, and to ensure that the best possible service is available to bus customers, Dublin Bus has implemented a range of significant cost saving measures and the Network Direct project which not only saves of the order of €60 million per annum in costs, but results in a more streamlined, customer orientated service providing a strong platform to grow services into the future. The amended bus routes have fully exploited the changed traffic environment, QBC's, the City Centre Bus Gate and reduced traffic levels generally.

As part of the efforts to reduce costs, Dublin Bus implemented a major cost reduction plan across the organisation which has impacts on premium rates of pay, work practices and rosters. While six out of seven grades have accepted the changes, a mediation process is currently taking place among the driver grade after a three day dispute in August 2013.

The Company is now close to financial breakeven after subvention, having dealt with revenue loss due to recession of €50M per annum and reduced subvention and increased taxes amounting to €35M per annum.

1.2 Customer Driven

Dublin Bus services carry over 115 million customers per annum and every facet of the organisation involves interaction, involvement and input from customers. A key interaction is the bus driver customer interaction and Dublin Bus expends considerable time and energy working to enhance this relationship. Drivers receive 2 days annual training to ensure the customer has a safe, comfortable journey and regular monitoring takes place by supervisors to ensure high standards are maintained.

While safety, customer service and value for money are all key requirements for customers, the two service aspects of service quality which customers repeatedly rate highest are reliability and punctuality. Reliability is a reference to the bus operating its stated timetable journey, while punctuality means the stated departure operated on time.

Dublin Bus has put considerable energy into increasing performance in these two areas. The Automatic Vehicle Location (AVL) system gives very obvious prompts to the route controller if/when a bus does not depart on time and unless regulated by the controller to do otherwise, immediate action is taken. Dublin Bus services achieve punctuality levels greater than 96%, which is high given the variable traffic environment under which the services operate.

Reliability, the other critical element of service provision for customers, requires both the driver and vehicle being available to operate the service. As will be outlined later, over 99% of buses are in service and the corresponding level of journey reliability is over 96.5%.

To assist with increasing reliability and punctuality, Dublin Bus reorganised the controlling of bus routes with the introduction of the new AVL system. AVL was a major project that was installed seamlessly by Dublin Bus in a short timescale, and is now central to almost every decision taken in regard to the operation of the bus service. All buses are satellite tracked and buses which are not at their correct position are regulated as necessary to provide the best possible service.

AVL allowed the introduction of Real Time Passenger Information (RTPI) for customers. RTPI informs customers when the bus is due at any particular bus stop. Dublin Bus is now one of

the first cities to have 100% of bus stops covered by RTPI on smartphone applications (iPhone and Android), on Website and by SMS texting. In addition, and with the assistance of the Local Authorities, almost 10% of our 5,000 bus stops have an RTPI unit at the stop. Dublin is ahead of major cities like London and New York in regard to RTPI. The accuracy levels of the RTPI system in Dublin, is independently measured and the May 2013 report showed accuracy to be 96% which the NTA deem to be exceptionally high in global terms.

Customers are increasingly turning to web based formats for bus route and time information and Dublin Bus provides a customer friendly website for all their key searches, which includes RTPI, timetables, bus route maps, bus stops and fares/ticketing. More recently, Dublin Bus has been an innovator among bus companies with regard to becoming active in social media with Twitter and Facebook.

To help us strive for continuous customer service improvements, Dublin Bus are now certified by NSAI for reporting public service contract requirements. An on-going and iterative process in to place to seek areas for improvements and avoid re-occurrences of where standards are deemed to below that required.

Finally, Dublin Bus has a fully staffed Customer Comment Desk which has opening hours to suit customers and can deal with issues ranging from a simple timetable request, to requests about current location of their bus to reporting formal complaints. Dublin Bus opens the Customer Comment Desk at other periods when there is demand for information: for example the Customer Comment Desk opens when there are parades, races or other city events which results in disruption to bus customers while buses are diverted or delayed.

Dublin Bus is currently reviewing our whole customer experience with a view to identifying further actions and developments to improve our performance.

1.3 Network Direct - The Ability to Adapt

In late 2009, Dublin Bus took a far reaching decision to launch Network Direct, a programme of changes to bus services which would gradually reshape not alone the bus network in Dublin, but all the attributes associated with bus travel in the capital. Network Direct was overseen by a Steering Group made up of a Dublin Bus Board member, Dublin Bus CEO, Industry Experts and a Network Direct Project Manager.

Ticketing and CSO data was used to aid plotting 'origin-destination' profiles of commuters and this allowed the creation of a revised bus network that best suited travel patterns.

In parallel with the re-shaped bus network, Dublin Bus also re-examined what bus customers wanted from timetables and what transpired was that simple and easy to understand timetables best suited their requirements. With these in mind, and with the assistance of the NTA, the first phase of Network Direct was launched in September 2010.

Multi branched bus routes with many termini were replaced by single straight routes which now operated at clockface times; for example every 10 minutes until 19:00 and every 15 minutes until 23:30.

The results from Network Direct were encouraging and, despite the economic downturn, customer carryings remain strong in areas where Network Direct have taken place. Because routes are simpler, and timetables are easier to understand, the provision of a punctual and reliable service is facilitated.

The Network Direct project rolled in tandem with the provision of Real Time Passenger Information to customers. RTPI is now available at every bus stop using web, smartphones and SMS text and 500 of the busiest bus stops in the city have on-street RTPI signs. Where bus frequencies were reduced as a result of Network Direct, RTPI allowed customers to go to a bus stop knowing the arrival time of the bus; this reduces customers average wait time.

Network Direct resulted in cost savings to the Exchequer as a result of the introduction of major efficiencies. More importantly, Network Direct has also given the people of Dublin a bus service that better suits their travel requirements and the routings are now simpler to understand and timetabling is easier to read.

Dublin Bus has shown that it can adapt to increases in demand as the economy expands, and can equally contract in line with reduced economic activity.

When the economic recession took hold, Dublin Bus reacted positively and effectively by better matching supply to the changed customer demands through Network Direct. This not only brought levels of service to where they were required, but introduced improvements in the process. Network Direct was achieved with the full support of all employees within Dublin Bus and during the changeover process, all services continued to operate at all times.

1.4 Summary Achievements of Network Direct

The table below demonstrates the progress on the Network Direct project from 2010 to September 2013. Note that while there are less buses, drivers and routes, the level of kilometres per bus is now 10% higher than it was pre Network Direct, demonstrating major improvements in asset utilisation and efficiency. This was achieved in the context of reducing PSO payments.

Network Direct Service Changes				
	Pre Network Direct	September 2013	Change	Percentage
Peak Vehicle Requirement	994	778	-216	-22%
Total fleet	1117	870	-247	-22%
Route Numbers	171	111	-60	-35%
Staff Numbers	3891	3180	-711	-18%
Annual Kilometres (million)	66.8	57.0	-9.8	-15%
RATIOS				
Kilometer per bus ('000s)	59.8	65.5	5.7	10%
Staff per 100,000 Km	5.8	5.6	-0.2	-4%

1.5 Record in Achieving and Exceeding Contract Performance

The Public Service Contracts began in December 2009 and to date there have been 15 (the first report was only for the month of December 2009) separate quarterly reports submitted by Dublin Bus to the NTA.

Dublin Bus supplies all the agreed quarterly reports in a timely and accessible fashion. In addition, a presentation is made by Dublin Bus of the results in which any issues which require clarification or further explanation are discussed.

The Public Service Contract quarterly reports are subject to change as the needs of customers change. Since 2009, Dublin Bus and the NTA have agreed many changes to ensure the PSC is more appropriate to changing customer requirements. For example, since Quarter 1 2012, all performance levels are now shown in sub-categories of individual 'bus corridors' across Dublin and customers can see how their corridor performs.

New performance reports have also been added (for example, reporting on progress of Network Direct and Revenue Protection) and the report will continue to evolve to best reflect what is most important to our customers and the NTA. Discussions on further changes proposed from Q4 2013 are currently taking place.

Dublin Bus achieved all performance target set by the NTA for the delivery of weekday peak service level, scheduled kilometres operated, punctuality and reliability from 2009 to 2013. A number of Saturday targets were narrowly missed as a result of the phasing of the Network Direct project and these issues were of a short term nature.

There are also a range of NTA set service quality targets for timetable information, customer telephone information, bus destination scrolls, on street information, fares information,

notice of service changes and cleanliness and Dublin Bus's performance consistently 100% in all these categories.

The NTA has concluded that 'overall, Dublin Bus achieved a high level of compliance with the required performance obligations for the reporting period'. Dublin Bus will work to ensure that targets set by the NTA and customers are achieved and surpassed, to give the customer the highest level of service possible.

1.6 International Comparisons: Benchmarking

Dublin Bus has always believed in the importance of comparing and contrasting itself with other bus operators and over the last 20 years Dublin Bus have built up good relationships with other similarly sized bus companies; at varying times Dublin Bus meet delegations from Edinburgh, Glasgow, Belfast, Birmingham, Manchester, Paris, Barcelona, Copenhagen, Oslo, Dusseldorf, Berlin, Vienna and Zurich.

In 2003, Dublin Bus became an inaugural member of the International Bus Benchmarking Group, IBBG, which is overseen by Imperial College London. There are 13 cities in the benchmarking group which include Vancouver, Montreal, New York, London, Lisbon, Paris, Barcelona, Brussels, Singapore, Seattle and Istanbul. Berlin is considering membership. The IBBG group meet regularly to compare best practice, performance, innovations, improvement and value for money. Considerable attention is paid to ensuring that costs are comparable.

The IBBG has been invaluable to Dublin Bus over the years and a conclusion from Dublin Bus' involvement in IBBG is that Dublin Bus performs well in relation to cost efficiency and service effectiveness and Dublin Bus will continue to take an active part in IBBG to ensure every avenue is available for continuous learning and improvement. Data from IBBG, anonymised for confidentiality purposes, is supplied to the NTA on an annual basis.

1.7 Ability to Deliver

Dublin Bus has a proven track record in delivering projects in a timely and cost effective manner. The most recent Network Direct project commenced in September 2010 with the launch of the Stillorgan Road Corridor changes. The finalisation of the Swords/North county Dublin phase will be complete by winter 2013 and complete the Network Direct Project as planned. There was considerable change as a result of Network Direct ranging from customer related changes (routes, timetables, bus stops etc) to staff and bus changes (voluntary severances, changes to rosters, revised schedules, updates to AVL and RTPI, garage changes and fleet mix etc.). All changes were required to be carried out in the

context of cost saving with strict Dublin Bus budget limits. During this process, public reaction remained very favourable with only a small number of issues arising. Where revisions to plans were necessary, Dublin Bus identified the remedy and introduced any necessary alterations.

While Network Direct as a project is complete, urban bus networks are dynamic and must respond to changing customer requirements, varying travel patterns, commercial concerns and new or modified infrastructure. In this regard, the network will continue to evolve and Dublin Bus will ensure that the key principles of Network Direct will continue to be applied to all future bus route and timetable changes.

Dublin Bus has delivered on numerous other major projects, which include those listed below

- AVL. Dublin Bus introduced a state of the art AVL system to control buses. AVL tracks all buses continuously and plots their actual position relative to the scheduled, expected position. To coincide with AVL, a new Central Control Centre was successfully set up where all bus control supervisors were centralised and coordination of all services became possible. This resulted not only in major efficiencies, but the service available to customers also improved.
- RTPI. When the specification for the AVL system was being made, Dublin Bus ensured that AVL could be expanded to allow a Real Time Passenger Information to follow. In 2011, Dublin City Council led the first phase of RTPI launch with a rollout to on-street locations. RTPI on web, smartphone and texting followed within 6 months. RTPI accuracy levels have been measured independently on behalf of the NTA and RTPI accuracy is now 96%, one of the highest levels of any urban bus operation worldwide.
- AVL Innovation. Dublin Bus has not created a means to increase RTPI accuracy further using what is termed 'dynamic profiling'. In essence, this uses last week's bus speed data to feed into this week's bus scheduling system which gives better predictions of arrival times at bus stops.
- Procurement of buses and premises. Over the years, Dublin Bus has procured buses of the highest specification which comply with all relevant vehicle, accessibility and safety regulations and built a new depot in 2004 within the budget and timeframe planned.
- All the new Dublin Bus ticketing equipment was designed so that any future rollout of an Integrated Ticketing Scheme (the Leap Card) is possible.

In summary, Dublin Bus has a proven track record in delivering major hardware, software or infrastructural projects which are fit for purpose and delivered cost effectively and within budget.

1.8 Reliable and Punctual

When customers are asked what their key service requirements are from Dublin Bus, reliability and punctuality are consistently to the fore. This is of no surprise and reflects customer service requirements similar to other bus operators across the globe.

Reliability and punctuality are measured as part of the public service contract. The target figure for Dublin Bus is to achieve no less than 95% in both cases. Quarterly independent auditors' (Interactions) surveys of bus reliability and punctuality are forwarded directly to the NTA four times a year. Since 2009, Dublin Bus has achieved the target score of 95% or higher on every occasion with the average reliability score being 97.4% and the average punctuality score 97.2%.

The simplified bus route timetables and alignments in Network Direct will further facilitate improvements in both reliability and punctuality.

1.9 Dublin Bus's ability to deal with major emergencies

Operating bus services under a contract can often provide comforts to the contracting authorities, to the contractors and to customers. However situations can arise in urban transport systems when major emergencies occur which require unique arrangements to be put in place, often in challenging climatic or security situations, to deal with the situations as it develops. Dublin Bus has a proven ability to deal with any situation of this nature. The following examples demonstrate how Dublin Bus went above and beyond the terms of the contract to respond to major emergencies and how Dublin Bus acted quickly to deal with the emergency in a flexible manner with all the key stakeholders.

1.9.a Severe Weather January and December 2009

Two separate prolonged falls of snow at the start and the end of 2009 resulted in major travel disruption across Dublin. With many other transport modes struggling to deal with the weather, Dublin Bus formulated revisions to timetables and alignments and operated where and when possible under extreme circumstances with the direct assistance of the Local Authorities. The committed drivers, engineering and supervisory staff went to every possible extent to keep buses rolling, often requiring decision making based on a volatile situation on the ground. Supervisors and management revised timetables and ensured websites were kept updated every 30 minutes all day. Dublin Bus also exploited social media channels to keep the public informed. The media and communications department made daily announcements on news bulletins concerning bus operations. Dublin Bus worked

closely with other transport agencies including the NTA, DoTTS, Met Eireann, An Garda Síochána and the Local Authorities to ensure customer journeys could be completed insofar as this was possible.

Previous experience shows that while the public will have some understanding for emergency situations, their tolerance for a lack of service does not last indefinitely. No matter how bad an emergency is, the public need to travel, be it to work, hospital, appointments or other matters. Shutting down the bus operation in Dublin was not an option, and Dublin Bus demonstrated that it could respond in the best possible way to meet customer needs no matter what situation arose.

Dublin Bus, and especially its bus drivers, received untold praises from the public for keeping the city moving during these times. An assistant secretary general in the Department of Transport wrote personally to the CEO of Dublin Bus stating

'On behalf of the Department, I wish to say thank you, particularly to frontline staff, for the excellent work that was done to keep bus services operating during the recent prolonged period of severe weather and in often difficult conditions. The quality of the service information provided on your website was also of a very high standard and regularly updated. The work of your media spokespersons is also very much appreciated. I am also grateful for the company's ready response to the Department's requests for information, often at short notice.'

It is not possible to build into a contract what to do when emergencies occur. However, Dublin Bus, as a state owned company, will regard the transport of customers to their destinations as its first priority and have demonstrated its ability to plan, manage and operate the transport solutions in difficult situations.

1.9.b Visits of Heads of State

The visit to Dublin by Queen Elizabeth II and President Obama in May 2011 is an example of another event which presented challenges to the efficient delivery of public transport. These differed from weather disruption in that they were pre-planned events. Dublin Bus was to the fore in planning discussions with the NTA, An Garda Síochána and road authorities as well as being a party to a revised and flexible network structure which saw buses removed from central Dublin for almost an entire week.

Dublin Bus kept the public fully informed of both the plan, and the rolling changes as security requirements shifted, and again, Dublin Bus was praised by customers and An Garda Síochána for the effort it made to keep the city moving and bring commuters to work, students to exams, schoolchildren to schools and maintain transport link as well as possible.

1.10 Working with Transport Agencies

Dublin Bus interacts across many aspects of the Dublin business, education and commercial community and have regular dealings with Local Authorities and An Garda Síochána. However, Dublin Bus personnel also play a part in more strategic public bodies, and play key roles in local and communities groups.

- Dublin Bus is part of the Business Community and takes an active part with Chambers of Commerce, IBEC and DCBA. Dublin Bus has taken part in joint marketing initiatives to promote the city centre as a shopping destination and is active with BIDS (Business Improvements Districts) in Dublin city centre.
- Dublin Bus officials work with local community groups on bus services and safety and security and maintaining bus services to communities.
- Dublin Bus launched its 'Community Spirit' awards almost 10 years ago to support and build the relationship between Dublin Bus and its core customer base. The awards benefit the community through local project funding and support. From the perspective of Dublin Bus, it gives Dublin Bus access to community leaders when local issues arise and this mutual understanding assists all parties.
- Dublin Bus regularly makes presentations to the Oireachtas Transport Committee, to local authority traffic committees and to transport agencies.
- Dublin Bus regularly updates County Council meetings to outline or explain transport decision making behind aspects of the bus network on topics ranging from route alignment changes to bus stop placements.
- Dublin Bus is often invited to take part in Bord Pleanála hearings on major infrastructural projects, and has participated in oral hearings including Dublin Airport Terminal 2, M50 upgrade and Metro and Luas projects.

Regular links to community and interest transport groups are essential to maintaining an in-depth knowledge of what the communities want from their bus service. Dublin Bus has built up many years of community involvement and trust which it seeks to maintain through engagement and connection.

1.11 Dublin Bus: Plans, Manages and Operates Bus Services

Dublin Bus currently provides a full transport service for the city of Dublin and surrounding counties. The nature of the operation can be subdivided into three distinct categories as explained below

1. Strategic Planning

Dublin Bus deals at a high level with the Department of Transport Tourism and Sport, the NTA and Local Authorities, as well as other transport agencies to devise strategic

requirements and long term planning for future needs for transport by bus within the region. This ensures upgraded infrastructure and changing demographic movements are catered for from a transport perspective.

2. Management of the Network

Dublin Bus also provides the medium term management of the bus network. In conjunction with the NTA, it purchases and replenishes the bus fleet, plans services and arranges all information and marketing. Included in the management of the service are ticket agents for the off-bus sale of tickets, provision of a central sales office, management and maintenance of bus stops and shelters, selection of RTPI on-street units, marketing and branding the bus service, interacting with local planners for traffic management schemes and dealing with queries from media, politicians or official committees.

3. Operation of the bus network

In addition to the strategic planning and management, Dublin Bus operates a fleet of almost 900 buses out of 7 depots across the city. The operation is controlled from a centralised 'Central Control' in Broadstone and a total of 2,300 drivers and 500 engineering staff are employed to operate the service.

1.12 Accessibility and Equality

Dublin Bus prides itself on the service it provides to those more disadvantaged in the community. Dublin Bus holds regular Accessible User Group meetings with representative accessibility support groups. A case in point is the attention put into accessibility projects over the years.

Since 2000, Dublin Bus has been one of the few bus companies who purchased only low floor vehicles to assist those who are wheelchair bound, or have severe mobility impairments to travel on its buses. The fleet of buses in Dublin is now 100% low floor accessible. Low floor buses not only provide accessibility for wheelchairs, but have the added attributes of kneeling suspension. No step along the main aisle of the bus improves access to those with other mobility issues: this includes the elderly and parents with buggies and small children, those with luggage etc.

In conjunction with the purchase of low floor buses, Dublin Bus also sought to improve accessibility of footpath infrastructure and devised the 'accessible kerb' at bus stops. This specially prepared kerbing, shaped to allow the bus to pull up close and at a standard height, minimises the height between the bus stop kerb and the bus, ensuring that passengers can board and disembark the bus safely. To date, almost 3000 accessible kerbs have been installed across the city and the project is on-going.

Dublin Bus also introduced the 'Travel Assist' programme, where a member of the Travel Assist team will call to anyone who asks for the service. The Travel Assist Member will travel with the user and show them how to use any form of public transport in Dublin, including buses. The Travel Assist service usually involves returning home with the user and on occasion, can involve trips between destinations on multiple days.

The purpose of the Travel Assist Scheme is to give a user, who lacks the confidence to travel on public transport alone, a chance to travel with someone else, which may with time, allow them to become more mobile themselves.

Since the Travel Assist Scheme was launched, more than 2,800 separate travel assist journeys have taken place and the programme continues.

Dublin Bus is currently introducing on-bus audio and visual announcements of next bus stop. The facility will give both a verbal and visual indication of the next approaching bus stop and will assist many of those represented on the accessibility user group.

Dublin Bus has been commended on many occasions for the work put into accessibility and equality and awards received in 2012 included the Diversity Ireland Award for Cultural Diversity and in 2011 an award from the Equality Authority for Equality Initiatives across the Company. In addition, the Company won a Chartered Institute of Transport and Logistics Awards for Driving Skills Competence Development in 2012.

1.13 A Responsible Company - comply with all national and EU laws

Dublin Bus complies with all national and European laws and directions and our bus fleet operates to the highest standards of safety.

Dublin Bus is fully tax compliant and adheres to EU procurement rules.

Dublin Bus complies with Irish Government policies and regulations, including for example the Irish Language Act and accessibility guidelines.

Section 2

Dublin Bus Commentary on the 4 NTA Consultations Papers dated September 2013

2.1 Publicly owned urban bus systems across Europe

There are many examples of very successful publicly owned urban bus operations across Europe. For example Berlin, Paris, Brussels, Rome, Madrid, Zurich, Vienna and Amsterdam are publicly operated bus systems and have excellent bus networks and this regulatory approach is fully permissible under EU regulations. There are no serious moves to alternative regulatory models like tendering.

The proposal to tender 10% of Dublin Bus' current bus routes will result in segmenting the Dublin PSO market into packages and carries a risk of increasing overall costs due to reducing economies of scale and requiring duplicate administrative structures to oversee the tendering, monitoring and performance of multiple operators. Failure to provide this costly monitoring structure will result in compromising quality and customer service.

While the consultation documents make references to tendering in Scandinavia and London, the references are dated and should be considered with caution, especially in light of the global economic downturn. The economic downturns resulted in requirements to downsize urban bus networks and as demonstrated in earlier sections, Dublin Bus could and did adapt as was necessary for changed travel needs. Tendered services are more difficult and costly to alter without recourse to contract buyouts. In London, the cost of the provision of the tendered services was close to €1 billion per annum and was a growing concern for the city.

The technical document has a paragraph on page 8 titled 'Competitive tendering in Europe'. It states that there is tendering in 'London, Sweden and Denmark' and that tendering exists in 'most of the Netherlands (except .. Amsterdam, Rotterdam and the Hague)'. The technical report did not report the reasoning behind the Netherlands not tendering their bus operation in their major cities. The comments that 'cost savings eroding after the initial tender rounds', 'the underlying efficiency determines the scale of savings' and 'service quality generally improves, but not in all cases' raises a number of question concerning the tendering approach.

2.2 Gross cost contracts

The proposal for market opening is to use gross cost contracts. Gross cost contracts give little or no incentive to the operator to either grow the market, or provide a quality service other than what is contained in the contract. For the most part, the contractor gets paid for operating the kilometres stated. Gross cost contracts require considerable control and monitoring of the operator by the authority to ensure quality compliance which is costly and increases administration.

More recent gross cost contracts in bus operations now build in quality clauses to build up standards, with financial rewards for quality performance and deductions for failures to operate to standard. Measuring quality performance of urban transport systems must be carried out carefully and financial penalties for lack of performance is often the subject of dispute.

2.3 Dublin Bus' Authority type functions

Dublin Bus operates a fleet of close to 900 buses, but in addition, performs many authority type functions as part of a wider transport remit which goes with providing a major urban bus operation. Dublin Bus provide the following functions

- Marketing and Information
- Route and timetable design
- Community support
- Branding and Promotion
- Infrastructure development and maintenance
- Strategic Planning
- System development

Dublin Bus has been to the fore in recent years in projects which would radically improve the transport system and two particular examples of this are the Automatic Vehicle Location (AVL) system and Smart Card development. In both cases, many years of developing software and testing and refining hardware, unique to Dublin requirements, has gone into getting these systems in place.

Many of the major advances in recent years have incurred costs which tender applicants will expect to walk into and begin using. Dublin Bus needs resources to keep such systems updated and the costs Dublin Bus incurs will negatively impact on the ability of Dublin Bus to bid on a level playing field. Costs which Dublin Bus carries as part of the requirements for wider public transport provision must be excluded from tender pricing.

2.4 Tendering below market rates

There have been many international examples where tender submitted to transport authorities are below market rates. The major multinationals have the financial muscle to carry loss leaders to cleanse the market for ultimate takeover. The NTA reference this issue of low initial bids followed by increases in tender prices in the consultation papers. The NTA suggest that the subsequent cost increases are due in some cases to 'stricter service specifications' (technical document page 9). Below cost tendering raise a clear warning flag to authorities.

The NTA should not allow below cost tenders as they are not sustainable, create artificial markets and distorts the longer term market.

2.5 The London tendered bus service

London has tendered its bus services for many years. There are aspects of the tendered bus services which are unique to London and are not likely to be replicable in Dublin.

- The London economy remained strong and did not suffer the economic crises of other cities
- The financial support to operate buses in London rose to €1 billion in recent years. A more recent fares increase helped to reduce the financial burden on the Authority.
- Congestion charging drives people to buses and trains in the central area
- The London Olympics expanded the market
- Children under 18 travel free on buses
- London is eight times the size of Dublin and seven companies who operate services for Transport for London are each similar in size to Dublin Bus
- There is little competition in London for tender packages and the incumbents usually retain their contracts. This is also a characteristic which occurs in Scandinavian cities.

2.6 Downsizing Dublin Bus

The consultation documents 1 and 2 make references to 'manageable downsizing' by Dublin Bus in the event of losing bus routes. The document goes further to state that Dublin Bus has 'experience in successfully downsizing .. by 40-50 buses per annum since 2009'. Ernst & Young, the authors of the Technical Report make a direct link between the Network Direct downsizing and the market opening downsizing. Dublin Bus dispute this point: Network Direct did result in the reduction of 700 staff over 4 years, however, there was an on-going change process involved with 450 staff leaving the company through a voluntary severance scheme. The plan could not have been implemented without the VS scheme.

The market opening proposal is likely to be instantaneous with an overnight handover of operation. The NTA should outline proposals to deal with staff that will be surplus to Dublin Bus requirements after tendering and the position on transfer of undertaking for all affected staff. Detailed discussions will be needed among all the participants to deal with these issues should they arise.

2.7 Fleet re-allocation

The transfer of up to 80 new buses from the Dublin Bus fleet to any possible new tendered operation would increase the average fleet age for the remaining Dublin Bus fleet. This would increase costs for the direct award contract services and negatively impact on efficiencies of Dublin Bus. In addition, any future comparisons between Dublin Bus and tendered operations would be distorted and show Dublin Bus in an artificially poor light.

2.8 Dublin Bus Subvention Levels

The subvention requirements of Dublin Bus are low by international standards and this has been well documented.

However, The Technical Report states that the PSO requirements of Dublin Bus is 'at the upper end of the range' compared to subvention levels across Europe. This statement is not correct. The amount of subvention to Dublin Bus has reduced each year since 2008 and by 2014 will stand at 24% of total expenditure. This is low by international standards where subvention levels vary from 30% to 60%. Reference is drawn to the 2009 Deloitte Report, commissioned by the Department of Transport Tourism and Sport, that stated that that the levels of operational subvention (as a % of revenue) 'are generally higher in Europe compared to Dublin Bus'.

Dublin Bus' own International Bus Benchmarking Group exercise supports the case that Dublin Bus subvention needs are low relative to a cross section of European and global operators.

The Technical Report includes a footnote which outlines all the financial 'state interventions' paid to Dublin Bus. Included as state interventions are PSO, Free Travel Scheme, tax foregone due to Tax saver tickets, emergency funding and new bus purchases. Definitions of subvention in European public transport operations never include these categories as subvention and this results in the Technical Report not comparing like with like. As a result it wrongly depicts Dublin Bus to have a higher reliance on public funding than is actually the case.

- The subvention to Dublin Bus in 2013 will be €64.5M and this year Dublin Bus expect to pay €7.9 M in VAT and €46.1 M in PAYE and PRSI payments to the Revenue Commissioners. This analysis is not contained in the Technical Report.
- The Technical Report should demonstrate that it included all such comparable 'state interventions' of the European operators.
- The Technical Report suggests that Dublin Bus carry the costs associated with carrying 'free travel pass' customers and a comparison as to how other Irish utility companies deal with the free provision of service (free electricity or TV licences) may be worthwhile. The Technical Report should indicate that such interventions are also included in their comparable European operations.
- Publicly available data from Transport for London shows that free travel is listed outside the 'gross public transport support'.
- The Technical Report did not considered other costs which Dublin Bus incur which are not incurred elsewhere. For example, many European operators (including London) get a fuel duty rebate, which was not available to Dublin Bus in the comparison. Dublin Bus also pay VAT which is again not the norm. Different cities and regions fund transport in many alternative way including taxation, infrastructure and fleet.
- The Technical Report refers to emergency funding as being part of the subvention. This payment was a once off payment for €5m in 2012 and it is unreasonable to bring this payment into a subvention context.
- The Technical Report also refers to the purchase of new buses. The NTA funded the purchase of 80 buses in 2012, but buses are depreciated over their 12 year cycle. Furthermore, and elsewhere in the report, it is outlined that these buses are owned by NTA and may be reclaimed for the 2016 market opening. In these circumstances, the full cost of buses in any one year cannot be used to justify a high reliance on subvention by Dublin Bus.

Taking the above into account, the subvention paid to Dublin Bus is low by international standards.

Conclusion

As required under the Public Service Contract, Dublin Bus supplies a detailed performance report to the NTA every quarter which outlines Dublin Bus performance to agreed targets on service delivery, reliability and punctuality and other areas relating to information and quality. Dublin Bus exceeded every quarterly reliability and punctuality target since 2009 and most of the other bus and customer service targets.

Dublin Bus has been subject to intensive scrutiny by external review and audit companies over the years. The most recent external review was by Deloitte in 2009 which validated previous reports that Dublin Bus was efficient and that the PSO 'subsidy' which is required to operate social and loss making services was well spent.

Every year, the NTA arranges an independent audit of the PSO payments. The purpose of the audit is to provide an independent professional opinion on the adequacy and effectiveness of controls over PSO payments made by the NTA to Dublin Bus. The most recent audit, conducted by McClure Waters was for 2011 and finalised in July 2013. It found four of the five areas reviewed scored the maximum assurance level, and the remaining area was satisfactory with three minor recommendations. This followed from the previous audit which was equally confident that controls over the PSO payments were adequate.

Dublin Bus benchmarks itself to a cross section of companies across the globe and the project is overseen by Imperial College, London to ensure results are validated and comparable. Dublin Bus is an above average performer in the key parameters.

Dublin Bus has outlined that there is a strong case to award the full PSO network in Dublin to Dublin Bus under a direct award contract and this will ensure a continuation of a high quality, reliable service to customers and best value for money to the exchequer.

Dublin Bus, October 2013