

**Public consultation on proposals to directly award contracts from December 2014 for public bus services to Dublin Bus within the Dublin area and to Bus Éireann outside Dublin**

**List of submissions (organisations)**

<b>Reference</b>	<b>Name</b>	<b>Organisations</b>
8	David McConn (see also submission No. 28)	Dualway
12	Paddy Kavanagh	Eirebus
15-2	Gerard Bartley	City Direct
18-2	Willie Noone	SIPTU
19	Edward Crean	National Disability Authority
21	Dessie Ellis	Sinn Fein
25	Brendan Finn	ETTS Limited
26	ClIr William Lavelle	South Dublin County Council (elected member)
27	Conor Hand	Forfás
28	David McConn (see also submission No. 8)	Dualway
29	Bob Laird	Laird Aviation Consultancy
30-1	Vincent Sheehan	Bus Eireann
31-1	Han Nie	Competition Authority
31-2	Han Nie	Competition Authority
32-1	Tim Hayes	Chartered Institute of Transport and Logistics
33-1	Allen Parker	Aircoach / First
34	Paddy Matthews	Matthews Coach Hire
35-1	Michael Flannery	CIE
36	Barry Peak	Chambers Ireland
37	Jim Higgins MEP	Fine Gael Member European Parliament
40-1	Martin Dean	Go Ahead
40-2	Martin Dean	Go Ahead
41-2	Pat Massey	Compecon
42	John Ryan	Dublin Bus
43	Kevin Traynor	Coach Tourism and Transport Council of Ireland
44	Margo Hayes	South Tipperary County Council
45	Dermot O'Leary	NRBU
46	Liam Berney	Irish Congress of Trade Unions
47	Piers Marlow	Arriva plc

**List of submissions (private individuals)**

<b>Reference</b>	<b>Name</b>
1	John
2	Ian Kempself
3	Jonathan O Riordain
4	David Marlborough
5	Tom Corcoran
6	Roy Harford
7	Pat Smith
9	Jonathan Kavanagh
10	Jim Travers
11	Nicole Kavanagh
13	Anthony
14-2	David Bacon
16	Paul Tighe
17	Ciaran Casey
20	John Doyle
22	Warren Whitney
23	Oliver Connolly
24	Frank Kealey
38-1	John O'Flaherty
39	Eamon Walsh

## Lynn Mahony

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 11 September 2013 10:46  
**To:** bus consult; eamonncClinton@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: John

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
N/A

Address:  
Dublin 9

Comment:

Dublin Bus should run for another hour at least, until 00:30 or 01:00 to enable the night time economy to thrive. Indeed, on major corridors there should be one route running a 24 hour service (e.g. N11; N4; N1) in both directions using normal fares. The 747 should also run 24 hours, as in Edinburgh.

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**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 11 September 2013 11:02  
**To:** bus consult; eamonncClinton@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Ian Kemp sell

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
private individual

Address:  
Co Tipperary

Comment:

I support the NTA's proposals for the following reasons:

1. They closely reflect Transport for London's operations where individual or blocks of bus routes are tendered, and the number of bus travellers is increasing significantly year on year
2. NTA will retain control of a large portion of the network which will allow improvements to be made to interchange within the network and with other transport modes, ie there will be strategic benefits, rather than a free for all competition. Such competition does not work to the benefit of passengers (for example in the English regions outside London, where bus usage continues to decline)

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**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 11 September 2013 11:30  
**To:** bus consult; eamonncClinton@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Jonathan O'Riordan

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:

Address:

dublin 16

Comment:

Sorry but why are we waiting until 2016 to award 10% of award contracts. Lets do it NOW

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**Lynn Mahony**

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**From:** Info  
**Sent:** 11 September 2013 11:35  
**To:** Jeremy Ryan  
**Subject:** FW: Bus Services Consultation

FYI

-----Original Message-----

From: David J. Marlborough  
Sent: 11 September 2013 10:43  
To: Info  
Subject: Re: Bus Services Consultation

To whom it may concern,

I don't know why these emails come to me but it's good that they do in order to keep abreast of the latest inspired development which might be dreamt up by the fevered mind of those allegedly running this, by now, EU Governed State.

My response to the information below: Stupid, stupid, stupid.

Privatisation by stealth which will remove the original remit of national public transport i.e. to provide a vital social service and NOTHING to do with profit making. This will ultimately lead to the removal of any routes private operators deem unprofitable and of course inconvenience to the travelling public who hitherto used these routes.

And, the icing on the cake, this farce will all probably end up costing the State (i.e. taxpayer) more money in subsidies to the private operators as occurred in Britain when national provider British Rail was broken up and privatised in 1993. Then again, never let logic, reason and dare I even say it, respect for the public, get in the way of bankrupt, bovine ideology.

Regards,

David Marlborough.

Tel:

From: "National Transport Authority" <[info@nationaltransport.ie](mailto:info@nationaltransport.ie)>  
To: " " <[djmarlborough@](mailto:djmarlborough@)>  
Date: 11/09/2013 10:30  
Subject: Bus Services Consultation  
Sent by: "National Transport Authority"  
<[info=nationaltransport.ie@cmail2.com](mailto:info=nationaltransport.ie@cmail2.com)>

Údarás Náisiúnta Iompair, National Transport Authority

National Transport Authority proposes direct award of contracts in 2014 to Dublin Bus and Bus Éireann with later tendering of 10% of services for 2016 operations

The National Transport Authority today (September 11th) launched a public consultation process on its plans:

- (i) to enter into another direct award contract with Dublin Bus and Bus Éireann in 2014
- (ii) to amend those contracts in 2016 to reduce the services within those contracts by approximately 10% and
- (iii) to provide the removed services through separate contracts following an open tender process.

For more information see [HERE](#)

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Is le haghaidh an duine nó an eintitis ar a bhfuil sí dírithe, agus le haghaidh an duine nó an eintitis sin amháin, a bheartaítear an fhaisnéis a tarchuireadh agus féadfaidh sé go bhfuil ábhar faoi rún agus/nó faoi phribhléid inti. Toirmisctear aon athbhreithniú, atarchur nó leathadh a dhéanamh ar an bhfaisnéis seo, aon úsáid eile a bhaint aisti nó aon ghníomh a dhéanamh ar a hiontaoibh, ag daoine nó ag eintitis seachas an faighteoir beartaithe. Má fuair tú é seo trí dhearmad, téigh i dteagmháil leis an seoltóir, le do thoil, agus scríos an t-ábhar as aon ríomhaire. Is é beartas na Roinne Dlí agus Cirt agus Comhionannais, na nOifigí agus na nGníomhaireachtaí a úsáideann seirbhísí TF na Roinne seoladh ábhair cholúil a dhícheadú.

**Lynn Mahony**

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**From:** website=nationaltransport.ie@mailgun.org on behalf of WordPress  
<website@nationaltransport.ie>  
**Sent:** 12 September 2013 14:16  
**To:** bus consult  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Tom Corcoran

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
Private

Address:  
Waterford

Comment:

Trying to make sense of the Proposal, you want to make savings of 10% Nationwide yet you are only concentrating on Waterford, bad enough that other government bodies downgraded Waterford Regional Hospital & Waterford Airport and you now want to eliminate Bus Eireann from the City. Sounds like an easy way out, remember in Waterford Bus Eireann already compete with other public services and still provide an excellent service. I wonder if any politicians are aware of your proposals...makes you think!!!

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**Lynn Mahony**

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**From:** website=nationaltransport.ie@mailgun.org on behalf of WordPress  
<website@nationaltransport.ie>  
**Sent:** 14 September 2013 18:26  
**To:** bus consult  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Roy Harford

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:

Address:

Swords

Comment:

In general, I agree with the plans proposed. I think it is a good idea to gradually start tendering services. I think that the routes you have selected are the best to start tendering on.

Some of the routes selected have very high frequencies (such as Bus Éireann 101 and Dublin Bus 17a). These high frequencies seem to suggest high passenger numbers. Some of these services may not require PSO funding and could be operated profitably under a commercial license. You should consider tendering these for a commercial license instead of a PSO contract.

Some of the services selected run along the same alignment as a service which will be staying in the direct award contract. For example, Dublin Bus 33 & 33a follow the same alignment between Swords and Balbriggan. Both services have been timetabled to operate between each other and use the same fare systems (tickets on one service are also taken on the other). If route 33a is awarded to a private company, it is important that the same tickets will be taken on both routes and that timetables are planned together. Also, private operators who win contracts should not be prevented from using bus stations owned by Bus Éireann.

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**Lynn Mahony**

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**From:** website=nationaltransport.ie@mailgun.org on behalf of WordPress  
<website@nationaltransport.ie>  
**Sent:** 17 September 2013 13:50  
**To:** bus consult  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Pat Smith

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
Private

Address:

Comment:

Both my wife and I are holders of Annual Bus and Rail(Taxsaver)tickets.  
It seems to me that these have increased in price almost every year.

If there are going to be different operators then

- 1 Will they honour these tickets?
- 2 At what price?
- 3 If they do not will the price be reduced?

There seems to be no effort at addressing these concerns in anything I have seen so far. There is a mention of imtegrated ticketing but this does not address my concerns -we also have Leap cards (Luas)

-Pat Smith  
([pjgsssmith@yahoo.com](mailto:pjgsssmith@yahoo.com))

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**Jeremy Ryan**

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**From:** website=nationaltransport.ie@mailgun.org on behalf of WordPress  
<website@nationaltransport.ie>  
**Sent:** 17 September 2013 15:24  
**To:** bus consult  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: David McConn

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
Dualway Coaches Ltd

Address:  
Keatings Park, Rathcoole, Co. Dublin

Comment:  
Dualway Coaches Ltd wish to be included when the National Transport Authority commence competitively tendering a 10% portion of the Dublin public bus service market in 2014/2015 with the target of a contract for those services being in place from Autumn 2016 onward.

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**Lynn Mahony**

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**From:** website=nationaltransport.ie@mailgun.org on behalf of WordPress  
<website@nationaltransport.ie>  
**Sent:** 18 September 2013 08:17  
**To:** bus consult  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Jonathan Kavanagh

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
N/A

Address:

Comment:

In my opinion I do not agree with this. The reason I do not agree with this is because (in Ireland) we all know that contracts are awarded to people/companies who are known to the awarding body. Bringing in such a proposal will make a mess of Dublin Transport. Who is going to oversee the directly awarded contracts? Is there going to be appeal process – if one party is grieved? It might be better for competition but more likely will end up with cronism etc

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**Lynn Mahony**

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**From:** website=nationaltransport.ie@mailgun.org on behalf of WordPress  
<website@nationaltransport.ie>  
**Sent:** 22 September 2013 23:13  
**To:** bus consult  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: jim travers

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
DB employee

Address:  
County Kildare

**Comment:**

While the proposal to directly award contracts for public bus services to the private sector may be welcomed by private bus operators, past experience has shown that the private sector cannot provide public transport services (bus services) that meet the needs of all public transport users. Dublin Bus has consistently operated at a loss, a loss that is sustained by the inability of the company to secure adequate state subvention in order to maintain and improve its services along with the inability of the company to increase or adjust its fares without prior approval from the Minister. In reality the hands of Dublin Bus are tied by regulations that inhibit its ability to operate and progress towards a profitability that is similar to privately operated companies.

In the past, private bus operators were willing to participate in a project (Dublin Bus driven) that would allow private operators enter the public bus service market. With great enthusiasm private operators began providing services on profit and non-profit routes. The project very quickly came to an end when the private operators expressed an unwillingness to operate routes that were non-profitable. This is where Dublin Bus enters the equation of being the only company capable of providing services across the wide range of public need.

The 65 route that services Ballymore Eustace in Blessington is a route that consistently makes a financial loss for the company, yet a number of its loss making passengers require the services of Dublin Bus in order to commute to work or even maintain contact with the rest of civilisation. The presence of Dublin Bus marks a vital service to the community of Blessington and Ballymore Eustace, but in private hands this service would be destined for withdrawal. The 613 operated by Dualway's coaches is a classical example of a private bus operator being awarded a public transport licence only to find the service withdrawn and its customers told to 'Go complain to Dublin Bus'.

If the overall objective of the government is to improve bus services while at the same time reduce the cost for public transport services to the taxpayer, then privatising any percentage of the bus service is a self-defeating operation. The private sector has a role in the provision of transport services but it cannot and has proven in the past to be unable to provide services that meet the needs of all public transport users without exception.

The attractiveness of by private operators in the provision of public transport services can be found in the level of subvention the state is willing to provide for such services. In the United Kingdom, government

under the leadership of Margaret Thatcher encouraged widespread privatisation of public transport services. Today the Conservative government under the leadership of David Cameron has finally realised that the privatisation of public transport services has led to a far greater cost to the taxpayer and subsequently has brought London Transport back into public ownership.

Luas is a static transport system that relies on commuters coming to it along its rail network being extended in order to attract future users. The Luas network is an ongoing expense that the taxpayer has to endure in order to keep the service profitable for the service operator. It is a false economy of a privately operated public transport service. Dublin Bus and Bus Eireann is a passive system that can be readjusted to the movement of its customers or the establishment of new communities that emerge outside its current scope of service. Securing loans (EIB) to extend the Luas rail network is tantamount to plunging the state into further debt when existing services that are long established and providing reliable services on decreasing levels of state subvention.

The building of the Luas rail network and the proposed Metro north rail system was a pipe dream that was overshadowed and forgotten by the enthusiasm of its proposers that the population of Dublin (those directly able to use the service) did not financially warrant the building of such a rail network. Should it be built, Metro north will forever remain a burden on the taxpayer into the foreseeable future.

The future public transport needs of the public (Republic of Ireland) will be only found in the progressive building of existing public transport services provided by Dublin Bus, Bus Eireann and Ianrod Eireann. With a population of approximately 4.6 million people unevenly spread throughout the 26 counties, adequate and progressive public transport services will only be achieved when the state is in total control of those services. The private operator has a role to play in the provision of transport services but the private operator cannot provide acceptable public transport services unless one, both or a combination of the following occur;

1. Constant yearly increase in state subvention
2. Increase fare cost to passengers
3. Increased state subvention combined with ongoing fare increases.
4. Reduction in services in line with decreasing state subvention and increased fares.
5. Reduction or withdrawal in service routes that are loss making and do not secure additional state subvention.
6. Withdrawal by a private operator in the provision of a bus route, which will result in an alternative operator being sought to provide the service. In the meantime commuters must suffer the delays and inconvenience of travelling to alternative bus stops for service.

In the final analysis of the ongoing problem of opening public transport bus services to private operators, the NTA really needs to keep Dublin Bus and Bus Eireann operational just in case the dream plan goes belly-up and the state is left with a subvention bill that outstrips anything the state had previously pumped into public transport services. Instead of trying to gradually reduce the importance of the CIE group of companies to junk status the state in the interest of the taxpayer would be far better off investing in the upgrading of the current rolling stock and giving Dublin Bus and Bus Eireann far greater autonomy in the setting of their fare structures along with the realignment of existing bus routes and the establishment of new routes. In the interest of taxpayers, Dublin Bus and Bus Eireann should be joined as a single national bus transport service. In this way Dublin Bus and Bus Eireann could provide their customers with a more inclusive national bus transport service that meets the needs of 21st Century commuters.

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**From:** website=nationaltransport.ie@mailgun.org on behalf of WordPress  
<website@nationaltransport.ie>  
**Sent:** 01 October 2013 10:26  
**To:** bus consult  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Nicole Kavanagh

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
Private citizen

Address:

Comment:

There should be a noise limit for buses as the triaxle buses are extremely loud relative to regular buses. This means that walking on the street is extremely unpleasant. Please don't allow Dublin bus purchase more of these for use on residential roads such as Morehampton / Donnybrook road.

Kind regards

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**Lynn Mahony**

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**From:** website=nationaltransport.ie@mailgun.org on behalf of WordPress  
<website@nationaltransport.ie>  
**Sent:** 01 October 2013 13:06  
**To:** bus consult  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Paddy Kavanagh

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
Eirebus Ltd

Address:  
Corduff Road, Blanchardstown, Dublin 15

Comment:  
Dublin Bus Proposals

The Authority has concluded that it is the general economic interest to direct award all PSO routes to DB for 5 years with the exception of approximately 10% which will be subject to public tendering and award from mid-2016 for five years on a gross cost basis with unspecified incentives. These will be orbital or local routes, some with questionable long term feasibility.

The report goes on to recommend a direct award contract to DB for a further 5 years and includes a supportive Study prepared by Ernst & Young. This reviews the performance of DB during the period of the first directly awarded contract to Q1 2013.

The document explains many reasons why the contract should remain directly awarded to DB, referring to difficulty of tendering radial routes (bulk of DB's activities), route integration, costs to NTA of dismantling status quo, efficiency of DB, integrated ticketing, real-time passenger information, ownership of depots and upcoming Luas extension among many reasons.

The NTA did not appear to deem it appropriate to have a comprehensive 'value for money' study conducted despite Ernst & Young's statement that the level of subvention is at the upper end of average 35 – 60% of revenue experienced across Europe. There should be a root and branch review of all DB routes to test them for cost, efficiency, frequency, utilization etc. There are many vehicles being used needlessly throughout the day with little evident patronage on certain routes but the document does not attempt to identify any such wasteful utilization.

The consultation process appears to be irrelevant, given that decisions have already been arrived at.

Bus Eireann Proposals

The case presented on this mirrors the DB study and advice from Ernst & Young without any proper 'value-for-money' study conducted.

Essentially most of BE's routes could be privatised without any reduction in quality of service and at much lower cost to the State. This has never been seriously considered by the NTA and instead we are to have a minimalist approach to route tendering from 2016. How is the public interest best served by this approach when a ready-made more cost efficient and quality alternative is available throughout the State ?.

The evidential basis for awarding a direct award contract to both DB and BE is flawed in many respects and could be open to serious challenge.

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**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 01 October 2013 20:11  
**To:** bus consult  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Anthony

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
Public

Address:  
Co Waterford

Comment:

Waterford is a black spot for employment already. Bus Eireann provide good quality unionised jobs with a pension. Is this a case of bringing in cheaper jobs with no conditions. If the nta are tendering 10% of Bus Eireanns work why is it all in Waterford is it because of no political influence. Bus Eireann in Waterford provide a good service and have some very nice drivers. These cuts are not only unfair to Bus Eireann but to the people in the employment black spot of Waterford. Are we political cannonfodder.

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## NTA Dublin Bus Direct Award Contract

1. I am making this submission on my own behalf as an occasional user of public transport services in Dublin.

### Summary

2. I do not have any preference as to who operates the service, or parts of the service, as long as the quality of the service operation as well as related information are of a high standard and there is full integration of routes, timetables and fares.

3. Although the current contract has been modified, I feel that there is plenty of scope for improvements which could be incorporated into the new contract effective from 2015, especially in relation to timetabling, information at bus stops and service performance indicators as well as how these are monitored and reported.

4. With the Luas extension much more needs to be done on integration of all (train, tram, bus) services and fares. Development of LEAP card options needs to be advanced with priority. The fare structure over the greater Dublin area on all modes should be simplified.

### Improvements to the 2015 Contract-Timetables

5. The current Dublin Bus Timetables are, for the most part, merely a list of departure times, with in some cases, estimated times given at one or two intermediate points on routes which are on average 60-80min duration. The estimated times at intermediate points is only available on line and on some bus stops and is not available in the printed timetables.

6. Timetables need to be prepared with due care and attention taking into account the expected traffic conditions and with more times at intermediate points (say every 5 stops) on the strict basis that the bus will not leave before the estimated time. This may slow down the service, but it would greatly improve its reliability. The contract should be amended to require timetabling to be on this basis from 2015 on Dublin Bus and the new operators as the case may be. Cf Annex.

7. Building on this timetable modification, there is much scope for improvement in the information at stops, especially for those who do not own smart phones. The typical Dublin Bus stop is a pole in the ground with a stop number. For the most part the route(s) are not listed and times, where available, could indicate the departure times at some very distant point. Real Time Passenger Information (RTPI) is a huge improvement, but it is unrealistic to expect it everywhere. The current contract acts as a disincentive to Dublin Bus to provide any information because they must keep whatever information they do provide up to date. The new contract should be modified to require route numbers on all stops by, say June 2014, and more meaningful timetabling information on the basis in #6 above at all stops before the start of the new contract in 2015. It is standard all over continental Europe to have stop specific times at each bus stop.

## Service Performance

8. From the point of view of the passenger, and more importantly, of the passenger who waited for a bus which failed to operate, the most important "Performance Obligation" is No. 4 "Services Operated". The % of buses in service and the number of km operated are statistical matters that are not much consolation when a bus does not show up (because it did not operate, it operated early or it operated off route) and there is a one hour wait for the next service. The methodology for evaluating this service obligation set out in the relevant report is not detailed and needs to be more transparent. In order to avoid being swamped in useless data, the NTA should be sent a list of services which did not operate or which operated in an anomalous manner e.g. ahead of schedule or off route. This list should be based on automated data collected from the Real Time Passenger Information (RTPI) and/or cameras and, if collected by Dublin Bus, should be sent to the NTA on a daily basis at the latest the following day. The current quarterly reports aggregated by route corridor do not provide a customer focused basis for evaluating the service performance. The annual review should be increased in frequency and, with the above information, would have a meaningful basis for evaluation. This "Performance Obligation" should be closely aligned to the payment of the state grant.

9. If the NTA moves to the more customer focused rather than operations focused reporting, monitoring and evaluation, as in #8 above, then all the other Reliability Performance Obligations #1.1, 1.2, 1.3, 1.4, 1.5, 2 and 3 could be dropped or assigned a minor statistical priority.

10. The Punctuality Performance should be changed from "Percentage of services within 5 min of scheduled time" to "Percentage of services operating at or 5 min after scheduled time at terminus or at or 10 min after any intermediate point". Services which operate early should be highlighted. Financial penalties on Dublin Bus or other operators should be used to discourage and eliminate the practice of early operation.

11. Complaint recording, Performance Obligation #11, appears to be a fog of obfuscation. The real number complaints should be reported. All complaints, as well as the reply to the customer and follow up by the management, should be kept on file for a specified period by Dublin Bus or other operators for possible audit or inspection by the NTA.

12. There is no excuse for not having fares information, Performance Obligation #12, up to date on the website. There does appear, however, to be confusion about how much advance notification of changes to fares needs to be provided to the public. Figures of "5 days" (Table B12), "5 working days" (Page 11 Description) and "10 working days" (Page 22, new requirement) are variously mentioned.

13. There are integrated DART/Dublin Bus fares for single and return journeys which I have not been able to find on either Dublin Bus or Irish Rail websites, or in any printed matter. By the way they are much cheaper than LEAP fares. All fares should be published. The failure to publish these fares would appear to be a breach of Performance

Obligation #12 in so far as Dublin Bus is concerned. The reported compliance of 100% going back over 2 years and would appear to require investigation by the NTA.

#### Integration

14. Integration of all services (bus, train and tram) and fares needs to be advanced. RTPI, at stops and via smart phone, is a great improvement to the bus passenger experience. The emphasis now should be on fares and ticketing. The current limited use of LEAP needs to be expanded to include time based tickets (one day, 3 day, 5 day, 7 day one month etc) and not just for one mode. At present the cost of operator issued (not LEAP) time based tickets on each mode is reasonable, but when a second mode is added the cost almost doubles. There is still no time based ticket that can be used on bus, train and tram. At present, with the exception of tram, LEAP acts as a single fare, albeit with a discount, debit card and often individual operator's time based tickets are a much cheaper option. The NTA should use its influence and its control of the state grants to increase the pace of integration of fares and to simplify ticketing. Whatever happens with the situation post 2016, further fragmentation of ticketing and fares should not happen if and when new operators take over the services. As a minimum "Dublin Bus" tickets should be valid on Dublin Bus and the new operators' services.

David Bacon,  
33, Bd Salentiny,  
L-2511 Luxembourg

6 October 2013

## Annex

### Examples of careless timetabling

#### Route 59

Off peak travel time is estimated as 40min with 20 min to get to Killiney in each direction. The timetable gives the real journey time off peak as less than 30min. Potential passengers waiting at Killiney 20min after the departure time at either end would miss the bus!

#### Route 102

Very sloppy presentation which gives the impression that no bus continues to the final destination. The intermediate times given are inconsistent.

#### Route 17

The presentation of the timetable is a template for how timetables should look. Services which do not serve Belfield do not show a time there.

Unfortunately, there is another set of intermediate times which suggest a completely different service. The timetable gives the departure at Kimmage Rd West as 15min after Rialto, but the off peak estimate given just below is 35min! Utter carelessness and very confusing for passengers or potential passengers!

#### Route 47

Intermediate times are given at Stillorgan for outgoing services. This route now operates via Ringsend, but the intermediate times did not change from when it operated directly via Ballsbridge. That is careless! The time of the 23:30 out of town service at Stillorgan is given as 00:02 on Monday-Friday, 23:52 on Sunday and 23:50 on Saturday. There cannot be a 12min variation in the travel time over such a distance!

These are just examples.



The difference is our service



Bus Contracts,  
National Transport Authority,  
Dun Sceine,  
Iveagh Court,  
Harcourt Lane,  
Dublin 2.

7<sup>th</sup> October 2013

**RE: 2014 Bus Public Consultation**

Dear Sirs,

Having read the Bus Consultation regarding directly awarded contracts (PSO's) here are our suggestions:-

For **Bus Éireann services**, there are a number of options available as follows:

**All city services in Waterford**

We would have a very keen interest in this tender.

**Some city services in Cork**

We would have a very keen interest in this tender.

**Some rural stage carriage services in the south east region**

We wouldn't have a great interest in this tender unless it was bundled with city services.

**Certain Dublin commuter services**

We would have a very keen interest in this tender.

Possible combinations are:

- **Tender the Waterford City and portion of Cork city services together**

We would have a very keen interest in this tender.



**Tel:** 091 860 814  
**Fax:** 091 860 815  
**Email:** info@citydirect.ie  
**Web:** www.citydirect.ie

City Direct Bus Co.,  
Rahoon Road,  
Galway City.

Unit 14, The Exchange,  
Calmount Business Park,  
Ballymount,  
Dublin 12.

The difference is our service



- Tender either the Cork city portion or Waterford City services together with a portion of the Dublin coastal commuter services presented above

We would have a very keen interest in this tender.

- Tender the Waterford city and South East stage carriage services.

We would have a very keen interest in this tender.

**Suggestions:-**

(a) Galway City

We would welcome the opportunity to tender for any of the Galway city bus services. So much so, we are prepared to relinquish two of our route licences in order to achieve this objective. The two licences we propose to eliminate are numbers 04004 (Knocknacarra - Salthill - Eyre Square) and 07047 (Barna - Eyre Square).

(b) Commuter Type Services

We would be very well placed to tender for any outer commuter type service operating to a regional city.

**Summary**

We very much welcome the opportunities that will come on line in the next few years and we hope that this is the first step in the evolving bus transport sector in Ireland.

Because of our 14 years of omnibus public transport in Galway city, we would be very well placed to operate these services in any city in Ireland. Finally, we will be working hard to ensure that City Direct will become synonymous with excellence in Public Transport over the coming years.

Yours sincerely,

Gerard Bartley

General Manager



Our charity of choice



Tel: 091 860 814  
Fax: 091 860 815  
Email: [info@citydirect.ie](mailto:info@citydirect.ie)  
Web: [www.citydirect.ie](http://www.citydirect.ie)

City Direct Bus Co.,  
Rahoon Road,  
Galway City.

Unit 14, The Exchange,  
Calmount Business Park,  
Ballymount,  
Dublin 12.

**Lynn Mahony**

---

**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 09 October 2013 12:14  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Paul Tighe

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
 NA

Address:  
 Dublin 2

Comment:

Sirs/madams,

I support the gradual approach to competitive tendering that the NTA is proposing. Time is needed to allow the state operators to adjust and downsize their operations as a more competitive market emerges -but of course, we must make a start somewhere and the sooner the better.

However, I think the current proposal lacks a means to continue the current advantage of allowing profitable routes subsidise PSO routes. At present, PSO routes are subsidised by subvention, but also by cross-subsidisation from profitable routes. The funding model for PSO routes at present is not replicated in these 2 proposals which simply propose to put a portion of less profitable routes out to tender, without cross-subsidisation from the profitable routes. The result could be higher subvention to make the PSO routes viable. It would also leave the state operators with a more profitable basket of routes.

Therefore, I think that we must consider levying the profitable routes in order to supplement subvention. In particular, imposing a levy from 2016 when the transition occurs. Otherwise, we will be asking bidders to provide the PSO routes with only part of the financial support the PSO routes enjoy at present. This could result in a poorly subscribed tendering process robbing the whole project of credibility.

Eventually we need to arrive at a system where profitable routes are auctioned and the proceeds used to boost subvention of unprofitable routes.

Secondly, the use of fixed assets -stops, stations and depots, needs to be guaranteed to all. There would be no advantage of having new contractors replicating existing infrastructure. A reasonable contribution towards the maintenance and use of these facilities needs to be part of the tendering process. More importantly, sharing of these services with the private operators needs to be part of the renewed contract signed by the state operators.

sincerely  
 Paul Tighe

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**Lynn Mahony**

---

**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 09 October 2013 21:48  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: Ciaran Casey

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
 Bus Eireann

Address:  
 Dundalk Co. Louth

Comment:  
 Dear Sirs

I completely disagree with the proposal to award approximately 10% of the current services with Bus Eireann and Dublin Bus in 2016 to open tender.

As a result of the current proposal, staff employed at each of the above named companies will lose their jobs with these companies, employees which are currently loyal hard working individuals.

I am aware that new vacancies will arise with the "private companies"/new appointed tenders. My fear with these new vacancies is the following:

- the lack of job security which is highly important in the current economic climate. Individuals have large debts and agreements in place (mortgages/loans) that require to be repaid to maintain their credit record
- current job entitlements will no longer be in place. The new tenders will employ paying the minimum standard rate per hour, no shift allowances, no pension arrangements etc

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**Lynn Mahony**

---

**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 11 October 2013 14:38  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services  
**Attachments:** NTA-submission-oct-2013.pdf

From: willie Noone

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
SIPTU

Address:  
6th Floor Liberty Hall Dublin 1

Comment:

To whom it may concern,

Attached is a submission from SIPTU which outlines concerns and comments in relation to proposals to directly award contracts from 2014. Earnest & Young include a number of items including the costs of the free travel scheme when calculating monies given to D Bus and Bus Eireann WHICH ARE NOT taken into consideration when calculation of peers in Europe was undertaken. When the payments of VAT, PRSI and PAYE from employees that will be paid by the CIE companies in 2013 are taken from the subvention amount given the net cost of providing decent reliable bus public transport is miniscule and the cost to the exchequer will rise considerably as the wages (prsi & paye ) levels go to subsistence levels with private operators.

These comments should be included as part of the SIPTU submission. Willie Noone SIPTU

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[http://www.nationaltransport.ie/wp-content/uploads/wpcf7\\_uploads/NTA-submission-oct-2013.pdf](http://www.nationaltransport.ie/wp-content/uploads/wpcf7_uploads/NTA-submission-oct-2013.pdf)

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TRANSPORT SECTOR  
**SECTOR ORGANISER – WILLIE NOONE**  
Liberty Hall, Dublin 1  
Mobile: 087 6474323  
Email: wnoone@siptu.ie



18-2



Utilities &  
Construction  
Division

9<sup>th</sup> October 2013

**Mr Gerard Murphy**  
**CEO National Transport Authority**  
**Dun Sceine**  
**Iveagh Court**  
**Harcourt Lane**  
**Dublin 2**

**Re: Consultation on proposals to directly award contracts for public bus services from  
December 2014**

Dear Mr Murphy

I refer to your letter dated 23<sup>rd</sup> September 2013 to SIPTU regarding consultations on NTA proposals.

Please find enclosed a submission from SIPTU regarding said proposals.

Yours sincerely

*Willie Noone*

Willie Noone  
**Transport Sector Organiser,**  
**SIPTU**

Ceardchumann Seirbhísí, Tionsclaíoch, Gairmiúil agus Teicniúil  
Services Industrial Professional & Technical Union

Utilities & Construction Division  
Unity Hall, Church St., Tullamore, Co. OPPaly • Tel: (353) 01 8588249 • Fax: (353) 057 9321831  
utilitiesconstructiondivision@siptu.ie • www.siptu.ie

TRANSPORT SECTOR  
**SECTOR ORGANISER – WILLIE NOONE**  
Liberty Hall, Dublin 1  
Mobile: 087 6474323  
Email: wnoone@siptu.ie



Utilities &  
Construction  
Division

## **SIPTU**

### **Submission to the NTA re decision to tender out up to 10% of routes in Bus Eireann & Dublin**

#### **Bus**

SIPTU is Ireland's largest trade union and organises and represents workers across a number of categories in Bus Eireann and Dublin Bus in all depots and in all geographical areas within our national Transport Sector. We are a key stakeholder in both public and private transport provision seeking to represent both the interests of our directly employed members through collective bargaining, but also the interests of our wider membership and the citizens at large, many of whom rely on and require an appropriately run and properly resourced, (through revenue and appropriate levels of state subvention) integrated and sustainable national public transport service. As a Union we are unapologetic in our continued support of the model of direct award (which is still provided for in the relevant legislation i.e. the Dublin Transport Authority Act 2008), to Bus Eireann, Dublin Bus and indeed to other companies in the CIE Group.

In this submission as part of the public consultation process we wish to set out our position in relation to the recent announcement of the National Transport Authority (NTA) on behalf of the Minister for Transport to enter into another direct award contract with Bus Eireann/Dublin Bus in 2014 albeit it to amend that contract in 2016 and to reduce the services within those contracts by 10% and proceed with an open tender process for up to 10% of this contract (it is noted that 100% of Waterford City Services is identified as been opened to tender).

- In its consultation paper on this matter the Authority states that it has 5 key objectives regarding the entering into of public service bus contracts, they being (in summary,
  1. Ensuring the provision of high quality and accessible bus services at best value for money for the exchequer,

2. To enable strong monitoring and enforcement of compliance of any such contract,
3. To improve customer experience,
4. Ensure that public transport integration is not compromised,
5. Ensure compliance with the relevant legislation and appropriate EU Directive in this matter.

It is our analysis and opinion that the decision to open up 10% of the routes currently under contract through direct award to Bus Eireann/Dublin Bus does not actually meet the above stated objectives in full and is flawed.

## **1. VALUE FOR MONEY**

It seems to us that potential *cheapness* is being confused and mixed up with *value for money*. The 2009 Cost & Efficiency Review of Dublin Bus & Bus Eireann carried out by Deloitte states:

*"PSO current funding for Dublin Bus & Bus Eireann is relatively low when compared to comparable operations in other countries in Europe"*

A quality national public bus transport service requires investment and adequate state subvention. It has been accepted by all who have analysed public bus transport for decades across Western Europe that all require an element of state/local authority subvention, (done in Ireland through PSO routes). The various elements required to provide a national bus transport service such as fleet, fuel and other logistical and infrastructural systems are relatively consistent. However, labour costs can be the main significant variable. It seems to us that the thinking behind this proposal is that by effectively outsourcing such routes to the private sector the cost of the service may reduce but Ernst and Young suggest that it may be unreasonable to expect savings in Dublin as documented elsewhere as transformation of the services there has already occurred. If TUPE provisions were to apply and be complied with labour costs, (except for pensions) would and should remain as they have been and it is very clear from the directive that TUPE must be a factor and that the intent behind TUPE in this instance is to protect the interests of the employees regarding terms and conditions of employment. This matter of TUPE is also referenced in the technical paper. TUPE application will be extremely difficult to utilise and the issues that will arise, if the NTA proposals materialise are significant and capable of causing industrial unrest. It should be noted that workers in Bus Eireann/Dublin Bus have made significant

personal financial sacrifices in order to support their companies as sustainable entities. With redundancies and the none replacement of some staff along with restructuring and productivity agreements the workers have made a disproportionate contribution to the future of their companies and to national public service transport . It must also be remembered that all of this has been done against the backdrop of an economic recession with a reduced year on year subvention at a time when the government should be seeking to maintain and indeed increase such a subvention in order to make public transport the economic spur that one of the consultation documents references on P 5 of the Ernst and Young economic analysis report under section 2, 2.1. ***Government involvement in Public Transport Provision.*** Therefore, commencing the process of outsourcing the national bus routes piece by piece does little in relation to ensuring *real value* for money for the tax payer. Expectations that semi-state workers will TUPE to private operators are seriously misguided and cognisant must also be given to private operators employees having expectations to transfer into semi state employment in circumstances where work that they undertake is subsequently undertaken by the semi state company. TUPE does not operate on a one way route!!

## **2. Compliance with contracts**

It is somewhat ironic that the NTA have high levels of compliance as a key objective whereby it is implied that commencing the breakup of the Bus Eireann/Dublin Bus networks by tendering out (in this instance) up to 10% of their current routes will facilitate high levels of compliance. The fact of the matter is that tendering out a service to the private sector in this instance, at best one can say there are no guarantees regarding high levels of compliance and there are potential risks to ensuring a high level of standards and compliance and an integrated transport system contrary to the requirements under section 10 of the Dublin Transport Authority Act 2008. The NTA consultation papers themselves states,

***“Overall, Bus Eireann has achieved a high level of compliance with the required performance obligations.”*** The same quote is attributed to Dublin Bus.

A brief analysis of the quarterly performance targets set down by contract with the NTA and inspected by the NTA for Bus Eireann & Dublin Bus demonstrates an excellent

performance whereby these companies consistently exceed the minimum percentage target set by the NTA (which depending on the category the minimum target is usually 95% or 98%). We have seen in the UK what can happen in relation to the 3<sup>rd</sup> objective of the NTA, i.e. improved customer experience when you have a fractured national bus service with multiple operators whereby contracts are awarded at short intervals as per the commentary in the House of Commons Transport Committee report into Bus Services across the UK (11<sup>th</sup> Report of session 2005/6). The result is that compliance levels drop and passenger confidence in the system of public transport also dissipates. This will also prevail in this jurisdiction should this flawed and unnecessary ideologically driven approach occur. It is evident, on this item that the NTA are proposing to fix an issue that is not broken and which the two CIE companies are excelling in according to independent auditors.

#### **CUSTOMER EXPERIENCE**

According to Government Figures in the UK 46% of passengers stated the services had got worse since deregulation whereas only 16% stated it had got better. Passenger numbers in Sheffield have fallen by 40% and in Manchester they have fallen by 30%.

Evidence would show that training and customer care standards suffer, when contracts for service are interchangeable leading to much lower standards of quality of service/timetable and punctuality.

The proposed NTA tendering process will allow for "no sunk costs" which are costs incurred whilst on first entry into the transport market. This policy will allow companies who normally would never entertain thoughts of running a number of routes applying for more routes than they can operate efficiently. These companies lack the necessary management skills of running transport networks and/or timetables and experience of dealing with operational and financial situations will be lacking.

#### **4. INTEGRATION**

The integration of Public Transport services can be segmented into 4 main Areas summarised as Ticketing, Fares, Information and Branding (ref Technical report on Contract Options).

***Ticketing...***The proposed introduction of other providers of Public Transport increases the costs and problems associated with the smooth running of integrated ticketing. Private operators will not bear the costs of the development, maintenance or continuous improvement of ticketing integration. Ticketing integration of PSO services with Commercial services and/or privately run services will only lead to higher administrative costs which will have to be borne by the travelling public or by the taxpayer. An example of problems in this area is currently on-going in Newcastle; there the authorities have been frustrated by the slow progress in establishing a smart/leap scheme for the public transport network. Private bus operators are refusing to cap fares and to utilise agreed ticketing methods on Tyne & Wears smart/leap card until they resolve grievances.

***Fares...***Since deregulation of the Bus Market in the UK, fares outside of London have increased by 1/8<sup>th</sup> and bus usage fell between 19% to 26%. Fares rose by 39% in Urban areas. (UK GOVT FIGURES)

***Information...***

The following is self- explanatory and in circumstances that the proposal as outlined by the NTA comes into existence the reality is that public Transport becomes more disjointed, more un-co-ordinated and delivers less value for the Taxpayer and the consumer.

*"Our analysis has shown that several areas are served by multiple and duplicated routes. Where services share a significant portion of a route with other bus services the services are not necessarily coordinated. This means that the service level along the common route is not as good as it could be, given the resources deployed". (Deloitte report 2009)*

***Branding....***

Issues regarding who promotes through advertising specific routes have not been addressed as routes given out to private operators will not be optimised as the short

duration of contracts and the promotion of unifying branding will not make advertisement and promotion of routes attractive to operators. Furthermore the standards will fall to the lowest common denominator as it will be confusing for the public to identify the carrier who provides the poor service.

## **5.COMPLIANCE WITH RELEVANT LEGISLATION**

Ensuring compliance with the relevant EU Directives in this area and national legislation – The NTA and the government by extension can and should make another direct award contract to Bus Eireann & Dublin Bus regarding the existing routes they carry out and continue to comply with the intent and spirit of the relevant legislation framework. The EU Directive upon which the relevant national legislation was transposed from is essentially neutral on whether the provider of public transport should be a privately owned or publically owned undertaking. The relevant EU directive also makes reference to the application of TUPE in respect of staff interests (therefore negating in reality any additional savings on labour costs save for existing processes of collective bargaining agreements between the parties). The relevant national legislation the Dublin Transport Authority Act 2008 under section 52 deals with the issue of direct award contracts. Indeed 52 (6) (c) (ii) states,

***“Where the Authority proposes to enter into direct award contracts subsequent to those referred to in subsection (3) (a), it may only do so where it is satisfied that the continued adequacy of the public bus passenger services to which the contracts relate can only be guaranteed in the general economic interest by entering into such direct award contracts.”***

Also section 52 (8) (a) states,

***“The Minister may, where he or she considers it appropriate in order to achieve the government’s transport objectives or to ensure compliance with an act of an institution of the European Community, issue directions at his or her sole discretion to the Authority and, as appropriate, Dublin Bus, Bus Eireann or Irish Rail in relation to the provision of public passenger transport services to which this section relates.”***

It is therefore clear that the relevant primary legislation has the capacity through both the general economic interest reasons and government policy (political) reasons to continue with the direct award model that we remain supportive of. In looking at both of these criteria it seems to us that the conditions remain and prevail for the continued use of the direct award model. We see no real evidence to suggest that in this current period of economic recession that tendering part of routes currently operated by Bus Eireann & Dublin Bus would do anything to ensure the maintenance of adequate services and we believe there is a strong general economic interest argument to maintain the direct award model in order to ensure a sustainable integrated public transport service. Indeed in this current period of economic crisis what is needed is additional government investment in public transport in order that it can adequately and properly advance the objectives and economic functions that public transport can actually facilitate as per section 2.1 of the Ernst and Young economic analysis report.

Regarding compliance with legislation it behoves the NTA to review the summaries of the UK Competition Commissions investigations ([www.competition-commission.org.uk](http://www.competition-commission.org.uk)) into the Local Bus services Markets in both Scotland and England (where serious items of concern were raised and still exist; they include amongst other items the following;

- (a) The non-monitoring of services occurred due to the lack of monitors. There were two for the whole of Scotland and they are raising that number to 6!! The Scottish Traffic Commissioner admits that when compliance officers go out on the streets to investigate breaches of licences the errant operators would cease the bad behaviour and it was hence difficult to prove anything.
- (b) The onus in that jurisdiction apparently is for an operator to gather evidence about another operator acting badly and that *may* lead to an investigation.
- (c) Abuses of concessionary fares and losses of public money had occurred.
- (d) Operators had created new commercial entities in order to undermine the regulatory framework.
- (e) Communities found themselves without services at non-peak periods.
- (f) Even when operators had been constantly penalised for not fulfilling its licence conditions there were questions over whether a licence should be revoked as the community may be better off with a bad service than with no service. etc. etc. etc.

## **Conclusion**



SIPTU is vehemently opposed to the NTA proposal to reduce the contracts directly awarded to Dublin Bus and Bus Eireann by approximately 10% from 2016 as no valid logical or supported rationale for so doing has been given. The main objectives for tendering out the removed directly awarded contracts have been shown to be nothing more than an excuse to justify an ideologically driven privatising agenda. It appears that the increasing administrative costs of the NTA are envisaged to be covered by any savings that may accrue from franchising out routes and the NTA cannot guarantee that any positive outcomes will derive from their proposals. It can be guaranteed however that a higher percentage of taxpayers' money that was previously set aside for public transport provision will, if the proposals are enacted, be now spent on administrative work and not on maintaining or improving public bus transport. The proposals are framed to abet private businesses at the taxpayers/travelling publics expense to make profits (they would not do it otherwise) by driving down working conditions and standards of delivery of public transport.

*Willie Noone*

Willie Noone  
*Transport Sector Organiser,*  
*SIPTU*



**Lynn Mahony**

---

**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 10 October 2013 13:14  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services  
**Attachments:** NDA-submission-on-public-bus-contracts-October-2013-FINAL-131010.doc

From: Edward Crean

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
 National Disability Authority

Address:  
 25 Clyde Rd, Ballsbridge, Dublin 4

Comment:  
 As mentioned in the attached document I am enclosing a link to a PDF version of the National Disability Authority's document on procurement:

<http://procurement.ie/publications/procurement-and-accessibility>

Regards

Edward Crean

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**National Disability Authority's**  
**Policy Advice Paper**  
**to the**  
**National Transport Authority's**  
**Consultation on proposals to directly award**  
**contracts from December 2014 for public bus**  
**services**  
**October 2013**

## Progress to date

The National Disability Authority acknowledges the major progress towards full accessibility of Dublin Bus vehicles, the achievement of accessibility on provincial city bus services, Irish Rail, and the introduction and extension of fully-accessible Luas services.

It is clear from the figures presented in the reports on the operation of the direct award contracts with Dublin Bus and Bus Éireann that when vehicles were being purchased in 2010 and 2012 by Dublin Bus they were 100% accessible and the same applied to Bus Éireann's vehicle purchases in 2011 and 2012.

It is also clear from Objective 3(b) of the **National Disability Strategy Implementation Plan** that the Department of Transport, Tourism and Sport retains a commitment to providing accessible public transport.

## Core requirements

Notwithstanding the above it is important that core requirements such as access for all are included in any direct award process as there is a potential risk arising from awarding bus service contracts to private service providers.

The Dublin Bus routes listed in the National Transport Authority press release and the routes in Cork city and Waterford city are all currently wheelchair accessible low-floor buses. In order to provide the protections mentioned above it is necessary that this level of accessibility is retained as a standard below which any open tendering process cannot fall.

Section 13 of the Public Transport Regulation Act 2009 allows for the attachment of conditions to the granting, amendment or renewal of a licence. Accessibility is mentioned in paragraph 13(2)(i) of the Act. The National Disability Authority advises that accessibility is a central requirement of any proposals for licensing of services, and in particular that accessibility should be a key criterion for any proposals to contract out routes.

The National Transport Authority should consider the role of public procurement in further promoting accessibility.

The new public bus service contracts should ensure that public bus services are accessible to everybody, regardless of age, size, ability or disability.

There is a legal requirement on all public bodies, under section 27 of the Disability Act 2005, to ensure that goods and services provided are accessible for people with disabilities.

The National Disability Authority has published a guidance document entitled **Procurement and Accessibility** (September 2012) in order to increase awareness of the legal requirement under the Disability Act 2005 for public bodies to ensure that services or goods supplied to them are accessible to people with disabilities and to guide public bodies on how they can build accessibility into their procurement policies, procedures and practice. A copy of this document accompanies this paper.

Contracts should ensure that all aspects of the service are accessible, including

- pre-journey information that would include easy to use representative route maps in hard copy and at bus stops
- visual and audio on-board information to tell passengers about the next stop
- web-based and smart phone app services with GPS features
- payment methods such as smart cards
- the physical bus service itself
- integrated passenger information across the public and private contractor routes

Contracts should also include a requirement for training staff to deal with customers with disabilities, as outlined in the statutory 'Code of Practice on Accessibility of Public Services and Information provided by Public Bodies'. To this end the National Disability Authority has developed an eLearning module providing basic disability equality training to public sector staff.

## **Public transport use**

As well as the legal obligations required of the procurement process public transport is essential to enable people with disabilities take a full part in work, and in social and community life outside the home. Census 2011 stated that around 595,000 (13%) of the population claimed they had a disability. Recent analysis by the National Disability Authority of the CSO's **National Disability Survey 2006** shows that people with disabilities in urban areas are relatively more likely to use different forms of public transport and this increases as people age.

Around 33% of people with disabilities live in our cities and around 20% live in the larger towns; another third live in rural areas while the remainder live in small towns and villages.

Across all disabilities 32% said they used an urban bus service, 24% used rural bus services and 22% used inter-city bus services.

The NTA's own **National Household Travel Survey 2012** doesn't explicitly state whether people with disabilities were part of the sample there are indications that their participation was factored in. "Personal disability" is a potential answer to questions asked about why certain modes are not used. The survey also states that among 16-64 year olds the proportion with Free Travel Passes is only 5.7% and for 65+ it is 84%.

The results show that of the general population 7% said they used the bus most often, 14% said they had used it in the past week. 40% did not, or rarely, used the bus, this was more predominant among those with children, those working and in rural areas (due to limited service).

Across the Greater Dublin Area bus use has declined from 18% overall to 12% since the last equivalent survey in 2006. This may be partially explained by fewer journeys due to changed economic circumstances and fewer buses on the road due to reductions in service.

The CSO's Census 2011 figures for transport (Profile 10 –Door to door) show a 20% decline in the numbers using public transport between 2006 and 2011. Overall the numbers of people using a bus, minibus or coach as their primary means of transport was 10% of those travelling to work, school or college.

## Conclusion

A simple comparison of the statistics above shows how much more dependent people with disabilities are on public transport that they can access and use. This may well be because they:

- Can't afford to purchase and run a private vehicle
- Have no one available to get a lift from
- Have the Free Travel Pass (in some cases the companion pass as well) and can access and use public transport

The current direct award contract holders have a good reputation in accommodating passengers with disabilities. There is a risk in awarding contracts to private service providers that commercial priorities will mean the standard of



service to passengers with disabilities is potentially reduced or eliminated for cost reasons.

Any reduction in the current standards could also have a negative impact on the few other transport modes and supports available for use by people with disabilities. The numbers of wheelchair accessible taxis and hackneys are in decline; the Rural Transport Programme has had its funding cut and faces major reorganisation and rationalisation.

New applications for the mobility allowance and the motorised transport grant have been suspended since February 2013; the examination of statutory solutions to the queries raised by the Ombudsman about these payments is currently underway.

The Department of Social Protection is working on a major review of the free travel scheme. In addition, under a recent European Court of Justice Decision the annual rebate on fuel excise duty available to members of the Revenue Commissioner's Disabled Drivers and Passengers Scheme will have to be discontinued. The absence of this rebate may make it uneconomical for some members of this Scheme to run their vehicles and oblige them to turn to other modes of transport.

It is important that these risks are mitigated by ensuring that accessible services for people with disabilities across the age span covering age, size, ability and disability are a contractual requirement. In doing so the National Disability Authority believes that two of the stated objectives of this consultation to:

- Ensure the provision of high quality and accessible bus services at best value for money to the Exchequer, and
- Improve the customer experience of public transport

will be met.



**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 10 October 2013 14:00  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: John Doyle

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
citizen

Address:

Comment:

Privatise now. Be looking to nationalise in a few years. Waste more of our money. Dublin bus and bus eireann already do a fantastic job. Why ruin with private companies with less experience and in it solely for profit? Race to the bottom...

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**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 10 October 2013 15:00  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services  
**Attachments:** Submission-on-the-planned-privatisation-of-PSO-contracts-by-the-NTA.docx

From: Dessie Ellis

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
Sinn Féin

Address:  
Leinster House, Dublin 2

Comment:

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## **Submission on the planned privatisation of PSO contracts by the NTA**

Submitted by Dessie Ellis TD, Sinn Fein

We in Sinn Fein oppose this move by the NTA and see it as feeding into an agenda pursued by this government to undermine public provision of essential services and the carving up of those services for private profit with no consideration for the public good or the social consequences.

The public bus services in Ireland are;

- (a) Providing an essential public service to lower paid people, elderly people, people with disabilities, young people and isolated or disadvantaged communities
- (b) A source of good jobs with decent pay and conditions with high levels of unionised workers

This move attacks the above and undermines the ethos of public service in the interest of profit.

### **Competition**

At present competition exists in the bus services in this state. People have the ability to choose private bus services if they wish for many routes. Competition does not exist primarily on PSO routes. The reason for this is very clear. Without the funding provided by the state for operating PSO routes private operators have no interest. The private bus services may provide a good service where they are in operation but their reason for being is not public service it is private profit.

If private operators want to provide a service on routes also served by Dublin Bus or Bus Éireann then that is their choice, if they can make it financially viable for themselves. But we should not be funding private companies to eat into the revenue of public services. It would be like giving money to Airtricity every time they take a customer from ESB. It makes no sense and is not about competition but privatisation.

There is competition in public transport from private operators like Luas, Swords Express, Urbus, Éirebus, Morton's, Dualway, Express Bus, J.J. Kavanagh, Matthews Bus, Aircoach, Wexford Bus, CityLink, M7 Express, to name a few, and there is no obstacle to private operators applying for licences to operate new services that would increase the range of coverage otherwise not yet catered for by Dublin Bus and Bus Éireann.

## **Investment**

We are at a point in our economy where the provision of affordable and accessible public transport has never been more crucial. It is vital to make it affordable for people to look for work and to keep work. It is also instrumental in attracting investment by industries in the state. Fast access to airports, urban, commercial and industrial centres as well as docklands make doing business much easier and more attractive.

To ensure this investment in public transport is vital to provide for an increased need for the kind of service the PSO system represents. People are less able to afford private transport than ever, ecological concerns are making more people think of alternative and Smart Travel is said to be a priority of the current government. If Public Transport services are more expensive, less accessible and less coherent then we are working against our interests and missing the opportunity to shift the balance towards more use of public transport.

Privatisation as represented in this move to open up contracts will not advance services but take funding away from improving services and divert it into the pockets of CEO's and shareholders, replacing stable good jobs with temporary contracts and bad conditions.

Public transport should be expanding and building not giving up.

## **Cost**

Much has been made of the fact that Dublin Bus, Bus Eireann, Irish Rail and others are increasingly less financially viable. But this is looking at public service through the prism of the private profit entity and ignoring the social capital provided by these companies.

Private industry is only efficient in profitable markets or when subsidised to provide public services. London bus is privatised and managed by the company TFL which is overseen by the Mayor of London. It based on figures from 2007 had 39% of its revenue coming from PSO while Dublin Bus had 29%. Privatisation is not cheaper in fact in the case of London it is more expensive.

In 200 Deloitte report that Dublin Bus was subsidised less than most similar services including privatised ones outside Ireland.



The figures do not add up. Privatising PSO routes could easily be more expensive to fund and costly to the entire public transport system.

The removal of 10% of routes from Public Transport companies will further cut into their revenue putting further downward pressure on wages and increasing fares. This will discourage public use more and bring greater threat of disruption due to legitimate industrial action.

The operating deficits of Dublin Bus and Bus Éireann are not being helped by both government and NTA policy choices. Namely, bus fares have increased by 14% over the past two years whereas the cost of petrol/diesel has only increased by 7%.

The attention focussed on the PSO subvention is misguided and short-sighted. There is not a single jurisdiction where good quality public transport does not receive significant taxpayer subvention.

### **International Comparisons**

PSO subvention levels for public bus services in European cities have indicated that Dublin has perhaps the lowest operational subvention at 20% of annual operating cost (but approximately 40% of revenue), whereas the majority of our European peers maintain subvention levels of 40 – 70% or higher (hence the often-mentioned superiority of European public transport services!). [see Wickham and Latniak 2010, and Redmond 2012].

The subvention to Dublin Bus is approximately €70 million per annum and declining.

### **Cuts already undermining public transport**

Bus fares have been increased (with NTA approval) in both 2011 and 2012 at rates above general inflation. Nationally, bus fares have increased by 14% since 2011 (Source: CSO). This has a major disproportionate impact on low-income families and individuals, and is, in effect a means of increasing their net income tax rate by stealth. By contrast, cuts in subvention and the required increases in fares reduces the burden on high earners to pay more tax. In a nutshell, the combined effect and motive of these two policy instruments (endorsed and controlled by the NTA and the Dept. of Transport) is to work against the overall progressive taxation system. Added to this (see later), the cost of petrol/diesel has only increased by 7% since 2011. Is it any surprise then, that people choose to drive, if they can?

For example, once the capital, tax and insurance costs of owning a car have been swallowed the annual operating costs (for daily commuting) are approximately €1.60 x 750 litres = €1,200. For anyone using public transport on a daily basis, the annual cost is approximately €900 – €1,000. In order to make public transport economically competitive public transport must be more affordable with no more fare rises being an important part of that.

In 2011, Mazars produced a report on behalf of the Coach, Tourism and Transport Council of Ireland in which they pointed out that over the period 2005 – 2009 (i.e., the peak of the housing / credit bubble), both Dublin Bus and Bus Éireann essentially made capital investments merely to replace their ageing, noisy, polluting fleets. Even during a credit bubble there was not sufficient capital funding to expand the fleet (and hence network coverage). You cannot grow passenger numbers and revenue unless you add routes and/or improve services and/or reduce fares in real terms (in comparison to the private car).

### **Increased need for public transport in future**

The population is growing by around 1% per annum. At this rate, we are going to need +7% more public transport carrying capacity by 2020. This can only be achieved through increased capital investment and the necessary PSO subvention, not continued and chronic under-investment, and a stingy short-sighted approach to PSO subvention.

### **LUAS Cross City**

While we are not necessarily opposed to the Luas Cross City project, we note that it is going to cost approximately €400 million.

A serious question is to ask ourselves if this €400 million might be better spent on improving the bus services for all Dublin commuters?

The sum of €400 million could more than double the present Dublin Bus fleet, for example. Would a doubling of bus service for all Dubliners not represent a bigger positive impact on public transport services than a single artery serving the well-to-do? A doubling of bus services would also require a doubling of bus driver numbers, from 3,000 to 6,000 on a permanent basis. The new tram line will only produce about 100 new jobs in the long-term.

Clearly, it is still very desirable to connect the two Luas lines and also to deliver a high quality tram service to the people of Cabra and Phibsborough and the north inner city.

## **Existing Unfair Competition**

In Bus Éireann's 2009 annual report it stated;

*According to the Deloitte report, the opening of motorways and by-passes presents both opportunities and hurdles for the company. The report noted "that the opening of motorways and town bypasses place additional pressure on the maintenance of the existing network. The report states,*

*"However, with major improvements to the road network, customers from large towns will opt for direct express services where possible, thus diluting the financial viability of services to smaller towns.*

*Secondary locations bypassed as a result of direct express services may become uneconomic and may require PSO funding."*

*This situation is compounded by licences being issued to other companies to run more direct services and by the operation of unlicensed services some just ahead of Bus Éireann's established departure times along the main corridors.*

Dublin Bus has in cases been prevented from improving services in areas which overlap with private services for fear of "competition" litigation.

Both Dublin Bus and Bus Éireann should be allowed to improve services on strong routes in order to improve viability.

## **Waterford City Bus Services**

The NTA is also proposing to privatise a major part of the PSO services in Waterford and Cork.

The arguments against this are the same as above, except that in addition, Waterford city is a major unemployment black spot. Unemployment in Waterford city stands at 25%.

The transfer of PSO services from Bus Éireann to a purely-for-profit operator will invariably result in salary reductions and/or job losses. Waterford city could not bear these consequences.

The private sector is free to apply for a licence to operate new non-overlapping services in Waterford city. If the existing services are poor or inadequate then they should be re-configured.

Merely transferring poorly designed services to the private sector does not solve the problem. If the existing routes and services are inherently unprofitable then the taxpayer, for social, economic and environmental reasons should simply absorb this cost as a necessary cost of running transport system.

There is a poor infrequent service from outlying neighbourhoods to the city centre and places of employment and education then the result is often that people do not use it, but instead drive their cars. This is the vicious cycle of under-investment which leads to demands to reduce PSO subvention, and the false appeal of privatisation. Investment in the services already in place is the solution to this problem.

**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 10 October 2013 16:22  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services  
**Attachments:** Bus-Contracts-Warren-Whitney.docx

From: Warren Whitney

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
n/a

Address:  
10, Dublin 16

Comment:

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## Proposed Public Bus Services Contracts

### Submission by Dr Warren Whitney

October 2013

I will not go into detail about my background but would simply note that, although I have contributed to past consultations, I have no particular expertise in relation to bus regulation.

I would simply like to express my general support for the proposed contract approach. More specifically, I endorse:

- The decision to directly award contracts for most of the bus networks.
- The introduction of competitive tendering on a trial basis.
- The decision to delay full opening of the market.
- The decision to make orbital and local services the pilot area for competitive tendering in Dublin.

However, I would like to stress the importance of formulating contracts in a way that is compatible with service improvements along the lines proposed in Network Direct.

In relation to Bus Éireann city services, I note that the proposal for Cork is to tender a single cross-city corridor, rather than an entire network, whereas the previous (2002) *Regulation of Bus Services Outside the Greater Dublin Area* study proposed management contracts for complete city networks. While it is entirely possible that the study is too dated to be relevant or misjudged its conclusions in the first place (and I don't believe it made a particularly strong case for management contracts), it should nevertheless be borne in mind, particularly given that the proposed combinations of contracts would seem to give little scope for a comparison between the two approaches. (To elaborate: a single network-wide contract in Waterford could be compared against a corridor-based contract in Cork, but only if both were to be tendered and probably only if they were to be awarded to different operators, whereas what's on the table is either tendering the two as a single unit or tendering one or other in combination with non-urban services.)





**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 11 October 2013 00:42  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

From: oliver connolly

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
 bus eireann(employee)

Address:  
 dundalk

**Comment:**

a chara.i felt the need to pen this e-mail just to inform the nta of my views in regard to the proposals to tender out at least 10% of bus eireann pso routes in the near future,i think that this is a very short sighted and dangerous approach to take in regards to the operation of what I would regard as vital to the running of this countrys economy especially in these tough financial times.you say in your proposals above of the improvements in service provisions by this approach,one only has to look across the water to our nearest neighbours Britain to see what happened there from the late eighties on when the market was opened up,i know it was a total market deregulation not exactly as your proposing here,but as you say yourselves this may only be the start,the same effect will be had after a very short few years,big increase in fares,reductions in non profitable services while operators saturated profitable routes,terms+conditions of employees reduced to such an extent that the state had to step in and offer subsidies to operators to keep experienced staff,unreliable services to the public...I could go on and on,but im sure you are aware of the problems I have touched on,there are many detailed reports available to prove this.i cannot understand why the nta seems intent on going down this route allbeit on a slightly different model,especially with all the evidence there that suggest that applying market forces to an area such as public transport just doesn't work in the long term,just because a service is provided cheaper to the awardee does not mean its better for the end user.i as an employee of bus eireann have seen over recent years how the company has come up to the plate as regards its operating of pso routes,and you have said yourselves are happy with the provision,and this all against the backdrop of the economic downturn,and recent cost cutting measures whilst still keeping to the nta guidelines of route provision that staff of al l grades had to indure,but we thought that it was up to us all to help out in this time of need.but my biggest concern is that if this proposal was to go ahead it would have extremely serious financial implications for bus eireann to such an extent that its very survival may be in jeopardy,quite apart from the fact that there would be substantial job losses within the company,with the resultant addition to the social wefare bill,one wonders how this plan could be cost effective,as you know in recent years more and more operators have been granted licences on profitable routes therefore reducing bus eireanns earning capacity,which quite often helped cross subsidise pso routes that the subvention didn't adequately address(we have one of the lowest public transport subventions in europe as it stands),this is going to have serious implications for job security within the company also,as you may know we recently completed very tough wage cost reductions,and for this now to be announced makes it feel as if it was all to no avail.as you are aware under eu regulation 1370/2007 the nta are under no such obligation to tender,if they think that direct award is a much safer alternative for all concerned,after all bus eireann has a proven track record in this regard with which you seem quite happy to date,so why change something that's not broken,of course things can be improved but that's a challenge we would relish,as is ongoing within the company as we speak.im a firm believer in a publicly owned and operated public transport system,and as I

said I think bus eireann has the expertise longevity and above all the commitment to offering a public transport model that can be the envy of Europe if not the world, fragmenting services in a way like you now propose is not the way to go, history has proven that, I hope you take on board my and many hundreds of others concerns in this matter, and please don't repeat the mistakes of others. many thanks for this opportunity to make my submissions. slán o. connolly.

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**Lynn Mahony**

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**Sent:** 11 October 2013 05:37  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services  
**Attachments:** Submission-to-NTA-re-proposal-to-tender-out-10-finalcopy.docx

From: francis kealey

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:

Address:  
 drogheda co louth

Comment:  
 please find attached my submission. i would like to have some confirmation sent to me . confirming that you have recived my submission before the deadline today . thanking you

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# Submission to NTA on Proposed Direct Award Contracts

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The Proposed Privatisation of 10% of Bus  
Eireann

Frank Kealey

10/7/2013

## **Submission to NTA re proposal to tender out 10% of Bus Eireann**

To whom it may concern,

I am making this submission to the NTA re the recent decision by the Authority to proceed with the proposal to tender out up to 10% of the routes operated by Bus Eireann to the private operators. My observations are as follows...

1. Firstly Bus Eireann has according to results of the quarterly performance report as laid down by the NTA meet all the targets and indeed consistently exceeds all targets set by the NTA. In all the different categories the minimum score has been at least 95% or 98%. One might have the views that "if it isn't broke why fix it"; surely it cannot be argued against by the NTA that Bus Eireann has gone above and beyond what has been expected by them.
2. Public transport as run successfully by Bus Eireann is a sector that is highly complex and socially vital to the passengers who use it. It's an operation staffed by highly trained professional drivers. Privates will (in a bid to cut costs in order to increase their own profits) reduce any requirement for ongoing training programmes. This has a proven result of less trained staff that in turn will provide a much lower standard of quality. This will in turn have a detrimental effect on time tables resulting in buses running late or in some cases buses detouring off routes in order to make up lost time on that particular route. This will be a particular problem where there will be a requirement for the bus at the end of its route to turn around for its return leg of the journey. In 1999 a report in America stated as follows "Privatisation to private contractors has been beset by safety problems, many of which emanate from a lack of experience by staff and from employing people at the lower end of the pay scale" (ATU America). Another risk you will have is smaller operators over estimating their own skill levels. The most obvious problem here is these smaller companies will take on more routes than they can professionally oversee and manage. In effect profit and gains will cloud some bus operator's views of their own capabilities.
3. To the credit of Bus Eireann it was an outstanding commitment to the state and the bus using public that in the really bad period of snow we

suffered a number of years past, that Bus Eireann continued to provide the majority of its routes with bus cover. This was not the case of the private bus operators who in the vast majority decided to pull their services off the road.

4. The private bus operator promotes the idea that the public sector is inefficient. A claim to be more efficient is the private operator rallying call. Well as we have seen in the above bullet point this is not true. A private bus operator's first focus and prime concern will be "PROFIT". Profit before passengers, instead it should be a transport companies prime aim to benefit the travelling public.

## *Cartels in the private bus sector*

I have made a separate heading for this as it is such an important issue. There have been many reviews and reports printed on this issue. The most revealing have been those undertaken by the UK Competition Commission (CC) in recent years. The CC has found in the UK that despite the fact that there is 1245 bus companies in England, Scotland and Wales carrying 2.9 billion passengers a year, the five largest operators carried 70% of those passengers. The CC also found that head to head competition between operators is uncommon.

Quoting Mr Jeremy Peat Chairman of the bus market investigation Group in a press release made in 20 December 2011 (66/11) " We have also seen direct evidence in one case of operators in the north east of England seeking to avoid competition with each other in order to protect their own ' territories'.

Another observation made by the CC was released in a press release on 1 November 2011 (58/11). I quote "We have found evidence of a clear perception among some operators that some areas 'belong' to a particular company and of behaviour designed to maintain that situation, particularly threats of retaliation when attempts are made to encroach on their territory".

Within ten years of the private operator's involvement in the UK of providing buses to operate routes consolidation took place. The big five control 70% of the routes. It has risen by 6% in the period from 2010 and 2012. In America the

home of privatisation we see the domination of just three bus companies. These are First Group, Veolia Transport and MV Transportation. The first two of the above companies are not American domestic companies, with only the company MV Transportation being American.

The point I am making is that we will see a cartel approach from the privates in Ireland develop over a period of time. Operators will as time goes by, see groups of routes as within their own perceived area. It has been the case in so many countries that it is only a matter of time before it happens here. I noticed that in the private operators submission to the NTA that they (the privates) have asked the NTA to package the routes in such a manner to make the grouped routes attractive enough for them but not big enough to attract the major players in placing a tender.

It is my observation that over a period of time the real control of the tendering process will pass from the authorities to the privates. The examples I will give are as follows,

In Santiago Chile the transit system was deregulated from 1980 to 1989. From 1990 to 1992 there was an attempt from the authorities to wrest control back. This attempt failed and to this day most Chileans consider Transantiago as a failure. I know that your proposal is not full deregulation but the same moral hazard exists in your proposal<sup>1, 2</sup>.

As I write this submission there is a case like the above. In Newcastle the council there is trying to bring back some bus services under its control to contain costs. Newcastle city council is trying to reassert its control over part of network but is meeting with strong resistance from the incumbent operators. Stagecoach chairman who's company provides 40% of the buses in the area has notoriously said in a quote that he would rather "drink poison" than enter into any new agreement. Stagecoach has warned that they will take whatever steps are necessary to protect its investment in the bus service there. The shadow transport secretary in England Maria Eagle has described it as "nothing short of an attempt to blackmail councils" when she looks at the threats to withdraw buses by the private companies<sup>3</sup>.

It is my belief that over a period of time when it comes to future tendering process the NTA will either receive less tenders for a particular grouping of bus



routes or receive over priced tenders from all but one. This one operator tendering a realistic price will by the mere fact he was the lowest win the tender.

### *Will Tendering provide Real Savings to the State?*

I ask the above question because it is the one that I have asked myself the most in preparing my submission. In looking at this I came across a report from Oregon USA. This study found that promised savings from privatisation were initially overestimated by the contractors and were followed later by price increases. It found the quality of services decreased as well as a reduction of staff morale and the staffs pension and health schemes. The reason I have concerns in this area is the NTAs intention to use TUPE in relation to Bus Eireann staff. I refer you to your own document Technical Report on Contract Options and section 5.1 where it states unless Bus Eireann was the successful bidder TUPE would apply .At the Lewis Centre at UCLA in America a report stated that the privatisation of buses delivered a mere 7% saving over time. As 70% of the total cost is wages the potential savings are hugely affected by the gap in the wages between state and private operator. This has been the case in England where within ten years of the private bus operator tendering for routes, driver's wages have fallen by 21% in real terms.

In London, the bus operators there competed so aggressively that there was a dramatic reduction on terms and conditions for the employees. Bus driving became so unattractive that the London bus companies faced ACUTE staff shortages and a crisis in bus reliability. It took the direct intervention of Ken Livingston who was then the Lord Mayor of London to sort this issue out. It resulted in an increased public funding and to this day London's bus subsidy is edging towards £380 million a year<sup>4</sup> out of a total budget of £900 million for London. It is obvious to most informed on lookers to this situation that London's buses would be cheaper to run under public ownership.

There is a clear risk that the initial tenders received by the NTA in the first round will be priced so low that the private bus company may fail to deliver in full the service he tendered for .In England several of the companies had

difficulties in either providing the services or up grading their fleets due to repayments being made on loans to finance the initial privatisation.

This also leads onto another issue that I for see. As the public bus industry in Ireland will if this tender process proceeds involve a level of profit for the operator, what steps do you propose to take to ensure that a level of reinvestment takes place?. If no steps are taken then as in some regions of England outside London, passenger numbers will fall. The bus industry is an ever evolving industry with new technology in the field of bus safety. What measures will you take to ensure that private bus companies reinvest monies in new technologies re? Safety, ticketing and staff training? Private tenders will not more than likely include any costs that may be incurred due to meeting new carbon emission rates to be achieved in the future. There is a possibility that the private operators will return to the state authorities seeking more intervention i.e. more capitol subvention in order to meet any new standards.

The initial savings that the NTA hope will be delivered in this process will be eaten into in subsequent tenders. It is called the Spiral Effect. This will happen on the second round of tenders which I have no doubt you will wish to see. The winners of the first round of tenders will eye with envy the winners of the second round as their tenders will be higher due in part to higher fuel costs etc. The private operators of the first winning tenders will now in turn seek either a review of their current tender or will raise their next tender bid. This process of spiralling tenders will completely dilute and reduce any savings (that the NTA believe) might be delivered into the future. Q.1 is there any inclusion in the NTAs proposals for any measure of financial accountability? Q.2 Will the costs to the state, given to the private operator in providing a service on any particular route be open to public observation? Q.3 Will the ongoing amount of public funding towards the private operators be published? I suspect the answer to some of the above will be no. The whole process of using public money to fund private ventures must be seen to be open.

The saving of 7% mentioned in the UCLA study could almost be made completely by the simple measure of Bus Eireann changing Oil and Air filters on its fleet more often than the manufactures recommendations. This simple action provides at least a 5% saving<sup>5</sup>.

A report from the Irish Department of Public Enterprise showed the savings produced from the Swedish tendering model. This one was of great interest to me because the NTA has itself mentioned Sweden and its tendering process in your own documents. In this report it says when it speaks of cost savings I quote "Cost savings in counties apart from Stockholm varied considerably. One county had savings of 33%, while others achieved savings of only in the range of 2 to 10%. The weighted national average ( excluding Stockholm ) was a saving of over 7% <sup>6</sup>. One thing that struck me was that this report came to the same conclusion as the UCLA one I had read , both producing the overall figure of 7% savings re privatisation.

Another factor that comes into play with the NTAs proposals is the issue of under- performing operators who are not meeting the standards that should be set in any contracts. Once a contract is in place switching contractors may be disruptive or impose on the NTA financial transition costs. I refer to the Newcastle case as above (page 3) .Stagecoach have warned that they will" take whatever steps are necessary to protect the future of their investment". Many suspect that after legal scrutiny the Newcastle council may decide that the process is so fraught legally that it may back down on its attempt to reassert control over some of its bus services.

### *A direct comparison of fares between Private & Bus Eireann*

I decided to see if it was possible to compare fares between the Private operator and Bus Eireann if it was at all possible. I noticed the companies called Go Be and Go Bus are indeed the one company both being owned by Evobus and Coach Ltd ,Forster Court Galway. Evobus operates a service from Dublin to Galway and another service from Cork to Dublin. This I thought would make a direct comparison of fares possible for a journey from Cork to Galway. The first thing I became aware of was on Go be web site the title Go Be from Bus Eireann and Go bus, something I will discuss later. In order to make a journey from Cork to Galway on the Go be and Go bus I have to purchase two separate tickets even though it's the one and same company?

In theory the Privates fares should be lower, after all isn't it what the Privates say and it's what an open market would provide? Below are the total online fare prices.....

	Bus Eireann	Private Operator
Child Single.	E 18.05	E 17.00
Child Return.	E 20.90	E 30.00
Student Single.	E 15.20	E 23.00
Student Return.	E 22.80	E 38.00
Adult Single.	E18.05	E 23.00
Adult Return.	E 27.55	E 42.00

The private operator's prices are a combination of having to buy two separate tickets and combining the prices. Both of these companies operate the route commercially, with Bus Eireann receiving no subvention for the route .So as we see the cost of travelling on a journey between Cork and Galway is more expensive on the private operator's service except if you happen to be a child travelling one way. Also a point to note is the student's single ticket and adult single ticket when purchased from the private are the same price. I did telephone the Go Bus Company and asked the question could I not simply buy one ticket from them to do me for the whole journey seeing as they really are the one company, them and Go Be. The answer I got was a straight No this was not possible.

A big question that is highlighted here in this example is, if a private is running two services between two locations and the passenger needs to change buses mid way, why must he purchase two separate tickets. This really is an example of what a tendered bus service could potentially look like. Why was there no integrated ticket available for the above private operators service, unlike Bus Eireann where you can do the whole journey on the purchase of ONE ticket?

- Other questions that the above raises are...

- Why at present can you not use a ticket purchased from Bus Eireann on either Go be or Go bus. After all are they not in conjunction with Bus Eireann as their web sites say?
- If privatisation were to go ahead who would operate the information call lines for intending passengers.
- How the funding for passenger enquiry lines would be split between Bus Eireann and the privates. This is a cost that should be shared.
- If there happened to be a choice of a quicker travelling journey time or cheaper option on either a Bus Eireann service or a PSO funded private operators route , which one of these choices would the person answering the passenger be obliged to give?. I ask this bearing in mind the NTA propose in giving gross cost contracts with incentives out in the tendering process.
- If a passenger got onto a Private operators bus for a journey and that journey could be done quicker on a Bus Eireann service , would the private be obliged to inform the intending passenger that Bus Eireann provided a quicker bus?.

*Was the example journey I gave and its highlighting of the non- integrated ticket problem simply a taste of things to come?.*

Other questions I want to ask are,

- I would like to know, how are complaints from passengers going to be dealt with in the NTAs new scheme of public transport. At present if the complaint is with regards to a Bus Eireann service we can be assured that Bus Eireann will deal with it both promptly and in an open approach. If it is in the future a complaint about a private operator's bus service and that operator is left to deal with the complaint themselves, there might be the temptation for the private to hide or smother it out of sight. The incentive for the private to do this is so that it does not appear on any performance related reports and the fear of what may happen when the tenders come up for renewal.  
As the saying goes Self Regulation is No Regulation.
- My next question is with regards to Revenue Protection. Who is going to provide the revenue protection staff that would be required to ensure all revenues received are past back to the authorities. In the NTAs vision

of the new bus Net Work instead of one major provider Bus Eireann we will have numerous different bus operators. Each of these operators I am sure will want to keep from disclosing the amount of revenue they receive for fear of drawing unwanted attention from any possible future competitors. At present Bus Eireann has its own Revenue Inspectors who you often see boarding buses to ensure all is correct re ticket sales, social welfare pass holders etc. Would it be the intention of the NTA to have a more centrally controlled revenue Inspector panel who would answer to one authority? I am not saying that private operators provide a higher risk of revenue going missing but with so many different bus providers in the NTAs proposal the more complex the issue becomes.

- Is there any thought being put into the question of secondary use of assets transferred under TUPE into the private operators? I ask this because if the NTA were to transfer buses from Bus Eireann into one of the successful winners of a tender, what is to stop the new holder of these buses from using these assets on say Tours or private hire? There must be clearly defined clauses in any contracts preventing the use of these assets (buses) on what could be called out of contract or scope work.
- In a poll done by Michelle Hennessy of the Journal.ie a question was asked of the public. It was “would you welcome more privatisation of bus routes?”<sup>7</sup> the result was out of a total of 2017 replies.....

YES..... 38%

I’m not sure..... 16%

No.....45%

The truth is, there is NO public demand for more privatisation of the public bus service. People know once you bring profit margins into this equation, passenger service will excuse the pun, take a back seat. What would be better is for public transport to remain in state control and a review on how to utilise all the assets in the states transport network more constructively. The subvention paid by the state to CIE is a lot lower than in some other countries and in return the state has been

provided with a highly professional trained staff who many times have gone far and above what has been expected of them on a daily basis.

The very last words I will include in this submission are from a quote said by Mr Elliott Sclar professor of urban planning at Columbia University ,Director of the Centre for Sustainable Urban development and author of “you don’t always get what you pay for : The economics of Privatisation .....

“Utopian schemes to contract away problems through privatisation efforts is a form of magical thinking, which leaves taxpayers to pay for the mistakes”

Couldn’t have put it better myself,

Frank Kealey

### List of references

#### 1 & 2. Time World The Mass Transit System From Hell

The Economist, Fallout from a botched transport reform

#### 3. The Guardian Transport Correspondent 2 sept 2013

#### 4. London Evening Standard 14 May 2013

#### 5. Transit Bus Operational and Maintenance Practices to

Maximise Fuel Economy Final Report June 2011 ESMAP Report  
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#### 6 Cabinet Committee on Infrastructural Development and Public Private Partnerships May 2000

#### 7 Michelle Hennessy The journal.ie 29 sept 2013

This submission presented by

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**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 11 October 2013 08:45  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services  
**Attachments:** NTA-Consultation-on-Direct-Award-to-Dublin-Bus-submission-by-Brendan-Finn.docx

From: Brendan Finn

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
ETTS Ltd.

Address:  
24 Marley Court, Dublin 14

Comment:  
Please find attached a detailed assessment of the proposal by NTA for Direct Award to Dublin Bus.

International experience indicates that savings in costs of 15-25% are realistic in this case, and this is accepted in the NTA's documentation. This offers potential savings in the range of €187.5 million to €312.5 million over the 5-year RSC period. Even allowing for transaction and transition costs, this would yield a substantial saving to the public purse. Nevertheless, NTA proposes to give a further direct award to Dublin Bus for the period of 2014-2019, and thus choose to forego these significant savings. The small portion to be opened to the market in 2016 would achieve minimal savings due to its peripheral and fragmented nature, and will deter any significant operators from participating. In effect, the market has been closed for a further five years with no signal for the subsequent period.

I consider the proposal to be flawed, and that the case presented by NTA does not stand up to scrutiny. The omission of Area Contracts in the options considered in the Contract Options document is shocking, and there is no credible scenario in which this could have been inadvertent. Further, the clock has been allowed to run down on the process so that no option remains open other than that proposed by NTA, thus rendering this consultation largely meaningless.

The proposal and the process should be subject to independent formal review, in which international subject-matter experts can critique the proposal and its supporting documentation.

Uploaded File:  
[http://www.nationaltransport.ie/wp-content/uploads/wpcf7\\_uploads/NTA-Consultation-on-Direct-Award-to-Dublin-Bus-submission-by-Brendan-Finn.docx](http://www.nationaltransport.ie/wp-content/uploads/wpcf7_uploads/NTA-Consultation-on-Direct-Award-to-Dublin-Bus-submission-by-Brendan-Finn.docx)

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## PROPOSAL TO DIRECTLY AWARD A PUBLIC BUS SERVICES CONTRACT TO DUBLIN BUS IN 2014

### SUBMISSION TO THE CONSULTATION PROCESS

BRENDAN FINN

#### Key Points of the Submission

International practice indicates that opening a public monopoly urban bus system to competitive tendering would yield cost savings in the order of 15-25%. This is accepted in the NTA consultation documents (e.g. Section 4.1 of the Economic Analysis document).

As Dublin Bus has annual costs of about €250 million, this has the potential for annual savings of €37.5 million to €62.5 million, or in the range of €187.5 million to €312.5 million over the 5-year RSC period. Even allowing for transaction and transition costs, this would yield a substantial saving to the public purse.

Nevertheless, NTA proposes to give a further direct award to Dublin Bus for the period of 2014-2019. From 2016, the NTA would open a maximum of 10% of the Dublin Bus services to competitive tendering, in which Dublin Bus may also compete. This 10% consists of a fragmented set of peripheral and orbital routes, on which it will be difficult to achieve much savings and which cannot attract major players. The potential savings are thus foregone.

The proposal by NTA is seriously troubling on three key grounds:

- 1) It would be extremely difficult to better design a scheme that prevents any meaningful competition arising and that protects the incumbent, while doing just enough to comply with the regulations. I will not speculate on whether this was intentional, but will only comment that it is what it is.
- 2) Despite having many years to formulate options for competition and place them for consultation, the clock has been allowed to run down so that the only thing for which time remains is to proceed with the current proposal. I will not speculate on whether this is organisational failure, incompetence or abuse of process. Whatever the case, the public interest has not been served, and if it does comply with the letter of the Regulation it is doubtful if it complies with the intent.
- 3) The case put forward is seriously flawed, and many of the key assertions and statements would not stand up to professional scrutiny within the industry sector. The so-called 'economic analysis' is unacceptably shallow. The failure to include Area Contracts (the most suited for Dublin) in the options from which the choice was made (Contract Options, section 5.2) despite having already previewed it in the same chapter is a shocking omission. There is no credible scenario for this to have been inadvertent. Whether through lack of competence in the sector or through intent, this flawed analysis is central to the justification to avoid significant savings in public expenditure.

The case made by NTA for direct award does not stand up to scrutiny and the justification for the proposed scheme is unacceptable.

Nevertheless, for a completely different reason than stated in the consultation documents, direct award may in fact be the only sound course to follow for the moment. The fundamental

reason is that the contracting authority (NTA) does not have the required competences to engage in and sustain such a process, and since its formation in 2009 has made little attempt to develop them. This should not be construed as criticism of the NTA officers, but rather a frank assessment of the lack of institutional capacity. Until NTA admits to this situation, it is unlikely that the necessary strengthening will take place, and thus remain unlikely that the public will receive best value for the financial support to urban bus services in Dublin.

The combination of all these factors gives legitimate grounds for deep concern. An independent review should be conducted of both the technical content and of the process, with international subject-matter experts engaged for the former. The materials and their findings should then be submitted to the European Commission for scrutiny to determine whether the Regulation has been complied with in a satisfactory manner.

Due to the avoidable delays in the process, there is no longer any option possible other than to continue with Direct Award to Dublin Bus. Within this constraint, the best course would be:

- Continue the Dublin Bus RSC to end-2016, either by extension or short-term RSC
- Redo the process from scratch, this time with experts knowledgeable in the domain, and subject at all stages to independent review by acknowledged experts
- Establish a skilled unit within NTA that can handle all aspects of RSC design, procurement, contracting and management – this is required even Dublin Bus receives a further direct award. The unit must be staffed by people with relevant experience, and not by transfers from within the public services.
- It is advisable for NTA to partner with experienced transport authorities, who can provide valuable know-how and mentoring
- If it is still determined to provide a further direct award to Dublin Bus, require it to completely reconstruct its Board and senior management, and to transfer the utilisation of its depots to NTA (ownership could remain with Dublin Bus/CIE).
- If Dublin Bus is unwilling or unable to meet such requirements, place the entire Dublin Bus market to competitive tendering under area contracts.

The remainder of this submission addresses the weaknesses in the case put forward by NTA as follows:

- Commentary on the proposed 'opening of the market'
- Commentary on the process and timelines
- Critique of the four documents made available to the public as part of this Consultation process, and which present the justification for NTA's proposal for Direct Award to Dublin Bus

*Brendan Finn,*  
10<sup>th</sup> October 2013.

***Brendan Finn is an independent transport consultant with extensive international experience in passenger transport, including the organizational and contractual arrangements for urban bus services.***

### **The proposed “opening of the market”**

NTA proposes to provide a direct award to Dublin Bus for the core network, and to open about 10% of the bus market in Dublin to competition.

NTA argues that this will open the market, encourage private operators to enter, and will allow NTA to test the suitability of competitive processes.

In fact, it will do nothing of the sort, for reasons that anyone with experience of the sector can see immediately. These relate to both the overall structure and to the details of the routes on offer.

Concerning the overall structure:

- The quantum of work (80 buses) is insufficient to attract a large-scale operator, which is the type of entity that can achieve significant cost reductions, have the know-how and capacity to assure service quality, and have the organizational strength to bring innovation and new practices to Dublin.
- An operator might be willing to enter if there was a reasonable prospect of significant further opportunities. However, the remaining 90% of the market will be closed until 2019, with no guarantee that it will be opened thereafter.
- The “10%” made available to the market is unattractive, for reasons described below.
- Dublin Bus will be allowed to bid even for this 10%, so that even the threat of tactical bidding on its part will be sufficient to deter other major operators.
- NTA have given the clearest possible signal to the international transport market that it is not welcome in Ireland, and that such market opening as may occur will be structured to their disadvantage.

Concerning the routes on offer:

- This is not “10% of the market”. It is more like “1% ten times”.
- The services lack any coherence, other than their peripherality. They consist of a mix of orbital routes, feeder bus routes, and outer-suburban services. They have a range of service characteristics and business models.
- These are the services that Dublin Bus did not resolve within their Network Review. It is immediately obvious that these are the services that were difficult for an urban bus operator to deal with, and which would be quite gladly hived off. They will not attract significant operators. The operators who are attracted will not be of the type that could threaten Dublin Bus’ core network in any future competition.
- The services are scattered across the territory. It would not be possible for an operator to take on a large part of this work without incurring very large overheads in the form of ‘dead mileage’.
- If an operator cannot take a significant bundle of this work, it cannot achieve any economies of scale (production or management). Thus, only existing operators could take on routes here and there, as marginal additions to their current business.

All of the above is immediately obvious to experienced practitioners. It is not credible that NTA or its advisors could neither see nor understand its implications.

The so-called 'market opening' could not have been better designed to achieve the following:

- Give Dublin Bus almost the entire Dublin bus market, and copper-fasten its monopoly.
- Relieve Dublin Bus of the more difficult services in its portfolio, thus assisting its cost model.
- Ensure that there is no market opening for foreign operators
- Ensure that any work that is going is available to the smaller Irish private operators, at the minimum level required to keep them quiet
- Ensure that the work is packaged in such a way that no domestic operator can use it to establish a strong base as an urban operator capable of challenging Dublin Bus
- Ensure that Dublin Bus still has the opportunity for tactical bidding if it senses a threat from emerging operators
- Allow it to be presented to the public as reform
- Tick the required boxes with the European Commission

Care is taken to not allege that NTA set out to do this. Rather, it is stated that if such a brief was given to an expert, they would be hard-pressed to come up with better than the current proposal.

## The Process and its Timelines

The Consultation Document states (p5):

*“Regulation 1370 also places an obligation on the Authority to ensure that “... at least one year before the launch of the invitation to tender procedure or one year before the direct award” that a notice is placed in the Official Journal describing the type of award envisaged and the services and areas potentially covered by the award (Article 7(2)).*

Where the Authority proposes to enter into a new direct award contract, section 52(6) of the 2008 Act states that *“...it shall invite and consider submissions from the holder of the direct award contract in question and from any other interested parties, including users of the public bus passenger services that are the subject of the contract.”*

This reveals that the clock has been allowed to run down so that there is no time left to do anything other than rubberstamp what is in the Consultation Document and publish a notice of Direct Award by 30<sup>th</sup> November 2013.

- The current RSC for Dublin Bus expires on 30<sup>th</sup> November 2014. That would be date of the direct award.
- One year prior to the direct award is 30<sup>th</sup> November 2013, the latest date for the notice in the Official Journal.
- The consultation document was opened on 11<sup>th</sup> September 2013, just 81 days before the deadline.
- The consultation closes on 11<sup>th</sup> October 2013, just 50 days before the deadline.
- The submissions must be collated, reviewed, analysed, turned into a set of findings, and then disseminated to the key decision-takers. This will take some weeks.
- There is no time remaining for any alternative course of action to be devised, debated, sanctioned and actioned.
- Unless NTA has prepared in detail one or more alternative strategies and all of the associated documentation, it is not credible that NTA could publish anything other than a notice of Direct Award in the time remaining.
- Further, international experience with urban bus service procurement shows that it is absolutely impossible to procure a significant quantum of urban bus operations in 12 months between first signal to market and the due date of commencement. This is to all intents and purposes admitted on page 11, paragraph 5.
- Thus, it is both procedurally and technically impossible to follow any course of action that is materially different than what it proposed in the Consultation Documents.
- This means that the Consultation process is meaningless, insofar as there is no possibility for submissions to make any material difference to the course followed.

It is not credible that the NTA, as the “competent authority” and the direct responsible for all public transport RSCs in the State, was unaware of the timelines or their implications. There are only three credible explanations:

- 1) Lack of the required competence or managerial ability to deliver the process in a meaningful way;
- 2) Organisational failure to respect significant obligations; or

### 3) Abuse of process.

It is noted that an extensive non-statutory public consultation was conducted in mid-2012, which attracted submissions from a wide range of stakeholders; and a second process of consultation with the operator industry sector. It is not readily understandable why it has taken a full year after these consultations to put forward the current consultation documents.

### The Case for Direct Award: The case presented in the Consultation Paper

#### 1) The European Regulation states:

*"Where the Authority proposes to enter into direct award contracts subsequent to those referred to in subsection (3)(a), it may only do so 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 direct award contracts."*

There are five items in this provision that are insufficiently demonstrated, and thus it is arguable that the basis for Direct Award does not exist:

- 1) "...it is satisfied..." : No substantive or conclusive analysis has been presented, and thus there is no sound basis for the NTA to be "satisfied".
- 2) "...continued adequacy of the public bus services...": The volume of bus service has been reduced by 15% during the course of the current RSC, and the operator is in a deteriorating financial position. The recession is an inadequate explanation, as the 2011 census shows that while journeys to work by bus fell significantly, journeys by car maintained their volume and increased their mode share. This indicates that the public bus services have not been adequate.
- 3) "...can only be...": International experience shows that there are many alternatives, especially for a city the size of Dublin.
- 4) "...guaranteed...": as per point (2), under the current RSC there has been a decline in volume of bus services and of volume. The subvention will be further reduced and the fares increased in real terms. Not only can the "continued adequacy" not be guaranteed under a further direct award of the same nature, but it is almost certainly guaranteed to deteriorate further.
- 5) "...in the general economic interest...": All international experience shows that significant savings can be made when a public urban bus operation is put to competitive tender, and that even if there is some increase in costs thereafter, it still remains significantly cheaper than the prior situation. It is difficult to see how eschewing the option of competition could be in the general economic interest.

#### 2) The Consultation Document presents a set of Objectives (p5) based on high quality, best value, improved customer experience etc.

The reality is that over the life of the current RSC, there has been a significant reduction in the quantum of service provided, and a real increase in fares. It has been clearly signalled that these trends will continue in the coming years. Further, the QCN Office has been disbanded, and the budget for bus priority measures was reassigned into the emergency €36 million funding for the CIE group.



Passenger information, integrated ticketing and such measures do not improve the core "customer experience", which is mobility.

Direct award will do nothing to achieve the stated Objectives.

3) The Consultation Document refers to the "Economic Environment" and states that following the economic crisis at CIE Group, "It was considered more prudent to allow the finances of the C.I.E. group to become more stable ..." and to then put a portion of the Dublin Bus market to tender in 2016.

This is irrational for four rather obvious reasons:

- A competitive procurement process that brings savings in delivery costs and the public finance required has got to be in the public interest. Conversely, failing to do is contrary to the public interest.
- If the viability and capability of the CIE Group and/or Dublin Bus was in question, then surely the prudent option - in the public interest, and in the interest of security of transit supply - was to bring in additional operators and reduce the exposure to the CIE Group.
- 10% is a negligible amount, and makes only marginal difference to their financial equation.
- The amount of services already shed by Dublin Bus - and not offered to the market - under 'Network Direct' and other rationalisation significantly exceeds the quantum of work to be offered to the market.

The only conclusion that can be drawn from this section is that a decision was taken to keep giving the business and its associated funding to CIE and Dublin Bus as a means of propping up the companies, regardless of the additional cost involved to the public purse or risk to the stability of Dublin's transportation system.

4) The Consultation Document states that Dublin Bus "...achieved a high level of compliance with the required performance obligations for this reporting period" (p8).

This is indeed true, but a high level of compliance does not assure a high level of performance. Neither the main document nor the Performance Report benchmarks to other urban bus systems in Europe or elsewhere. The State is paying over €70 million per annum to Dublin Bus within the current RSC (€350 million over the 5 years) but has not presented evidence to establish whether this represents the best quality achievable within the industry.

This is highly significant, since failing to rigorously test the maximum value that can be achieved per unit of expenditure means that a 'more of the same' strategy can be deemed acceptable. Throughout the rest of the document, there are clear instances that the focus of the NTA is more on the potential inconveniences of opening the market than in what could be achieved beyond just the cost savings (and has been in other cities).

5) The section 'General Economic Interest' of the Consultation Paper presents a series of simplistic and inaccurate statements that require challenge. The collective effect is to imply a very high level of risk, and to insist that Dublin Bus retains virtually its entire business without being subject to competition. Specifics include:

- *"The passenger bus market in Dublin is very large"*. This is patently incorrect. The bus markets in cities such as London, Paris and Moscow are very large. Dublin is a medium-sized city with a moderate-sized bus market. It would indeed be attractive to operators, but it is well within the scale of what the international market can deliver, especially if offered in multiple tranches.
- *"The costs and risks arising from an ill-considered competition are substantial"*. This is indeed true, but one must wonder why any authority would embark on an 'ill-considered competition' when there is so much good practice to draw from.
- *"Tendering the entire market in one contract is not seen as prudent"*. This is a 'straw-man argument', as no professional would recommend it, and one must question why it has been raised here.
- *"Furthermore, Dublin Bus has undertaken major restructuring in recent years, has greatly improved its operational practices and has comprehensive knowledge of bus services in the city"*. If this is the case, then it should mean that Dublin Bus should be capable of competing in open tender. If Dublin Bus is not capable of competing in open tender following such improvements, one must question whether it will ever reach the efficiency level of private operators.
- *"The Authority considers it is in the public interest to leave Dublin Bus with a scale of operation which remains efficient for the company's resources and overheads"*. This is an extraordinary statement with multiple implications, none of which reflect well on its authors. It is nothing short of protectionist, while (unintentionally) revealing that Dublin Bus is structurally incapable of achieving industry-level efficiency.
- *"Consequently the Authority has determined that tendering about 10% of the market ... (gives) the opportunity to test market pricing ..."*: It cannot achieve this for two reasons.
  - The 10% is fragmented and cannot offer economies of scale.
  - The services are different in nature to the services retained by Dublin Bus, and may have an inherently different cost structure.
  - The tender processes and bidding for small-scale lots will be completely different from larger lots
- *"...as well as the possibility (which will depend on the outcome of the competition in which Dublin Bus can participate) of bringing new operators into the market..."*: Few, if any, significant entrants would be attracted to bid in an asymmetric competition where Dublin Bus can engage in tactical bidding.
- *"...and enabling benchmarking."*: It cannot possibly enable benchmarking, as there is no comparison between the services and lot sizes, or the nature of the entrants compared to the core Dublin Bus market.

The above is all immediately obvious to professionals in the sector.

Whether it has been written thus due to lack of specialist knowledge or hands-on experience by the authors or crafted to support a preferred or pre-determined outcome, the net effect has been to present a flawed argument that supports a protectionist policy.

### **The Case for Direct Award: The case presented in the Economic Analysis paper**

*For brevity, items already raised in the document(s) above are not repeated here, and should be considered to stand in this document as well.*

1) This document is not an "economic analysis", and provides no substantive evidence or proofs to support the preferred option of the NTA.

This document is below any acceptable standard for decisions on public expenditure of about €300-350 million in the period 2014-2019, on which a saving of 15-25% could be achieved based on international experience.

The document should be peer reviewed by international experts, and if it is deemed to be of unacceptable standard as an 'economic analysis', both the authors and the commissioning agency should be held accountable.

2) Section 2.3 asserts that "the demand for transport is positively correlated with the demand for labour" and thus that the economic downturn is the reason for the decline in passenger numbers on Dublin Bus.

This assertion does not hold as a suitable explanation. The demand for travel to work by car hardly reduced in volume over this period, and increased significantly in market share. By contrast, the bus lost a very substantial volume and market share. This clearly indicates that the problem lies with the bus product, and not with the "derived demand" explanation. (The suggestion that reduced congestion encourages switch to car is spurious, as bus would also benefit and it should have reduced both travel times and unreliability).

This is a compelling reason to seek alternative operators who could deliver a better product and attract and retain customers. In the case of persisting with direct award, it should require a major overhaul of Dublin Bus so that it can deliver a product comparable to that of an international standard competitor.

3) Section 2.5 asserts "... *Network Direct process which has played a role in the enhanced efficiency observed in the interim*".

Network Direct allowed Dublin Bus to shed as many buses and bus-kms as it could, about 15% in total. This is load-shedding and can hardly be described as "efficiency"

4) Section 2.5 states: "*As the process of public expenditure reduction continues into 2014, the total level of subvention available can be expected to fall again in the short-term as seen in Figure 4.*"

This means there will be further and sustained fiscal pressure on Dublin Bus, with which cost-cutting measures will be hard-pressed to just keep pace.

It makes an even stronger case for competitive pressures on costs, and makes it very difficult to see any merit in direct award of the network to Dublin Bus.

90% of the network will be uncontested through to 2019, with no indication if any of this will be open to the market thereafter.

In short, this whole proposal offers nothing to the taxpayer other than what Dublin Bus can squeeze out of itself. To date, this has been done through service cuts and increased fares, and there is no indication of any basis for structural change.

5) Section 3.1 states: *"According to analysis by NTA, there is value in introducing competition in the Dublin bus services market while maintaining a smaller Direct Award Contract to Dublin Bus."*

This analysis is not referenced. If the content of the four consultation documents are the sum total of the analysis, the case is not made. If the analysis is in some other document, it has not been shared as part of the consultation process, and one is entitled to ask why not.

6) Section 3.1 states: *"As a result discussions and preparations did not evolve at a necessary pace to comply with EU notification periods. Therefore the transition to the new arrangement of awarding contracts for bus provision is being deferred until 2016."*

This begs the obvious question of why not simply extend the entire RSC by two years (or award a two-year RSC to Dublin Bus if there is not provision for extension) and then launch the most appropriate process?

7) Section 3.2 states: *"The NTA's consideration of suitable routes for potential competitive tendering in the GDA was informed by the following criteria, which were developed from the public and market consultations:*

- *Geographical coherence to ensure efficient bus operations and management*
- *Type of competition that would attract tender interest*
- *Size of award that facilitates a managed downsizing by the State bus companies"*

The first two criteria have patently not been followed, for reasons described in more detail above. The selected routes are geographically incoherent, and the resultant competition is guaranteed to alienate any significant operator.

The third criterion is incredible, first for its blatant protectionism towards Dublin Bus, and second because the quantum of service is significantly less than the downsizing already incurred during Network Direct.

8) The reasons for advanced for "Location" in Section 3.2.1 are extremely forced, and are hardly supportive of the general case:

*"The outer areas have experienced the highest level of development in recent decades and public transport has generally not kept pace."* This reveals that Dublin Bus has been unwilling or unable to develop services in the main growth areas, and thus cannot be relied on to guarantee the *"continued adequacy of the public bus services"* (unless inadequacy is taken as an acceptable benchmark).

*"The bus market in the outer areas is less dependent on existing property held by CIÉ Group therefore there are better opportunities for acquiring depots in these areas."* The kindest comment is that the author should be invited to explain the rationale of this statement.

9) Section 3.2.2 states: *"This represents about 10 percent of the Dublin Bus peak hour fleet, which the NTA consider to be sufficiently small to facilitate a managed downsizing of operations at a reasonable cost in the event of the contract being awarded to another operator."*

This is extraordinary on two counts. First, it reveals that the internal matters of Dublin Bus drive the process. Second, it indicates that award to another operator is just a possibility, and viewed as a potentially undesirable outcome because of the impact it could have on Dublin Bus.

10) Section 3.1 states: *"To provide for a competition of interest to local as well as international operators ..."*

The competition as devised will be "of interest" to international operators only to the extent that will know that the market is closed to them. If the authors have competence in this domain, they would surely appreciate this point.

11) Section 3.2.3 states that the contracts would be gross-cost. Dublin Bus are eligible to bid for and win these routes. Does this mean:

- a) that Dublin Bus would operate its core network on net-cost contract, and then have further routes on gross-cost contract (that it currently operates on net cost); or
- b) that Dublin Bus would bid on a gross-cost basis, but on winning would receive a net-cost contract for the routes in line with the main RSC arrangement.

12) Section 4.1 sets out the potential benefits based on international experience. Section 4.2 then undermines the case with spurious and unsubstantiated statements. Three statements in particular are incredible:

- *"Most of the studies were undertaken in the 1990s and early 2000s and use data from market reforms that were completed earlier again."* Research and analysis has continued since then. The inability or unwillingness of the authors to locate and reference it is no defence for this statement.
- *"The bus market has undergone transformation over the intervening period and it may be unreasonable to expect savings of the same magnitude as observed elsewhere in the past to be attainable for Dublin in 2016 and beyond."* There is no justification for this statement.
- *"This has implications for the magnitude of additional savings achievable from a move to competitive tendering"* (references the reduction in subsidy). The "efficiencies" attributed to Dublin Bus are almost entirely due to the Network Direct downsizing. If the authors had actually performed an economic analysis (as this document purports to be), it would be immediately evident that the potential for savings in the order of the experience cited in section 4.1 remain open. In passing, the authors seem to have failed to notice that the cumulative reduction in subvention (12.7%) cited in Table 2 is less than the reduction in peak-hour vehicles.

The authors should be given an opportunity to reflect on this section and decide whether they wish to amend it, following which its credibility should be assessed by international experts.

13) Section 4.3.1 on property again shows a lack of ability or willingness to identify the wide range of practice in dealing with these issues.

14) Section 4.3.2 validates that a much larger market opening could be achieved in 2016, and that it would only require an extension or short-term renewal for Dublin Bus to facilitate such a move.

15) Section 4.3.3 validates that the proposed competition is contrary to the market interest of international operators, and that NTA have chosen a path that will *de facto* exclude them.

16) Section 4.4.2 is clearly a concern about industrial action at Dublin Bus if the authorized transport authority functions in line with its legal mandate. The statement "*Should the incumbent operator fail to win the new contract ...*" again indicates that new entrants actually succeeding in the competition remains just a possibility.

17) Section 4.4.3 seems to have forgotten that the services are being offered on gross-cost contracts, and thus the argument doesn't hold. Even a cursory peer review should have picked this up. One cannot help but conclude that the authors are clutching at straws to build a case to avoid the path that would achieve significant cost savings for the public.

18) The authors should be invited to elaborate why the risk should be any different for a private operator or for Dublin Bus. At face value, the implication is that RSC offered to Dublin Bus under direct award would require a certain unwritten "flexibility".

19) The case for the Conclusions has not even been set out clearly, let alone been clearly demonstrated.

#### **The Case for Direct Award: The case presented in the Technical Report on Contract Options paper**

*For brevity, items already raised in the document(s) above are not repeated here, and should be considered to stand in this document as well.*

1) Section 3 is somewhat naïve and light in analysis, but nevertheless reaches a clear result:

*"The conclusion from this section of the report is that it is in the general economic interest to introduce competition into the Dublin Bus market. Experience from a range of countries supports the contention that competitive tendering of public bus services yields benefits."*

Having reached this conclusion that concurs with international practice, it is very difficult to understand how the NTA can then proceed to keep 90% of the service under direct award, and to put to the market the most intractable and fragmented 10%, which is least likely to offer savings.

This section reveals that NTA accepts that competition would be beneficial, but then holds it back from where it would give public benefit and using it only in marginal conditions.

2) Section 4.1 states: *"Any tender competition has to take place on a fair and equitable basis, Dublin Bus will be legally entitled to take part in any tender competition for some or all PSO bus services in Dublin."*

It is extremely difficult to devise a "fair and equitable basis" for a competition in which new entrants have to compete with subsidised incumbents who have all of the historic operational assets, the existing routes, and face no start-up or mobilisation costs. In the interests of honesty, at the least the sentence should be split into its two parts.

The subsequent sentence is a serious understatement.

3) In essence, Section 4.1.1 says "We accept that this is a significant issue that would give significant advantage to the incumbent, but we can't find a way to deal with it so we'll just let it go. Sorry for that."

Many other cities have been sufficiently motivated to find solutions to this issue.

4) Section 4.2, 'Maintaining Integration', is irrelevant to "Contract Options", as any RSC would require the integration features, and gross-cost contracts remove any problems of fare integration or revenue risk.

5) Similarly, section 4.3, 'Degree of Service Specification' is irrelevant to "Contract Options" as any RSC would deal with this.

One can only conclude that these sections have been included to give the impression that competitive tendering places integration at risk, and to add weight to the proposal to implement any competition slowly and away from the core network.

This is not to underplay their importance and the need to handle them properly within the bidding process and the RSC, but they should be well within the capabilities of a competent transport authority and its advisors.

6) Section 4.4, "Contract Type", is a very weak presentation of the concepts, practice, experience and issues concerning a fundamental aspect of contract options. The concepts and practice in this area are very well researched and documented. It would have been easy to present the key features of a set of medium- to large cities in Europe and elsewhere. Failure to elaborate this important area undermines the value and credibility of the document.

7) The first two bullet points of Section 4.5, Conclusions, state:

- *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 Dublin Bus depots or fleet purchased before 2012.*

These are completely incompatible, and are a clear indication of why reform is required.

The third bullet states:

*"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."*

This is a clear indication that the authority is unwilling or unable to exert its position with Dublin Bus, despite the fact that the company would irretrievably collapse within days of withdrawal of the public financial support it receives.

8) Section 5.1. The practice is well documented. Why do they not give a listing of practice, and then use the case studies to illustrate it?

The initial, transition and migration paths are well documented. It is not clear why the report could not present this experience - say in tabular form - to show the practice in the sector. They could then illustrate it with case studies.

9) Section 5.1 states, in reference to London: "The 8,000 bus fleet is owned by the operators, with about 90% being run by a few very large companies"

This is not strictly true, although the main point may be valid. They are run by a relatively large number of companies, which are in turn owned by this set of 6 or so groups.

Competition diminished in the London bus market. The key factor was depots, since they had been sold with the companies during privatisation. It is extremely difficult to get the needed permissions to build a new depot in built-up London, and few firms could justify the investment for contracts of 5 to 7 years.

The main lesson to take away from London is that depots need to be decoupled from the public sector incumbents, and made available to winning operators.

10) The Case Study for London may require revision. LTB made a fairly quick transition into tendering, such that within a few years most of the network was tendered.

LTB did indeed begin with small scale to learn the processes, but this was with a clear view to accelerate if the results were good. The context must be borne in mind, as the rest of the UK had plunged into deregulation with wild competition, serious loss of quality, and serious loss of ridership. Also, there were relatively few examples of competitive tendering of urban buses elsewhere (Sweden had started to do so in 1985-6).

They allowed their own subsidiaries to also bid for the routes. They found that the private sector distrusted this, fearing that LTB subsidiaries were underbidding. This stimulated LTB to rethink, and they then made the radical move to divest 100% of their bus operating companies. This was completed by c. 1993. This meant that within about 5 years of the process starting, not only was 100% of the network tendered out, but 100% was operated by the private sector and LTB had completely divested itself of its operating units.

11) The Copenhagen case states: *"Because of a concern that the public transport authority could not objectively evaluate proposals by private companies and its own internal operating department, its own department was excluded from participation"*.

This should be highlighted, since it is exactly what NTA proposes to do.

Further, it should be highlighted that the market opening was for 45% of the total market, in coherent segments, and not for a fragmented 10%.

12) The Netherlands case is not the most appropriate example of Area Tendering, for a number of reasons. Adelaide is the case that best illustrates the Dublin situation on four main grounds:

- It began with 100% public sector company, and had to resolve issues of depot and bus assets, staff transfers, etc.



- There was a well-structured process, done in public domain, materials available. Attracted significant international competition.
- There is now more than 10 years of evaluated experience. It has been through rebid. Lessons can be learned about the initial process, managing the new situation, and the downstream experience.
- The city is about the size of Dublin, reasonably self-contained - unlike Netherlands where every area is strongly interlinked with other conurbations and has high volume of transit traffic. Also, bus is the main PT mode in Adelaide.

13) Section 5.2 excludes Area Tendering from the options, despite having described it in the previous sub-section.

Area Tendering is the most suitable option for Dublin, and would perform well in any appraisal of options.

***There is no credible scenario that it could have been overlooked by analysts, and then somehow also missed by the document reviewers. It can only be concluded that it has been intentionally eliminated, either during the analysis or subsequently in review.***

***To be clear, international practice indicates that savings in the range of 15-25% of total costs (not just in subsidy) could be achieved by putting a public monopoly network to open competitive tendering. As Dublin Bus has annual costs of about €250 million, this has the potential for savings of €37.5 million to €62.5 million per annum, or €187.5 million to €312.5 million over the 5-year RSC period.***

***For whatever reason, someone has decided to remove the most promising option, and thereby to undermine the case for major savings to the public purse.***

***This is shocking, and provides ample grounds for formal review of the entire process.***

14) The Conclusions in section 5.4 are unsupported by either international practice or by the analysis presented. Further, they indicate a weak authority that is unwilling or unable to develop the required capacity.

#### **The Case for Direct Award: The case presented in the Performance Report on Current Dublin Bus Direct Award Contract paper**

*For brevity, items already raised in the document(s) above are not repeated here, and should be considered to stand in this document as well.*

1) This report logs the performance against the various metrics. However, it does not provide any appraisal of the value received, of the sufficiency of the metrics, or of the overall performance of the RSC. The document is primarily aimed at satisfying a procedural requirement for further Direct Award.

2) The data in Table 1 indicates a contraction in the dimensions of the business, but no discernable improvement in efficiency or financial performance beyond downsizing. This is further indication that cost savings will only be achieved through competitive processes.

The compensation figure for Q1/2013 is reported as €27.7 million. Annualised, this would imply a full year figure of €110.8 million, and that is after the fare increase. If this is correct and does not contain exceptional, non-recurring items, it would indicate that the current Direct Award is not only in crisis but has become unstable.

3) The performance obligations have not been benchmarked against good practice in other European and global urban bus systems.

4) It would appear that the metrics are aggregated across route corridors and over the entire three-month period. This is of minimal value in monitoring and managing the service experienced by the customer at the point of use. It would allow significant deficiencies to occur from time to time, but as long as full service was provided at other times the average would remain above the threshold and performance deemed satisfactory.

5) This document does not strengthen the case for Direct Award.

*Brendan Finn,*  
10<sup>th</sup> October 2013.

**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 11 October 2013 09:18  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services  
**Attachments:** Bus-submission-to-NTA-William-Lavelle-11.10.13.pdf

From: Cllr. William Lavelle

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
South Dublin County Council (elected member)

Address:  
36 St. Andrews Drive, Lucan, Co. Dublin

Comment:

Uploaded File:  
[http://www.nationaltransport.ie/wp-content/uploads/wpcf7\\_uploads/Bus-submission-to-NTA-William-Lavelle-11.10.13.pdf](http://www.nationaltransport.ie/wp-content/uploads/wpcf7_uploads/Bus-submission-to-NTA-William-Lavelle-11.10.13.pdf)

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## **Submission to the National Transport Authority**

**Regarding the proposal to enter into another direct award contact with Dublin Bus from 2014, with 10% of service to be opened up to competition from 2016.**

**Submitted by Cllr. William Lavelle**

36 St. Andrews Drive, Lucan, Co. Dublin  
wlavelle@sdublincoco.ie

9<sup>th</sup> October 2013

### **1. Introduction**

I wish to make a submission to the National Transport Authority on the proposal to enter into another direct award contact with Dublin Bus from 2014, with 10% of service to be opened up to competition from 2016.

I am a daily bus-user as well as being an elected member of South Dublin County Council representing the Lucan area.

At the outset I would hope that debate and discussion on this particular proposal; and the broader theme of public transport provision in the Greater Dublin area, would avoid futile ideological or dogmatic debates over 'public v private' provision and would instead focus on outcomes for commuters and for Dublin's economy, society and environment.

This submission will argue that the current proposals put forward by the NTA simply do not go far enough in seeking to grasp the significant opportunities which are potentially on offer from adopting a more ambitious approach to competitive tendering. I believe increasing commuter carrying capacity on bus services should be the key public policy imperative informing the NTA's approach to competitive tendering

The submission seeks to respond to the positions outlined in consultation paper and accompanying documentation and seeks to make a number of recommendations in relation to grasping the significant opportunities which are potentially on offer from adopting a more ambitious approach to competitive tendering.

### **2. Increasing carrying capacity should be the key public policy imperative**

Having reviewed the consultation paper and accompanying documentation, I am concerned at the lack of clarity regarding the NTA's guiding vision for the development of bus services in the Greater Dublin area; and regarding the policy imperative underpinning the current proposal. At most, it would seem that delivering greater value-for money and protecting Dublin Bus from undue risk are the most pressing concerns. Both of these concerns are relevant and will be addressed further in this submission. However these two concerns, on their own, do not represent what I would consider to be a comprehensive or sustainable basis for a policy on the future development of bus service provision.

The consultation paper and accompanying documentation do however rightly recognise and articulate the importance of public transport, in economic, social and environmental terms. Of particular importance is the conclusion of 'Economic analysis of Direct Award Bus Contract in the Dublin Market' which accompanies the consultation document, that "*public transport plays a vital role in enabling economic activity*". This analysis further particularly

recognises that public transport *“reduces congestion, offering affordable mobility and freeing resources for use in other productive activities”* and that *“the benefits associated with reduced congestion can be substantial”*.

I fully support this view that public transport can support economic activity and reduce traffic congestion. It is widely accepted that both objectives go hand-in-hand and indeed potential economic returns through reduced traffic congestion have been identified repeatedly in business cases for major capital transport projects in Dublin, including Luas Cross-City and Dart Underground.

This submission accepts that it is difficult to quantify with any reasonable accuracy the scale of traffic congestion in Dublin; or the actual costs resulting to the regional economy. However there have been numerous attempts at estimates. For example, in recent years, Dublin has featured as one of the most congested cities in Europe according to the annual TomTom congestion index. The latest index published in April 2013 found that:

- Drivers with just a 30-minute commute waste 87 hours a year stuck in Dublin traffic jams;
- On average days during 2012 (across all days and hours), travel times in the city were 29% longer than they would be under uncongested or free flow conditions;
- At morning rush-hour, travel times were 62% longer than freeflow;
- During evening rush-hour, travel times were also 62% longer than freeflow;
- Drivers face a delay of 37 minutes for every hour they drive in peak periods.

The need to address congestion; and the subsequent return to both quality-of-life and the regional economy, represent a strong rationale for increasing the carrying capacity of public transport services, in this case of bus services.

This rationale is further strengthened by a corollary to the observation outlined in the ‘Economic analysis of Direct Award Bus Contract in the Dublin Market’ that *“Dublin Bus passenger numbers have experienced a substantial decline over the period of the recent economic downturn.”* Given the steady, albeit modest, reduction in unemployment in recent months and the general trends toward employment growth in the Irish economy, one must assume that this will result in an increase in demand for Dublin Bus services, thereby further strengthening the rationale for pre-emptively increasing the carrying capacity of bus services in Dublin.

However public transport can only contribute to reducing traffic congestion if it can provide adequate commuter carrying capacity to meet current and future demand.

But not only is adequate capacity not currently in place to meet current and future demand, capacity has, in fact, reduced in recent times. The ‘Technical Report on Contract Options’, which accompanies the consultation document, outlines that *“the services to be provided at the outset of the Contract required a peak vehicle requirement (PVR) of 936 buses operating from seven depots”* and that this figure represents a reduction of approximately 150 buses in peak service compared to 2009.

In the context of this reduction in capacity and the position outlined in this submission regarding the need to increase the carrying capacity of public transport services, it is the view of this submission that the current proposals put forward by the NTA simply do not go far enough in seeking to grasp the significant opportunities potentially on offer from adopting a more ambitious approach to competitive tendering.

The consultation paper and accompanying documentation include a marked emphasis on the premise that tendering leads to value for money. For example, the 'Economic analysis of Direct Award Bus Contract in the Dublin Market' refers to a clear finding of a literature review which stated *"that enhanced value for money is available through a move to competitive tendering"*. If this premise is to be accepted then it should be considered as a supporting policy device to achieving this submission's recommended primary objective of increasing carrying-capacity. An opportunity exists for savings to be achieved through increased value-for-money as a result of competitive tendering which could then be recycled into making PSO subventions stretch further i.e. supporting more subvented services thereby increasing carrying capacity. Any savings arising from competitive tendering should not be lost to the cause of cost containment or budget reductions.

**This submission therefore recommends that increasing commuter carrying capacity on bus services to meet current and future demand should be the key public policy imperative informing the NTA's approach to competitive tendering and that this should include supporting more subvented services thereby increasing carrying capacity.**

It is further noted that under the relevant governing legislation that *"where the Authority proposes to enter into direct award contracts subsequent to those referred to in subsection it may only do so 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 direct award contracts"*.

This submission suggests that the concept of "adequacy of the public bus services", as referred to in the legislation, must inherently include, *inter alia*, the concept of adequate carrying capacity to meet demand. The NTA must ensure that the granting of future direct award contracts and the competitive tendering of bus services is designed and implemented so as to augment carrying capacity, in particular in response to demand. Some further recommendations in this regard are addressed in the next section.

### **3. General recommendations on award of contracts**

This section outlines a number of observations and critical assessments made in response to certain positions outlined in the consultation paper and accompanying documentation. Based on these observations and assessments, this section makes a number of general recommendations on the design and implementation of direct award contracts and the competitive tendering of bus services so as to best seek to augment carrying capacity.

#### **i) Direct competition on general bus corridors**

If increasing carrying capacity is to be accepted as a key public policy imperative, then this submission recommends that the NTA should be open to allowing multiple operators to provide competing services on general bus corridors so as to maximise the overall level of carrying capacity on those corridors. Services need not operate on the exact same routes.

The NTA has previously refused a license application from Eirebus to operate a service from Lucan on the basis of similar existing services already being in place. It is noted that applications were also previously refused for the Malahide Shuttle based on similar grounds. However following submission of a further evidence-based application in May 2013, the NTA did subsequently decide to grant a license for the Malahide Shuttle in July 2013. Given the NTA's willingness to respond to proven evidence, this submission recommends that the NTA would allow the competitive tendering of additional subvented services on existing bus corridors so as augment carrying capacity; where there is strong evidence suggesting

demand and/or projected growth in demand; and where would be a limited risk to existing Dublin Bus services.

**ii) Including some radial routes in competitive tendering**

I agree with the view of the NTA, as outlined in the consultation document, that *“the costs and risks arising from an ill-considered competition are substantial”* and that *“tendering the entire market in one contract is not seen as prudent and would not accord with international practice for initial market competitions.”* The risks of poorly planned or managed competition/liberalisation have also been echoed by Minister Varadkar. This submission therefore does not seek the full opening-up of Dublin Bus services.

However this submission does wish to challenge certain positions underpinning the NTA’s proposal not to include radial routes among those to be subject to competitive tendering. Some of these positions are outlined in the extracts listed below from the ‘Economic analysis of Direct Award Bus Contract in the Dublin Market’

- *“The bus network will require an element of reconfiguration to complement the new cross city light rail route. This involves understanding the longer-term effects of the Luas extension on the bus network and clear knowledge of the extent and shape of the bus network post Luas development. These uncertainties raise opportunities and risks over the coming years which may be easier to manage under a direct award contract with the incumbent compared with a new market entrant and a new contracting regime.”*
- *“Limiting competitive tendering to local and orbital routes... means that large city centre located depots are not needed thereby minimising the cost of associated depot provision.”*

In response to these positions, this submission would make the following critical observations:

- The Luas Cross-City development may affect bus services on corridors running along the general corridors served by the Luas Green Line and extension to Broombridge; and to lesser extent on the general corridor served by the Maynooth rail line which will intersect with the Luas. However this is no reason to automatically exclude radial bus services on corridors such as the N4-Lucan Road which will be affected in no way by the Luas Cross City development and which will not even meet the extended Luas line until O’Connell Bridge.
- Radial services do not necessarily require city centre depots. For illustrative purposes only, I am aware that at least one prospective operator of radial routes (i.e. Eirebus) is fully-satisfied that it could operate services from a suburban-based depot in Blanchardstown.

This submission therefore recommends that a number of radial bus services from the outer suburbs to city centre, on corridors unaffected by the Luas Cross City, be included in competitive tendering (for services that could prove sufficient depot capacity).



**iii) Timing of competitive tendering**

The NTA proposal is for a competitive tendering process for a segment of the Dublin market in order to test the process and understand the capacity to realise the potential benefits. While the logic of a partial test can be accepted, the NTA proposals do not outline why it is proposed not to begin this testing (i.e. limited competitive tendering) before 2016.

**If the purpose is to test the market to advise future decision-making then this submission recommends starting sooner, in 2014.**

Furthermore if testing of the operation and impact of competitively-tendered services is a valid policy concern, then it does not make sense to exclude radial routes. The inclusion (and testing) of some radial routes, as already recommended, should be allowed so as to inform future decision-making on the competitive tendering of further radial routes.

**4. Addressing demand – Lucan as a case study**

The 'Economic analysis of Direct Award Bus Contract in the Dublin Market' indicated that whereas 28% of City Centre residents use public transport to get to work, the proportion falls to 18% in the outer suburbs. However this latter figure seems in itself to be an overstatement. The CSO's 'Census 2011 Profile 10: 'Door to Door – Commuting in Ireland' found that rates travelling by bus to work for residents of the South Dublin County Council area fell from 13% to 12% over the period 2006-2011.

As an elected member of South Dublin County Council, I am acutely aware of the very serious problems of traffic congestion and the lack of bus service capacity in the Lucan area. I believe the situation in Lucan offers a strong reasoning for adopting a more ambitious approach to competitive tendering.

An important contextual element of this has been the impact of 'Network Direct'. As a result of the changes, the old 25X service from areas of Lucan south of the N4 was replaced with revised 25A and new 25B services. An assessment of timetables shows that prior to the 'Network Direct' changes there were 16 no. 25A & 25X services leaving the Lucan South area in the peak-hour morning period between 7:10am & 8:10am. However following the 'Network Direct' changes this reduced to 12 no. 25A & 25B services doing likewise. Buses from Dodsboro and Lucan Village are not included in these tallies. While all of the 25A & 25B services now use the Chapelizod bypass, there seems nonetheless to have been a 25% reduction in morning peak-hour carrying capacity.

In addition, prior to the 'Network Direct' changes, a number of 25X services from the Griffeen Avenue and Newcastle Road areas accessed the N4 at Junction 4 (Adamstown). Following 'Network Direct', no services now access the N4 at Junction 4 (Adamstown) and all 25A/25B services now access the N4 at Junction 3 (Ballydowd). This has firstly resulted in significantly longer journey times for bus-users resident in the Newcastle Road area. Secondly it has resulted in buses becoming full before they reach stops elsewhere in the Lucan South area prior to accessing the N4, in particular the Willsbrook stop (no. 4633), which is the last stop for 25A/25B services before they join the Lucan Road-N4 corridor. Since the start of September 2013, it has been observed that the number of persons waiting for a bus at this stop normally averaged in the mid 30's in the morning peak hour before a bus would stop. However it was observed that, on Thursday 3<sup>rd</sup> October 2013, the number waiting at this stop increased to 55 before a bus stopped. As well as highlighting the lack of capacity to adequately meet demand, this bus stop over-crowding poses significant health-and-safety risks.

The regrettably-regressive 'Network Direct' changes followed on from the cessation in 2007 of the privately-operated Morton's 'Circle Line' service from Lucan to the City Centre and Ballsbridge. This had been a hugely popular local service.

Cumulatively the 'Network Direct' changes and the loss of the Morton's 'Circle Line' has resulted in significant reduction in peak hour bus service carrying capacity to/from Lucan. This has undeniably led to a reverse modal shift with more commuters returning to their private car. The very apparent current limited capacity of bus services and the reverse modal shift experienced in the Lucan area are widely recognised as a significant contributing factors to the current problem of chronic traffic congestion, including in particular at Willsbrook Road, Griffeen Avenue and Newcastle Road. The levels of congestion has been quantified in recent traffic counts, including counts conducted for South Dublin County Council for the Willsbrook Road Cycle Scheme, which is the subject of ongoing funding applications to the NTA.

As a local councillor, I am aware anecdotally, given the chronic traffic congestion, of a very high level of willingness on the part of commuters to engage in a modal shift to public transport, if adequate carrying capacity was provided on bus services and if more direct routes were in place.

A further point to note relates to orbital routes. The CSO's 'Census 2011 Profile 10: 'Door to Door – Commuting in Ireland' indicates that only 24.1% of residents of the South Dublin County Council area travel to work in the City Centre with many working elsewhere in our County or along the M50. Despite this, well over 90%, if not over 95% of public transport trips from our county are radial trips, to and from the city centre. This would suggest a need for new orbital routes, such as a bus route linking the population centres of Lucan, Clondalkin and Tallaght and major employment centres at Grange Castle, CityWest and Tallaght Hospital. Such a route would also serve a significant proportion of the students and staff of Tallaght IT. However Dublin Bus have refused to deliver on their previous commitment, announced as part of 'Network Direct', to introduce a new no. 166 orbital bus routes linking Liffey Valley, Lucan, Clondalkin and Tallaght.

This submission wishes to draw the NTA's attention to the limited value of the No. 239 service in linking the Lucan Village and Lucan South areas. The lack of a frequent link is damaging to the commercial life of Lucan Village and further exacerbates traffic congestion, in particular school-time traffic given that the vast majority of pupils of the five schools located north of the N4 are resident in areas south of the N4. This lack of connectivity should be addressed in the proposals for competitive tendering.

This submission wishes to make a further point in relation to bus services in the Lucan area. Elected members of South Dublin County Council have previously been advised that the NTA is currently carrying out, at an advanced stage, a review of bus services in our county. Despite numerous requests that councillors and the public to be consulted, this has not been permitted or facilitated. Councillors are therefore every unhappy with the lack of transparency and consultation on the part of the NTA.

This submission wishes to make a number of specific recommendations relating to the Lucan area:

**i) Proposal for new 25C route to be competitively tendered**

Firstly, in order to augment carrying capacity from Lucan and to provide a more direct service for commuters from the Griffeen/Newcastle Road area; and in line with the

recommendation already made with respect to competitive tendering of additional subvented services on existing bus corridors, this submission recommends that the NTA seek, through competitive tendering, an operator for a new 25C route from the Griffeen/Newcastle Road area to City Centre/UCD, to access the N4 at Junction 4 (Adamstown). The full level of current service provision on existing 25A & 25B services should be maintained, even if some minor route changes are warranted.

**ii) Enhancements to Dublin Bus 25A/25 B services**

The renewal of the Dublin Bus direct award contract should require the inclusion of at least four additional 'injector' 25A/25B services, to commence from the Ballyowen Road (Castle Road) stop (no. 4632) during the AM peak hour, so as to address the problem of overcrowding, in particular at the Willsbrook stop. These additional departures should be officially listed on the timetable.

**iii) New 166 orbital route to be competitively tendered**

The proposed new no. 166 orbital bus routes linking Lucan, Clondalkin and Tallaght should be included for competitive tendering.

**iv) Linking Lucan Village & Lucan South**

The NTA should seek to improve bus service connectivity between Lucan Village and residential areas south of the N4, through either:

- Extending the No. 166 service (proposed above) to Lucan Village;
- Requiring, through the new Dublin Bus direct award contract, that the terminus of the 25A be relocated from Newcastle Road to Lucan Village, extending the route along Adamstown Road to the Village;
- Requiring, as part of competitive tendering of the No. 239 service, that its frequency be greatly increased.

**5. Conclusion**

Public transport can contribute to reducing traffic congestion if it can provide adequate commuter carrying capacity to meet current and future demand. But it is the view of this submission that the current proposals put forward by the NTA simply do not go far enough in seeking to grasp the significant opportunities potentially on offer from adopting a more ambitious approach to competitive tendering.

An opportunity exists for savings to be achieved through increased value-for-money as a result of competitive tendering which could then be recycled into making PSO subventions stretch further i.e. supporting more subvented services thereby increasing carrying capacity.

**This submission therefore recommends that increasing commuter carrying capacity on bus services to meet current and future demand should be the key public policy imperative informing the NTA's approach to competitive tendering and that this should include supporting more subvented services thereby increasing carrying capacity.**

This submission makes a number of further general recommendations:

- The NTA should allow the competitive tendering of additional subvented services on existing bus corridors where there is strong evidence suggesting demand and/or projected growth in demand and where there is evidence of a limited risk to existing Dublin Bus services.

- A number of radial bus services from the outer suburbs to city centre, on corridors unaffected by the Luas Cross City, should be included in competitive tendering (for service that could prove sufficient depot capacity).
- Competitive tendering should commence in 2014 and not wait until 2016.

This submission also makes specific recommendations in relation to the Lucan area:

- The NTA should seek, through competitive tendering, an operator for a new 25C route from the Griffeen/Newcastle Road area to City Centre/UCD, to access the N4 at Junction 4 (Adamstown).
- The renewal of the Dublin Bus direct award contract should require the inclusion of at least four additional 'injector' 25A/25B services, to commence from the Ballyowen Road (Castle Road) stop (no. 4632) during the AM peak hour, to be officially listed on the timetable.
- The proposed new no. 166 orbital bus route linking Lucan, Clondalkin and Tallaght should be included for competitive tendering.
- The NTA should seek to improve bus service connectivity between Lucan Village and residential areas south of the N4.

**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 11 October 2013 11:27  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services  
**Attachments:** Forfas-response-to-NTA-bus-consultation.pdf

From: Conor Hand

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
Forfas

Address:  
Wilton Park House, Wilton Place, Dublin 2

Comment:  
Please find attached a submission to the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services.  
If you have any queries about the attached, please contact me at [conor.hand@forfas.ie](mailto:conor.hand@forfas.ie) or 01 6073250.

Best wishes,  
Conor Hand

Uploaded File:  
[http://www.nationaltransport.ie/wp-content/uploads/wpcf7\\_uploads/Forfas-response-to-NTA-bus-consultation.pdf](http://www.nationaltransport.ie/wp-content/uploads/wpcf7_uploads/Forfas-response-to-NTA-bus-consultation.pdf)

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## Forfás response to the NTA bus consultation

The availability of competitively priced world class transport infrastructure and related services is essential to support enterprise development. Forfás welcomes the opportunity to input to the National Transport Authority's (NTA) consultations on its proposals to directly award a public bus services contract to Dublin Bus and Bus Éireann in 2014.

### Public transport and enterprise needs

National and international connectivity is critically important in an increasingly globalised economy. Access to markets is one of the main factors for companies in deciding where to locate. An efficient and integrated national transport system with adequate capacity and levels of service comparable to other countries with which we compete is vital to move goods and people quickly, effectively, affordably and in environmentally sustainable ways.

Improving public transport services is critically important for the mobility of the labour force and the effective functioning of the labour market. The availability of high quality and efficient public transport is also a determinant of Ireland's attractiveness to internationally mobile high skilled workers. It is also crucial for the ease of movement of people and goods, particularly within the main urban centres. Reducing reliance on the private car improves mobility for all road users, helps Ireland to meet its sustainable travel objectives and will minimise congestion and other associated costs as the economy returns to growth.

Internationally, cities are increasingly seen as the drivers of national competitiveness and economic and social development. Dublin is Ireland's only city of international scale (i.e. with a population over one million). There has been significant investment in Dublin's public transport network in recent years. Mobility in the Greater Dublin Area (GDA) has also improved because of the recession and the substantial increase in unemployment which have led to a reduction in congestion and the contraction of the morning peak. However, as highlighted by the NTA in its draft implementation plan, as much needed employment growth and economic activity resume, it is inevitable that ease of movement in the GDA will deteriorate unless there is targeted transport investment and reform<sup>1</sup>. Increased congestion will lead to increased costs of doing business in the GDA and will reduce Dublin's competitiveness, which in turn will negatively affect Ireland's competitiveness. Therefore, a strong focus on maintaining and enhancing Dublin's attractiveness as a location to do business in and to live and work in is essential.

International research indicates that the important factors to drive public transport usage are the frequency, speed, reliability and cost of the services provided. From an enterprise development perspective, one of the main short term transport priorities for Ireland is ensuring quality services in terms of routes served and frequency of service. In particular bus services should provide adequate and frequent services, particularly at peak times, to the business parks and other concentrations of employment in the main cities. It is also important that commuter services from urban centres in the city's hinterland are fully integrated with public transport services within the city. A recent McKinsey study on how to make a

<sup>1</sup> National Transport Authority, Integrated Implementation Plan 2013-2018, August 2013

city a great place to live and work highlighted the importance of connecting the city outskirts to the city centre<sup>2</sup>.

The cost of transport services to consumers is also important in the context of the mobility of the workforce. In December 2012, transport accounted for 15.1 per cent of the consumer basket. Inflation in transport, and bus and taxi services in particular, was significantly greater than national inflation (CPI) between 2007 and 2012 (Table 1). Consumer price inflation (CPI) increased by 2.6 per cent between 2007 and 2012, while transport prices increased by 11.3 per cent. One of the main drivers were fuel and lubricants (petrol, diesel etc.) which increased by a third over the period. Within transport passenger services, the largest increases were in rail (15.8%), and road services (19.7%) which comprise bus and taxi services.

**Table 1: Percentage Change in the Price of Transport and its Components, 2007-2012**

CPI	Transport	Fuels and lubricants	Transport services <sup>3</sup>	Rail services	Road services (bus and taxi)	Air services	Sea services
2.6%	11.3%	33.1%	19.7%	15.8%	19.7%	3.0%	10.4%

Source: CSO

As highlighted in the NTA's consultation paper and the accompanying economic analysis, competitive tendering of public bus services yields benefits, including enhanced customer service levels, lower costs and a reduced need for subvention. The NTA's plans to open the Irish public bus market to competition are, therefore, an important development in improving transport services in Ireland.

## Issues for Enterprise

Forfás supports the NTA's proposals to open some Dublin Bus and Bus Éireann routes to competition. As highlighted by the Competition Authority, competitive tendering of bus services in other markets has led to significant benefits for consumers - including lower fares and/or reduced subvention requirements<sup>4</sup>, more reliable, punctual services, improvements in the bus network to better match consumers' needs and better incentives for public bus services to integrate into the wider public transport system<sup>5</sup>. The Competition Authority also stresses the importance of a well-designed competitive tendering process to maximise competition and obtain the desired benefits.

2 According to McKinsey, those living on city peripheries can feel excluded and find it hard to avail of jobs unless there is transportation linking them to the city centre. It cited the example of Boston where \$37.2 million was committed in 2002 to upgrade the train line between the central business district and the southern outskirts of the city. Communities along the route have since been revitalised. McKinsey & Company, How to Make a City Great, September 2013

3 Transport services includes passenger transport by road (bus and taxi), rail, sea, inland waterway and air.

4 Data from Hensher and Wallis suggests very substantial cost savings from initial round tenders - savings ranging between 20 and 30 per cent were recorded in Scandinavian countries while savings of almost 40 per cent were recorded in some Australian cities. See: Hensher, D.A., and Wallis, I.P., Competitive Tendering as a Contracting Mechanism for Subsidising Transport - The Bus Experience, Journal of Transport Economics and Policy, Volume 39, Part 3, September 2005, pp. 295-321

5 The Competition Authority, Submission to the NTA Public Consultation on 2014 Public Bus Service Contracts, July 2012



The main issues for consideration from an enterprise perspective arising from the NTA proposals for the opening of the bus market are:

- ***Expedite the opening of bus markets:*** The NTA proposes to award new contracts to Dublin Bus and Bus Éireann on the 1<sup>st</sup> December 2014 with up to ten per cent of services (based on the peak hour fleet size) to be open to competitive tendering with a contract for those services being in place from Autumn 2016 onwards.

**Competitive tendering should begin as quickly as possible.**

- ***Expand the number of routes to be opened:*** While experience from other markets supports a phased opening of public bus markets (i.e. a staged transition), it is not clear from the consultation papers why it is proposing to open just ten per cent of the Irish bus market.

In addition, the NTA is proposing to only open Dublin Bus's orbital and local routes to competition. However, 86 of the 111 Dublin Bus routes are radial routes or cross-city routes. Given the importance of these radial routes in Dublin's overall transport system, it is vital that steps are taken to drive out any inefficiencies that may exist on these routes - and competition can be the mechanism through which this is achieved.

The main reason given for not including the radial routes is to manage and minimise risk - in particular concerns about the implications for the re-configuration of bus services that will be required to complement the new Luas Cross City route. It maintains that it would be easier to manage such change under a direct award contract with the incumbent operator than with a new entrant. In their 2012 submission, however, the Competition Authority suggests that competitive tendering can actually lead to improved public transport integration and that the tender process can be used to drive such integration<sup>6</sup>.

Outside of Dublin, the rationale for determining which Bus Éireann routes will be awarded through competitive tendering needs to be clarified. It is not clear why city services in Galway and Limerick will not be opened up to competitive tendering at this time. In addition, there are no proposals to open more routes to competition in the future.

**The NTA needs to outline its plans for reviewing the impact of the initial market openings and set out the process and the triggers for potentially opening more routes (particularly radial and cross city routes) to competition post 2019.**

- ***Enhance customer focus:*** The proposals for market opening seem to be driven more by the impact of introducing competitive tendering on Dublin Bus and Bus Éireann than on the implications for consumers (i.e. providing Dublin Bus, for example with a scale of operations sufficient to utilise their current resources). The recent Forfás study on sectoral regulation highlights the need to develop a hierarchy of objectives - with the promotion of consumer interests defined as the primary objective<sup>7</sup>.

<sup>6</sup> The tender documents could specify requirements to ensure an integrated transport system. Also, new entrants will have new ideas to accelerate overall public transport integration.

<sup>7</sup> The core function of the sectoral regulators should be ensuring that end users (business and residential) have access to quality services at the least cost, both now and in the future. See Forfás, Sectoral Regulation - Changes to Sectoral Regulation to Enhance Cost Competitiveness, April 2013

Designing a competitive tender that prioritises consumer interests is critical to enable Ireland to capture the full benefits of competition in public bus markets experienced in other countries. It is also important to support other public policy goals such as increasing use of public transport, reducing the requirement for subvention, lowering costs and meeting environmental sustainability goals.

**The interests of consumers should be prioritised in the design of the competitive tender process.**

- *Ensure selected routes will encourage new entrants:* The economic analysis undertaken on behalf of the NTA states that *“the specific bundles which are tendered should be selected to maximise the level of market interest and thereby increase the level of savings and enhanced customer services available. [...] Irish operators wanted less than 50 buses in a contract, preferably of the order of 20 buses, while international operators wanted at least 50 buses and either strongly or absolutely preferred a contract for more than 100 buses [...] the dispersed nature of the routes that could be included in the bundles may present some challenges for operators to serve efficiently”*. In seeking to minimise risk to the incumbents, there is a danger that market entry will be made unviable to potential new entrants. The NTA should reconsider its proposals for competitive tendering to ensure that (i) they are sufficiently attractive to new entrants and (ii) Ireland can capture the full benefits of competition.

If the choice of routes for the initial opening of the bus market is suboptimal and unattractive to new entrants, it is likely to have an adverse effect on opening more routes to competition in the future. This in turn will have implications for the quality and cost of bus services offered to Irish public transport users and Ireland’s transport competitiveness in the longer term.

**The NTA should ensure that the selection of routes to be awarded through competitive tendering maximises new entry and enables Ireland to capture the full benefits of competition.**

- *Information asymmetries:* As highlighted by the NTA, one of the other benefits of competition is that it enables benchmarking of performance. The limited information available to the NTA on which routes are currently profitable and which are not, however, creates information asymmetries between the regulator, incumbent and potential new entrants. The consultation papers note that certain bus services may be socially necessary but not commercially viable; the absence of clear data differentiating between the profitability of routes may deter new entrants. Further, the ability of the regulator to measure and benchmark the performance of the various operators in a market was highlighted by Forfás as an essential element of good regulatory practice<sup>8</sup>.

**The NTA, should ensure that mechanisms are in place to facilitate the collection of the data required to support the effective regulation of competitive bus markets.**

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<sup>8</sup> Forfás, Sectoral Regulation - Changes to Sectoral Regulation to Enhance Cost Competitiveness, April 2013

**Lynn Mahony**

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**From:** WordPress <website@nationaltransport.ie>  
**Sent:** 11 October 2013 11:29  
**To:** bus consult; ross@ebow.ie  
**Subject:** Public Consultation on the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services  
**Attachments:** Bus-Services-Consultation-Submission-by-Dualway-Coaches-Ltd.docx

From: David McConn

Subject: National Transport Authority's proposals to directly award contracts from December 2014 for public bus services

Organisation:  
Dualway Coaches Ltd

Address:  
Keatings Park, Rathcoole, Co. Dublin

Comment:  
Please find attached Dualway Coaches Ltd submission in relation to the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services.

Uploaded File:  
[http://www.nationaltransport.ie/wp-content/uploads/wpcf7\\_uploads/Bus-Services-Consultation-Submission-by-Dualway-Coaches-Ltd.docx](http://www.nationaltransport.ie/wp-content/uploads/wpcf7_uploads/Bus-Services-Consultation-Submission-by-Dualway-Coaches-Ltd.docx)

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# NTA Bus Services Consultation

Dualway Coaches Ltd Submission

October 11<sup>th</sup> 2013



Keatings Park, Rathcoole, Co. Dublin, Ireland

Phone: + 353 1 4580054

Email: [david@dualway.com](mailto:david@dualway.com)

October 11<sup>th</sup> 2013



Based on the evidence presented in the NTA's consultation documents, we wish to draw attention to significant apparent weaknesses in the process adopted by NTA and the economic analysis underpinning the current proposals. In light of NTA's stated bus service contract objectives, and provisions within the relevant Act (Dublin Transport Authority Act 2008), such weaknesses leave a subsequent decision by the Authority open to potential challenge.

## **1. Background**

### **1.1. Legislation**

The *Consultation Paper* includes an overview of the legislative background to the current draft proposals. The current directly awarded contracts, signed on 01 December 2009, and running for a five year period, are due to expire on 30 November 2014. On expiry, the Authority must have regard to the provision of Section 52(6)(c) of the Dublin Transport Authority Act 2008 in determining whether it can enter into a subsequent direct award with Dublin Bus, which provides:

- *“(i) Subject to subparagraph (ii), the Authority may enter into direct award contracts subsequent to those which the subsection (3) applies.*
- *(ii) Where the Authority proposes to enter into direct award contracts subsequent to those referred to in subsection (3)(a), it may only do so 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 direct award contracts.”*

### **1.2. Objectives of the NTA**

The consultation document sets out the Authority’s objectives in entering into any public service contract as follows:

- “i. Ensure the provision of high quality and accessible bus services at best value for money to the Exchequer;*
- ii. Enable strong monitoring of, and enforcement of compliance by, the contracted operators with the terms of their contracts;*
- iii. Improve the customer experience of public transport;*
- iv. Ensure public transport integration is not compromised; and*
- v. Be compliant with the Dublin Transport Authority Act 2008, the Public Transport Regulation Act 2009, EC Regulation 1370/2007 and EU procurement requirements.”*

### **1.3. General Draft Proposals**

For bus services both within and outside Dublin, key features of the draft proposals, as set out in the *Consultation Paper* are:

- *“A proposal to directly award the contract to Dublin Bus/ Bus Éireann for the operation of all Public Service Obligation bus services in Dublin/ outside Dublin from December 2014, along with*

- *A proposal to commence competitively tendering a 10% portion of the Dublin/ outside Dublin public bus service market in 2014/2015 with the target of a contract for those services being in place from Autumn 2016 onward.”*

#### **1.4. Draft Proposals – Dublin Market**

For the Dublin market, the Authority proposes to restrict competitive tendering to orbital and local routes - these routes represent approximately 10% of the market by fleet. Furthermore, it proposes that Dublin Bus retain operation of all radial and cross-city routes until 30 November 2019. These routes represent approximately 90% of the Dublin Bus fleet, however arising from their role in connecting key residential centres around the capital to its commercial core (the City Centre) they are likely to account for proportionally much higher percentage of overall bus passenger numbers.

#### **1.5. Draft Proposals – Market outside Dublin**

Proposals for the market outside Dublin are less specific; however information within the *Consultation Paper* indicates the Authority’s proposal for competitive tendering of “*approximately 7% to 10% of the services*”. Possible combinations included in the Consultation Paper are as follows:

- *“Tender the Waterford City and portion of Cork city services together*
- *Tender either the Cork city portion or Waterford City services together with a portion of the Dublin coastal commuter services presented above*
- *Tender the Waterford city and South East stage carriage services.”*

#### **1.6. Consultation Period**

The Authority, in recognition of its obligation to carry out a statutory consultation exercise in relation to the proposed nature and extent of another proposed direct award contract, has now provided a one month window for consideration of, and preparation of submissions, with an 11 October close date.

#### **1.7. Steps To Be Taken Next**

Based on information within the *Consultation Paper*, we understand the Authority proposes to proceed as follows: “*.....assuming a final decision of the Authority this coming November 2013, the earliest date when competitively tendering can occur will be in November 2014. This means that the realistic target date for the conclusion of contract award/s and the mobilisation of services by operator/s is Autumn 2016.”*



## **2. Decision Process of the NTA**

### **2.1. Assessment by the NTA**

#### **Assessment Stages**

The approach adopted by the Authority in arriving at the current draft proposals for bus markets in and outside Dublin is set out in Section 2, Assessment Stages of the *Consultation Paper*. For the purposes of clarity, these are included in the bullets below for the Dublin market, although the same approach appears to have been pursued for the market outside Dublin:

- *"Identification of the key requirements of any future bus services contract;*
- *Examination of how best to ensure continued public transport integration;*
- *Examination of strategic options for contracting bus services in Dublin, including options for segmentation;*
- *Consideration of any potential impacts in relation to the incumbent operators and market entrants;*
- *Review of legal issues;*
- *A market sounding exercise, including with incumbent operators;*
- *An informal public consultation to seek the views of other stakeholders and the general public in relation to potential bus market opening;*
- *Review of operation of the current direct award contract; and*
- *Development of proposals in relation to the scope of tendered and/ or direct awarded contracts in December 2014."*

### **2.2. Key NTA Decision Factors**

NTA, within its *Consultation Papers* for markets both in Dublin and outside Dublin, has acknowledged the clear cost and quality benefits of competitive tendering as follows:

*"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."*

Furthermore, the Consultation Paper states:- *".....the clear finding of the literature is that enhanced value for money is available through a move to competitive tendering."*

The Authority also acknowledges that *"The provisions in the Dublin Transport Authority Act 2008 create a high threshold of test for not opening up the bus market to competition."*

The Authority's decision for bus markets within and outside Dublin appear, from the consultation documents, to be based on a series of considerations summarised below:

#### **General – Bus Markets both Within and Outside Dublin**

- **Costs and risks:-**

- *“The costs and risks arising from an ill-considered competition are substantial.”*
- *“.....the Authority has determined that tendering about 10% of the market presents little, if any, risk to the core Dublin Bus market/ Bus Éireann’s overall operations.....”*

- **Public interest:-**

- *“The Authority considers it is in the public interest to leave Dublin Bus/ Bus Éireann with a scale of operation which remains efficient for the company’s resources and overheads.”*

## **Dublin Bus Market**

Key factors specific to the Authority’s proposals for the Dublin market include:

- **Cost and risks:-**

- *“These (i.e. cross-city and radial) routes are key components for the efficient functioning of the Dublin economy, due to the large numbers transported at morning and evening peak times. In terms of risk management, the Authority considers that the first market competition should not include these routes.”*
- *“Their (i.e. orbital and local routes) dispersed nature means that large city centre located depots are not needed thereby minimising the cost of associated depot provision.”*
- *“....the bus network will require an element of reconfiguration to complement the new Luas Cross City light rail route..... It would be easier for the Authority to manage such change under a direct award contract with the incumbent compared with a new market entrant and a new contracting regime. If radial and cross city bus services were included in a competitive tender package, the risks around the process would increase substantially”*

- **Improved Dublin Bus efficiency:-** *“Dublin Bus has undertaken major restructuring in recent years, has greatly improved its operational practices and has comprehensive knowledge of bus services in the city.”*

## **Bus Market outside Dublin**

Information presented within the Authority’s consultation documents has been used as a basis for determining unit operating costs for Bus Éireann’s PSO operations. The following information has been used:

- Table 1, Overview of Bus Service Operations of the *Performance Report on Current Bus Éireann Direct Award Contract*; and
- Figure 4, Dublin Bus Subvention and Deficit Information of Ernst & Young’s *Economic Analysis of Direct Award Contract outside the Dublin Market*.

Having addressed anomalies in Table 1 of the Authority’s *Performance Report*, and combined data with the net deficit in Figure 4 of the Ernst & Young Report, we derived a limited number of key operating cost parameters for the three year period from 2010 to 2012. Unit operating cost data over the three

year period was broadly stable (cumulative decline of less than 1%), although we note concurrent implementation of a Cost Recovery Plan within Bus Éireann. For 2012:

- operating cost per vehicle km was €2.88; and
- operating cost per seat km was €0.05.

Similar data (total vehicle kms operated, total seat kms operated, and overall operating costs) was sought in confidence from a number of CTTC member organisations. Data from five organisations was received, from companies operating a mix of town, city, commuter and rural services. Where operations were known to include longer distance coach operations, such data was excluded from our analysis.

In total, organisations from which data was received operated 7.8 million vehicle kilometres in 2012 (by comparison, Bus Éireann's PSO services operated 37.3 million vehicle kilometres). Using the data provided, average unit operating costs were derived.

**Table 1: Operating Cost Comparison - Bus Éireann and Private Operators**

Operator	Total Vehicle Kms operated (millions)	Total Seat Kms operated (millions)	Operating cost (€ millions)	Operating cost per vehicle km (€)	Operating cost per seat km (€)
Bus Éireann	37.34	2,255	€108	€2.88	€0.05
Private Operators	7.79	Not available for all operators	€15.61	€2.00	€0.04 <sup>1</sup>
% Change Bus Éireann versus Private Operators =				<b>-30.5%</b>	<b>-18.9%</b>

Given the constrained timescales in which we have had available to us in preparing this submission, the above analysis comes with caveats including:

- No two operators are the same, and it is unlikely that the mix of services operated by the range of private operators for which data was supplied will have exactly the same mix of services as Bus Éireann. Although attempts were made to exclude data for longer distance coach operations from our analysis, we cannot guarantee that data for all such services was excluded.
- From information provided by CTTC members, it is understood that, in 2012, Bus Éireann's depreciation charge for 2012 was reduced from €22.7 million to €8.6 million through credit of grant amortization of €14 million. Were this not the case, this would have the effect of increasing operating costs by the same amount, and increasing operating cost/ vehicle km

by a further €0.38, to €3.26. Note – this is not reflected in the unit cost savings in the table above, or used as a basis for subsequent analysis.

- Analysis does not account for legislative provisions such as TUPE (Transfer of Undertakings Protection of Employment Regulations), if workers were to transfer from Bus Éireann to a private operator. Should TUPE apply, it could impact on the scale of savings achievable, in particular during a transition to a more extensive competitive tendering regime.

Our analysis does, however, clearly supports the findings of international research into the extent of cost savings achievable from a move to competitive tendering, with potential unit cost savings of approximately 30% per vehicle km achievable in the market outside Dublin in the longer term.

As noted earlier, the Authority's proposals for market outside Dublin represent options at this stage, and key considerations in arriving at these options include:

- **Rural services:-** *"A significant amount of service reconfiguration is likely to be required over the coming years for rural stage carriage services in particular..... To date the re-organisation of rural transport and PSO stage carriage services has only been undertaken in the South East region."*
- **City services:-** *"Opening of Bus Éireann PSO city bus services to competition would pose fewer challenges than the rural services..... Galway and Limerick are sufficiently large to attract interest from potential market entrants, but also sufficiently small that bus and depot transfer from Bus Éireann may not be essential to secure an economically advantageous tender price. Waterford is the smallest city operation and could be grouped with services in other cities thereby creating a geographical spread of tendering opportunities."*
- **Town services:-** *"Dundalk, Tralee, Athlone and other town services are considered too small in terms of likely value to be gained by tendering, although they are realistic possibilities."*
- **Dublin Commuter:-** *"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."*

## 2.3. Dualway Observations

While each of the above points may be valid, they do not, in themselves, represent arguments for or against a decision in principle to commercialise bus provision. Rather they are risk factors to be managed in implementing such a decision; and only if mitigation or management is not possible, or the cost of doing so prohibitive, should the "in principle" decision be re-visited. As such, we believe the process lacks sufficient robustness, objectivity and transparency. Furthermore, the proposals are not based on clearly articulated economic analysis. Specifically:

The process appears sequential in nature, and lacks the required level of iteration to achieve an optimal outcome. This is further explained by reference to key step in the iterative process, i.e. assessment against the Authority's objectives, challenge identification/ addressing, risk control, cost benefit analysis etc., and in the suggested alternative approach outlined thereafter.

### **Review against the Authority's Objectives**

No evidence is presented within the consultation documents of the draft proposals (and other options considered) being appraised against the Authority's stated bus service contracts objectives. As a result, the extent to which the proposals satisfy the Authority's objectives is unclear.

### **Challenges Identification**

A series of considerations have been cited as reasons to limit competitive tendering to (7% to) 10% of the market until end-2019 at the earliest. These include depot ownership, Luas BXD implementation and a need to reconfigure Bus Éireann's rural bus services. Measures to overcome these challenges do not appear, from the evidence presented, to have not been identified or implemented. Instead these are cited as reasons for deferring a decision on competitive tendering for 90% of the market for at least another seven years. We expand on these below under the heading of 'Other Observations'.

### **Costs**

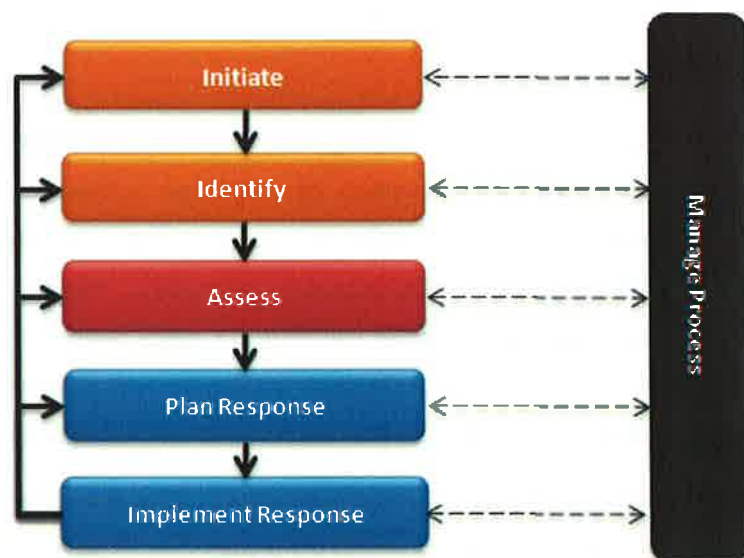
While a vital consideration, e.g. the affordability of implementing a policy initiative or transport scheme, they cannot, however be considered in isolation from the benefits to be derived. The Authority has presented neither an estimated value of benefits of options considered in arriving at the current proposals, or the proposals themselves. Having estimated the benefits and costs, best international practice, when considering a policy option or options, is to undertake a Cost Benefit Analysis (CBA). CBA is defined by the Department of Finance in 'Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector' as follows:

*"The general principle of cost-benefit analysis (CBA) is to assess whether or not the social and economic benefits associated with a project are greater than its social and economic costs."*

## Risks

When considering options for bus markets in Dublin and elsewhere, risk is repeatedly asserted as a key factor underpinning the Authority's proposals, with little exposition of the nature of risks, or to the best of our knowledge an assessment of their significance, and options to manage them. Competitive tendering has been introduced in a range of jurisdictions throughout Europe and elsewhere. Evidence from these bus markets can and should be used by the Authority in identifying specific risks, determining their probability of occurrence and consequences, and in developing appropriate mitigation measures. Such a process accords with best practice in risk management, e.g. 'The Risk Management Process', Association of Project Management, 2004

endorses a five stage iterative process (see flow chart to right) – initiate, identify, assess, plan response and implement response. A broadly similar approach is recommended within the National Transport Authority's 'Project Management Guidelines for Projects



Funded by the National Transport Authority (up to €20 million in value)'.

In the absence of an assessment of benefits, costs and risks as set out above, it is not possible to assess whether or not the proposals are likely to deliver the NTA's objectives.

## Further Observations

- **Public interest:-** From the evidence presented, including insufficient analysis of costs, benefits and risks underpinning the proposals, it is entirely unclear how leaving "*Dublin Bus/ Bus Éireann with a scale of operation which remains efficient for the company's resources and overheads*" can be judged to be in the public interest.
- **Dublin Bus efficiency:-** In relation to the 12.7% reduction in subsidy said to have been achieved as a result of reconfiguration of network, with a corresponding a 15% reduction *in peak vehicles operated between 2008 and 2012* – no evidence that this has led to unit cost reductions by Dublin Bus (in fact the reverse may be true).

- **Route and service re-organisation:-** In competitively tendering Dublin's orbital and local bus services, it appears to be the Authority's intention to reconfigure the bus network, with a view to achieving efficiency savings:- *"The network in the outer areas was not addressed by Network Direct and has consequently not been reconfigured, so there is greater potential to gain efficiencies through opening the market."* (*Economic Analysis of A Direct Award Contract in the Dublin Market*, Ernst & Young). For Bus Éireann's rural PSO market, very similar reasons are cited in relation to not considering competitive tendering an appropriate option. This is both internally inconsistent and misses the point. Savings from re-configuration are different form, and to a large extent cumulative with, savings from commercialisation. The argument that re-configuration *"would be easier for the Authority"* with the incumbent, hardly represents robust analysis, and, while it might indeed be easier, it would almost certainly result in significant saving being foregone.
- **Depot ownership issues:-** As noted earlier, these costs are highlighted by NTA as a factor underpinning the proposal to limit competitive tendering to orbital and local services. Given that Dublin Bus is within state ownership, while it may not be within NTA's control, depot ownership and depot sharing/ access could be resolved through, e.g. negotiations between NTA and Dublin Bus/ Bus Éireann on the extent of Direct Award contracts and associated subvention levels, or, if necessary, Ministerial intervention. Furthermore, were depot ownership to be transferred to NTA at the direction of the Minister, this would likely result in risk minimisation at little, if any, cost to the exchequer.
- **Luas BXD delivery:-** While it is acknowledged that Luas BXD needs to be considered in the context of a competitive tender process, Dualway do not believe it is a valid reason to defer such a competition for all radial and cross-city routes until end-2019 at the earliest:

  - Only a small proportion of routes will be materially affected by Luas BXD introduction, and with the assistance of analytical tools (e.g. NTA's Greater Dublin Area Transport Model), it is possible to identify those routes;
  - For those routes that aren't materially affected, Luas BXD does not appear to represent an impediment to competitive tendering; and
  - For those routes that are materially affected, deferring the completion of a competitive tendering process until end-2017 or 2018 is one possible solution, but again analysis is required of the costs, benefits and risks of other options.

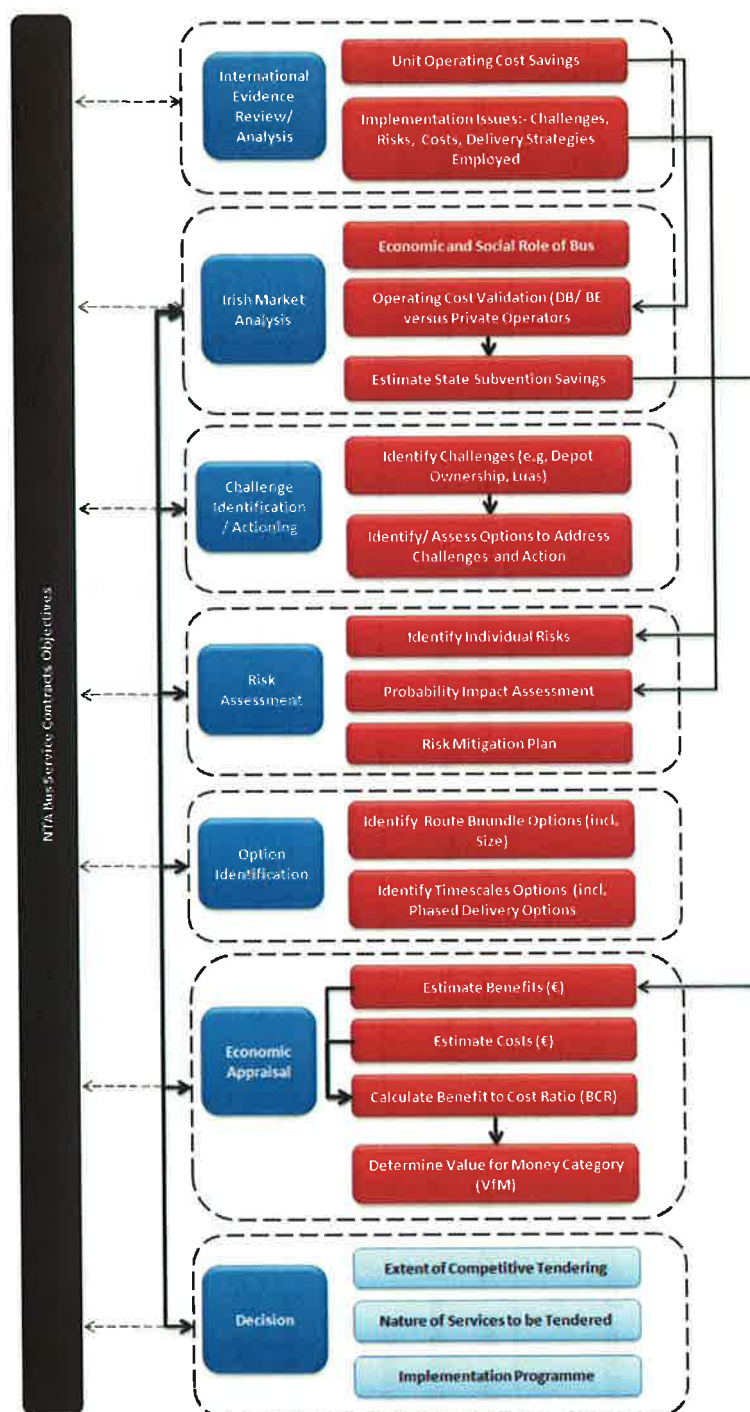
## **2.4. Best Practice Assessment Process**

In the figure overleaf (Figure A), we present an outline of an alternative approach, which accords with international best practice for evidence based planning, appraisal and decision making. Furthermore, as the approach is guided at each step by NTA's stated objectives, one of which relates to compliance with the relevant act, this approach is therefore consistent with the Authority's statutory requirements.

In the absence of the evidence and analysis underpinning the process, we are not in a position to determine the end result; however we feel it would most likely result in a different outcome to that currently proposed by the Authority.



**Figure A Suggested Alternative Approach – Process Flow Chart**



Within the following table (Table AA), we elaborate on this proposed approach in more detail, including a comparison of the extent to which NTA's approach to date appears, from the evidence presented in the consultation documents, to have included the key activities.

**Table AA Suggested Alternative Approach Mapped to NTA Assessment**

Task Name	Outcomes Sought	Task Description	Completed by NTA?	Notes/ Comments
International Evidence Base Review	<ul style="list-style-type: none"> <li>Determine, from evidence of introduction of competitive tendering elsewhere, the likely range of benefits (cost savings, quality enhancements), implementation costs and delivery risks.</li> </ul>	Review and analysis of:		
		<ul style="list-style-type: none"> <li>Unit cost savings</li> </ul>	Yes	20-30% savings typical
		<ul style="list-style-type: none"> <li>Service quality and other benefits</li> </ul>	Yes	Service quality improvements
		<ul style="list-style-type: none"> <li>Implementation costs</li> </ul>	No	N/A
Irish Market Analysis	<ul style="list-style-type: none"> <li>Determine the economic and social significance of bus services in Irish context</li> <li>Confirm (or otherwise) relevance of international cost saving benefits to the Irish context</li> <li>Estimate the monetised benefits of competitive tendering in Irish context</li> <li>Determine value in proceeding (in time) to competitively tender all bus services.</li> </ul>	<ul style="list-style-type: none"> <li>Delivery risks (identification, probability- impact assessment)</li> </ul>	No	N/A
		Determine the role of bus:- economic and social analysis of bus markets within and outside Dublin	Yes	Determined to have economic and social significance. Economic significance to Dublin City notes.
		Review of operating cost base of Dublin Bus/ Bus Éireann	Partial	Data available, but not presented in unit cost terms
		Review of operating cost base of private bus and coach operators	No	Not undertaken – See Section X.X of this Report for an indication of potential savings
		Estimate reductions in state subvention arising from unit cost savings (assuming all savings translate through to reductions in state subvention and not, e.g. service quality enhancements, or fare reductions)	No	Not undertaken – See Section X.X of this report for an indication of potential reductions

Task Name	Outcomes Sought	Task Description	Completed by NTA?	Notes/ Comments
<b>Challenge Identification and Addressing</b>	Identify key challenges associated with competitive tendering, and most effective/ deliverable measures to overcome each item, and assign responsibilities.	<p>Challenge identification/ addressing, e.g.</p> <ul style="list-style-type: none"> <li>• depot ownership (secure shared access or transfer ownership to NTA through, e.g. Ministerial intervention)</li> <li>• future network/ service reconfiguration (align competitive tendering to staged completion of such activities)</li> <li>• Luas development (identify materially affected routes, competitively tender remainder).</li> </ul>	Partially	<p>Identified, however these form the basis for the Authority determining not to competitively tendering &gt;10% of the bus markets in Dublin and outside.</p> <p>Options to overcome the challenges have not been meaningfully identified, and reflected in current proposals.</p>
<b>Risk Assessment</b>	Determine, via international evidence review, and identified challenges above, all risks associated with a competitive tendering, identify mitigation measures and implement etc.	<ul style="list-style-type: none"> <li>• Identify individual risks</li> <li>• Determine probability of occurrence</li> <li>• Determine impact of occurrence</li> <li>• Determine and implement risk mitigation measures</li> </ul>	No	<p>As with challenges above, and forming the basis for the Authority's decision.</p> <p>Only mitigation option considered is proposal to limit competitive tendering to 10% of the market in Dublin and outside Dublin.</p>
<b>Option identification</b>	From the above analysis and against stated NTA objectives, identify a small number of options most likely to meet the assessment criteria	<ul style="list-style-type: none"> <li>• Identify route bundle options for competitive tendering</li> <li>• Identify timescales options for introducing commercialisation</li> </ul>	Partial	<p>As above re challenge identification/ risk assessment, and reasons underpinning the Authority's proposals. Timescale options too simplistic.</p>
<b>Economic Appraisal</b>	Using established appraisal guidance, assess the relative costs and benefits of the options identified.	<ul style="list-style-type: none"> <li>• Assess estimated value of benefits derived</li> <li>• Assess estimated value of costs</li> <li>• Calculate the Benefit to Cost ratio (BCR)</li> </ul>	No	<p>This allows NTA to ensure that the correct bundle of services are tendered at the right time to</p>

Task Name	Outcomes Sought	Task Description	Completed by NTA?	Notes/ Comments
		<ul style="list-style-type: none"> <li>• <b>Determine Value for Money (VfM)</b></li> </ul>		optimise performance against NTA objectives, particularly best value for money for the Exchequer.
Decision	Informed by all preceding tasks, determine the optimal means of achieving the Authority's objectives	Determine, through analysis of the outputs of all preceding tasks, key dimensions of the Authority's decision, in particular:		
		<ul style="list-style-type: none"> <li>• extent of competitive tendering</li> </ul>	Yes	No evidence it has been informed by relevant evidence and analysis
		<ul style="list-style-type: none"> <li>• nature of services to be tendered</li> </ul>	Yes	No evidence it has been informed by relevant evidence and analysis
		<ul style="list-style-type: none"> <li>• <b>implementation programme.</b></li> </ul>	Partial	10% only at end-2016. No proposals to extend competitive tendering beyond that time proposed.

### **3. The Ernst & Young's Economic Analysis of Direct Award Contracts**

#### **3.1. Background to E&Y Analysis**

The legislative background to the Authority's current proposals is set out in Section 5.1 of this Submission, with specific reference to Subparagraph 52(6)(c)(ii). This subparagraph, and in particular the wording "... *can only be guaranteed...*", sets a rigorous standard on the Authority in arriving at a decision to enter into direct award contracts beyond the current contract period. Failure to demonstrate that the proposals are in the "*general economic interest*" leaves such a decision by the Authority's open to potential challenge. Accordingly, NTA commissioned Ernst & Young to undertake an *economic analysis of direct award bus contract in the Dublin market/ outside the Dublin market*.

Ernst & Young's reports are intended to provide the analytical and evidence base underpinning the most fundamental aspects of the draft proposals for both bus markets, i.e. the nature and extent of future direct award contracts. As such, Ernst & Young's reports have been subject to critique by Transport Insights, with a view to assessing their robustness as evidential backing to the Authority's proposals.

#### **3.2. Economic Analysis Report Structure**

Ernst & Young's reports are structured as follows:

- Section 1, Introduction and Overview
- Section 2, Background:- Public Service Transport in Dublin/ outside of Dublin
- Section 3, Proposals put forward by the NTA
- Section 4, Analysis of the NTA proposals (Dublin market)/ Assessment of NTA proposals (market outside Dublin)
- Section 5, Conclusions.

In light of provisions within the relevant Act, Ernst & Young's reports have been subject to some critique by Dualway.

### 3.3. Section 1, Introduction and Overview

#### **Economic Analysis Scope**

Ernst & Young's reports for markets in and outside Dublin set out *"the findings of an economic analysis of a proposal to move from the existing arrangement of directly awarding public service bus contracts in the Dublin area/ outside of the Dublin area to a more competitive basis."*

### 3.4. Section 2, Background:- Public Service Transport in Dublin/ outside of Dublin

#### **Government Involvement in Public Transport**

The reports set out the rationale for Government involvement in public transport:- *"Governments are involved in the provision of public transport – including bus transport – because it brings a range of economic, social and environmental benefits. A number of these are outlined below....."*

In the report for the Dublin, Ernst & Young cite evidence from the UK (where government neither own nor operated buses), as follows:- *"Recent research focusing on bus services in the UK has quantified the economic and social value of bus transport and found that bus networks warrant a greater focus from policy makers as a source of growth than other transport infrastructure projects."*

#### **Transport Demand Patterns**

In its transport demand analysis for Dublin the report states *"bus use is down 9%, in line with the total across all modes."* While this may be true across the canal cordon, we note evidence from relevant Dublin Bus reports (2007 and 2012) of much more significant decreases in passenger numbers across the overall Dublin Bus network:

- 2007:- *"Passenger numbers for 2007 were almost 148 million....."*<sup>2</sup>
- 2012:- *"Total passenger journeys for 2012 amounted to 115.2 million....."*<sup>3</sup>

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<sup>2</sup> Dublin Bus Annual Report 2007:- <http://www.dublinbus.ie/PageFiles/2430/2007EnglishReport.pdf>

<sup>3</sup> Dublin Bus Annual Report, 2012:- <http://www.dublinbus.ie/PageFiles/2430/2012EnglishReport.pdf>

The above figures indicate a reduction in 22% in bus passenger number over the period from 2007 to 2012, substantially greater than the 9% crossing the canal cordon.

In the Dublin context, *"Bus transport is the second most common mode of travel into the City Centre, accounting for 28 percent of all travel. It is second only to car transport which makes up 37 percent of travel into the City Centre. This data further highlights the key role of bus transport in the Dublin economy."*

For the market outside Dublin, Ernst & Young state:-

*"Use of public transport, where it is available, is lower outside the Dublin region where only 12 percent of those with a local public transport service use it at least once a week, compared with 40 percent of those in the Dublin region. Furthermore, 54 percent of those outside the Dublin region with a public transport service reported that they would never use it, whereas the corresponding figure for the Dublin region was 18 percent....."*

*".....Census 2011 shows that by comparison with the Dublin City and suburbs area, where 20% of travel to work is by public transport, fewer people commute by public transport in the Bus Éireann area....."*

### **Funding Public Service Bus Provision**

The Dublin report includes a comparison of subvention levels in 2008 and 2012:- *"The subvention peaked at a level of €85 million in 2008 and most recent available data shows it was €75 million in 2012. The figure for 2012 includes a once-off emergency subvention of €5.3 million."*

Gross deficit, state subvention, and new deficit are set out in Figure 4 of the Report. In the paragraphs, the role of recent fare increases in reducing the deficit is highlighted:-

*"....More recently, data for 2012 show that increased revenue has helped to reduce the deficit, even in the context of a reduced subvention. In the main, fares increases rather than patronage increases account for the observed revenue uplift."* No reference is made within the report to unit costs, or how these have changed in recent years.

Ernst & Young attempt to place Dublin Bus subvention levels in an international context:- *"A comparative analysis of subvention levels across Europe indicated that levels of public transport subvention vary between 35 and 60 percent of revenue. When all State interventions are taken into account, the level of subvention to Dublin Bus is at the upper end of the range."*

The report for the market outside Dublin states:- *"The subvention peaked at a level of €49.4 million in 2009 and it was €36.9 million in 2012."* Data in the following Figure 2 indicates that Bus Éireann's subvention, as a proportion of transport current expenditure, was broadly the same in 2012 as in 2007.

### **3.5. Section 3 – The Proposals put forward by the NTA**

#### **The Move from Direct Award to Competitive Tendering**

Ernst & Young state:- *"According to analysis by NTA, there is value in introducing competition in the Dublin bus services market/ in the bus services market outside Dublin while maintaining a smaller Direct Award Contract to Dublin Bus/ Bus Éireann."* Such analysis has not, however, been presented in the public domain for consideration as part of the consultation process, and does not appear to have been considered by Ernst & Young within the scope of their economic analysis.

#### **Scale of Contracts**

The rationale behind the Authority's contract size proposals for the Dublin market appear to be underpinned by an attempt to maximise competition:- *"To provide for a competition of interest to local as well as international operators, routes could be split into two lots distributed broadly equally on the north and south fringes of the city, each of about 40 peak hour buses with the option to increase each to 60."*

For the market outside Dublin, the scale of contract appears less clear – this is likely related to the Authority's proposals at present representing options:- *"The proposed options involve tendering routes involving something in the region of 7 to 10 percent of the Bus Éireann PSO fleet, or 30 to 40 buses."*

#### **Other Arrangements**

- **Bus fleet:-** *"In order to support the most competitive tender from the market, the NTA will be in a position to provide the winning tender with the fleet to operate the services."*
- **Bus depots:-** *"NTA will identify suitable depot space options and may seek to secure options on their leasing for the contract period."*



### **3.6. Section 4, Analysis of the NTA proposals (Dublin market)/ Assessment of NTA proposals (market outside Dublin)**

#### **Enhancing Value for Money and Customer Service**

Ernst & Young research clearly demonstrates the strength of international evidence in support of value for money and service quality enhancements arising from competitive tendering:-

*"Reviewing experience of 20 cities across 10 developed countries, the work found unit cost savings of up to 50 percent, with many estimates clustered in the 20-30 percent range....."*

*".....a cautionary finding of this analysis is that second and subsequent awards can lead to increased unit costs from the first tender (but can still offer benefits)."*

*".....Nonetheless, the finding of the literature is that enhanced value for money is available through a move to competitive tendering."*

*".....The meta-analyses cited above also found evidence of service improvements in the studies reviewed and the Competition Authority has noted the potential benefits in this regard."*

Ernst & Young state that *"the underlying level of efficiency is a determinant of the scale of savings which can be achieved. Intuitively, the more efficient operations are at present, the more minimal the impact of competitive pressures and the lower the cost savings achievable"*; and that the reduction in the Dublin Bus subsidy between 2008 and 2012 *"has implications for the magnitude of additional savings achievable from a move to competitive tendering."*

For the market outside Dublin, no attempt is made to relate international cost saving evidence to Bus Éireann's PSO services.

#### **Appropriate Size of Bundles**

Ernst & Young summarise the findings of market consultation activities by NTA as follows:-

*"The market consultation undertaken by NTA in 2012 showed that Irish operators wanted less than 50 buses in a contract, and preferably of the order of 20 buses, while international operators wanted at least 50 buses and either strongly or absolutely preferred a contract for more than 100 buses. On this basis, Irish operators may be interested in the Dublin Commuter routes with a 15-20 PVR that may be tendered, and some of the 19-20 orbital and local routes with a current PVR of 80 buses."*

### **Executing the Competition**

Ernst & Young highlight the following anti-competitive practices as:- *“Collusive tendering and the emergence of cartels is a risk to the process. Under such circumstances, the winning bid will be higher than it would otherwise have been had unadulterated market forces prevailed, leading to deadweight loss of taxpayer resources.”*

### **3.7. Section 5, Conclusions**

For the Dublin market (and with the same broad conclusion for the market outside Dublin), Ernst & Young conclude:- *“there is clear merit in a contained competitive tendering process for a segment of the Dublin market in order to test the process and understand the capacity to realise the potential benefits on offer.”*

### **3.8. Observations**

#### **Overview of Ernst & Young Analysis**

Ernst & Young research and analysis:

- presents evidence of significant unit cost savings achieved across 10 different countries:- *“the work found unit cost savings of up to 50 percent, with many estimates clustered in the 20-30 percent range.”*
- compares Dublin Bus subvention levels with international cities, and concludes that:- *“.....When all State interventions are taken into account, the level of subvention to Dublin Bus is at the upper end of the range.”*
- presents no comparable analysis between Bus Éireann subvention levels, and international peers.
- presents cumulative reductions in Dublin Bus subvention between 2008 and 2012, and concludes that *“This has implications for the magnitude of additional savings achievable from a move to competitive tendering.”* For reasons set out in Section X.x of this report, and based on the evidence to hand, we see no evidence to support the contention that Dublin Bus has achieved any unit cost savings over this period.
- does not attempt to validate unit cost savings reductions, as identified in research covering a range of international jurisdictions to the bus markets both within Dublin and outside Dublin. This could have been undertaken through analysis of unit operating cost in comparable private bus and coach

operators in Ireland. We present the results of an initial analysis undertaken in Section 4.1 of this report.

- Presents no analysis of likely benefits and costs, and does not include an economic appraisal:
  - earlier in this submission, we question arguments presented in relation to the costs of depot acquisition. Other key cost headings are not clearly specified or quantified.
  - within the following section of this submission, we outline the potential benefits of competitive tendering – these have the potential to be very significant.
- Crucially Ernst & Young do not conclude that the proposals are in the “*general economic interest*”. We outline below, what would be expected in support of such a conclusion.

### 3.9. Economic Appraisal

As noted earlier, best international practice, when considering the economic and social merits of a policy option/ options is to undertake a Cost Benefit Analysis (CBA). CBA represents a critical appraisal tool, and one that need not be restricted to capital investment. In fact it has applications across all facets of government policy. For example, the UK Department for Transport uses CBA in assessing the value for money of rail franchises.

A key output of CBA is the Benefit to Cost Ratio (BCR), although other measures such as Net Present Value (NPV) can be derived. The BCR is calculated by determining benefits and cost streams over the appraisal period (the period over which streams of costs and benefits should be estimated<sup>4</sup>), then discounting both back to present values (PVs). The BCR is then calculated as the ratio of present value of benefits (PVB) to the net present value of costs (NPC). In assessing the value for money (vfm) of a potential transport intervention, the following thresholds apply<sup>5</sup>:-

- “BCR of less than 1 = poor value for money
- BCR between 1 and 1.5 = low value for money

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<sup>4</sup> UK DfT WebTAG Unit 3.5.4, Cost Benefit Analysis:-  
[http://www.dft.gov.uk/webtag/documents/expert/pdf/u3\\_5\\_4-cost-benefit-analysis-020723.pdf](http://www.dft.gov.uk/webtag/documents/expert/pdf/u3_5_4-cost-benefit-analysis-020723.pdf)

<sup>5</sup> <http://assets.dft.gov.uk/publications/value-for-money-assessments-guidance/vfmguidance.pdf>

- *BCR between 1.5 and 2 = medium value for money*
- *BCR between 2 and 4 = high value for money*
- *BCR above 4 = very high value for money."*

The BCR for a potential intervention (including bus services contracts) is therefore essential in determining whether a proposal represents value for money. A reason sometime cited for not undertaking CBA is the difficulty in estimating costs and benefits. While this is often challenging, we note that:

- through consideration and clear articulation of key assumptions underpinning both benefits and costs, and presenting these for critical review and challenge; and
- by reflecting uncertainty through application of low-central-high ranges for benefits and costs, one can have much greater confidence in the outputs, and their interpretation.

In essence, if NTA's proposals are to be demonstrated to have a strong economic case, a CBA is essential. This is particularly relevant given the scale of potential savings that could be achieved (see Section X.X).

Considering NTA's current proposals to directly award 90% of the bus market to the incumbent state operators and competitively tendering the remainder:

- the annual benefits (of Dublin Bus and Bus Éireann retaining 90% of their operations) are unclear but assumed to be small relative to the competitively tendering all of the bus market; however
- the annual costs (of continued significant subvention) are deemed to be significant (See Section X.X of this Report).

The Authority is required, under the Dublin Transport Authority Act 2008, to satisfy itself that a decision is in the "*general economic interest*". Based on the evidence, it is difficult to see a value for money argument in favour of the Authority's proposals.

### **3.10. Summary**

Based on the information presented in Ernst & Young's economic analysis report, or in the Authority's other consultation documents, no CBA/ value for money assessment has been undertaken in support of the Authority's proposals. While it is acknowledged that factors such as risk will need to be considered by the Authority in arriving at its judgement (and as noted earlier these do not appear to have been considered), a stated objective of the Authority in relation to bus service contracts is to "*ensure the*

*provision of high quality and accessible bus services at best value for money for the exchequer*". The absence of a CBA within Ernst & Young's economic analysis calls into question the extent to which the Authority's objectives are satisfied by the current proposals.

Furthermore, the analysis presented within Ernst & Young's report for both bus markets falls well short of addressing the Authority's requirements under Subparagraph 52(6)(c)(ii) of the Dublin Transport Authority Act 2008. Specifically, it provides neither sufficient economic analysis or evidence in support the Authority's determination that the *"continued adequacy of the public bus passenger services to which the contracts relate can only be guaranteed in the general economic interest by entering into such direct award contracts."*

## 4. Public and Private Operator Cost Analysis

### 4.1. Dublin Market

Analysis presented in Ernst & Young's Economic Analysis of Direct Award Bus Service Contract in the Dublin Market includes clear evidence of cost savings based on evidence from a range of international jurisdictions:

*"Further analysis, specifically on moving to competitive tendering, shows substantial initial cost impacts. Reviewing experience of 20 cities across 10 developed countries, the work found unit cost savings of up to 50 percent, with many estimates clustered in the 20-30 percent range."*

Ernst & Young attempt to contextualise this for the Dublin Bus market, stating:

*"The underlying level of efficiency is a determinant of the scale of savings which can be achieved. Intuitively, the more efficient operations are at present, the more minimal the impact of competitive pressures and the lower the cost savings achievable."*

The table that follows in their report (Table 2) includes details of the subsidy reduction achieved between 2008 and 2012. The data is repeated in the table on the last page of this submission, alongside % reductions in peak hour vehicles (from the preceding paragraph of the Ernst & Young report) and passengers (relevant Dublin Bus Annual Reports).

**Table B: Cumulative Reductions in Subvention, Peak Vehicles and Passengers (2008-2012)**

Item	% Reduction, 2008-2012
Cumulative % Reduction in Subvention	12.7%
Cumulative Reduction in Peak Vehicles	15%
Cumulative Reduction in Passenger Numbers	19.7% <sup>6</sup>

As noted earlier, Ernst & Young state that the reduction in subsidy *"has implications for the magnitude of additional savings achievable from a move to competitive tendering."*

<sup>6</sup>

Based on comparison of passenger number carried in 2008 (143.5 million) and 2012 (115.2 million).  
Source Dublin Bus Annual Reports, 2008 and 2012

The above reductions in state subvention have been secured primarily through passenger fare increases, and efficiency gains arising from the Network Direct Project. Efficiency improvements arising from network/ service modifications are largely 'operator independent' and should not be confused with unit operating cost savings. The table above tends to indicate that unit costs have remained broadly static over this period. On the face of it, and when considered in the context of fare increases over the same period, Table 1 indicates that the operator may have become less efficient over this period (comparing lines 1 and 2). One reason may be that the company's overheads are already in excess of its needs, for example depot capacity (strengthening arguments for considering shared depot access). International evidence of savings unit cost savings in the region of 20-30% are therefore most likely to remain entirely valid for the Dublin market.

#### **4.2. Market outside Dublin**

Relationship Between Unit Cost Reductions and State Subvention Savings Information presented within the Authority's consultation documents has been used as a basis for determining unit operating costs for Bus Éireann. The following information has been used:

- Last figure on this document: Dublin Bus Subvention and Deficit Information of Ernst & Young's *Economic Analysis of Direct Award Contract outside the Dublin Market*.

Having addressed anomalies in Table 1 of the Authority's *Performance Report*, and combined data with the net deficit in Figure 4 of the Ernst & Young Report, we derived a limited number of key operating cost parameters for the three year period from 2010 to 2012. Unit operating cost data over the three year period was broadly stable (cumulative decline of less than 1%), although we note concurrent implementation of a Cost Recovery Plan within Bus Éireann. For 2012:

- operating cost per vehicle km was €2.88; and
- operating cost per seat km was €0.05.

### 4.3. Potential State Subvention Implications

The NTA has not presented an analysis of potential reductions in state subventions achievable following a move to competitive tendering. Analysis by The Competition Authority in its submission to NTA in 2012<sup>7</sup> states:

*“Introducing competitive tendering to the Greater Dublin Area alone, could save the Exchequer a considerable amount of money. For example, the Exchequer provided a total of €631 million of subvention to Dublin Bus between 2002 and 2010. If we apply a 20% saving (which is at the lower end of the spectrum of estimated cost savings), introducing competition in the Greater Dublin Area alone could have saved the Exchequer €126 million over the period between 2002 and 2010.”In addition we believe that we could have not only provided savings, but also provided a better service for the same price.*

We believe this estimate to significantly underestimate the savings, as the percentage reduction in unit costs appears to have been applied only to the subvention, and not the overall cost base.

Separate analysis has attempted to quantify potential savings, and is based on the following assumptions:

- The exchequer benefiting fully from overall operating cost savings, however it is possible that these could be passed onto passengers through reduced fares, or delaying fare increases, or enhanced quality bus service provision.
- As noted earlier, factors such as TUPE could impact on the savings achievable, in particular during the transition to a competitive tendering regime.
- Private operator’s need to deliver their services at a profit - 8% assumed.

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<sup>7</sup>

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<http://www.tca.ie/images/uploaded/documents/S-12-004%20submission%20to%20the%20National%20Transport%20Authority.pdf>



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- Private operator's need to deliver their services at a profit - 8% assumed.

## 5 Observations - Fairness in a Competitive Tendering Process

### 5.1. Identified Competition Risks

In its Technical Report on Contract Options, the Authority states *"Any tender competition has to take place on a fair and equitable basis, Dublin Bus/ Bus Éireann will be legally entitled to take part in any tender competition for some or all PSO bus services in Dublin/ outside Dublin."*

Additionally, Ernst & Young highlight *"collusive tendering and the emergence of cartels"* as risks to the tendering process. It is unclear, however, if consideration of competition risks specific to the current proposals for bus markets in Dublin and elsewhere has been undertaken. In light of opportunities for Dublin Bus and Bus Éireann to participate in any competitive tendering process, initial consideration by Dualway has identified failure, at present, to adequately address financial transparency within the incumbent organisations, and bus network assets. We elaborate upon both points below.

### 5.2. Transparency In Tendering

Based on the current proposals, Dublin Bus and Bus Éireann would retain 90% and 90-93% respectively of their existing services under a direct award contract with NTA. The Competition Authority in their submission to NTA's 2012 bus service consultation noted that *"a well designed competitive tendering process limits the monopoly rent that operators can charge, prevents the emergence of a dominant national operator and ensures a minimum level of service on tendered routes."* The current proposals do little to address the existence, at present of *"a dominant national operator"*, and are likely to result in a continued *"monopoly rent"* across the respective Dublin Bus and Bus Éireann markets.

Dualway believe that transparency in the average fares generated on the routes being put out to tender must be in place in order for us to provide realistic quotations.

Within the same submission, the Competition Authority also note *"Although the current public bus service contracts were issued by means of direct award to Dublin Bus and Bus Éireann, it is not actually clear which Dublin Bus and Bus Éireann routes are loss-making and which are profitable. The Transport Act 1964 did not require a link between the subsidy to the CIÉ and the unprofitable routes. This situation has not really been changed by the introduction of the Dublin Transport Act 2008 and the Transport Regulation Act 2009. The current Public Contracts are still awarded as a single grant for the provision of a*

*large network of services, so a specific amount of subsidy is not attributed to a specific route or a specific time of day."*

This risk is further exemplified by NTA's recent performance audit of Dublin Bus, which *"thus far have awarded a mark of "satisfactory" in relation to the conduct of the contract in 2010 and 2011."* For Bus Éireann *"The 2010 audit was "satisfactory" in relation to the conduct of the contract. The results of the 2011 and 2012 audit are, at the time of writing, currently close to completion."*

As noted by the Competition Authority, above, in the case of Dublin, it is unclear which routes are profitable. We believe that the proposals for Dublin Bus to retain operation of all cross-city and radial services will include the most profitable of services (or at least the ones which have the greatest opportunity to become profitable). Given the dominant status of Dublin Bus and Bus Éireann within their respective markets, lack of a service by service financial and operational data in relation to both companies presents significant risks to the fairness of any competition.

### **5.3. Operational Flexibility**

#### **Depot Ownership**

In their submission to the Authority's 2012 public consultation, the Competition Authority noted:-

*"International experiences differ in the ownership of those assets, however, it is normal practice to grant nondiscriminatory access to the winning bidders..... The costs of using those facilities should be fair, reasonable, transparent and nondiscriminatory."*

The current proposals for bus markets in Dublin and nationally do not address the clear advice of The Competition Authority. Specifically, the Ernst & Young's economic analysis reports state that the Authority *"may seek to secure options on their leasing"*, and recommend that *".....steps should be taken to address broader property....."* The current proposals therefore appear to be noncommittal, however even if a depot or depots are secured, there is no guarantee that such provision would be *"fair"* or *"non-discriminatory"*, insofar as the incumbents have significant operational cost flexibility arising from their multiple depot ownership throughout the state (for example Dublin Bus have seven depots). This will place potential new market entrants at a competitive disadvantage in any competitive tender process.

## Bus Fleet

The Authority proposes *“to provide the winning tender with the fleet to operate the services.”* While this appears sensible, in principle, we note that only those buses purchased since 2012 will be made available. Additionally, we understand that in the case of Dublin many/ all of these buses are high capacity GT Models<sup>8</sup>. Upon launch of these buses, Dublin Bus intended to operate them on the following routes (based on the order in which they would enter service):

- 7 – Mountjoy to Loughlinstown/ Cherrywood
- 151 – Harristown to Monkstown Avenue
- 4 – Harristown to Monkstown Avenue
- 102 – Mountjoy Square to Louhlinstow/ Cherrywood
- 33 – Lower Abbey Street to Balbriggan
- 29a – Lower Abbey Street to Baldoyle (Coast Road)
- 104 – Clontarf Road (Conquer Hill) to Santry (Shanard Road)
- 1 - Santry (Shanard Rd.) Towards Sandymount (St. John's Church).

Based on the Authority's proposals to competitively tender orbital and local services – in general, lower capacity vehicles will be more suited to these service types. As such, the Authority's current proposals could place new market entrants at a competitive disadvantage relative to Dublin Bus. While comparable consideration of Bus Éireann's recent bus purchases has not been completed, it seems likely that new market entrants could be at a similar operational cost disadvantage.

Considering the impact of both depot ownership and bus fleet, there is a significant risk that any competition will discriminate against potential new market entrants. With further consideration by CTTC and its members and/ or deliberation by the Competition Authority, it is likely that other risks to the fairness of any competition will emerge.

As noted elsewhere in this report in relation to the Authority's approach to date in arriving at the current draft proposals, it is essential that these risks be identified, assessed and managed.

## 5. Way Forward

### 6.1. Draft Proposals

The Authority proposed to enter into a direct award contract with Dublin Bus for 90% of the existing Dublin Bus market, and with Bus Éireann for between 90 and 93% of their existing operations. In light of NTA's bus services contract objectives, and though requirements of the Dublin Transport Authority Act 2008, the Authority acknowledges that *"The provisions in the Dublin Transport Authority Act 2008 create a high threshold of test for not opening up the bus market to competition."*

### 6.2. Decision Process and Supporting Economic Analysis

For reasons set out in this submission, based on the evidence presented in the consultation documents, we believe the process adopted by the Authority in arriving at the current proposals lacks sufficient robustness, objectivity and transparency. The Authority has not shown how its current proposals for both bus markets satisfy its stated bus services contracts objectives, including to *"ensure the provision of high quality and accessible bus services at best value for money for the exchequer"*. Furthermore, economic analysis presented within Ernst & Young's reports for both bus markets falls well short of addressing the Authority's requirements under Subparagraph 52(6)(c)(ii) of the Dublin Transport Authority Act 2008. Specifically, it lacks:-

- an assessment of the estimated benefits and costs of the Authority's proposals, and other options considered; and
- a cost benefit analysis, and related value for money assessment.

As such, it provides neither sufficient economic analysis nor evidence in support the Authority's determination that the *"continued adequacy of the public bus passenger services to which the contracts relate can only be guaranteed in the general economic interest by entering into such direct award contracts."*

Within the consultation documents, the Authority acknowledges that *"a decision to directly award a contract may be open to challenge."* Were the current draft proposals to form the basis of a decision to the Authority, third part challenge represents a significant risk.

### 6.3. The Benefits

Research cited by Ernst & Young clearly demonstrates the strength of international evidence in support of value for money and service quality enhancements arising from competitive tendering:- *"Reviewing experience of 20 cities across 10 developed countries, the work found unit cost savings of up to 50 percent, with many estimates clustered in the 20-30 percent range....."* Although it is acknowledged that some of the initial cost savings are eroded in

second and subsequent tendering processes:- *"..... the finding of the literature is that enhanced value for money is available through a move to competitive tendering."*

In the Irish context, *"A comparative analysis of subvention levels across Europe indicated that levels of public transport subvention vary between 35 and 60 percent of revenue. When all State interventions are taken into account, the level of subvention to Dublin Bus is at the upper end of the range."*

Dublin Bus efficiency improvements are cited as a reason to anticipate that international cost savings may not be achieved in the Dublin context, however no evidence of unit operating cost savings in recent years is presented. In fact, the evidence indicates that no such reductions have taken place.

The Authority is required, under the Dublin Transport Authority Act 2008, to satisfy itself that a decision (to directly award a contract to the incumbent state operators) is in the *"general economic interest"*. Based on the evidence of significant on-going subvention to Dublin Bus and Bus Éireann arising from the Authority's current proposals, it is difficult to see a value for money argument in their favour.

Within the Economic Analysis Report for the Dublin market, Ernst & Young note: *"Given its comparative advantage over other modes in terms of affordability and flexibility, bus transport will form a core element of the policy response to enhancing sustainability of public transport and expanding coverage. ....Extending and improving the bus service offering is therefore important in promoting greater use of sustainable modes of transport across the GDA."*

For the market outside Dublin, they note:-*"..... While the policy response will require action on a number of fronts, a sophisticated, expanded bus service which minimises cost pass-through to consumers will play an important role. From a public policy perspective, it will be important that public transport becomes a more attractive proposition in order to deter individuals from using private vehicles."*

Taken together, these points reinforce the economic importance of developing evidence based bus policies, and in continuing to prioritise investment in bus infrastructure and services.

To put potential overall subvention savings per annum in context, NTA's Integrated Implementation Plan 2013-2018 outlines average investment of €41 million per annum in bus related infrastructure within the Greater Dublin Area. Furthermore, it is important to also consider these savings in the context of the broader economic context, including the on-going fiscal adjustment underway in Ireland at present.

## 6.4. Further Observations

Ernst & Young highlight “*collusive tendering and the emergence of cartels*” as risks to the tendering process. Initial consideration of risks to a competitive tendering process by Dualway has identified the following risks specific to the Authority’s proposals for the Irish market:

- Financial transparency:- Lack of a service by service financial performance and operational data in relation to Dublin Bus and Bus Éireann presents significant risks to the fairness of any competition; and
- Operational cost flexibility:- In particular the bus depot and bus fleet proposals.

Further consideration of these and other risks by the Authority is essential if the fairness and transparency of any tendering process are to be assured.

## 6.5. Suggested Way Forward

Dualway as a member of CTTC and its member organisations view the current proposals as a step forward from current arrangements whereby all of Dublin Bus and Bus Éireann historic services are operated by both companies under direct award contracts with the Authority. Our consensus, however, is that the proposals to limit any competitive tendering to a 10% proportion of the existing Dublin Bus market, and between 7% and 10% of the Bus Éireann market until end-2019 at the earliest are not sufficiently far reaching.

The Competition Authority has recommended a staged approach to the transition to Competitive Tendering:- “*This graduated approach may serve as a useful model for the NTA when introducing competitive tendering for Public Contracts.*” Additional research indicates that competitive tendering in the London bus market was gradually introduced over a ten year period between 1985 and 1994 (Parker, 2004<sup>9</sup>; van de Velde & Preston, 2013<sup>10</sup>).

Research contained within the Authority’s Technical Report on Contract Options states that “*Today, London Buses has a continuous programme of tendering with Invitations to Tender being issued throughout the year. The rate of tendering is about 15% to 20% of London’s bus network each year.....*”

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<sup>9</sup> Parker, D. (2004) The UK’s Privatisation Experiment: The Passage of Time Permits a Sober Assessment CESIFO Working Paper Category 9: Industrial Organisation No. 1126

<sup>10</sup> Van de Velde, D., & Preston, J. (2013). Workshop 3B: Governance, ownership and competition issues in deregulated (free market) public transport: Lessons that can be learnt from developed and developing economies. *Research in Transportation Economics*, 39(1), 202–207. doi:10.1016/j.retrec.2012.06.014

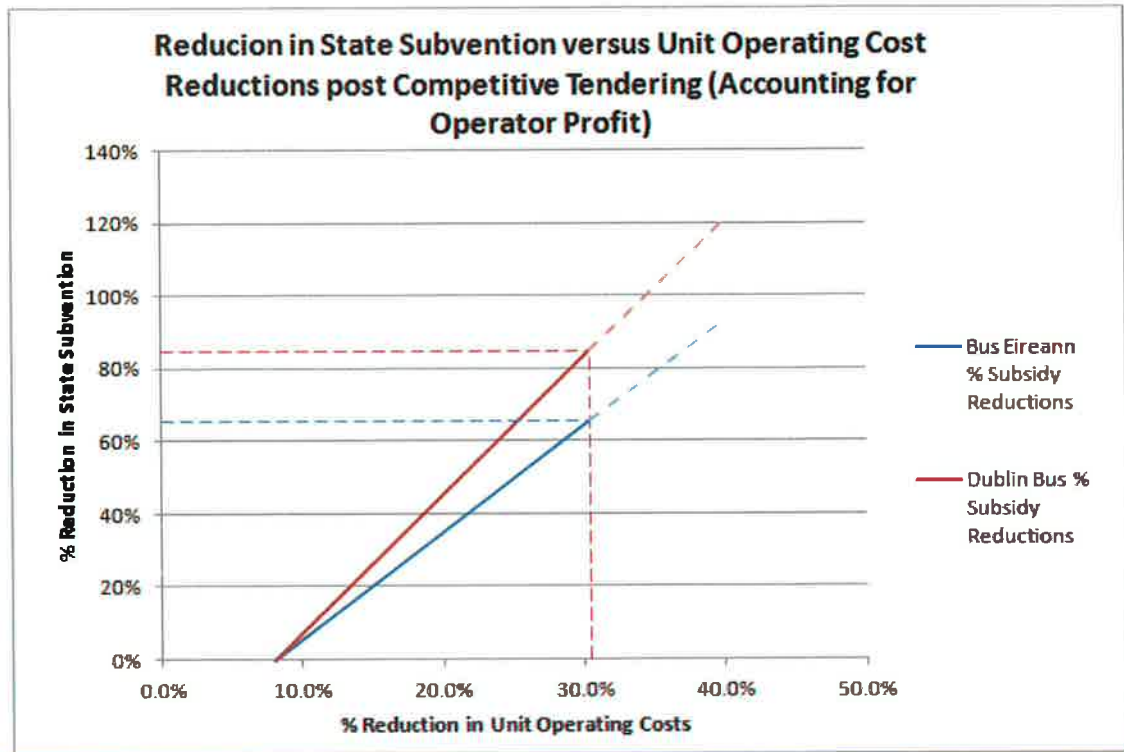
As recommended by the Competition Authority, and endorsed by CTTC members, a staged approach to opening the market to competitive tendering is considered preferable. This could, for example consist of an annual tendering programme, whereby approximately 10% of bus services in both bus markets are competitively tendered each year. Compared to the currently proposed stop-start-stop approach, whereby 10% would be offered in 2016 followed by a three year hiatus before any further competitive tendering, this would offer the following additional advantages:

- better alignment with industry capacity to respond to tenders;
- better aligned with NTA's capacity to administer the tendering process (including in-house retention of skills);  
and
- provide opportunities for the most intractable of challenges or risks to be addressed.

This is a potential win-win situation for NTA, CTTC members, public transport users and the tax payer, however only if the current proposals are revisited. The time prior to a decision by the Authority represents an opportunity for constructive engagement between NTA, Dualway and CTTC.

Finally, we envisage any upcoming engagement as an ideal opportunity to establish more formal lines of communication on an on-going basis between CTTC and the Authority to assist in identification of challenges and risks to any future competitively awarded contracts, and options to manage them.





The figure above demonstrates, that even with relatively modest reductions in unit costs, the state subvention savings remain highly significant. As a result, were more modest unit cost savings achieved in the transition to a competitive tendering regime, the reductions in state subvention are clearly substantial.

Based on the assumed 30% unit cost savings (as per comparison of Bus Éireann and private operators cost base), were all Bus Éireann and Dublin Bus services competitively tendered:

- for Bus Éireann, the 2012 subvention of €36.90 million could reduce, in the medium-long term, by 65% to approximately €13 million; and

applying similar unit cost savings achieved to the Dublin Bus market, the 2012 subvention of €69.47 million (excluding emergency funding of €5.33 million) could reduce, in the medium-long term, by 85% to approximately €11 million.

