



Consideration of application from Irish Rail for a Fares Increase

February 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 Budget 2010¹, the subvention payable to the three companies was reduced by a total of €32m or 10%. This cut came on top of falling demand and increased fuel costs. Following Budget 2011, the subvention to the CIÉ companies was cut by a further €12.5m or 4.5%.

Irish Rail, Dublin Bus and Bus Éireann 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 which addresses the accumulation of unsustainable debts. The companies are subject to annual external audit and their accounts are available to the public.

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
- Recent immigrants returning home.

Irish Rail's revenues have fallen by €34.8m, over the past two years, resulting from this fall in demand.

In Budget 2010, Irish Rail's subvention was reduced by €20m (11.5%). More recently, in Budget 2011, there was a further cut of €8m or 5.2%. In addition, increases in fuel costs have resulted in an increased outlay of €2m per annum, despite efficiencies in fuel

¹ Budget 2010 refers to the Budget published in December 2009. This nomenclature is used throughout the document.

consumption achieved through the deployment of modern rolling stock. Preliminary results indicate that Irish Rail's operating loss for 2010 will be c€15m.

Irish Rail has implemented a wide range of cost saving measures to meet this new challenging environment. Over the past two years (2008-2010) the company reports a reduction in operating costs of €57.3m.

2. Proposal by operator

Subsequent to the cut in subvention, announced in the budget for 2011, Irish Rail wrote to the National Transport Authority **requesting an increase in cash fares by an average of 5%** (see examples provided by Irish Rail in the Appendix).

3. Determination by the Authority

The Authority recognises that requiring the company to absorb the additional costs imposed by reduced subvention and increased fuel costs in addition to falling passenger numbers would have a significant detrimental impact on services. Also as previously discussed (see above), under the Companies Act Irish Rail has to address increasing deficits.

Any cut in services would 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.

Public transport plays a vital role, not simply in increasing economic efficiency (through reduced congestion), but also in improving accessibility. Any fares increase will impact disproportionately on more disadvantaged members of society. Consequently the

Authority does not consider that a fare increase, in the order of 5%, is appropriate in the current climate of falling costs and general economic constraints.

Recognising this, Table 1 on page 5 below lists the increases approved by the Authority. The table essentially sets out a methodology for increases - due to the wide range of fares on the rail network, it is not possible to list all the individual increases.

For DART and Inner Commuter services, the Authority has aimed for a target of a 3% average increase. Applying this target, variability inevitably arises in percentage increases on individual fares due to the available 5c/10c step increments for single/return fares—the Authority has therefore applied a rounding proviso, regarding rounding up to the nearest 5c, that no fares increase rounds up to greater than 5%.

Applying the allowed increase to the sample fares provided by Irish Rail, it can be seen that the Authority is restricting the fares increase to an average of 3.2% for DART and Inner Commuter services compared to the 5% average sought.

On the sample of **Outer Commuter Services** provided by Irish Rail **the fares increase approved by the Authority is restricted to an average across the sample of 3.1%** compared to the requested average of 5%.

Regarding weekly tickets for **DART and Inner Commuter services** and **Outer Commuter Services**, a 3% target increase has been sanctioned, rounded up to the nearest 10c. For monthly and yearly tickets, a 3% target is also sanctioned, with rounding.

Increases in Intercity fares have been restricted to those single fares that are currently under €25. The allowed increase is 3% for the single fare and its related fares, with rounding to the nearest 10c. Increases have not been sanctioned for Intercity single fares greater than €25, pending submission from Irish Rail of a fares pricing policy for intercity services for the Authority's consideration. It should be noted that in the order of the 40% of Intercity fares are purchased online and via telesales at discounted prices.

These approved fare increases can be applied following advance notification by Irish Rail to its customers, and their systems changes. However, the planned increases for season tickets sold under the Tax saver system are approved from 1st May 2011 as requested by Irish Rail.

Smartcard fares are unaffected by these increases and will not change.

Table 1: Approved Fare Increases

Journey type	Fare band	Approved Increase
Inner commuter/DART		
Single	Up to and including €2.00	€0.05
Return		€0.10
Weekly		Target 3% subject to rounding
Single	€2.30 and greater	€0.10
Return		€0.20
Weekly		Target 3% subject to rounding
Outer commuter		
Single	€7 to €8	€0.20
Return		€0.30
Weekly		Target 3% subject to rounding
Monthly		Target 3% subject to rounding
Yearly		Target 3% subject to rounding
Single	€8 to €12	€0.30
Return		€0.40
Weekly		Target 3% subject to rounding
Monthly		Target 3% subject to rounding
Yearly		Target 3% subject to rounding
Single	Greater than €12	€0.50
Return		€0.60
Weekly		Target 3% subject to rounding
Monthly		Target 3% subject to rounding
Yearly		Target 3% subject to rounding
Intercity		
Single	Up to €25	Target 3% subject to rounding
Return		Target 3% subject to rounding
Single (and its related fares)	Greater than €25	None pending fares policy review

In summary, the Authority has approved an average fare increase of approximately 3% which will part defray the subvention loss. The Authority is aware that increasing fares carries a risk of dampening, already weak, demand. It is considered that this increase

strikes the appropriate balance between a contribution on the part of the operator to increasing efficiency and the levying of a fares increase on passengers, both elements contributing towards maintaining the integrity of the network of rail services, which is vital for Ireland's continued social, economic and environmental wellbeing.

The Appendices set out sample comparisons between the fare increases sought by Irish Rail and those fare increases approved by the Authority.

Appendix A - Sample application of increases - DART/ Inner Commuter

Sample application of increases – DART/ Inner Commuter						
Journey Examples	Ticket Types	Current Fare	Requested Fare	Requested % Increase	Approved increase	Approved % increase
Clontarf Road- Tara Street	Single	€1.65	€1.70	3.03%	€1.70	3.03%
	Return	€2.80	€2.90	3.57%	€2.90	3.57%
	Weekly	€14.00	€14.70	5.00%	€14.40	2.86%
Blackrock – Pearse	Single	€2.00	€2.10	5.00%	€2.05	2.50%
	Return	€3.60	€3.80	5.56%	€3.70	2.78%
	Weekly	€17.60	€18.60	5.68%	€18.10	2.84%
Dun Laoghaire - Tara Street	Single	€2.30	€2.40	4.35%	€2.40	4.35%
	Return	€4.20	€4.40	4.76%	€4.40	4.76%
	Weekly	€19.30	€20.30	5.18%	€19.90	3.11%
Howth-Blackrock	Single	€2.75	Not itemised by Irish Rail	5%	€2.85	3.63%
	Return	€4.70	Not itemised by Irish Rail	5%	€4.90	4.25%
	Weekly	€22.80	Not itemised by Irish Rail	5%	€23.50	3.07%
Maynooth - Connolly	Single	€3.30	€3.40	3.03%	€3.40	3.03%
	Return	€6.00	€6.30	5.00%	€6.20	3.33%
	Weekly	€26.80	€28.40	5.97%	€27.60	2.90%
Howth-Shankill	Single	€4.30	Not itemised by Irish Rail	5%	€4.40	2.3%
	Return	€8.00	Not itemised by Irish Rail	5%	€8.20	2.5%
	Weekly	€30.50	Not itemised by Irish Rail	5%	€31.40	2.95%
Average across samples						3.2%

Appendix B – Sample Application of Increases – Outer Commuter

Sample Application of Increases – Outer Commuter						
Journey Examples	Ticket Types	Current Fare	Requested Fare	Requested % Increase	Approved fare	Approved % increase
Sallins – Heuston	Single	€7.00	€7.40	5.71%	€7.20	2.86%
	Return	€9.50	€10.00	5.26%	€9.80	3.16%
	Weekly	€33.50	€35.00	4.48%	€34.50	2.99%
	Monthly	€123.00	€130.00	5.69%	€127.00	3.25%
	Annual	€1,230.00	€1,300.00	5.69%	€1,270.00	3.25%
Mallow – Cork	Single	€9.50	€10.00	5.26%	€9.80	3.16%
	Return	€11.40	€12.00	5.26%	€11.80	3.51%
	Weekly	€36.00	€38.00	5.56%	€37.10	3.06%
	Monthly	€133.00	€140.00	5.26%	€137.00	3.01%
	Annual	€1,330.00	€1,400.00	5.26%	€1,370.00	3.01%
Drogheda - Connolly	Single	€15.00	€15.70	4.67%	€15.50	3.33%
	Return	€18.00	€19.00	5.56%	€18.50	2.78%
	Weekly	€51.50	€54.00	4.85%	€53.00	2.91%
	Monthly	€193.00	€203.00	5.18%	€199.00	3.11%
	Annual	€1,930.00	€2,030.00	5.18%	€1,990.00	3.11%
Average across samples				5.3%		3.1%

Kilcock Promotional Fares

Kilcock to Connolly	Current fare	Approved fare	Approved % Increase
Single	€5.50	€5.70	3.6%
Return	€9.00	€9.30	3.3%
Weekly	€33.50	€34.50	3.0%
Kilcock to Maynooth			
Single	€3.00	€3.10	3.3%
Return	€5.00	€5.20	4.0%
Weekly	€19.50	€20.10	3.1%

Appendix C - Sample application of increases Intercity

Sample application of increases Intercity						
Journey Examples	Ticket Types	Current Fare	Requested Fare	Requested % Increase	Approved fare	Approved % increase
Dundalk - Connolly	Single	€21.50	€22.50	4.65%	€22.20	3.3%
	Open Return	€32.00	€33.50	4.69%	€33.00	3.1%
Rosslare - Pearse	Single	€22.50	€23.50	4.44%	€23.20	3.1%
	Open Return	€28.50	€30.00	5.26%	€29.40	3.2%
Thurles - Heuston	Single	€27.00	€28.50	5.56%	€27.00	0.0%
	Open Return	€34.50	€36.50	5.80%	€34.50	0.0%
Waterford - Heuston	Single	€34.50	€36.50	5.80%	€34.50	0.0%
	Open Return	€48.00	€50.50	5.21%	€48.00	0.0%
Galway - Heuston	Single	€37.00	€39.00	5.41%	€37.00	0.0%
	Open Return	€52.00	€55.00	5.77%	€52.00	0.0%
Cork - Heuston	Single	€66.00	€69.00	4.55%	€66.00	0.0%
	Open Return	€78.50	€82.50	5.10%	€78.50	0.0%
Average across sanctioned increases						3.2%