



**Consideration of applications to increase monthly
and annual fares from Dublin Bus, Bus Éireann,
Irish Rail and the RPA for 2013**

September 2012

Table of contents

1.	Introduction.....	2
1.1	Background.....	2
1.2	Factors influencing public transport demand and revenues.....	3
1.3	Need for fares increases.....	5
1.4	Economic outlook.....	5
2.	Dublin Bus.....	7
2.1	Introduction.....	7
2.2	Proposal by Operator	7
2.3	Determination by the Authority.....	8
2.4	Conclusion	10
3.	Bus Éireann.....	11
3.1	Introduction.....	11
3.2	Proposal by Operator	12
3.3	Determination by the Authority.....	13
3.4	Conclusion	15
4.	Iarnród Éireann (Irish Rail).....	16
4.1	Introduction.....	16
4.2	Proposal by Operator	17
4.3	Determination by the Authority.....	18
4.4	Conclusion	20
5.	Railway Procurement Agency (RPA).....	21
5.1	Introduction.....	21
5.2	Proposal by Operator	21
5.3	Determination by the Authority.....	22
5.4	Conclusion	23

1. Introduction

1.1 Background

CIÉ operating companies

The National Transport Authority (the Authority) entered into Public Service Contracts with each of the CIÉ companies (Dublin Bus, Bus Éireann and Iarnród Éireann) in December 2009 for the provision of passenger and ancillary services.

Dublin Bus, Bus Éireann and Irish Rail are 100% owned by Córas Iompair Éireann (CIÉ). CIÉ is a statutory body with ownership vested in the Minister for Transport, Tourism & Sport.

All of the CIÉ operators are Limited Companies governed by the Companies Acts 1963 – 2009. This prevents them from engaging in reckless trading (e.g. accumulating unsustainable debts). The companies are subject to annual external audit and their accounts are available to the public. They are also prevented from borrowing.

Following the Comprehensive Spending Review and Budget 2012, the Department of Transport, Tourism and Sport has confirmed that the Public Service Obligation (PSO) payment or subvention to these companies will be reduced by 6% in 2013. This cut comes on top of falling patronage and revenues, increased fuel costs and previous cuts in the PSO payments since 2009. It excludes the once-off Government injection of financial support of €36m approved by Government in July to “ensure that the CIÉ Group remains adequately funded for the immediate future and can continue to provide a sufficient service to the travelling public”¹.

Public transport passenger numbers have continued to decline in 2012, although at a moderating rate. The CIÉ Group of companies needs to stabilise their financial situations over a number of years so that service cuts are minimised.

¹ Department press release 24 July 2012

Luas

The National Transport Authority (the Authority) has the statutory obligation to secure the provision of light railway passenger services in the Greater Dublin Area (section 48 of the Dublin Transport Authority Act 2008). The Authority has assigned these functions to the RPA under the terms allowed by the Act; however, Luas fare alterations require the prior approval of the Authority. Veolia Transdev Ireland operates Luas, Dublin's light rail tram system, under contract with the RPA.

The RPA in conjunction with Veolia have been reducing costs across the business since April 2009 and have implemented a wide range of cost saving measures to meet the current challenging environment. Unfortunately some Luas patronage levels remain below expectation, such as on the Citywest extension; for Luas, as with all public transport companies, the current operating environment has had a detrimental impact on passenger demand, ancillary revenue and in particular on increased fuel costs.

Staged determination of fares

The Authority is undertaking the 2013 fare increase determination in two stages for all operators. This first stage is only concerned with the increases in monthly and annual ticket prices as the Authority wishes to work through the detail of the array of other fares for which increases will be determined in a number of weeks.

The Authority has aligned the starting point of all operators' annual tax-saver increases to be from 1st November 2012. Due to the purchasing pattern for those products, the NTA has brought forward, by two months from 1st January 2013, the application of their annual increase so that operators will secure the value of those increases for 2013. There will not be a further annual increase until November 2013. Increases in the price of monthly tickets will apply from 1st January 2013.

1.2 Factors influencing public transport demand and revenues

Public transport revenues come from three sources: passenger fares, the Authority's PSO payments and relatively minor ancillary revenues (e.g. advertising). Passenger fares account for

the greatest amount of revenue and are dependent on passenger numbers. These in turn depend on the demand for passenger services.

Demand for public transport services is strongly related to economic activity. Economic growth increases employment, immigration, disposable income and consumer spend, all of which lead to greater travel. Economic decline produces the opposite effect. Consequently, passenger numbers increased greatly during the economic boom but declined radically from 2008 onwards, resulting in a great reduction in patronage and in passenger revenues.

Although the economy is the dominant factor behind people's propensity to travel, there are other factors that influence demand, particularly for public transport, which include:

- Fares – changes to fares affect demand, with fare increases tending to reduce demand
- Service quality – any improvements of factors such as frequency, reliability, cleanliness, comfort or security tends to increase demand
- Competition from other modes of transport – if it becomes more attractive to drive, cycle or walk, public transport demand will fall. People will also switch between rail and bus if the respective offerings change.

The influence of these factors over and above the economic effects in recent years would be difficult to isolate. In addition, competition from other modes has increased. Despite large increases in fuel prices, driving conditions have improved with the completion of the roads programme and reduced volumes of traffic and congestion levels. Cycling and walking have increased in popularity, due to the Bike to Work scheme, the Dublin Bikes scheme, infrastructure improvements and improved public awareness.

On the positive side, public transport service quality has been improving due to initiatives such as the real time information at bus stops, the Authority's National Journey Planner, the Leap card, investment in the bus fleet and the reconfiguration of regional city bus services that to date includes Dublin, Cork, Limerick and Galway. The operators have also been increasing efficiency and, as yet, there have not generally been significant service cuts.

1.3 Need for fares increases

Public transport fare increases have been deemed to be necessary in recent years as the operators have sought to compensate for reduced PSO payments, declining numbers of passengers due to the economic situation and reduced ancillary revenues. Cost reduction programmes have been put in place by the operators, but these take time to design and implement, and costs have not fallen to the same extent as the revenue base. Cost reduction has also been hindered by the significant increase in fuel costs, which are largely outside the operators' control.

The result has been that increases in fares have been either counter to, or in excess of, inflation and economic growth. Public transport is not unique in this respect – gas and electricity prices have also risen substantially in the same period.

The challenge for the Authority is to determine an appropriate level of fares increase that will greater match the costs of operating public transport to the revenues accruing from it, whilst also protecting the services themselves.

1.4 Economic outlook

As the table overleaf shows, the increase in inflation experienced in 2011 is expected to taper off in 2012 and again in 2013. However, it should be noted that although the price of energy and fuels is reflected in changes in inflation, the Consumer Price Index is made up of a basket of weighted goods and services and so changes in the rate of inflation may not fully reflect the sometimes large and volatile swings that can occur in the cost of energy in Ireland, which is naturally a major cost component of a transport company.

Modest growth in the economy is forecast for 2013 which provides some potential upside to the analysis in this determination and as mentioned earlier, when economic growth increases, the knock-on effects should lead to greater levels of travel. Nevertheless, the prospects for both the Irish and the international economy remain uncertain and with a further round of domestic

budgetary tightening measures planned for 2013, caution would need to be employed in forecasting any significant passenger growth on the basis of improved economic growth.

A number of economic indicators are set out in the table below.

Key Economic Indicators (annual % growth)		2008	2009	2010	2011	2012	2013	2014
Consumer Price Index (CPI)	CSO	4.1	-4.5	-0.9	2.6			
	Central Bank					0.9	0.4	n/a
	ESRI					1.7	1.5	n/a
	IMF					1.7	1.3	1.4
Gross National Product (GNP)	CSO	-2.8	-9.9	0.2	-2.5			
	Central Bank					-0.3	0.9	n/a
	ESRI					0	0.5	n/a
Gross Domestic Product (GDP)	CSO	-3	-7	-0.4	0.7			
	Central Bank					0.7	1.9	n/a
	ESRI					0.6	2.2	n/a
	IMF					0.5	2.0	2.5

Source: Central Statistics Office (CSO), Central Bank Quarterly Bulletin Q3 2012, ESRI Quarterly Economic Commentary Summer 2012, IMF World

2. Dublin Bus

2.1 Introduction

Dublin Bus passenger numbers have fallen by 21% between 2007 and 2011. The decline has moderated but continues and Dublin Bus expects to carry 2.3% fewer passengers in 2012 compared with 2011. It expects the trend to bottom out in 2013 before a return to modest growth in 2014.

Since 2008, Dublin Bus has made expenditure savings of €60 million per annum, spanning all areas of the business. The main contributor to the cost reductions has been a reduction of €36 million in payroll costs through reducing staff numbers by some 640 and putting in place a pay freeze since 2008.

Despite making substantial expenditure savings, Dublin Bus has suffered annual losses for a number of years and is now in a difficult financial position which will remain challenging through the remainder of 2012 and 2013 - due to the continuing weak economic environment, falling PSO funding, rising fuel prices and falling passenger and ancillary revenues. The table below indicates the anticipated financial position for 2012, when it is expected that a deficit will remain, although it will be reduced compared to 2011.

PSO Financial Summary	2011 Actual (€000)	2012 Projected (€000)	2013 Projected (€000)
Revenue (all)	167,278	176,530	185,459*
Expenditure	259,171	257,934	252,935
Deficit before subvention	91,893	81,404	67,476
Subvention	73,032	69,436	63,800**
Surplus / Deficit after subvention before exceptional items	-18,862	-11,968	-3,676

**2013 projected revenue based on fares increase application received. **Indicative*

2.2 Proposal by Operator

Dublin Bus has written to the Authority requesting a fares increase for implementation in 2012 and 2013 and the request in respect of monthly and annual tickets is the subject of this

determination. Beyond 2013, Dublin Bus is planning to move to a simplified fares structure, however, this is beyond the scope of the current determinations.

The requested increases vary for different ticket products and the range of requested changes are summarised as follows:

Ticket category	Dublin Bus requested increase on 2012 prices
Cash	Still under consideration
Leap	Still under consideration
Prepays	Still under consideration
Monthly and annual tickets	4.21% to 7.58%
Adult Dublin Bus & Luas Add on Monthly	20.69%

2.3 Determination by the Authority

The current determination is being undertaken in two stages with the first stage addressing the price of the monthly and annual tickets. Increases to the annual tickets will apply from 1st November 2012 and increases to the monthly tickets will apply from 1st January 2013. The determination of increases to other Dublin Bus fares will follow in a number of weeks.

Dublin Bus anticipates the following increase in costs (including reduced subvention) in 2013.

Dublin Bus estimated changes to costs in 2013 as reported to the Authority in July 2012	
Reduced subvention	€5.6m
Increased maintenance costs due to deferred fleet replacement	€0.6m
Increased ITS costs	€0.5m
Increased fuel costs	€2.2m
Total	€8.9m

Notwithstanding the increase in costs as outlined above, Dublin Bus has also reduced their costs in a number of different areas such as payroll, materials, depot running costs and support

service costs. This will result in a forecasted net saving of roughly €5m (or 2%) in expenditure by Dublin Bus between 2012 and 2013 and will contribute to a sizeable reduction in the company's operating deficit.

In requesting the fares increase, Dublin Bus expects to raise €8.9m in extra revenue in 2013. In response to the Authority's concerns regarding the impact of fares increases on demand, Dublin Bus have applied factors to take account of the price elasticity of demand.

Although research indicates a very wide variation in price elasticity, it suggests that the Dublin Bus assumptions are not unreasonable compared with short run elasticities observed elsewhere. In reality any one operator will be experiencing a wide range of elasticity across different ticket types, areas served and time of day. An operator would typically use lower values for peak strong markets to/from the central zone and the highest values for weak off-peak local markets away from the central zone.

It is of more concern that elasticity values are observed to change over longer time periods and the general view is that long term bus fare elasticity can be significantly higher which may pose a challenge for Dublin Bus' longer term bus patronage levels.

The Authority's approved increases in monthly, annual and multi-operator tickets are set out in the table below.

Ticket type	Current price	Requested price	Approved fares	Approved % increase
Adult Travelwide Monthly (Dublin Bus only)	€105.00	€112.00	€112.00	6.67%
Adult Short Hop Monthly (Dublin Bus & Irish Rail)	€132.00	€142.00	€142.00	7.58%
Adult Bus/Luas Monthly (Dublin Bus & Luas)	€124.00	€131.50	€131.50	6.05%
Adult Short Hop Monthly (Dublin Bus, Irish Rail & Luas)	€190.00	€198.00	€198.00	4.21%
<i>Adult Bus/Luas Add on Monthly (Dublin Bus & Luas)</i>	<i>€29.00</i>	<i>€35.00 (20.69%)</i>	<i>€32.00</i>	<i>10.34%</i>

Ticket type	Current price	Requested price	Approved fares	Approved % increase
Student Short Hop Monthly (Dublin Bus & Irish Rail)	€102.00	€108.00	€108.00	5.88%
Adult Travelwide Annual (Dublin Bus only)	€1,050.00	€1,120.00	€1,120.00	6.67%
Adult Short Hop Annual (Dublin Bus & Irish Rail)	€1,320.00	€1,420.00	€1,420.00	7.58%
Adult Bus/Luas Annual (Dublin Bus & Luas)	€1,240.00	€1,315.00	€1,315.00	6.05%
Adult Short Hop Annual (Dublin Bus, Irish Rail & Luas)	€1,900.00	€1,980.00	€1,980.00	4.21%
<i>Adult Bus/Luas Add on Annual (Dublin Bus & Luas)</i>	<i>€290.00</i>	<i>€350.00 (20.69%)</i>	<i>€320.00</i>	<i>10.34%</i>

At present, Irish Rail customers purchasing point-to-point tickets can opt for a bus/Luas add-on to their rail ticket. This add-on entitles them to travel on Luas between Heuston and George's Dock, and on certain Dublin Bus routes. Add-on tickets can be cheaper than equivalent Dublin Bus tickets. The RPA and Dublin Bus had requested reducing the discount by applying a 20% increase. This is considered inappropriate and the discount will be reduced over a number of years. Instead, the approved increase is 10.34% on these products.

2.4 Conclusion

Although Dublin Bus is proposing significant fares increases, it is the Authority's view that having considered all of the respective costs and revenues and relevant changes therein, that the level of increase requested is warranted, in order that a sufficient level of service can continue to be provided.

The Authority considers that there is a possibility that the elasticities employed by Dublin Bus may be optimistic in the long term and consequently that the forecast increase in revenue may also fall short of expectations in medium to long term. Should the expected realisation of increased revenues not fully occur in 2013, the onus will rest on the operator to resolve any shortfall in that year through further cost savings.

3. Bus Éireann

3.1 Introduction

Bus Éireann PSO Services Programme is provided under public service contract to the National Transport Authority. These services are not commercial and attract a public service obligation payment in line with EU regulation 1370/07. They comprise:

- City services in Cork, Limerick, Galway and Waterford
- Stage Carriage services which include:
 - Commuter services within the Greater Dublin Area
 - Town services in Navan, Dundalk, Drogheda, Balbriggan, Sligo and Athlone
 - Commuter services from over 100 satellite towns and villages to the main gateway cities
 - Rural transport services throughout Ireland

Since 2008, Bus Éireann has experienced significant decreases in patronage, revenue and PSO subvention and increased fuel costs. They have also succeeded in reducing operating costs by 14% over this period. Costs per vehicle-kilometre and per passenger-kilometre have fallen by some 11%. In reducing the cost base, Bus Éireann has reduced payroll costs at a greater rate than staff numbers, demonstrating improved productivity.

Cost reduction measures alone will not offset the 6% reduction in subvention in 2013 and Bus Éireann needs to increase its revenue by fare increases and potentially passenger volume growth.

To date, 2012 has seen passenger numbers on City services remain level with 2011, and rise slightly in the last few months, possibly due to the rollout of revised city networks and the introduction of Real Time Passenger Information. Bus Éireann is forecasting a 2% growth in patronage in 2013 on these networks.

Stage carriage patronage growth is more challenging and passenger numbers are continuing to fall this year. Nevertheless, Bus Éireann is projecting patronage growth in 2013 due to the development of Wi-Fi, the roll-out of improved buses and new marketing initiatives. Bus Éireann plans to have almost returned to profitability by 2013, as indicated in the table below.

PSO Financial Summary	2011 Actual	2012	2013
	€000	Projected €000	Projected €000
Revenue	65,183	66,600	68,800*
Expenditure	105,064	104,500	103,500
Deficit before Subvention	39,881	37,900	34,700
Subvention	43,403	36,860	34,648**
Surplus / Deficit After Subvention before exceptional items	3,522	(1,040)	(52)

*2013 projected revenue based on fares increase application received. **Indicative

3.2 Proposal by Operator

Bus Éireann has written to the Authority requesting a fares increase for implementation in 2012 and 2013 and the request in respect of monthly and annual tickets is the subject of this determination. The determination of increases to other Bus Éireann fares will follow in a number of weeks.

Bus Éireann's proposal is to increase fares by 6%. Individual fare changes may be more or less when rounding to the nearest 5c or 10c is taken into account. The aim is for an overall 3% increase in revenue yield which Bus Éireann expects to generate an additional €2.2m in revenue.

The requested increases vary for different fare bands and ticket products and the range of requested changes are summarised as follows:

Ticket category	Increase on 2012 prices
Cash	Still under consideration
Leap	To be introduced
Prepays	Still under consideration
Monthly and annual tickets	5.08% to 6.67%

3.3 Determination by the Authority

Bus Éireann is planning a 1% reduction in expenditure in 2013. This includes a 2.8% reduction in payroll costs to deliver a €1.3m saving which is largely offset by an anticipated €1.1m increase in fuel costs. Reductions ranging from 2% to 6% are planned across other cost categories. Overall, while a 1% net cost reduction target appears modest, the Authority acknowledges that Bus Éireann are reducing costs across all aspects of their cost base and have already made substantial savings since 2008.

Although Bus Éireann has requested approval to increase fares by an average of 6%, they anticipate that the improvements to service quality which are now taking place in the regional cities will help to offset some of the negative impact of fares increases.

The Authority approves the average 6% increase to the annual tickets which will apply from 1st November 2012 and the average 6% increases to the monthly tickets which will apply from 1st January 2013. **These approved increases for both Bus Éireann Provincial city commuter and Stage carriage are outlined in the tables below.**

Provincial city commuter

Fare type (Child, Adult, etc.)	Fare stage/route	Monthly				Annual			
		Fare type	Current ticket price	Requested ticket price	% Increase	Fare type	Current ticket price	Requested ticket price	% Increase
Adult	Cork City	Monthly	65.50	69.50	6.11%	Annual	720.50	764.50	6.11%
Adult	Limerick City	Monthly	58.00	61.50	6.03%	Annual	638.00	676.50	6.03%
Adult	Galway City	Monthly	58.00	61.50	6.03%	Annual	638.00	676.50	6.03%
Adult	Waterford City	Monthly	52.50	55.50	5.71%	Annual	577.50	610.50	5.71%
Adult	Cork City & Suburban	Monthly	81.00	86.00	6.17%	Annual	891.00	946.00	6.17%
Student	Cork City	Monthly	58.00	61.50	6.03%	Annual	-	-	
Student	Limerick City	Monthly	49.50	52.50	6.06%	Annual	-	-	
Student	Galway City	Monthly	50.00	53.00	6.00%	Annual	-	-	
Student	Waterford City	Monthly	42.00	44.50	5.95%	Annual	-	-	
Student	Cork City & Suburban	Monthly	67.50	71.50	5.93%	Annual	-	-	
Child	Cork City	Monthly	31.50	33.50	6.35%	Annual	-	-	
Child	Limerick City	Monthly	27.30	29.00	6.23%	Annual	-	-	
Child	Galway City	Monthly	27.30	29.00	6.23%	Annual	-	-	
Child	Waterford City	Monthly	26.00	27.50	5.77%	Annual	-	-	

Stage carriage

Fare type (Child, Adult, etc.)	Fare stage/route	Monthly				Annual			
		Fare type	Current ticket price	Requested ticket price	% Increase	Fare type	Current ticket price	Requested ticket price	% Increase
Adult	0-2	Monthly	60.00	63.20	5.33%	Annual	705.00	742.60	5.33%
Adult	2-4	Monthly	62.00	65.60	5.81%	Annual	728.50	770.80	5.81%
Adult	5-6	Monthly	63.20	66.80	5.70%	Annual	742.60	784.90	5.70%
Adult	7-8	Monthly	70.00	73.60	5.14%	Annual	822.50	864.80	5.14%
Adult	9-10	Monthly	100.80	106.00	5.16%	Annual	1,184.40	1,245.50	5.16%
Adult	11-12	Monthly	118.00	124.00	5.08%	Annual	1,386.50	1,457.00	5.08%
Adult	13-14	Monthly	122.00	130.00	6.56%	Annual	1,433.50	1,527.50	6.56%
Adult	15-16	Monthly	126.00	134.00	6.35%	Annual	1,480.50	1,574.50	6.35%
Adult	17-18	Monthly	126.00	134.00	6.35%	Annual	1,480.50	1,574.50	6.35%
Adult	19-20	Monthly	128.00	136.00	6.25%	Annual	1,504.00	1,598.00	6.25%
Adult	21-22	Monthly	132.00	140.00	6.06%	Annual	1,551.00	1,645.00	6.06%
Adult	23-24	Monthly	146.00	154.00	5.48%	Annual	1,715.50	1,809.50	5.48%
Adult	25-26	Monthly	154.00	164.00	6.49%	Annual	1,809.50	1,927.00	6.49%
Adult	27-30	Monthly	166.00	176.00	6.02%	Annual	1,950.50	2,068.00	6.02%
Adult	31-32	Monthly	180.00	192.00	6.67%	Annual	2,115.00	2,256.00	6.67%
Adult	33-36	Monthly	192.00	204.00	6.25%	Annual	2,256.00	2,397.00	6.25%
Adult	37-38	Monthly	196.00	208.00	6.12%	Annual	2,303.00	2,444.00	6.12%
Adult	39-42	Monthly	206.00	218.00	5.83%	Annual	2,420.50	2,561.50	5.83%
Adult	43-46	Monthly	208.00	220.00	5.77%	Annual	2,444.00	2,585.00	5.77%
Adult	47-50	Monthly	212.00	226.00	6.60%	Annual	2,491.00	2,655.50	6.60%
Adult	51-60	Monthly	214.00	228.00	6.54%	Annual	2,514.50	2,679.00	6.54%
Adult	61-64	Monthly	216.00	230.00	6.48%	Annual	2,538.00	2,702.50	6.48%
Adult	65 -70	Monthly	218.00	232.00	6.42%	Annual	2,561.50	2,726.00	6.42%
Adult	71-75	Monthly	228.00	242.00	6.14%	Annual	2,679.00	2,843.50	6.14%
Adult	76-80	Monthly	232.00	246.00	6.03%	Annual	2,726.00	2,890.50	6.03%
Adult	81-85	Monthly	234.00	248.00	5.98%	Annual	2,749.50	2,914.00	5.98%
Adult	86-90	Monthly	240.00	254.00	5.83%	Annual	2,820.00	2,984.50	5.83%
Adult	91-95	Monthly	252.00	268.00	6.35%	Annual	2,961.00	3,149.00	6.35%
Adult	96-100	Monthly	262.00	278.00	6.11%	Annual	3,078.50	3,266.50	6.11%
Adult	101-110	Monthly	272.00	288.00	5.88%	Annual	3,196.00	3,384.00	5.88%
Adult	111-120	Monthly	276.00	292.00	5.80%	Annual	3,243.00	3,431.00	5.80%
Adult	121-140	Monthly	282.00	300.00	6.38%	Annual	3,313.50	3,525.00	6.38%
Adult	141-150	Monthly	284.00	302.00	6.34%	Annual	3,337.00	3,548.50	6.34%

3.4 Conclusion

Although Bus Éireann is proposing significant fares increases, it is the Authority's view that having considered all of the respective costs and revenues, that the level of increase requested is warranted, in order that the wide range of services in rural areas and cities can continue to be provided.

The Authority considers that there is a possibility that the projected gains in revenue may not fully accrue in the medium to long term due to the effects of elasticities on some fares. Should the expected realisation of increased revenues not fully occur in 2013, the onus will rest on the operator to resolve any shortfall in that year through further cost savings.

4. Iarnród Éireann (Irish Rail)

4.1 Introduction

Irish Rail provides all passenger rail services nationally under public service contract to the National Transport Authority for which they receive a public service obligation (PSO) payment in line with EU regulation 1370/07.

Since 2007, Irish Rail has experienced significant decreases in patronage, revenue, PSO payments and increased fuel costs. In response, Irish Rail introduced a cost reduction programme which saw a fall in costs of €76m, or 17% over this period; however, this programme has not been sufficient to offset the fall in subvention of €59m and the fall in passenger revenue of €48m (17%).

As shown in the table below, Irish Rail's revenue in 2012 is expected to be slightly less than in 2011 but with the projected revenue from the current fares increase applications included, revenue will increase again in 2013. In comparison to 2011, Irish Rail have projected significantly reduced expenditure in 2012 and 2013 and although a substantial deficit will remain, these expenditure changes will firstly reduce and then limit increases in the deficit, in the context of reductions in the PSO payment.

PSO Financial Summary	2011 Actual	2012 Projected	2013 Projected
	€000	€000	€000
Revenue	183,901	182,466	192,299*
Expenditure	350,360	333,458	335,695
Deficit before Subvention	166,459	150,992	143,396
Subvention	148,683	135,679	124,825**
Surplus / Deficit After Subvention before exceptional items	-17,776	-15,313	-18,571

**2013 projected revenue based on fares increase application received. **Indicative*

4.2 Proposal by Operator

Irish Rail has written to the Authority requesting a fares increase for implementation in 2012 and 2013 and the request in respect of monthly and annual tickets is the subject of this determination. The determination of increases to other Irish Rail fares will follow in a number of weeks.

The requested increases vary for different fare bands and ticket products and the range of requested changes are summarised as follows:

Ticket category	Increase on 2012 prices
Cash	Still under consideration
Leap	Still under consideration
Prepays	Still under consideration
Monthly and annual tickets	2.56% to 10.51%

Irish Rail's request is for:

- Intercity fares to increase by an average of 3%
- Short Hop Zone to increase by an average of 10%.
- Commuter tickets to have a range of increases with lower increase in zones where Irish Rail believes the demand to be elastic

The rationale put forward by Irish Rail for differences between intercity and the short-hop zone is as follows:

- The intercity business has demonstrated a high level of elasticity and fares increases should therefore be moderate to minimise loss of passengers
- Demand within the Dublin Short Hop zone is comparatively inelastic
- There is a boundary issue where the first fare outside the Short Hop zone is significantly higher which needs to be gradually addressed during fare increases

Irish Rail believes that their fares proposal will deliver a 6% increase in revenue yield.

4.3 Determination by the Authority

Given that monthly and annual tickets offer significant cost savings the resulting loss of patronage from an overall increase in fares of 6.2% may not be significant, however, given the scale of the requested increase and the competitive environment, there is potential for the forecast revenue not to be realised in its entirety.

Between 2011 and 2012, Iarnród Éireann made significant savings in expenditure of some €17m, or 4.8%; however, they report that much of the savings were once-off in nature. They are forecasting an increase of expenditure of 0.7% (€2.2m) in 2013, even with an additional substantial fall in payroll costs of 5% (€10.3m) because of steep increases expected in materials, fuel and depreciation.

In summary, expenditure has been volatile and scope for the further cost reduction is not clear at this point. However, cost reductions will need to be identified, as the NTA considers that the revenue increase that Iarnród Éireann estimate will be generated by the requested fare increases may not be fully realised.

Iarnród Éireann has requested approval to increase fares by approximately 3% on Intercity and 10% on DART and Commuter. It is the Authority's view that the financial situation of the company warrants the level of increase requested, in order that a sufficient service can continue to be provided.

The Authority has approved increases as set out in the table overleaf. The increase to the annual tickets will apply from 1st November 2012 and the increases to the monthly tickets will apply from 1st January 2013. The determination of increases to other Iarnród Éireann fares will follow in a number of weeks.

Increases approved by the Authority

	Annual Fares Increase				Monthly Fares Increase			
	Valid from 1st November 2012				Valid from 1st January 2013			
	Current	Requested	Approved	Approved % change	Current	Requested	Approved	Approved % change
Short Hop Zone - rail only	€1,120	€1,230	€1,230	9.8%	€112	€123	€123	9.8%
<i>Short Hop Zone - rail & feeder bus*</i>	€1,410	€1,580*	€1,550*	9.93%*	n/a	n/a	n/a	n/a
Short Hop Zone - rail & Dublin Bus	€1,320	€1,420	€1,420	7.58%	€132	€142	€142	7.58%
Short Hop Zone - rail & Luas	€1,550	€1,610	€1,610	3.9%	€155	€161	€161	3.9%
Short Hop Zone rail, bus & Luas	€1,900	€1,980	€1,980	4.21%	€190	€198	€198	4.21%
Student Short Hop bus & rail	n/a	n/a	n/a	n/a	€102	€108	€108	5.88%
Intercity Zone A	€1,010	€1,110	€1,110	9.9%	€101	€111	€111	9.9%
Intercity Zone B	€1,370	€1,500	€1,500	9.5%	€137	€150	€150	9.5%
Intercity Zone C	€1,460	€1,600	€1,600	9.6%	€146	€160	€160	9.6%
Intercity Zone D	€1,950	€2,000	€2,000	2.6%	€195	€200	€200	2.6%
Intercity Zone E	€2,110	€2,200	€2,200	4.3%	€211	€220	€220	4.3%
Intercity Zone F	€2,690	€2,800	€2,800	4.1%	€269	€280	€280	4.1%
Intercity Zone G	€2,810	€2,900	€2,900	3.2%	€281	€290	€290	3.2%
<i>Intercity Zone H</i>	€2,970	€3,260	€3,090	4.04%	€297	€326	€309	4.04%
<i>Intercity Zone J</i>	€3,350	€3,680	€3,490	4.18%	€335	€368	€349	4.18%
<i>Intercity Zone K</i>	€3,950	€4,340	<i>Withdraw and replace with IÉ Rail all services ticket €4,050</i>	2.53%	€395	€434	€405	2.53%
<i>Intercity Zone L</i>	€4,350	€4,780		-6.90%	€435	€478	€405	-6.90%
<i>Irish Rail all services</i>	€3,710	€4,100 (10.5%)	€4,050	9.16%	n/a	n/a	n/a	n/a
<i>All Irish Rail and Dublin Bus</i>	€4,060	€4,466 (10.0%)	€4,430	9.11%	n/a	n/a	n/a	n/a
<i>All Irish Rail and Bus Éireann</i>	€4,150	€4,560 (9.9%)	€4,530	9.15%	n/a	n/a	n/a	n/a
<i>All Irish Rail and Luas</i>	€4,380	€4,810 (9.8%)	€4,780	9.13%	n/a	n/a	n/a	n/a
<i>All CIÉ Group</i>	€4,900	€5,390 (10.0%)	€5,340	8.98%	n/a	n/a	n/a	n/a

** This ticket is made up of Irish Rail's Annual Short Hop Zone - rail only ticket and the Dublin Bus/Luas Add on Annual ticket. The RPA and Dublin Bus had requested reducing the discount on the Dublin Bus/Luas Add on Annual ticket by applying a 20% increase which meant that the price they had requested for the ticket would have been €1,580.00 in total. This is considered inappropriate and the discount will be reduced over a number of years. Therefore, the approved increase is 10.34% on these products, meaning the approved price is €1,550.00.*

4.4 Conclusion

Although Irish Rail requested significant fares increases in some areas and more moderate increases in others, it is the Authority's view that having considered all of the respective costs and revenues and the relevant changes therein, that the level of increase requested is warranted, in order that a sufficient level of service can continue to be provided.

The Authority considers that there is a possibility that the elasticities employed by Irish Rail may be optimistic and consequently that the forecast increase in revenue may fall short of expectations in the medium to long term. Should the expected realisation of increased revenues not fully occur in 2013, the onus will rest on the operator to implement greater cost reductions in that year to make up for any shortfall.

5. Railway Procurement Agency (RPA)

5.1 Introduction

The RPA has been experiencing deficits between Luas revenue and operating costs and is forecast to have an operating deficit in 2012 and in 2013. This has resulted in them having to deplete their accumulated cash reserve which was intended for necessary maintenance work.

Given this funding shortfall, the Authority recognises that a fares increase is needed to generate increased revenue with the balance of the shortfall being met for the coming year from the RPA's accumulated cash reserve (this reserve is currently the only identified source of funding for the maintenance of the Luas network and therefore the reserve should only be drawn down to meet operating deficits in extreme circumstances).

Luas financial forecast for 2012 and 2013

<i>Year</i>	<i>2012*</i>	<i>2013*</i>
Operating surplus/ deficit	-€4.0m	-€2.6m

*Forecast – based on revenue accrued with fares increase applied.

5.2 Proposal by Operator

The RPA has written to the National Transport Authority seeking approval for a fares increase on Luas for 2013 and has requested to increase the main Luas monthly and annual tickets by between 2.8% and 6.4%. The RPA have also applied to increase the price of monthly and annual add-on ticket prices by about 20% to narrow the differential with equivalent Luas tickets.

The current determination is being undertaken in two stages with the first stage addressing the price of the monthly and annual tickets. Increases to the annual tickets will apply from 1st November 2012 and increases to the monthly tickets will apply from 1st January 2013. The determination of increases to other Luas fares will follow in a number of weeks.

5.3 Determination by the Authority

At present, Irish Rail customers purchasing point-to-point tickets can opt for a bus/Luas add-on to their rail ticket. This add-on entitles them to travel on Luas between Heuston and George's Dock, and on certain Dublin Bus routes. Add-on tickets are much cheaper than equivalent Luas tickets (half the price in the case of weekly, monthly and annual add-ons). The RPA and Dublin Bus had requested reducing the discount by applying a 20% increase. This is considered inappropriate and the discount will be reduced over a number of years. Instead, the approved increase is 10.34% on these products.

The Authority has approved the increases that are set out in the two tables below.

Ticket type	Current price	Requested price	Approved price	Approved increase	Approved % increase
Taxsaver Green Line Monthly	€84.50	€88.50	€88.50	€4.00	4.7%
Taxsaver Green Line 3 Zones Monthly	€75.00	€78.00	€78.00	€3.00	4.0%
Taxsaver Red Line Monthly	€84.50	€88.50	€88.50	€4.00	4.7%
Taxsaver Red Line 3 Zones Monthly	€70.50	€75.00	€75.00	€4.50	6.4%
Taxsaver All Zones Monthly	€88.50	€91.00	€91.00	€2.50	2.8%
Taxsaver Green Line Annual	€845.00	€885.00	€885.00	€40.00	4.7%
Taxsaver Green Line 3 Zones Annual	€750.00	€780.00	€780.00	€30.00	4.0%
Taxsaver Red Line Annual	€845.00	€885.00	€885.00	€40.00	4.7%
Taxsaver Red Line 3 Zones Annual	€705.00	€750.00	€750.00	€45.00	6.4%
Taxsaver All Zones Annual	€885.00	€910.00	€910.00	€25.00	2.8%

The Authority will review the above table of prices in early 2013 in conjunction with the development of Leap card tax-saver capability and some of the zonal products may be withdrawn.

Ticket type	Current price	Requested price	Approved fares	Approved increase
Adult Bus/Luas Monthly (Dublin Bus & Luas)	€124.00	€131.50	€131.50	6.05%
Adult Short Hop Rail/Luas Monthly (Rail & Luas)	€155.00	€161.00	€161.00	3.87%
Adult Short Hop Monthly (Dublin Bus, Irish Rail & Luas)	€190.00	€198.00	€198.00	4.21%
<i>Adult Bus/Luas Add on Monthly (Dublin Bus & Luas)</i>	<i>€29.00</i>	<i>€35.00 (20.69%)</i>	<i>€32.00</i>	<i>10.34%</i>
Adult Bus/Luas Annual (Dublin Bus & Luas)	€1,240.00	€1,315.00	€1,315.00	6.05%
Adult Short Hop Annual (Irish Rail & Luas)	€1,550.00	€1,610.00	€1,610.00	3.87%
Adult Short Hop Annual (Dublin Bus, Irish Rail & Luas)	€1,900.00	€1,980.00	€1,980.00	4.21%
<i>Adult Bus/Luas Add on Annual (Dublin Bus & Luas)</i>	<i>€290.00</i>	<i>€350.00 (20.69%)</i>	<i>€320.00</i>	<i>10.34%</i>

5.4 Conclusion

Given the revenue difficulties that Luas is experiencing and taking all the available information at its disposal, the Authority believes that the RPA's requested fare increases are warranted, other than the bus/Luas add-on ticket.

The Authority therefore approves the above fares increases of between 2.8% and 10.34% on Luas as representing the appropriate balance between a contribution on the part of the operator in continuing to increase efficiency and reduce costs and the levying of a fares increase on passengers with both elements contributing towards maintaining the integrity of the network of light rail services.