



Údarás Náisiúnta Iompair
National Transport Authority

Proposal to Directly Award a Public Bus Service Contract to Bus Éireann in 2019

3. Technical Report on Contract Options

October 2018



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1. Introduction

1.1 Introduction

The current Public Service Obligation bus services outside the Dublin city region are provided by Bus Éireann under a direct award contract with the National Transport Authority. This contract expires on 1st December 2019. The Authority must now consider how to provide public bus passenger services outside Dublin following this contract. The options to be considered are whether to award another direct award contract to Bus Éireann or to competitively tender all of the Bus Éireann public bus services or a combination of tendering some services and a reduced size direct award contract for remaining services.

This report examines the contract options in detail and highlights the key issues involved in reaching a decision on a recommended proposal for the Bus Éireann market. These options are considered in the context of EU Regulation 1370/2007 and the Dublin Transport Authority Act 2008.

In addition to the examination of contract options set out in this report, the Authority has produced the following documentation which should be read in conjunction with this report:

- Consultation paper
- Report on performance of 2014 Bus Éireann direct award contract

2. Current Bus Éireann PSO Contract

2.1 Overview

The Authority first entered into a five year Public Service Contract with Bus Éireann on 1st December 2009 for the provision of a network of public bus services and service capacity. A second contract was awarded directly in 2014 with 10% of services removed for competitive tendering. Bus Éireann was successful in the tender for the Waterford city services and GoAhead Ireland was successful in the Dublin commuter competition. These contracts will commence operations in 2018/2019.

The Direct Award Contracts additionally includes the provision of ancillary services including marketing, information, sales and service integration.

Over the period of the 2014-2019 contract, to date, Bus Éireann have introduced improved frequency on a number of services, planned and approved by the Authority.

2.2 Bus Éireann

Bus Éireann is a wholly owned subsidiary of Córas Iompar Éireann (CIÉ), a commercial state body which provides bus and rail public transport services. The Company was established in 1987 under the Transport [Re-organisation of CIE Act] 1986 and is the largest nation-wide provider of PSO bus services outside of the Greater Dublin Area.

As of Q4 2017, the Company currently employs in the region of 2,445 people and operates from twelve main depots nationwide. The PSO services comprise City, Stage Carriage and Dublin Commuter services. The PSO services are, at the time of writing of this Report, operated by a total fleet of 542 vehicles. The average age of the PSO fleet at the end of 2017 was 6.3 years old.

Under the Contract, Bus Éireann is responsible for the provision of bus depot and stabling facilities, supply and maintenance of bus fleet and ancillary facilities (such as ticket machines, automatic vehicle location equipment and CCTV equipment) and associated communications, storage, analysis and reporting systems. They are also responsible for the provision of staff and staff facilities and marketing.

In addition to, and financially separate from the PSO services provision, the Company also operates commercial activities such as express services and private hire services. It also

provides schools transport services and administers the Schools Transport Scheme for the Department of Education and Skills.

Company restructuring and optimisation of staff rosters implemented by Bus Éireann in 2017 is expected to result in a significant change in the cost base for PSO operations from 2018 onwards.

2.3 Routes

As of September 2018, Bus Éireann operate 231 bus routes under the direct award contract to the National Transport Authority.

Regional cities

21 routes are operated in Cork, 8 in Limerick, 7 in Galway, and 5 in Waterford. Services generally operate at regular frequencies throughout the day from Monday to Saturday. Sunday services are less frequent and in some cases they do not operate. The Waterford services will be operated under a separate contract in 2018/2019 following a tender process.

Regional towns

Six towns are served (Dundalk, Drogheda, Navan, Balbriggan, Athlone, Sligo). Services generally operate at regular frequencies throughout the day from Monday to Saturday. Sunday services are less frequent and in some cases they do not operate.

Dublin commuter belt

27 services operate from the commuter belt outside Dublin, generally as radial services to Dublin city. Some local and orbital services also operate between destinations within the commuter belt. Radial services to Dublin generally operate at regular frequencies throughout the day. Local services tend to operate at significantly lower frequencies. Five of those services will be removed from the Direct Award contract and operated by GoAhead Ireland in 2019.

Stage carriage services

There are 152 Stage carriage services, generally linking a series of settlements of various sizes in a particular region. Routes vary significantly in length and frequency from several times a day to once a week.

2.4 Bus fleet

The network is operated by a mixture of single and double deck buses, and single and double deck coaches.

Operations are spread between 12 main depots¹ with a total peak vehicle requirement of 542 buses²

The Authority has funded the purchase of buses for deployment on PSO services since 2012. Through a contractual provision in the fleet funding agreement executed between the Authority and Bus Éireann, these buses can be moved to the ownership of the Authority and thereby be made available for use by any future contracted operator. Since 2017, the Authority has purchased the bus fleet directly and have licenced their operation to Bus Éireann.

2.5 Trends in PSO passenger numbers

Annual trends since 2014 for Bus Éireann PSO passenger numbers are presented below. Passenger numbers show a return to growth after a few years of decline. Passenger numbers continue to grow.

| Year (December) | Annual Passenger Numbers (millions) |
|-----------------|-------------------------------------|
| 2014 | 29.7 |
| 2015 | 30.2 |
| 2016 | 32.1 |
| 2017 | 31.1 |

2.6 Bus Éireann Participation in NTA Integration of Services

The Authority has undertaken a number of integration measures to provide a seamless offer to the public transport customer.

In the case of bus services, these integration initiatives include:

¹ Main depots are supplemented by smaller storage/out-based areas

² As of end of 2017, excluding spares

- The provision of real time passenger information for all scheduled Bus Éireann services;
- Integrated ticket (Leapcard) for use on all scheduled Bus Éireann services as well as Luas, Iarnród Éireann and Dublin Bus services operating in the Greater Dublin Area;
- The development of a public transport journey planner for all public transport modes, including bus.

There has been significant investment in supporting infrastructure, IT equipment and software in Bus Éireann to enable this improved level of integration.

Other aspects to integration include:

- Fares - the regulation by the Authority of all fares to be charged for all Bus Éireann services provided under contract.
- Branding - the existing Bus Éireann brand enables ready identification of buses available to people travelling within the Dublin area. The integrating Transport for Ireland brand is being placed alongside on a phased basis Service network – the bus network is designed to avoid insofar as possible wasteful competition with and duplication of Iarnród Éireann services.

Future public bus service contracts will need to build on this legacy, to ensure that the current level of public transport integration is maintained and improved.

3. A new public service contract

3.1 Overview

A new public service contract (or contracts) for the operation of Public Service Obligation (PSO) funded bus services in Dublin will be required in December 2019 to replace the single contract directly awarded to Bus Éireann in December 2014. A key decision is whether the contract(s) will be

- directly awarded
- competitively tendered
- a mix of directly awarded and tendered

3.2 Competitive tendering in Europe

Several EU member states, regions or cities have moved towards competitively tendering for the operation of public transport services, including bus.

These include London, Sweden, Denmark, most of the Netherlands (except the main urban centres of Amsterdam, Rotterdam and the Hague), Germany (rural and suburban services in some regions only) and Italy (some local services).

In Great Britain (outside London) the market for the provision of bus services is fully deregulated. Notwithstanding this fact, British local authorities do tender for the provision of certain bus services that are not operated on a commercial basis.

3.3 Tendering vs. direct award contracts outside Dublin

The advantages and disadvantages of tendering or directly awarding contracts for operating all of the bus services in the context of the market outside Dublin are set out below.

Tendering

| Advantages | Disadvantages |
|--|---|
| <ul style="list-style-type: none"> • Potential operating cost savings, allowing more bus services to be provided for a given subvention level • Potential service improvements through increased frequencies or additional services. • Economic justification for another Direct Award Contract not required. | <ul style="list-style-type: none"> • Potential need for an operator to have access to depots and other assets from Bus Éireann/CIE to create a level playing field and ensure transparency for new market entrants. • Potential industrial relations issues if staff need to transfer depots and/or to new employers. • Risk of loss of public transport integration. Requirements to protect integration are likely to impose costs on new market entrants and/or the Authority • To fully realise potential cost savings, and to ensure a level playing field for market entrants, it may be necessary to tender a substantial part (or all) of the bus market, with associated risks • Limited time and staff resources available to the Authority to fully prepare for and undertake a large tendering process or a series of concurrent tender processes. |

Direct Award

| Advantages | Disadvantages |
|---|--|
| <ul style="list-style-type: none"> • Ensures continued integration of services and facilities • May postpone need to address asset ownership issues (depots, fleet etc.) associated with tendering • Avoids potential industrial relations issues due to transfer of contracts to new operator | <ul style="list-style-type: none"> • Potential operating cost savings associated with the competitive tendering process may be foregone. • Current legislation (DTA Act 2008) states the Authority can only directly award contracts “where it is satisfied that the continued adequacy of the public bus services to which the contracts relate can only be guaranteed in the general economic interest by entering into such contracts”. The Authority has to satisfy itself in this regard. A decision to directly award a contract may be open to challenge. |

3.4 International Experience

The Authority has examined the experience of transport authorities across Europe in relation to outcomes from competitively tendering. The high level findings are that:

- Substantial cost savings are achievable in the first move to competitively tender services. While these can be eroded with subsequent competitions, unit costs remain below pre-tendering levels. In some cases stricter service specification in subsequent competitions has eroded the initial savings.
- The underlying level of efficiency prior to a move to competitive tendering is a determinant of the scale of savings achieved.
- In general service quality has improved through competition but not in all cases.

3.5 Conclusion

The conclusion from this section of the report is that it is in the general economic interest to introduce competition into the national bus market. Experience from a range of countries supports the contention that competitive tendering of public bus services yields benefits. The key advantages associated with competitive tendering of public transport services arise from the effects of competitive pressures and market discipline. By putting a service out to tender, market forces are brought to bear to reveal the most economically efficient provider, thereby leading to lower costs.

An enhanced level of customer service quality can also feature as an element of the contract award criteria. Additionally, the presence of a number of operators in a market allows for benchmarking of performance.

4. Competitive Tender Considerations

4.1 Equality of Access

Any tender competition has to take place on a fair and equitable basis, Bus Éireann will be legally entitled to take part in any tender competition for some or all PSO bus services outside.

Bus Éireann as the incumbent operator could be seen to have an advantage over potential market entrants as it currently owns important ancillary assets, including bus depot storage and maintenance facilities, bus ticket equipment, on board CCTV facilities, other on-bus data recording, storage and management equipment, a central bus operations centre and bus staff facilities, It also has a suitably qualified and trained staff at its disposal to deliver the services. These are considered in more detail below

4.1.1 Bus Infrastructure

The costs to a market entrant of providing these or similar facilities are likely to be considerable. This does put Bus Éireann at a considerable advantage over new market entrants without access to these facilities.

The Authority has no statutory powers to ensure depot facilities or those buses purchased pre 2012 would be available to new operator/s. While the Authority could provide new depot facilities for all tendering parties, this would increase the cost to the state for the competition. It could be considered a reasonable cost if only part of the Bus Éireann services were opened for tender.

4.1.2 Operating staff

The tendering of all Bus Éireann services would include either the potential need to transfer Bus Éireann staff to another employer, if the incumbent were not successful in the competition, in which case EC TUPE (Transfer of Undertakings Protection of Employment) regulations would come into play.

A smaller tender completion allows the potential for Bus Éireann to downsize and reduce the requirement to transfer staff to a new operator. There is also the possibility that the demand for bus services will continue to grow which would result in additional drivers being required to operate additional vehicle – kilometres in the direct award should Bus Éireann not win the tendered competition.

4.2 Maintaining Integration

The Authority has a clear obligation under Section 10 of the DTA Act to seek the provision of a well-functioning, attractive, integrated public transport system for all users, and to seek increased use of the public transport system whilst ensuring value for money.

In keeping with these objectives, the following requirements will be included in future PSO funded bus contracts, whether tendered or directly awarded.

4.2.1 Ticketing

The Authority's "Leapcard" integrated ticket is being accepted on all PSO funded bus services operated by Bus Éireann. The Authority will require operators to participate in the "Leapcard" integrated ticketing scheme

4.2.2 Fares

Fares for PSO funded services are decided by the Authority. This arrangement will need be continued in future public transport service contracts, regardless of operator.

4.2.3 Information

The Authority currently provides real time passenger information for scheduled buses operated by Bus Éireann, through the [TransportforIreland.ie](https://transportforireland.ie) website, and at certain bus stops. Future contracts for bus services outside Dublin will require operators to provide bus operating schedule, location and time data to the Authority in the format needed to enable continued provision of real time passenger information to bus customers and to enable monitoring of operator performance against requirements set out in service contracts by the Authority.

The Authority may also wish to provide passenger information on board buses to its specification. To assist customers in viewing the bus network as a single integrated entity, this information will need to be presented in a common format and style regardless of bus operator.

4.2.4 Branding

It is important from a bus customer point of view to view all PSO services as an integrated package, irrespective of operator. A unifying brand is required to achieve this.

4.3 Degree of service specification

The level of specification of bus services required in the new contracts is an important consideration. At present, bus routes and times are closely specified in Authority public service contracts with Bus Éireann. Rail services and tram and bus services in Dublin are also by their nature closely specified, but operated under separate contracts. This suggests a need to specify bus services outside Dublin in a similar manner to ensure continued network integration and fair competition between operators.

Internationally, close specification of services by the transport authority is the approach taken (routes, frequencies, and so on). This is the practice in London.

Provisions will be required for the Authority to amend bus services during the lifetime of the new contract where needed, to take account of changing travel patterns or traffic conditions for example.

4.4 Contract Type

There are two main types of contract to be considered based on the level of transfer of revenue risk to the operator. A gross cost contract is where the operator is paid to operate the service, the fares revenue is kept by the Authority and the operator carries no risk in terms of revenues. In a net cost contract, the Operator retains the revenue and the risk associated with the revenue not matching or exceeding operating costs. A gross cost with incentives to operator is a further refinement of that contract model.

London uses gross cost contracts for its 700 bus contracts in London, one for each route. These contracts include additional production incentives or penalties based on a “Quality Incentive Contract”. Operators can earn +15% of the contract price in bonus payments and penalty payments can be 10%.

Stockholm uses gross cost contracts for route bundles where quality incentives can be up to +/-23% of the contract price, based on the monitoring of punctuality and customer’s perception of the service. This is a substantial incentive for the operators to improve the quality of the service.

Elmshorn in Germany and Halmstad in Sweden use gross cost contracts with passenger incentives. These are in fact more a mixed form of gross cost contract and net cost contract with shared additional fare box revenue. The operator in Elmshorn received € 0.35 per additional passenger, based on average calculation for the first year of operation. In both

cases the operator is also responsible for significant parts of planning and development of the service. This is essential for the balance between the responsibility and incentives in the contract.

There are more of such gross cost contracts with shared passenger incentives to be observed in Europe and one can expect that the distinction between gross cost contract and net cost contracts might become vaguer in the future.³

Advantages and disadvantages

Experience elsewhere suggests operators typically take a risk-averse view of prospective revenue, and price this risk into net cost tender bids. On the other hand, gross cost tendering obviously places revenue risk and collection accountability on the shoulders of the Authority.

| Gross cost contract advantages | Disadvantages |
|---|---|
| <ul style="list-style-type: none"> Fare revenue risk to operator is removed thereby increasing the pool of prospective operators and mitigating premium risk pricing in tenders. Removes a key information advantage (detailed patronage data) that incumbent operator may have over market entrant | <ul style="list-style-type: none"> Fare revenue risk falls on Authority Mechanisms/checks required to ensure operator collects fares revenue on behalf of the Authority |

| Net cost contract advantages | Disadvantages |
|--|--|
| <ul style="list-style-type: none"> Fare revenue risk does not fall on the Authority Operator has incentive to improve service quality to attract patronage and thus revenue Operator is likely to ensure appropriate procedures are in place to protect its fare revenues (no need for Authority checks). | <ul style="list-style-type: none"> Operators are likely to seek a premium for absorbing fares risk due to patronage variations. Significant patronage declines may undermine operator financial viability Any patronage increases would not be of financial benefit to the Authority. |

³ http://ec.europa.eu/transport/urban/studies/doc/2008_contracting_urban_public_transport.pdf

| Gross cost with incentives contract advantages | Disadvantages |
|--|--|
| <ul style="list-style-type: none"> Fare revenue risk to operator is removed thereby increasing the pool of prospective operators and mitigating premium risk pricing in tenders. Operator focussed on service quality including reliability, punctuality and is incentivised to meet or exceed targets using contractual performance payment | <ul style="list-style-type: none"> Fare revenue risk falls on Authority Mechanisms/checks required to ensure operator collects fares revenue on behalf of the Authority Constraints to the extent to which Authority may be able to incentivise performance associated with government PSO funding constraints. |

On balance, Gross cost contract with incentives for the operator to continuously improve performance during the contract lifetime is the preferred model. This type of contract is preferred because it places risks with the parties best placed to manage it. The Authority rather than the operator is best placed to manage revenue risk as it sets the fares and routes for the services. The operator rather than the Authority is best placed to manage operational performance.

4.5 Incentivising operator performance to meet customer needs

4.5.1 Weighting performance payments to better match customer priorities

Currently 10% of annual contract payments to operators are performance related, with 5% related to punctuality performance and 5% related to service quality performance.

A customer survey of Dublin Bus passengers will be undertaken to ascertain their experience with and relative importance of performance in areas such as punctuality, reliability, access to and from bus, comfort of bus, driving style, cleanliness of bus and information provided on board the bus.

The results will be used to inform the relative weighting of performance payment deductions for failure to meet targets or incentives for exceeding targets.

4.5.2 Incentivising operators to exceed performance targets

In the current direct award contracts, performance payment deductions apply for failure to meet targets, but there are no performance payment incentives to exceed targets as opposed to simply meeting them. It is proposed that all PSO contracts awarded by the Authority from December 2019 onwards will include a graduated performance payment incentive which would depend on the extent to which actual performance exceeded contractual targets.

4.5.3 Reliability target

The current interim reliability target is that Dublin Bus must provide AVL data to show that 95% of scheduled services operated in each reporting period. From mid-2018 onwards, the Authority intends to increase this target to 98%. It is proposed that this target will be carried through into the December 2019 direct award contract.

4.5.4 Enhanced punctuality and regularity (EWT) targets

Current punctuality targets for lower frequency services vary on a seasonal basis to take account of changing traffic conditions. The targets for each reporting period are being increased by 4% each year over the equivalent target from the previous year. In 2019, these targets will average approximately 65% over the network as a whole. It is proposed that the December 2019 contract will retain the gradual ramping up of punctuality target to an average of approximately 69% in 2020, 73% in 2021, 77% in 2022, 81% in 2023 and 85% in 2024.

During 2018, regularity for higher frequency services will start to be measured based on headway between services rather than recorded departure time compared to scheduled time. The metric used will be Excess Wait Time (EWT -a measure of the time above the expected wait time that passengers have to wait at a stop for services). The EWT target will be set against current performance and it is intended that the target EWT will be gradually reduced up to the end of the current direct award contract. It is proposed that the December 2019 contract will retain this gradual reduction in EWT targets over the lifetime of the contract.

4.5.5 New KPIs to measure long intervals between services

These KPIs are proposed as a means of measuring how often a service is so late that the passenger benefit of operating the service is severely diminished, for example because the actual departure time of the service in question is at or after the scheduled departure time of the following service.

It is proposed to introduce a new KPI measuring the percentage of services where the actual headway is over twice the scheduled headway between services. This KPI would apply to high frequency services only, where regularity of services is measured on a scheduled headway (EWT) basis.

It is also proposed to introduce a new KPI for low frequency services (generally those operating 4 per hour or less) measuring the percentage of services which departed from a stop more than 15 minutes after the scheduled departure time.

4.5.6 Punctuality and reliability performance measurement by route or route bundle

In the current direct award contracts, punctuality regularity and reliability targets and associated contractual payments apply on a network wide basis. In the December 2019 contracts, the Authority proposes to revise this arrangement so that targets and associated payments will apply on a route or corridor /route bundle basis.

4.5.7 Introduction of additional sanctions for poorly performing route or bundle of routes

It is proposed that if there is a consistent failure by the Operator to meet contractual KPIs for any route or bundle of routes included in a bus PSO contract from December 2019 onwards, then the Authority would reserve the right to remove the route or route bundle from the contract and put its operation out to competitive tender. As a guide, this sanction would be considered where there were 8 or more failures to meet a KPI target over the previous 13 reporting periods, or where a KPI target was missed for 4 or more consecutive reporting periods.

4.6 Conclusion

The Authority has made the following conclusions in this section:

- The competition for services has to ensure equal treatment for all tenderers and ensure that the incumbent has no advantage.
- The Authority has no right of access to Bus Éireann depots or fleet purchased before 2012.
- The competitively tendered services should be structured around the Authority providing available fleet, bought in recent years through state grants, to competitors. Also the depot needs should be taken into account in selecting the services for tendering.
- The market opening should be structured with appropriate lead-in time for the incumbent to plan to allow minimum transfer of staff if incumbent is not successful.
- The Authority will maintain a fairly tight contractual specification of required services (routes, frequencies and so forth);
- Public transport integration (ticketing, fares, passenger information, and network integration) will need to be included as a contractual requirement but it doesn't preclude competition.
- The Transport for Ireland brand will provide the unified branding to ensure customer identification of publicly funded bus services.
- The Authority would propose a gross cost contract with incentives for the Operator for any bus services contract.

5. Market segmentation options

5.1 Segmentation options outside Dublin

Options for segmenting the PSO bus market outside Dublin in advance of a possible further competitive tendering process are outlined below.

Some options at least are likely to require the transfer of relevant assets (e.g. buses, depots, ticketing equipment etc.) out of the ownership of Bus Éireann in advance of the tendering process.

An added complexity is that, unlike the Dublin bus market, all major Bus Éireann bus depots are currently shared (PSO buses, commercial Expressway services and school services use the same depots). For this reason, the direct transfer of operation of an existing BE depot to a new operator may not be feasible.

In deciding the option to choose, it is essential to examine the likely benefits and practicalities of each option, in the context of 2019 bus contracts. The segmentation options for tendering include:

- (1) All PSO services
- (2) PSO rural services operating from one or more depots
- (3) PSO city services, in one or more cities
- (4) Some or all Dublin commuter PSO services

Each is examined below.

Option 1 - All PSO services

Opening of all Bus Éireann PSO services to competitive tender could result in numerous risks including

- whether the continuation of existing services could be guaranteed;
- whether all the necessary assets (buses and depots in particular) could be acquired from Bus Éireann in the given timeframe; and
- whether it would be administratively possible to manage the multiple tenders involved or strategically prudent to move from a position of competitively tendering none of the PSO bus market outside Dublin to a full opening of the market, without any prior experience of tendering PSO bus services.

Given these risks and challenges, it is not recommended as an option for further consideration.

Option 2 - PSO stage carriage services

A significant amount of service reconfiguration is likely to be required over the coming years for rural stage carriage services in particular. This will arise from an optimisation of rural transport services and PSO services and also an efficiency configuration of rural PSO services.

In advance of this work, tendering for PSO rural services would be premature.

Option 3 - PSO city services, in one or more cities

Opening of Bus Éireann PSO city bus services to competition would pose fewer challenges than the options above. There are significant PSO bus operations in four cities outside Dublin (Cork, Galway, Limerick and Waterford). Commercial operators of city bus services already have a significant presence in two of these cities (Galway and Waterford). The PSO services in Waterford have already been opened to competition which was awarded to Bus Éireann.

Transport strategies have to be developed for all the regional cities other than Galway which has one in place. In advance of completing these strategies which will include the development of a BusConnects programme for each of them, the tendering of these city services would be premature.

A major reorganisation of the bus network in Cork and Galway is proposed by the Authority for implementation in 2020 and beyond. Due to the need to consult with bus users on the new networks, it is not anticipated that the changes will be finalised and specified in detail in advance of the date by which the Authority will award the 2019 contract. For this reason the Authority is likely to award a contract for the operation of the routes broadly in line with the current Bus Éireann network. After contract award, and once the revised bus networks are finalised, the Authority will need to negotiate changes in the contract that take account of the revised bus networks.

Option 4 - Some or all Dublin commuter PSO services

Opening all Bus Éireann Dublin commuter PSO city bus services to competition in 2019 would result in tendering roughly one third of the PSO market (in terms of bus numbers). To achieve economic tenders, this option would be likely to require significant bus depot and bus fleet transfer from Bus Éireann.

However, the opening of part of the Dublin commuter market to competition is likely to pose fewer difficulties. There is potential for some outer Dublin commuter PSO services currently operated by Bus Éireann to be tendered. Services on certain corridors are likely to be less depot-dependent and may be suitable for tendering. The PSO services on the coastal Dublin commuter corridor (including Dundalk, Drogheda, Balbriggan, Dublin, Wicklow, Arklow and Wexford) could be considered for tendering.

5.2 Conclusion

- It would be a major challenge to develop a tender and procure a contract for all the Bus Éireann network in one go and ensure all services would continue to operate smoothly from December 2019; therefore, it is recommended that a portion of the network only should be considered for tendering.
- PSO rural services need to be optimised particularly in relation to inter-action with the Rural Transport programme and also the integration of various strands of funded services. For that reason it is not recommended to initially open these services to competitive tendering except potentially in the south east region where service optimisation will have begun.
- There may be significant benefits to tendering some Bus Éireann PSO routes serving the outer Dublin commuter market.

6. Final Conclusions

- There is value in introducing further competition in the Bus Éireann services market while maintaining a significant Direct Award Contract with Bus Éireann.
- Research of international experience and the experience of recent tendering set out in this paper indicates that there is likely to be a cost saving associated with tendering of bus services and/or an increase in service quality.
- Tendering the full Bus Éireann network is not recommended.
- The preferred competitive tendering scenario is to select up to 10% of services from the following suite of options:
 - Certain Dublin commuter services.
- In any new contracts, fare revenue risks should largely lie with the Authority - gross cost contracts with quality incentives appear to work well internationally.
- Fairly tight contractual specification of required services (routes, frequencies and so forth) is likely to be required to maintain public transport network integration.
- Other key integration requirements (ticketing, fares, passenger information, and network integration) will need to be included in any new contracts.
- A unified brand is needed to enable customer identification of publicly funded bus services (those where integrated ticketing, regulated fares and passenger information are provided).