



Consideration of application from Dublin Bus for a Fares Increase

January 2011

1. Background

The National Transport Authority (the Authority) entered into the Public Service Contracts with each of the CIÉ companies in December 2009 for the provision of passenger and ancillary services. Following the Budget 2010, the subvention payable to these companies was reduced by €32m or 10%. This cut came on top of falling demand and increased fuel costs. Following the Budget 2011, the subvention to the CIÉ companies was cut by a further €12.5m or 4.5%.

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

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.

The economic downturn has reduced passenger numbers on all of the transport operators' services. Customer numbers have reduced due to:

- Lower tourist numbers;
- Fall in retail sales;
- Increasing unemployment; and
- Non-Irish nationals returning home.

Dublin Bus estimates its numbers have fallen by 29 million in the period 2007-2010 (18%). The company is estimated to make a loss of €41m over the same period.

Dublin Bus last increased fares in 2009. Subsequent to this, its subvention was reduced in 2010 by 8.9% (€7.4m) to €75,790,000. In Budget 2011, the subvention was cut by a further €3.3m, or 4.4%.

In addition, the withdrawal of fuel duty rebate, increases in excise duty and the introduction of the carbon tax have resulted in increased costs of €15m per annum in 2010 (compared with 2007 costs), rising to €16m in 2011.

Dublin Bus has implemented a wide range of cost saving measures to meet this new challenging environment. By end 2010 recurring cost savings of over €40 million will have been achieved (when compared with 2007 costs) through reductions across all areas of activity in the company.

Payroll costs have been reduced through cutting numbers employed and changing terms and conditions of employment. Since 2008, average driver earnings have fallen by 7%. Staff numbers will have been reduced by approximately 375 since 2008 and cost savings have also been achieved in operating costs, maintenance, and administration. An additional €15m additional cost savings are targeted for 2011 through a combination of redesigning services to optimally match customer demand in line with the Deloitte recommendations and operational and general business efficiencies.

In addition to the above, considerable efficiencies, will be achieved through the following:

- (a) Automatic Vehicle Location System, installed by Dublin Bus;
- (b) Real Time Information System provided by the Authority;
- (c) Reloadable Smartcard System to be provided by the Authority in 2011; and
- (d) Improvements in bus stop and website information including journey planner to be provided by the Authority in late 2011.

2. Proposal by operator

Subsequent to the cut in subvention, announced in Budget 2011, Dublin Bus wrote to the Authority requesting an increase in cash fares of 6.3% (see Table 1, below, averaged across their fare bands).

3. Determination by the Authority

As previously discussed (see above), under the Companies Act, Dublin Bus cannot continue to run up increasing deficits.

It is clear that general economic conditions in 2011 and 2012 will be challenging. With an extended national budgetary plan of fiscal austerity up to 2014, consumption is expected to continue to contract over the coming years. This will place considerable pressure on Dublin Bus' passenger numbers. The analysis below assumes constant passenger numbers in 2011 compared to 2010. If significant passenger declines are experienced in 2011, it is acknowledged that the approved fare levels may require revision or some service reductions may be required.

The Authority recognises that requiring the company to absorb the additional costs imposed in Budget 2011 (reduced subvention and increased fuel costs) in addition to recent cuts and falling passenger numbers would have a significant detrimental impact on services. In the region of 35 buses would be withdrawn from the fleet, leading to lower frequencies on approximately 20 routes.

Reduced services would have damaging economic implications. The Annual Competitiveness Council 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 inevitably leads to congestion and hampers the performance of urban centres which provide the engines of growth in our economy.

The Department of Transport's *Smarter Travel* policy document commits to a target of reducing work-related commuting by car from a current modal share of 65% to 45% by 2020. Nationally, this will mean that between 500,000 and 600,000 daily commuters will be encouraged to take means of transport other than driving a car. Staged annual improvements are needed to achieve this target and significant reductions in services in 2011 would be a regressive step.

Any cut in services would also have serious implications for Ireland's environmental performance. *Smarter Travel* aims that *'transport will make a meaningful contribution to Ireland's commitment under the proposed EU effort-sharing arrangement in relation to climate change and real reductions on current levels of emissions will be achieved'*. The National Climate Change Strategy 2007-2012 commits to greater investment in public transport to encourage mode shift. This recognises that Ireland is among the highest carbon emitters in the OECD (on a per capita basis), in part due to transport emissions, which were 176 percent higher in 2008 than 1990.

Notwithstanding the need to maintain services, the Authority does not consider that a fare increase, in the order of 6.3% (averaged across all fares), is appropriate in the current climate of falling living standards. Public transport plays a vital role, not simply in increasing economic efficiency (through reduced congestion), but also in improving accessibility. The 2006 Census shows while there are 938,512 adults (those over 17 years of age, eligible to drive) resident in Dublin, there are 481,856 registered cars. This equates to car ownership of 51%, implying a heavy reliance on public transport for a large segment of society.

In addition to general accessibility, public transport has an important role in relation to social inclusion. Any fares increase will impact disproportionately on more disadvantaged members of society.

Recognising this, the Authority is restricting the fares increase to an average of 2.1%, across all cash fares, listed in Table 1, below. The average across adult fares is 3.7%. The step increment in fares available for increases is 5c or multiples of 5c. While it is recognised that handling fares which do not include 5c may be more straightforward for customers and drivers, this must be weighed against the expense (to customers) of increasing fares by 10c or (to Dublin Bus) of deferring rises. The available step increments also prevent the application of an equal percentage increase across all fare bands.

Table 1: Breakdown of Fares Increase

Stages	Current Fare	Fare Proposed by Dublin Bus	Proposed % Fare Change	Fare approved by National Transport Authority	Approved % Fare Change
School child	€0.65	€0.70	7.7%	€0.65	0.0%
Child 1-7	€0.80	€0.85	6.3%	€0.80	0.0%
Child over 7	€1.00	€1.05	5.0%	€1.00	0.0%
Adult 1-3	€1.15	€1.25	8.7%	€1.20	4.3%
Adult 4-7	€1.60	€1.70	6.3%	€1.65	3.1%
Adult 8-13	€1.80	€1.90	5.6%	€1.85	2.8%
Adult over 13	€2.20	€2.30	4.5%	€2.30	4.5%
Average % Change			6.3%		2.1%

The Authority considers that the approved fare increases strike the appropriate balance between a contribution on the part of the operator in continuing to increase efficiency, through the Network Direct project, and the levying of a fares increase on passengers. Both elements contribute towards maintaining the integrity of the network of public bus services, which is vital for the continued social, economic and environmental health of the Greater Dublin Area.