

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)

Reference	Name	Organisations
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)

Reference	Name
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

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 11:52
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-PROPOSALS-ON-BUS-TENDERING-Oct2013.doc

From: Bob Laird

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

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NTA PROPOSALS ON BUS TENDERING

Summary:

- The focus in seeking tenders needs to be as much about **innovation**; about **product development and delivery** to international standards; about generating **customer confidence and business growth** as it is about cost reduction.
- **Number of Bus Eireann buses put out to tender should be more than the 40 proposed.** It should be at least 60, and possibly up to 80. **One contract should be big enough (50 buses) to attract experienced scheduled service operators.** In this context, the **routes to be tendered need to be reviewed.**
- The **performance targets set are too lenient**, but despite this the **performance being achieved by Bus Eireann is excellent.**
- **Dublin Bus routes to be tendered need to be reviewed** to give a **mixture of radial and orbital/local**, to the value of about 80 buses, as planned. **This is essential if the tendering process is to be given a serious opportunity to prove its worth.**
- **Luas Cross City plans should not impact on routes planned for tender.** It is more important to get the tendering right.
- Agreed that large cross city bus routes should not be in first round of tendering. However, there is an opportunity to **tender a group of radial routes in the northeast**, and this is recommended.
- Performance as measured for Dublin Bus shows a **need for a significant improvement** in many categories.

General comments:

- Geographic scope of Dublin Bus v Bus Eireann is a historical accident, product and fare structures are different, and there is a case for a review of some borderline routes.
- There are differences in approach appropriate for small cities and rural as opposed to a large city like Dublin. The commentary in each document needs to reflect this.
- Existing performance measures on reliability are not demanding enough. The expectations of what operators deliver are well below industry norms. It is not surprising that they are performing well against targets, as the targets are not challenging, nor are they in line with expectations in other jurisdictions. Surpassing them does not imply that a standard of service sufficient to generate customer confidence is being achieved. There is a substantial difference between performance of the companies, with Bus Eireann much better than Dublin Bus on several reliability measures. This would be clearer if performance expectations were more in line with industry norms.
- What happens to amount of subvention to Bus Eireann and Dublin Bus if some routes are transferred to net cost tendering with NTA taking revenue risk? There is a need to guard against incumbents tendering with low costs, with a view to absorbing losses in the retained direct award routes. As with the present transparent accounting between commercial and PSO services, it will be important to have transparent accounting between tendered and direct award services.

BUS EIREANN

Summary:

- **Number of buses put out to tender should be more than the 40 proposed.** It should be at least 60, and possibly up to 80. **One contract should be big enough (50 buses) to attract experienced scheduled service operators.**
- In this context, the **routes to be tendered need to be reviewed.**
- The **performance targets set are too lenient**, but despite this the **performance being achieved is excellent.**

1. % of network to be tendered - there should be one package of a minimum of 50 buses so as to encourage experienced scheduled service operators to tender. The argument for limiting it to 40 was based on Bus Eireann not losing more than 10% of its activity so that it could absorb this loss if it was not successful in tendering. But given that Bus Eireann also has a commercial network, it can lose more than 10% of PSO activity while keeping within 10% of overall activity.

BE Annual Report for 2012 gives PSO revenue as 24% of total, and PSO cost as 33% of total cost. These figures include the school transport programme. Comparing NTA and Annual Report passenger numbers implies about 75% of total are PSO route (59% of non-city passengers)

Given the nature of its operation, it is likely that the commercial services:

- carry passengers further
- have more drivers per vehicle, with buses working more hours of day at faster speeds
- have higher load factor (seat occupancy).

Given these factors, it is likely that no matter what criteria are used, commercial services will account for at least 33% of activity. Therefore, a 15% loss of PSO activity in a tendering process would result in 10% or less loss of activity (passenger kilometres, revenue, vehicle kilometres, driver resources).

There is also a likelihood of Bus Eireann successfully tendering. If there are a number of different tenders and Bus Eireann has a chance of retaining some of them, then it may be possible to push the extent of tendering routes even higher.

It is recommended that the scale of tendering of Bus Eireann routes in the first round in 2016 should be at least 60 buses (PVR) and possibly as high as 80. This should include one tender of the order of 50 buses in a geographic area. This could be Dublin Commuter, or a mixture of city and commuter in one of the other cities.

2. Network Planning - Central network planning is not essential for the Bus Eireann network. There is no need for Galway and Cork city services to be planned as one business. Nor is there need for local services in Wexford and Donegal to be co-ordinated with each other.

The bus market has moved in the same direction as aviation, that is, good value service in high density markets is more important to customers than a seamless

journey from any small community to another small community anywhere in the country (bus business)/world (aviation business).

There is already a significant NTA input into route and timetable development in Bus Eireann. A similar relationship can be developed between NTA and any service providers.

Integrated brand and ticketing will have some value, but are not as critical as for a large city. Commercial operators can make agreements on fares. This is common in other jurisdictions.

So we should have no concerns about loss of network planning or integration if some Bus Eireann routes were to be offered to other operators after tendering.

Stage carriage definition needs to be subdivided into Commuter to the four cities, and other. Commuter to the four cities are potentially linked to city services, and have more in common with Dublin Commuter routes than with rural routes. Why, for example, are routes 221, 222, 223, 226 considered Cork City while routes 232, 233, 240, 241, 246, 261 are not? They all and others are Cork commuter routes.

Proposal is that "Stage Carriage" is separated into two. One would be "City Commuter", encompassing all PSO services that end in Cork, Limerick, Galway or Waterford. The other would be "Rural". The value in making this separation is that City Commuter services could easily be linked with city services for one tender.

Conclusion

The arguments above would suggest that tender options may be as follows:

Large tender (50 buses) - either Dublin Commuter; or a mix of City Commuter and City in either Galway or Limerick (Waterford too small, Cork possibly too big)

Small tender/tenders (10 to 20 buses) - some of Wexford rural;

Cork Commuter routes as already suggested;

Dublin Commuter routes as already suggested (if not chosen for the large tender)

Comments from documents:

Consultation - are coastal routes in Dublin commuter considered less depot dependent than other commuter routes?

Technical

(p2) The 134 stage carriage routes include as many as 45 that could more properly be classed as Commuter to Cork, Limerick, Galway and Waterford. These routes have a very different profile from rural routes between small centres, and probably account for well over half the stage carriage traffic.

(p6) Questionable whether or not passenger numbers is the best measure of the significance of each PSO market. Other measures could include revenue, operating

cost, passenger kilometres, vehicle kilometres, PVR. City services carry more passengers over short distances, so are over-represented by using this measure.

(p7) The impact of loss of integration with tendering is less significant in rural and commuter context than it is in cities.

(p11) Integrated fares is as important as integrated services and ticketing. Customers will not use integrated facilities if the fares are not integrated. Integration is more important in a city than in the nationwide environment.

The London and Copenhagen analysis is not relevant to consideration of Bus Eireann routes. The Netherlands example is.

(p20) (dis)advantages of tendering stage carriage services - while it might be practical and useful to set tenders that are attractive to small local operators, the **greater benefit to the business is likely to come from attracting larger operators** with significant scheduled and network bus experience elsewhere.

Performance

(p1) table 1 -revenue collection for 2013Q1 looks very low, out of line with others.

(p14 Overview) Compensation paid 2013 figure is different from Table 1.

Appendix 1 discusses the performance and targets and achievements in some detail.

DUBLIN BUS

Summary:

- **Routes to be tendered need to be reviewed** to give a **mixture of radial and orbital/local**, to the value of about 80 buses, as planned. **This is essential if the tendering process is to be given a serious opportunity to prove its worth.**
- **Luas Cross City plans should not impact on routes planned for tender.** It is more important to get the tendering right.
- Agreed that large cross city bus routes should not be in first round of tendering. However, there is an opportunity to **tender a group of radial routes in the northeast**, and this is recommended.
- Performance as measured shows a **need for a significant improvement** in many categories.

Route selection for Dublin tendering.

There is an expectation in the document that the orbital and local routes are underdeveloped and can reach greater potential (120 buses where now 80 buses). This may happen, but it is unlikely. There is **no reason to believe that existing and withdrawn local and orbital services are missing a significant latent demand.** Demand between suburbs is very scattered, not focused on key destinations in the way the city centre demand is. Availability of free parking makes it more attractive to drive to out of town shopping centres and other locations. **There are examples of failed efforts to stimulate this market both by Dublin Bus and private operators.** While it is laudable to try and develop these, it would not be clever to expect tendering to produce a magic formula for growth; **nor would it be good to use orbital and local routes as the only testing ground for tendering routes.**

Location of depots is a key cost driver. Proposed orbital and rural routes are scattered right around the city.. There is no suitable location for a depot that would serve most of them. **This will require either multiple very small depots, or long empty workings between depot and service, which is a significant expense** (fuel, driver time, number of vehicles required). Dublin Bus operate the orbital/local routes from six well scattered depots. **A group of routes bunched in one part of the city would be more practical for a cost efficient tender.**

Thirdly, one of the key benefits that a new entrant could be expected to bring to the Dublin bus scene is **networking and flexibility, with route interworking** that would bring economies. The value here would be in efficient use of both vehicles and drivers, flexibility to cope with change and with operational factors. This opportunity would not be there with scattered, unconnected local routes.

The statement about having no right of access to Dublin Bus depots is of concern. Clearly if significant number of services are transferred to other operators, there will be fewer depots required by Dublin Bus. **Ownership of depots cannot be an obstacle to bringing competition into the bus market in Dublin.** It is doubtful if building new depots can be justified by the cost and/or revenue benefit from tendering.

Elsewhere the document refers to IF market entrant is permitted access to depot. Under the route tendering scenario proposed in this document, it would not require depot sharing. The 50 bus PVR could be exclusively in one depot with other routes moved elsewhere as there is capacity.

Disadvantages of tendering radial routes - based on my routes proposal, I do not accept the argument about it being difficult to divide radial routes either geographically or by depot. The point about Luas Cross City is not a significant one. I agree with the statement about risk and strategic importance of routes. **It would not be clever to have a less than satisfactory initial operator on a high profile route as this could undermine public confidence in the process.**

The disadvantages of tendering orbital routes are all true. In addition, they could have long distances between depot and route. **The advantages quoted are not so strong. Providing depots by the authority in a cost effective way sounds unlikely. The potential to grow the revenue may not be there and it would be unwise to rely solely on routes of this nature for the first round of tendering.** If, for example, orbital/local route revenue did not grow, it might undermine public/political support for tendering; especially if money had also been spent in creating new depots when existing depots have the capacity. Many of these routes can be disengaged from Dublin Bus network, but so could the 8 radial routes suggested in the northeast of the city.

An alternative proposal:

I agree with the argument for not tendering cross city routes. Are there other opportunities for tendering city centre routes that are not cross city?

By counting number of routes rather than departures, the impression is given, that Dublin has a very large number of radial routes with city centre termini (41 out of 86). Many of the cross city routes operate 6 departures per hour in each direction, while some of the routes counted as city centre termini have only one departure per day. In fact, two of them operate one journey inbound only.

A calculation of departures from Dublin city in a typical daytime off-peak hour gives the following:

	departures	% of total
cross city	169	67%
through city	36	14%
radial	47	19%
City centre routes	252	

Radial routes only account for 19% of departures from city centre, which is a much smaller part of the operation than implied by the route count.

There are very good reasons for retaining some radial routes in Dublin. **There is little scope for eliminating those that still exist. Consideration of this should not be a factor in hindering the development of an effective route tendering system.**

The argumentation on radial versus cross-city routes is discussed in more detail in Appendix 2. This also contains detail on the present routes, and how the table above was derived.

The statement that there are 41 routes with city centre termini may give a false impression that there is scope for creating many more cross city routes.

There is no need to, and no scope for creating cross city routes out of city terminating routes in the northeast. There are 8 such routes, and all operate from the same depot, Clontarf. These are routes 27a, 29a, 31, 32, 42, 43, 53 and 130.

Estimated PVR for these routes (plus route 32x) is about 50 from a total PVR in the Clontarf depot of 65 - 70. Other routes not included are 27 (part of), 27x and 104

This is an ideal size to attract experienced scheduled service operators. For this tender to work effectively, it would be necessary to base buses at Clontarf depot. If Dublin Bus is not the successful tenderer, it should be possible to relocate routes 27, 27x and 104, and use Clontarf depot exclusively for the tendered routes.

Given that fleet has been reduced by 200 buses in recent years, without any garage closures, it should be possible to manage the remaining routes from one garage fewer in the event of 50 or more buses being moved from Dublin Bus to other operators. This gives scope for Clontarf to be used exclusively by the successful tenderer.

If there is a perceived difficulty in using an existing bus depot for a successful tender, then this issue needs to be addressed. It is unlikely that the difference in tenders will be sufficient to justify building of new depots, given that there is already spare capacity in depots. Ability of Dublin Bus/CIE to block use of existing depots would be a major barrier to fair competition, especially given that these depots have been heavily supported with public money. **A method of either sharing, leasing or purchasing depots needs to be found if we are to make a success of a tendering process.**

In tandem with this, given a target of 80 buses, some orbital or local routes (about 30 buses) could also be tendered. This would give sufficient scope for:

- testing whether or not these orbital and local routes have the potential to develop by trying some but not all of them. Those selected should all be in one geographic area.
- **a combination of a larger contract potentially of interest to an experienced scheduled service operator with one or more smaller contracts potentially of interest to local operators.**

The impact that Luas Cross City will have on the bus network should be quite small. Its main flows will be:

- existing Green Line passengers who continue into city centre. Should have no impact on bus as services parallel to Green Line have already been severely cut back.
- connecting Green Line to/from Red Line. Some impact on route 145, but not sufficient to cause a change of route.
- traffic to Grangegorman DIT. This is a new flow projected, so no impact on existing bus network

- traffic from Cabra area. This will have some impact on bus, probably mainly affecting route 120, with some impact on routes 46a and 122, but not enough on these to warrant route cancellations.

Luas Cross City does not provide transport solutions for bus users in any other part of the city, certainly not the radial routes in the northeast. It **should not be a factor in deciding which routes are to be offered for tender. Getting the tender right is more important.** Delaying tendering on city centre routes by three or more years for this reason alone would not be justified, and would delay the benefits that could be derived by bringing competition into more substantial routes than the orbital and local routes proposed.

Comments on documents

As of October 2013, there are still some Network Direct changes to be implemented, including Swords area, and merger of routes 27b and 79.

The statement that "Dublin Bus service would be considered to be of good quality by international standards" does not hold up when you look at the performance reports, which are well below international best practice, and well below what could and should be delivered. See Appendix 1.

The comparison with other cities on revenue support seems to be trying to prove a point. Deloitte (2009) concluded that Dublin subvention was low by international standards, and it has been reduced since then. Social Welfare "bus pass" is a political decision, which also costs transport companies money due loss of revenue for journeys that would otherwise be made at higher fares. It is not a subsidy to users in the way that subvention is normally calculated. Similarly, once off costs (emergency funding) would not normally be considered in a calculation for a typical year. Children's fares are very low in Dublin compared to the discount offered in most cities. This encourages long distance peak hour travel by schoolchildren at high cost to operators. A significant part of the subvention goes to these and not to the adult customers, who are the people with choice, and who we need to encourage to use public transport. **A comparison of amount of subvention to adult fares would put Dublin in a lower situation that argued in the document**

It is noted that the rationale for selecting Dublin Bus routes is the very opposite to that used with Bus Eireann. Bus Eireann rural routes were selected on the basis of having been subject to a network review. In Dublin, it is argued that it is best to tender on routes that have not been subject to a network review.

Operating jurisdiction - it may be worth reviewing the operating jurisdiction of both Bus Eireann and Dublin Bus. There are some anomalies, e.g. Dublin Bus routes to Blessington and Skerries are longer than Bus Eireann to Ashbourne. The product is different, for example, ability to pick up local traffic within the city area. The reason why Ashbourne buses are not allowed do this, yet Blessington and Skerries buses are, is purely historic. There is a considerable local service in the Bray area, which is totally outside Co. Dublin, but operated by Dublin Bus. Perhaps there could be some changes and/or overlap between the operating jurisdictions.

Integration of services - Developments of real time passenger information and journey planner are excellent examples of using technology to make it easier for people to use public transport. Leap Card fulfils the same role to some extent, but needs to be rolled out to include all single and multiple operator fare products. It is also more important in the context of promoting use to have integrated fares as well as ticket.

The statement on "wasteful competition" and "duplication" between bus and rail/Luas services deserves comment. **It is up to the market to decide, not to anybody else.** On all rail corridors there are locations too far from rail stations that require bus service. Most of the market on the DART corridors, for example, has moved to rail, and remaining bus demand is due to the bus suiting the particular needs of users. It may be that their journey start or end is too far from a rail station. Similarly, in the low housing density outer suburbs, many people have a bus much nearer their home than rail, or else their city destination is more suitable for bus. This would apply to places like Maynooth, Celbridge and Leixlip. This is even more so for towns like Rush and Lusk, where the railway station is 2km to 5km from homes and new express buses are more convenient.

Even more difficult to sell is the concept of **switching mode**. There are **many customer inconvenience factors associated** with this, and any **effort to force a transfer from bus to rail or Luas is more likely to send people back into their cars** or to change travel habits. Efforts to get significant numbers to transfer from bus to rail or Luas just will not work, and it would be unrealistic to expect it or to devote effort in trying to make it work.

Integration - the points about branding, ticketing, fares and information are well made. If multiple operators are to happen in Dublin, it should be seamless from a customer perspective, with same fares, all information to include all operators etc.

The point made about vehicle size is a valid one for local and some orbital routes. This can be tackled with either Dublin Bus or other operators. There may even be scope for involvement of rural transport scheme in some of the minor routes (e.g. rural transport scheme currently connects Swords with Beaumont Hospital, and could possible run route 104 from there to Clontarf).

Network Direct Effects - I note the statement about "wasteful competition", "duplication" and "integrated service". As stated earlier, **the market needs to decide**. If people continue to use a bus when there is a rail alternative, there is good reason for it, and it is as critical a part of the network as any other bus route. In general, where a rail or Luas service is available, most people opt to use it, but **it is not always convenient for everyone in that corridor**.

There should not be an unrealistic expectation of the ability to force people to migrate from bus to rail where they find the bus more convenient. Nor should there be an unrealistic expectation of the convenience of "integrated service with other modes", which is code for expecting people on a bus to change to rail mode for part of their journey.

Detailed commentary on reliability and punctuality performance, and on timetable/customer information, is contained in Appendix 1.

PERFORMANCE TARGETS AND DELIVERY

The statement that "Dublin Bus service would be considered to be of good quality by international standards" does not hold up when you look at the performance reports, which are well below international best practice, and well below what could and should be delivered. Bus Eireann, on the other hand, is delivering to best practice standards.

The targets set for Dublin Bus and Bus Eireann are far too generous. They are nowhere near as demanding as the norm in other cities. Neither are they at a level that can generate sufficient customer confidence so that people with choice will opt to use the bus.

The achieved performance by Dublin Bus during the 13 quarters documented is not in general up to the standard that should be expected, and is not up to industry standard.

The key standards under reliability and punctuality are scheduled km operated; services operated; and punctuality.

There are three stages that need to be measured:

1. % of buses scheduled that actually leave the depot (loss of service may be lack of driver or lack of serviceable vehicle)
2. % of scheduled journeys that operate, measuring journeys that are cancelled in part or in whole (these could be operator factors, such as mechanical, but will be mostly traffic related in an urban context)
3. % of total planned journeys that depart on time.

Stage 1 is an operator resource check, aspects within their control. It is not on its own a measure of service delivery.

Stages 2 and 3 are the important measures for service delivery.

As a general rule, **we should expect almost 100% of driver and vehicle availability;** minimum 98% to 99% of journeys operate in full; minimum of 95% of journeys operate "on time" (i.e. between -1 and +5 min from scheduled time).

Stage 1 - Vehicles in service at peak, and driver duties, should be close to 100%. A realistic target would be 99.8%. It is not possible to have a reliable bus service, achieving the objectives of mobility and economic benefit, if there are services being cancelled regularly either due lack of drivers or lack of buses. That is primarily a matter for the management of the operating company, and failures to even start the day should be very minimal. Note that Bus Eireann generally achieved 100% in these categories, while Dublin Bus was at 98% to 99% many a time. Note that London targets 0.3% loss of service due staff and 0.4.% due mechanical (this would be mostly Stage 2, breakdowns in service, rather than lack of vehicle availability at start of day). Most other cities do not set targets for Stage 1. It is expected that nearly 100% will be delivered.

Stages 2 and 3 - The criteria which will inevitably lead to bus journeys being cancelled or late will include:

- weather and emergency services (accidents, parades, crime scenes etc.) which are totally outside control of the company. These are comparatively rare.
- bus mechanical failure, driver issues. These, with good operational management, should be quite rare
- traffic congestion. In an urban environment, even with buslanes, this is the main cause of delay. For terminus departures, a buffer is normally built in to allow for most predictable delays. But given the variability of journey time, there will be some late departures and/or cancellations, otherwise if too much time is built into schedules then productivity goes down. So it is a balance. Some reliability and punctuality issues can be expected due to traffic congestion.

The balance has to be between what can reasonably be expected of a bus operator, given the operating environment, and what customer expectations will lead to fulfilling the use of public transport mobility, economic and environmental objectives.

On these criteria, **Dublin Bus is significantly short, but Bus Eireann is achieving them.** The difference is not solely due to traffic conditions. It is clear that a big part of the difference arises from performance at "vehicles in service" and "drivers' duties". There is **a clear need for a better performance by Dublin Bus in these categories.** There is some improvement in recent quarters, but not enough. It is noteworthy that Sunday performance is very good and up to the highest expected standard of 99.8%, so it can be done on other days too.

A comparison with standards in UK shows the following:

- **Stage 2.** Reliability targets are generally in excess of 99%. Translink Metro(Belfast city buses) target is 99.2%, achieved spring 2013 100%. Cardiff target is 99.5%. In Dublin, the target is 95% and achieved is generally between 96% and 97%. Bus Eireann achieves between 98% and 99.5% on city services, and 100% on other services. The performance being achieved in Dublin is not good by any other standards. While traffic congestion is one factor, there are other contributors which are specific to how the business is managed, namely

- too many journeys cancelled due lack of driver
- too many journeys are cancelled, rather than continuing in service, because they are running late. This is giving too high a priority to operational considerations rather than customer considerations. There are occasions when customers can be left waiting for up to an hour due a bus running 10 mins late being cancelled. Clearly decisions of this nature are not helping reliability and customer confidence. **A performance measurement system that does not put a lot of pressure on operators to change this practice is not delivering what it is set up to do.**

- **Stage 3.** Standard UK requirement is 95% of all scheduled journeys to leave on time (departing terminus between -1 and +5). NTA requirement is also 95% for Bus Eireann Stage Carriage and Dublin Commuter, which is being achieved. It varies from 87% to 90% for provincial cities, with achieved coming in between 91% and 95%.

These lower figures would reflect small cities with minimal bus priority and short trips which traverse city centre frequently.

For Dublin Bus, the target is 95% and this is being achieved. However, there has to be a question about how it is being measured, as in some cases the punctuality figure is higher than the reliability figure, i.e., more buses are running on time than are running at all. This is clearly not the situation.

For comparison, Translink Metro has a target of 95% of buses arriving at terminus within 7 mins of schedule. Achieved punctuality in spring 2013 was 100% on departure and 98% on arrival.

Other comments on performance measurement criteria:

- "vehicles in service valley period" is really a combination of two factors, i.e., a requirement to keep a % of buses on the road all day; but also measuring vehicles in service compared to timetable plan. These should be measured separately
- how are bus journeys that are only partly completed measured? Anecdotal evidence would suggest that many part journeys are cancelled either due bus running late, or no driver to pick up at handover point. Anecdotal evidence would also point to excessive use of cancellation rather than journey running late, often leading to long gaps in service. **A proper performance incentive scheme should strongly discourage this practice in Dublin Bus**
- on all routes, but especially long routes (which includes all the cross city routes), targets are also needed for departure times at intermediate points on the journey, especially city centre on cross city routes. This is more complicated, as we do not, either, want long dwell along the journey with passengers already on board. However, **many users of routes which used to be radial and now are cross city have suffered a significant reduction in reliability**, due to the unpredictable journey time from terminus to main pick up points in city centre. This requires a lot of detailed management of the operation, and related targets would be appropriate
- targets are also needed at the micro level. For example, there are some individual journeys that I am aware of which have been regularly cancelled and/or delayed either in part or whole journey for the past six years. **Where there is chronic unreliability of this nature, there should be an onus to amend timetables within weeks.**

Timetable/ customer information criteria:

Despite the claim that correct information on website achieved 100%, there are **significant ongoing issues with incorrect timetable information**. Many routes show intermediate departure times from city centre stops both on website and on timetable displays. In most cases, these are theoretical. **They often do not reflect the actual journey time. Drivers are not instructed to depart at these times.** On some routes, buses leave these stops before the times shown. On other routes, the times are too short and unachievable.

There are similar discrepancies in RTPI times, and thus customers are being given false information on when to expect a bus at their stop. For example, the 7km journey between Skerries and Rush normally takes about 12 mins. But the time allowed on RTPI calculations varies from 2 mins (route 33 Skerries to Rush) to 18 mins (route

33a Rush to Skerries). (Source of this information is NTA timetables on Journey Planner, as revised on 6 October 2013). So on some buses, customers are being told bus will be at their stop 10 mins too early, and on others 6 mins too late. If we are serious about using this tool for customer information, then **the basic data being used has to be as accurate as possible** (accepting that journey times can vary, but not by as much as in this example). These situations need to be sorted out as part of contract between NTA and operator.

DUBLIN CITY ROUTE NETWORK AND TERMINI

Comparison of crosscity and radial routes:

In measuring this, the key determinant is not the number of routes, but the number of services. Some radial routes are very infrequent, some are peak only and are designed to get people into the city in the morning and back out in the evening peak only. In fact, two of the 41 routes only have one morning inbound service, without any evening service.

A better way is to measure the relative number of departures from city centre in a typical off-peak hour. The calculation is for a typical hour between 0900 and 1600 on weekdays. Cross city journeys are counted twice, as they depart from city in each direction. "Through the city" journeys (those terminating in Merrion Sq etc.) are counted once, as the inbound journey is really only set down in city.

There are 82 routes in total rather than 111. The other 29 are occasional mostly peak only routes, with typically 1 to 5 departures a day. Of the 82 all day routes, 21 are orbital/local and 61 serve the city centre. These include 20 cross city, 18 through the city, and 23 radial.

When adjusted by frequency for an off-peak hour, the figures are:

	departures	% of total
cross city	169	67%
through city	36	14%
radial	47	19%
City centre routes	252	

This shows that most buses departing Dublin city centre are cross city, with those departing from city centre termini only accounting for 19% of total.

For the record, the routes are as follows:

Cross city

1 4 9 11 13 14 15 16 27 39a 40 44 46a
83 122 123 140 145 151

Radial

27a 27b 29a 31 32 33 40d 41 41c 42 43 47 49
53 54a 56a 61 65 65b 68 69 79 120 130 150

Through city

7 8 15a 15b 25 25a 25b 26 37 38 38a 39
66 66a 66b 67 70 77a

Local/orbital

17 17a 18 33a 33b 45a 59 63 75 76 84 102 104
114 184 185 220 236 238 239 270

For the calculations, I have assumed the merger of routes 27b and 79, which is an outstanding Network Direct change.

The radial routes include 10 south/southwest, 2 northwest, 3 long routes to Swords and beyond, and 8 northeast. The southside routes are mostly once a hour, many of them very long, with only 14 departures an hour between the 10 routes. These routes are not suitable for cross city, so there is little or no scope for additional cross city route combinations.

There is no scope for cross city for the 8 routes in the northeast, as there are no remaining southside routes to merge them with. So **they provide an opportunity for a package of about 50 buses in a compact geographical area that could be tendered.** These are routes 27a 29a 31 32 42 43 53 130.

Merits or otherwise of cross city routes

Dublin has always had a mixture of cross city and radial routes. The cross city routes were typically high frequency, serving high density housing in what are now regarded as inner suburbs (say up to 7km from centre). As the city expanded and travel patterns changed, these routes were extended and frequencies were reduced. Cross city routes would tend to carry more passengers off-peak, and have a better financial performance, with more revenue per bus and less PSO per bus than other routes (MVA, 2006). They also create more single journey bus opportunities.

On the other hand, given the length of journeys on either side of the city centre, most cross city routes are now very long. This causes unreliability for customers and operating inefficiencies for bus operators.

A sample one hour measure of evening peak reliability at Eden Quay on Tuesday 1 October 2013 showed the following:

- 13 departures on radial routes. 12 left on time, one was 2 mins late
- 18 departures on 3 cross city routes, each with a scheduled 10 min frequency. Max gaps in service were 17 mins on route 27; 19 mins on route 15 and 25 mins on route 14. These were despite average frequency being 10 mins as scheduled.

So there was a huge difference in customer waiting time. For the radial routes, running to a timetable, wait can be as short as 2 mins as passenger can turn up for scheduled departure time. For the cross city routes, city centre departure times are random, so an average waiting time should be half the frequency, i.e. 5 mins. But as arrivals were at varying intervals due traffic, average waiting times were longer and some customers had waits significantly longer than the schedule frequency.

This is a very serious issue in relation to cross city routes, especially when they are long and when traffic is unpredictable. It should be noted that Dublin is the only city in Ireland that does not give reliable city centre departure times on all its routes. Belfast is totally radial, with all routes terminating in city centre. Cork, Limerick and Galway operate cross city routes, but buses dwell (often by up to 10 mins) at city centre termini to await advertised departure times. Such practices could not work in Dublin due to lack of space, and also due the number of passengers travelling through

the centre, who would have their journey times extended. It is worth mentioning that city centre termini are the norm in most UK cities of the size of Dublin. Indeed, in London 20 years ago many cross city routes were split, with new city centre termini established, with the specific objective of improving reliability.

Long cross city routes also provide operating challenges for operators. These include:

- trying to keep a consistent journey time and headway, without extending journey times for most passengers
- coping with incidents (e.g. an incident in Tallaght can affect bus services in Coolock)
- coping with delays and getting buses back onto schedule without leaving long gaps in service to some customers
- having buses and drivers in wrong location, resulting in extra out of service running
- wasteful use of buses, drivers and fuel. For example, on routes where off-peak frequency is lower than peak, with some buses returning to depot, buses that would have gone from city to depot at 0900 now work out to suburbs and may not return to depot until 1100. Similarly, buses for evening peak are leaving depots earlier to get in place at outer suburbs.
- more difficult to roster drivers efficiently and productively.

There is a balance between the various factors, and a mix is the correct answer. Question is what is the correct balance. **As 67% of journeys are now cross city, and as most of the radial routes are now low frequency and very long** (many almost equivalent to provincial services), **the limit has clearly been reached**. It is indeed arguable that, from the point of view of transport best policy, the cross city feature has gone too far. Some of the new routes have generated new and popular journey opportunities and may emulate the older cross city routes with lower PSO needs. However, some others are not reaping much benefit, and have resulted in lower reliability for users at both ends, in addition to the operating inefficiencies mentioned above.

Shortage of space for city termini is an issue. But to the extent that radial routes are the best solution for achieving the transport objectives outlined under "Background" on the first page of the document, it is incumbent on us to solve this issue by finding space either on or off street for bus termini.

Bob Laird

11 October 2013

Lynn Mahony

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 13:00
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: NTA-Consultation-BE-Submission-Oct-2013-Read-only.docx

From: Vincent Sheehan

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

Organisation:
Bus Eireann

Address:
Broadstone, Dublin 7

Comment:
Please find attached Bus Eireann's submission to NTA consultation

Uploaded File:
http://www.nationaltransport.ie/wp-content/uploads/wpcf7_uploads/NTA-Consultation-BE-Submission-Oct-2013-Read-only.docx

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This mail is sent via contact form on National Transport Authority <http://www.nationaltransport.ie>

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Bus Éireann

At the heart of the community

**Proposal to Directly Award a Public Services Contract
to Bus Éireann in 2014 – Public Consultation**

Bus Éireann Submission

October 2013

Executive Summary

This submission outlines Bus Éireann's views in relation to the proposal to award a second Direct Award contract to Bus Éireann. This submission builds on previous submissions made by Bus Éireann as part of the non statutory consultation and market consultation in 2012.

Main points:

- Bus Éireann's performance in relation to the provision of services under direct award PSC has been very positive, as evidenced in the NTA's consultation pack. The adequacy of the public bus services provided under the PSC since 2009 have been improved as a result in relation to the general economic interest. This is in spite of the fact the PSO subvention has reduced by nearly 30% since 2009. The direct award approach has proven to be an ideal approach to public service obligation delivery in a small Island economy with dispersed population patterns, with a population equivalent to that of Greater Manchester, but with a geographic area 54 times the size.
- It is clear from the NTA's consultation pack that Bus Éireann has met its performance targets and delivered considerable improvements in relation to efficiencies and attractiveness. This performance improvement was underway prior to the adoption of public service contracts in December 2009. This was identified in the Deloitte Report (2009) which found that at the time, Bus Éireann was as efficient as its European peers with one of the lowest subsidies in Europe, notwithstanding the improvements made since.
- Data quoted in the NTA's consultation pack to measure the benefits of tendering are dated (i.e. pre 2005), they relate primarily to large population metropolitan areas, and are focused on the gains achieved in the first round of tendering. The view that there are currently significant benefits to tendering is not supported with evidence. In fact, recent evidence points to changes to the tendering and deregulation approach because of disappointing outcomes (e.g. Sweden, UK outside London, New Zealand).
- It is unclear what savings will be made as a result of competitive tendering. It is essential that the total costs of the proposed measures are taken into account. The additional costs of tendering and management of tendered contracts have not been quantified, and should be included in the cost benefit analysis to the State. It should be noted that at present Bus Éireann procures over €110m of bus and coach services from the private sector in Ireland.
- The consultation document proposes specific combinations for tendering as part of the statutory consultation exercise including:
 - Tender 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

Bus Éireann contends that the loss any of these three combinations will have an impact on the scale economies achieved in its operations and activities remaining under PSC, and these costs cannot be absorbed by Bus Éireann. The impact will be most pronounced on the proposal for coastal routes in the GDA. These costs will have to be taken into account in any benchmarking process. These scale economy impacts which cannot be absorbed by Bus Éireann will include:

- Maintenance, Fleet and Engineering costs
 - Operating and logistics costs
 - Marketing and customer information
 - Fare ticketing and fare collection across a mix of net and gross cost contracts
 - Administration and support staff
- Bus Éireann assumes that transfer of undertaking will apply to those routes and services that are tendered as part of this process, in relation to all staff that are involved in the safe supply and delivery of those services under the contract, including drivers, maintenance staff, support platform staff and administrative support. This also includes activities provided as part of the contract at present in relation to customer information support, bus stop/shelter maintenance.
 - High standards need to be maintained. While the current direct award contract stipulates the operating performance targets that Bus Éireann provides under PSO, it does not fully encompass other legal requirements that BE meets in its role as a commercial semi-state as part of the CIE Group – all obligations (NTA and non NTA related) need to be included in any proposed competitive tender. This includes accessibility and Irish language obligations, quality assured maintenance regimes, drugs and alcohol policy, driver vetting etc.
 - No real reference is made to the possible negative impacts to the customer as a result of the proposed changes.
 - If the objectives of the Authority in relation to public service contracts are reviewed in terms of the regulatory approach most suited to the Irish environment, Bus Éireann contends that direct award outscores both a full competitive tendering and a hybrid regulatory structure.
 - In an era of austerity and reduced exchequer spending, Bus Éireann contends that the focus should be placed on continuing the significant improvements that have been achieved under direct award contract, rather than focusing on an experiment that may not produce any further improvements in efficiency and effectiveness in the general economic interest in the Irish context.

Section 1 – The positive outputs of Direct Award

Bus Éireann's performance in relation to the provision of services under direct award PSC has been very positive, and the NTAs consultation pack clearly shows this. The adequacy of the public bus services provided under the PSC since 2009 has been improved as a result in relation to the general economic interest. This is in spite of the fact the PSO subvention has reduced by nearly 30% since 2009.

The direct award approach would appear to be an ideal for public service obligation delivery in a small Island economy with dispersed population patterns, with a population equivalent to that of Greater Manchester, but with a geographic area 54 times the size. It is clear from the NTA's consultation pack that Bus Éireann has met its performance targets and delivered considerable improvements in relation to efficiencies and attractiveness.

This performance improvement was underway prior to the adoption of public service contracts in December 2009. This was identified in the Deloitte Report (2009) which found that at the time, Bus Éireann was as efficient as its European peers with one of the lowest subsidies in Europe, notwithstanding the improvements made since.

Achievements under BE Direct Award contract 2009 to present

The outputs and outcomes that have been achieved under our direct award public service contract since it was initiated in 2009 are outlined in the NTA consultation pack, and have been significant in terms of increasing efficiencies and increasing the attractiveness of public transport, the two main pillars of EU passenger transport policy, and include the following:

- Better return from the remaining resources deployed after the cost recovery programme.
- Improvements in revenue and passenger numbers without any increase in the peak vehicle requirement. In many cases, the network changes have involved a network simplification that is best aligned to customer requirements and available funding.

Scalability aspects which have been factored into the network design of the services as part of the public transport reviews as part of the direct award contract. The network changes have been made in parallel with capex funding on Fleet, wifi, shelters, etc. As we have highlighted in the non-statutory and market consultations in 2012, our focus has been on getting the total package right on the **core backbone network** of city and commuter services.

It should be noted that Bus Éireann cost recovery programme predated the signing of the direct award contract. In 2009, over 100 vehicles were taken out of network (approx 10% of fleet and services) as part of the programme for survival and competitiveness agreed with the shareholder.

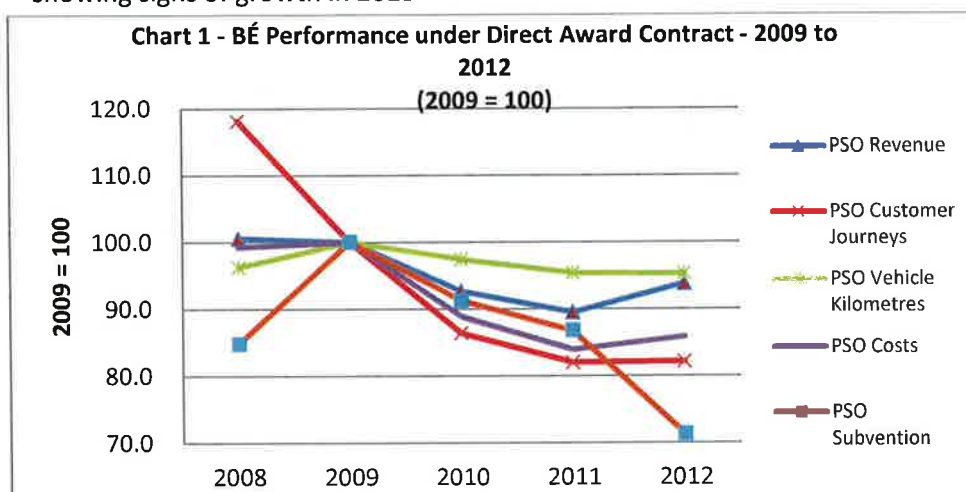
Changes that have been made as part of the PT network reviews since 2010 have attempted to get better return from the remaining resources deployed after the cost recovery programme. The outcome has been improvements in revenue and passenger numbers in 2012 and 2013 without any increase in service levels, while PSO subvention has been reduced by 30% since 2009. The network changes have been undertaken in parallel with

capex funding on Fleet, wifi, shelters, etc) getting the package right on the **core network** of city and commuter services.

These improvements have been made in tandem with significant increases in cost efficiency, and payroll savings achieved in 2013 as part of the labour deal. According to Bus Éireann's quarterly customer charter survey, customer satisfaction has also improved in the last three years.

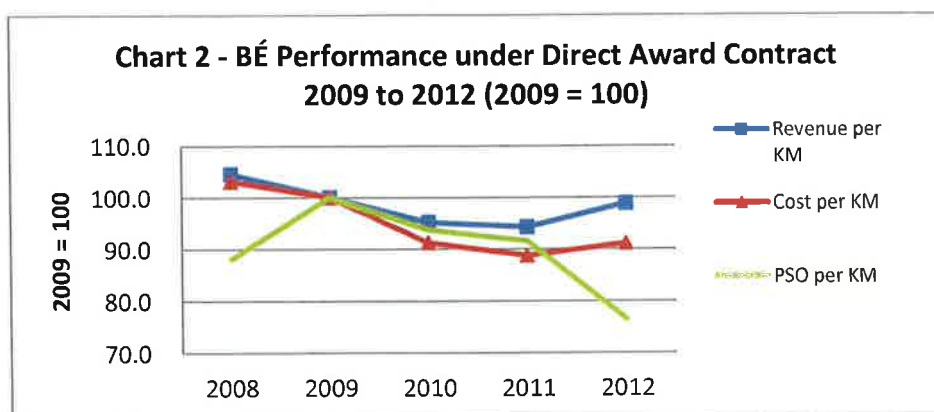
Bus Éireann high level performance indicators under direct award since 2009 show the following:

- PSO subvention has reduced by nearly 30%
- PSO revenue and PSO vehicle kms have only dropped by approx 5%
- PSO costs have dropped by 15%
- PSO customer journeys have reduced by 18% but have stabilised from 2012 and are showing signs of growth in 2013



Bus Éireann's performance improvements when analysed on a "Per KM" are more pronounced:

- Revenue per km stabilised in 2010 and has been growing since 2012, to a position close to 2009 revenue performance
- Cost per km is now just above 90% of what it was in 2009
- PSO subvention is now at less than 80% of what it was back in 2009



Section 2 – Arguments For and Against Competitive Tendering

The NTA are proposing that a hybrid model of regulation is to be adopted in Ireland as follows:

- Direct Award Contract Approach
- Competitive Tendering Approach
- Licensed commercial service approach

It should be noted that, apart from being utilised in Ireland, the Direct Award and public service operator approach is adopted in other EU territories including Flanders and Berlin.

Data quoted in the NTA's consultation pack to measure the benefits of tendering are dated (i.e. pre 2005), relate primarily to large population metropolitan areas, and are focused on the gains achieved in the first round of tendering. The view that there are currently significant benefits to tendering is not supported with evidence. In fact, recent evidence (Van de Velde and Wallis 2012) points to changes to the tendering and deregulation approach because of disappointing outcomes (e.g. Sweden, UK outside London, New Zealand).

It is essential that all of the costs of the proposed measures relating to competitive tendering are taken into account. The additional costs of tendering and management of tendered contracts have not been quantified, and should be included in the cost benefit analysis to the State.

Advantages and Disadvantages of Direct Award

Section 3 of the NTA's consultation pack is a technical report on contract options and identifies the advantages/disadvantages of Direct Award. Overall this is a very limited and negative view of the advantages of Direct Award. In general the main advantages (i.e. the performance improvements identified in previous section and in the NTA consultation pack) have been ignored, and the disadvantages have not been supported by any evidence.

The table below sets out Bus Éireann's views in relation to the advantages and disadvantages cited.

Table 1 – BÉ views on the advantages/disadvantages cited on Direct Award

NTA view of advantages of Direct Award	BÉ comments
<i>Ensures continued integration of services and facilities</i>	Agreed
<i>May postpone need to address asset ownership issues (depots, fleet etc) associated with tendering</i>	These issues will not be avoided if 7/10% of the market is tendered in 2016
<i>Avoids potential industrial relations issues due to transfer of contracts</i>	These issues will not be avoided if 7/10% of the market is tendered in 2016
NTA view of disadvantages	BÉ comments
<i>Potential operating cost savings associated with the competitive tendering process may be foregone</i>	The potential for operating cost savings over and above that achieved under direct award since 2009 (i.e. 15%) have not been proven as

	<p>part of cost benefit analysis</p> <p>NTA state that they will have to increase staff resources to “fully prepare for and undertake a large tendering process or a series of concurrent tender process”. These costs would need to be accounted for</p>
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Advantages and disadvantages of Tendering

Section 3 of the NTA’s consultation pack also identifies the advantages and disadvantages of tendering. Overall this is a very limited view of the benefits or otherwise of tendering, and are not backed up by any evidence. Basically, there is no guarantee that tendering will improve the adequacy of public services in the general economic interest

The table below sets out Bus Éireann’s views in relation to the advantages and disadvantages cited.

Table 2 - BÉ views on the advantages/disadvantages cited on Direct Award

NTA view of advantages	BÉ comments
<i>Potential operating costs savings, allowing more bus services to be provided for a given subvention level</i>	<ul style="list-style-type: none"> • Under direct award, Bus Éireann has managed to minimise the impact of service changes while subvention has reduced by 30% • Direct Award is also being utilised in Berlin and in Flanders and providing positive outcomes • Ignores the scale economy advantages of direct award.
<i>Potential service improvements through increased frequencies or additional services</i>	<ul style="list-style-type: none"> • Tendering in itself would not deliver this – this is not evidenced in Europe. • Direct award has already provided similar outcomes with less subvention required
<i>Economic justification for another Direct Award contract not required</i>	<ul style="list-style-type: none"> • The economic justification has already been made as part of the consultation
NTA view of disadvantages	BÉ comments
<i>Potential need for an operator to have access to depots and other assets from Bus Éireann/CIE to create a level playing field and ensure transparency for new market entrants</i>	<ul style="list-style-type: none"> • These issues will not be avoided if 7/10% of the market is tendered in 2016
<i>Potential industrial relations issues if staff need to transfer depots and/or to new employers</i>	<ul style="list-style-type: none"> • These issues will not be avoided if 7/10% of the market is tendered in 2016. It is assumed that TUPE will apply to the tendered services
<i>Risk of loss of public transport integration. Requirements to protect integration are likely to impose costs on new market entrants and/or the Authority</i>	<ul style="list-style-type: none"> • Not fully clear what is meant here • If additional costs are required for new market entrants (over and above current costs) then surely these need to be acknowledged in the cost benefit analysis

Section 3 of the NTAs consultation document also reviews the international Experience in relation to tendering. In general there are two types of competitive tendering:

- **Route tendering:** This approach is used in London, and in the “Scandinavian Model” for example in Sweden/Copenhagen before they changed their approach in January 2012.
- **Network tendering:** This approach has been utilised in some parts of France and in the Netherlands.

Bus Éireann would not agree with some of the conclusions of this analysis. The high level findings that were put forward in the NTA consultation documents are discussed in the following table:

Table 3 – International Experience with Tendering and BÉ view

NTA view	BE comment
<i>Substantial cost savings are achievable in the first move to competitively services. While these can be eroded with subsequent competitions, unit costs remain below pre-tendering levels. In some cases stricter service specifications in subsequent competitions has eroded the initial savings</i>	<ul style="list-style-type: none"> • All of the comparative analysis relates to the international experience pre 2005 and predates the economic downturn, and the improvements made by Bus Éireann under direct award. Some of the regulatory regimes quoted have changed significantly since 2005. • It is not clear whether costs in question include the cost of administration, cost of marketing, cost of monitoring, cost of policing and so on • No analysis of the impact of tendering between 2009 and 2013 (i.e. period of direct award contract). Evidence would suggest (Van de Velde and Wallis 2012) an overall disappointment with tendering and deregulation in relation customer service, higher than anticipated costs, drops in connectivity and integration and lower than anticipated levels of competition. • Analysis tends to focus on tendering in city services in large metropolitan cities with concentrated population. Tendering may not be as successful across a product mix outside Dublin that includes city, town, commuter and rural stage carriage services • The cost of tendering has not been included as part of an overall cost benefit analysis of tendering
<i>The underlying level of efficiency prior to a move to competitive tendering is a determinant of the scale of savings achieved</i>	<ul style="list-style-type: none"> • Deloitte report 2009 supports the view that Bus Éireann was an efficient and effective compared to international peers prior to the introduction of direct award contract in 2009, notwithstanding the BÉ performance since 2009 • Furthermore, significant improvements have been made under direct award in relation to both effectiveness and efficiency between 2009 and 2013
<i>In general service quality has improved through competition but not in all cases</i>	<ul style="list-style-type: none"> • Service quality and value for money has improved under direct award since 2009 through the partnership approach between NTA and Bus Éireann. • It is not clear that service quality will improve in the Irish setting under competitive tendering

The tendering information presented in the NTA consultation pack (section 2 – Economic analysis of Direct Award Bus Contract outside the Dublin market) is actually now six years old and some regulatory environments have changed fundamentally. For example, in Sweden tendering was found to be unsuccessful. Originally costs declined with tendering but subsequently increased. Operators now apply for commercial based services where the Swedish Public Transport Authority expresses demand for services. Any remaining services are designated as public service obligation services (Hensher, Mulley & Smith; 2011).

The information on efficiency is also predominantly focussed on supply rather than demand indicators for efficiency such as unit cost of production rather than on indicators such as passenger kilometres.

It should also be noted that there is no like for like comparison in relation to Ireland. When it comes to the service and network characteristics there are a lot of variations between the locations mentioned and the Irish context. A one size fits all model is not the best approach to take for Ireland with its unique geographic location and population dispersal.

Van De Velde and Wallis (2012) analysed the experience of deregulation and competitive tendering in the UK outside London, in New Zealand and in Sweden. This analysis highlights some of the problems that have been experienced with tendering or controlled deregulation. For example, between 2005 and 2008 in New Zealand, a full review of tendered services was undertaken and the following problems were identified:

- Difficulties in relation to integration between commercial and contracted services
- The low level of competition for contracted services in both Auckland and Wellington, resulting in high contract costs
- The practice by operators of registering and subsequently withdrawing commercial services as a means of frustrating the tendering process
- Logistical and budgetary difficulties where operators withdraw commercial services at short notice
- Low standards of vehicles used on some commercial services
- The poor reliability and low customer satisfaction with some commercial services
- The incompatibilities between the short-term financial focus of the commercial system and the longer-term wider public transport policy goals

Similar outcomes have been experienced in Sweden and in the UK outside London. This evidence is at odds with some of the findings of the consultation document.

Bus Éireann is of the view that the following factors need to be taken into account when assessing the benefits of competitive tendering or controlled deregulation:

1. **Scale and efficiency** - Under the present direct award contract it is possible to gain maximum scale efficiencies within the operation of the existing Bus Éireann PSO network. Breaking up this network will reduce the level of efficiency which Bus Éireann presently can achieve. It will also impact on the efficiencies achievable by a new operator who tenders for a single route or small network of routes. This will impact on the bottom line costs to the State.

2. **Cost of tendering and expenditure reductions** – As the NTA pointed out in the consultation pack, they currently do not have the resources to cater for full scale tendering. Someone has to pay for the full structure and approach required for tendering. This will probably have to be met by the fare box and the public purse. Furthermore, the clear evidence from London is that in a competitively tendered environment, PSO costs rise. According to KPMG's, "Independent strategic review of the provision of bus services in London" (July 2009), subsidy increased substantially in London from some £41 million in 1999/00 to £653 million in 2007/08. In relation to financial pressures KPMG also noted that *"Looking forward the level of support to operators is projected to be £766m in nominal terms by 2017/18"*.
3. **Additional impact on jobs** – Over and above the operating costs attached to the proposed services to be tendered, a tendered approach will have a significant impact on the economies of scale that Bus Éireann achieves under the current direct award approach. Bus Éireann will have to make adjustments to minimise the impact of this to the company.
4. **Depots and Stations** - The impact of the three proposals have been assessed by Bus Éireann, and while it is difficult to assess at this point, it is clear that benefits of a consistent nationwide approach to depots and station infrastructure will have implications for Bus Éireann, in relation to the provision of PSO services, but also in relation to the provision of Expressway and Schools Transport Scheme services.

Proposed combinations for Tendering

The consultation document puts forward specific combinations for tendering as part of the statutory consultation exercise including:

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

Bus Éireann contends that the loss any of these three combinations will have an impact on the scale economies achieved in its operations and activities remaining under PSC, and these will have to be taken into account in any benchmarking process. These scale economy impacts will include:

- Maintenance, Fleet and Engineering costs
- Operating and logistics costs
- Marketing and customer information

In particular, it is unclear what methodology was used to identify the actual routes, in particular in relation to the routes in the Greater Dublin Area, and/or the financial and operational impact of these routes in relation to the portion of the network that remains under direct award. While all the proposals will be detrimental from an operational perspective, Bus Éireann has identified that:

- The proposals for coastal routes will undermine the viability of maintenance facilities for services operating on other routes that will remain in the direct award contract in the GDA

- In relation to the coastal corridors, removing such high volume routes will undermine the network efficiencies of the Northern and Southern network corridors
- In relation to the Northern corridor, the local operational efficiencies of routes that feed into the core corridor will be undermined
- Scale economies achieved across the direct award contract will be undermined and these costs cannot be absorbed by Bus Éireann

Bus Éireann assumes that transfer of undertaking will apply to those routes and services that are tendered as part of this process, in relation to all staff that are involved in the safe supply and delivery of those services under the contract, including drivers, maintenance staff, support platform staff and administrative support. This would also include activities provided as part of the contract at present in relation to customer information support, bus stop/shelter maintenance. In some cases, voluntary severance funding might be needed for “shared” staff i.e. central admin or support that might now be surplus to requirements. Bus Éireann would also assume that transfer of undertaking has been included in the economic cost impact analysis as part of the regulatory impact analysis. Bus Éireann cannot absorb these costs.

Section 3 – Conclusions and Policy Issues in relation to Public Transport outside Dublin

High standards in PT provision need to be maintained regardless of what regulatory structure is adopted in Ireland. While the current direct award contract stipulates the operating performance targets that Bus Éireann provides under PSO, it does not fully encompass other legal requirements that BE meets in its role as a commercial semi-state as part of the CIE Group – all obligations (NTA and non NTA related) need to be included in any proposed competitive tender.

In an era of austerity and reduced exchequer spending, Bus Éireann contends that the focus should be placed on continuing the significant improvements that have been achieved under direct award contract in the general economic interest, rather than focusing on an experiment that may not produce any further improvements in efficiency and effectiveness. Policy development and implementation and maintaining high performance standards are far more important than regulatory structure in terms of creating modal shift.

The role of PT policy not PT structure in creating modal shift through socially and economically necessary services

Bus Éireann contends that the national PT strategy, not the structure will bring about better PT for the exchequer and the taxpayer. It is clear now that any growth in economic activity in the next decade will require increase in frequency/capacity on the core networks at both peak and off peak, among other emerging requirements. Scalability has been factored into the network design of the services currently under the DAC. Factors to be taken into account when determining what should be in DAC developments:

- Supply meeting demand as the economy rehabilitates
- Focus on the priority social and economic needs that are emerging
- What bus priority measures/traffic management measures are required to support the services
- What customer facing technology requirements are required to support the services
- What accessibility measures are required
- Priority should be given to areas that optimise the VFM and return from exchequer investment for both services and support infrastructure/technology

Bus Éireann contends that, unless priority is placed on defining and agreeing these policy issues, it will not matter what regulatory regime is implemented

Bus Éireann also contends that there are three general areas which can be delivered through a direct award approach in the period 2015 to 2020 in line with economic renewal and expansion in the general economic interest:

- **Core Backbone Network:** Expansion on core network of city and commuter services (Frequency, Capacity etc), supported by the necessary bus priority measures, infrastructure, technology etc

- **Further development** of the urban commuter belt networks (Orbitals, feeders, new commuter demand, pilot initiatives etc) and town services that would complement the backbone network, and would increase both integration and connectivity.
- **BE Stage Carriage - Local and rural transport connectivity to core network:** Ensuring that the BE backbone network can cater for emerging rural and local transport needs (towns, villages and hinterlands) and provide connectivity to the wider national and international PT network. These services would act as an important link to other rural transport proposals and initiatives being planned.

Objectives of the Authority in entering into any public bus services contract

If the objectives of the Authority in relation to public service contracts are reviewed in terms of the regulatory approach most suited to the Irish environment, Bus Éireann contends that direct award outcores both a full competitive tendering and a hybrid regulatory structure. The table below illustrates Bus Éireann's analysis of the three approaches compared to the NTA's stated objectives in relation to public services contracts.

Table 4 – Review of regulatory approaches compared to NTA objectives on Public Service contracts

NTA objectives in relation to public service contracts	Direct Award Contract	Full Competitive Tendering	Mix of Direct Award and Tendering
<i>Ensure the provision of high quality and accessible bus services at best value for money to the Exchequer</i>	<ul style="list-style-type: none"> • Proven within the Irish context • Proven internationally (Flanders, Berlin etc) 	<ul style="list-style-type: none"> • Unproven in an Irish context • Unproven in international context for a similar urban/rural mix • Cost of tendering needs to be quantified 	<ul style="list-style-type: none"> • Unproven in international context • Unproven in international context for a similar urban/rural mix • Potential for controlled benchmarking • Costs of tendering need to be quantified
<i>Enable strong monitoring of, and enforcement of compliance by the contracted operators with the terms of their contract</i>	<ul style="list-style-type: none"> • Proven within the Irish context between 2009 and 2013 (see NTA consultation document section 4) 	<ul style="list-style-type: none"> • Proven in city/metropolitan environment. • Not clear if evidence in a similar urban/rural contract mix 	<ul style="list-style-type: none"> • Currently being tested in some territories across Europe
<i>Improve the customer experience of public transport</i>	<ul style="list-style-type: none"> • Proven within the Irish context (Bus Éireann Customer Charter Quarterly Surveys) 	<ul style="list-style-type: none"> • Variety of outcomes across Europe 	<ul style="list-style-type: none"> • Currently being tested in some territories across Europe
<i>Ensure public transport integration is not compromised</i>	<ul style="list-style-type: none"> • Proven within the Irish context 	<ul style="list-style-type: none"> • Additional costs required by operators and NTA in an Irish context 	<ul style="list-style-type: none"> • Additional costs required by operators and NTA in an Irish context, according to NTA
<i>Be compliant with the Dublin Transport Authority Act, the PTR regulation Act 2009, EC regulation 1370/07 and EU procurement requirements</i>	<ul style="list-style-type: none"> • Proven in an Irish context 	<ul style="list-style-type: none"> • Assumed compliance 	<ul style="list-style-type: none"> • Assumed compliance

Lynn Mahony

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 13:09
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: Competition-Authority-submission-to-the-NTA-2013-public-consultation-regarding-Direct-Award-Contract-to-Dublin-Bus.pdf

From: Han Nie

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

Organisation:
The Competition Authority

Address:
Parnell House, 14 Parnell Square, Dublin 1

Comment:
Dear Sir/Madam,

Please find attached two submissions from the Competition Authority regarding the NTA's public consultation on Proposal to Directly Award a Public Bus Services Contract to Dublin Bus in 2014. I would be grateful if you could confirm a receipt.

If you need further clarification of the submissions, please do not hesitate to contact me. We are happy to meet the NTA to discuss this submission in detail.

Kind Regards

Han Nie

Economist/Case Officer
Advocacy Division
The Competition Authority

Tel: 01 8045418
Email: hn@tca.ie

Uploaded File:
http://www.nationaltransport.ie/wp-content/uploads/wpcf7_uploads/Competition-Authority-submission-to-the-NTA-2013-public-consultation-regarding-Direct-Award-Contract-to-Dublin-Bus.pdf

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Submission to the National Transport Authority

Proposal to Directly Award a Public Bus Services Contract to Dublin Bus in 2014 – Consultation paper

Submission S/13/05

Oct 2013



The Competition Authority
An tÚdarás Iomaíochta

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1. INTRODUCTION

- 1.1 The Competition Authority welcomes the opportunity to make a submission to the public consultation issued by the National Transport Authority ("NTA") on its Proposal to Directly Award a Public Bus Services Contract to Dublin Bus in 2014 ("the Consultation Paper").
- 1.2 The Competition Authority made a submission to the NTA's non-statutory public consultation on future Public Bus Service Contracts in 2012 ("2012 submission").¹ In its 2012 submission, the Competition Authority explained the benefits of competitive tendering compared to another direct award contract and outlined some practical issues associated with implementing competitive tendering.
- 1.3 The NTA proposes in the Consultation Paper that a new contract for the operation of all services covered by the current Public Contract in the Dublin market will be awarded directly to Dublin Bus on 1st December 2014. While the consultation proposes that 10% of the services covered by the current contract will be opened to competitive tender in 2016, **90%** will still be covered by a directly awarded contract for a period of another **five years** until 30th November 2019.
- 1.4 The Competition Authority queries the grounds for the NTA's proposal to grant another direct award contract to Dublin Bus in 2014. It is not clear from the consultation documents that continued adequacy of the public bus passenger services can "only be guaranteed" by another direct award contract to Dublin Bus – the relevant legal test to be applied by the NTA. In the Consultation Paper, the NTA recognises the potential benefits associated with introducing competitive tendering. However, it goes on to propose another direct award contract to Dublin Bus. The rationale behind this decision is not immediately apparent from the consultation documents. Moreover, there is no indication whether the NTA plans to increase the scope of competitive tendering, including the radial and cross city bus services, after 2019.
- 1.5 Elements of the consultation document and of the supporting economic analysis suggest that the decision to leave Dublin Bus with 90% of routes after 2016 is based on regarding Dublin Bus's current resources and overheads as fixed, and then ensuring that the scale of their operations is such as to use those resources efficiently. The point about competitive tendering is that other operators might be able to use those or other resources more efficiently. Fixing the size of the contract to suit Dublin Bus's current scale of operations will not lead to efficiency in the long run. Moreover, accepting as a given that Dublin Bus should continue to operate at its current scale does not appear to be the only way in which the continued adequacy of these services can be guaranteed. This again brings into question whether the legal test for a direct award contract has been met.
- 1.6 The Consultation documents provide little information on why the NTA believes that the orbital routes selected are most suited for competitive tendering in 2016. The documentation suggests that the choice of size and location of routes on which the NTA proposes to initiate competitive tendering in the Dublin bus service market is not influenced by whether those routes are profitable or loss-making. This

¹ <http://www.tca.ie/EN/Promoting-Competition/Submissions/Bus-Service-Contracts.aspx>

creates an information asymmetry between the NTA and Dublin Bus, and between Dublin Bus and potential entrants. The Competition Authority believes that this is a factor that should be examined by the NTA to ensure that it can maximise the benefit associated with effective competitive tendering.

1.7 The Competition Authority welcomes the NTA's acknowledgement of the factors to be considered in maximising the benefits of competitive tendering in its Technical Report on Contract Options. Issues raised by the Competition Authority in its 2012 submission are considered in detail in the Consultation. For example, our comments with regard to the importance of equality of access to infrastructure, maintaining integration, specific service levels and contract type. These are important considerations to be borne in mind in designing an effective tender competition for public bus services.

1.8 In summary, while the Competition Authority welcomes the NTA's proposal to open up some part of the Public Bus Services Contract to competition from 2016, we question the basis for the decision to

- delay the introduction of competitive tenders until 2016, and
- directly award at least 90% of the services to Dublin Bus in 2014 for another five years.

We urge the NTA to reconsider its proposal and allow the introduction of effective competition in the Dublin Bus services sector as early as possible.

2. PROPOSAL TO DIRECTLY AWARD THE CONTRACT

- 2.1 The Competition Authority notes that the NTA has concluded that another directly awarded contract is the only way to provide adequate subsidised public bus services to the public in the Greater Dublin Area ("GDA"). While we welcome the fact that the proposal builds in the possibility of tendering out 10% of the services covered by the current contract in 2016, it is unclear that this will provide sufficient scale to provide for effective competition and it is regrettable that there will not be any competition in the subsidised public bus service sector in the GDA for at least another two years.
- 2.2 The Competition Authority has long advocated for the introduction of competitive tendering for Public Service Obligation ("PSO") bus services in the GDA. It was first recommended in our 1999 report on the "Bus and Rail Passenger Transport Sector". The Government accepted this recommendation in principle and the Dublin Transport Authority Act 2008 ("2008 Act") and the Transport Regulation Act 2009 ("2009 Act") were introduced to facilitate the introduction of competition in the provision of PSO bus services.
- 2.3 The Competition Authority emphasised the benefits of effective competition in the public bus services sector in our 2012 submission. We concluded that *"the competitive tender procedure can actually give the NTA greater power and a stronger framework to achieve [its] goals than a direct award contract"*.² The Competition Authority's conclusion is acknowledged in the Consultation Paper and the Economic Analysis of Direct Award Bus Contract in the Dublin Market prepared by Ernst & Young ("the Economic Analysis Report").
- 2.4 The Consultation Paper acknowledges that *"the clear finding of the literature is that enhanced value for money is available through a move to competitive tendering"*. The Economic Analysis Report also states that *"A further benefit put forward for moving to competitive tendering relates to the potential for enhanced customer service levels. The meta analyses cited above also found evidence of service improvements in the studies reviewed..."*. This suggests that, particularly under the current public finance constraints and given the financial state of CIE group, introducing effective competition in the subsidised public bus service sector is needed now more than any other time. Hence, there should be a solid basis for any decision to directly award another contract to Dublin Bus rather than introducing effective competition in the subsidised public bus services sector.

Has the correct test been applied?

- 2.5 Section 52(6) (c) (ii) of the 2008 Act provides that the NTA can only grant direct award contracts for the provision of public bus services to Dublin Bus, if 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 a direct award contract (emphasis added). This imposes a high standard for any decision not to introduce competition.

² The goals referred to are the NTA's three main objectives of achieving (i) improved service quality, (ii) a more integrated transport system (iii) greater value for taxpayer's money.

- 2.6 The economic justification for another direct award contract to Dublin Bus is not clear from the Consultation Paper. The Consultation Paper states that *"The Authority judged that it was not in the general economic interest of the state for the Authority to determine, [in 2012], that a significant Direct Award contract would be awarded to Dublin Bus given the financial circumstances of the holding CIE Group – the nature of what they could discharge as a company was in question"*. It is not clear to the Competition Authority that the correct standard has been applied to determine the general economic interest. We believe the test to be applied should be consistent with the European Commission's rules on Services of General Economic Interest ("SGEI").
- 2.7 Transport networks are generally considered as SGEI. To comply with European Commission rules on SGEI, as set out in the Commission's *Decision on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with operations of SGEI*, the NTA should take care that PSO bus services operate on the basis of principles and conditions which enable them to fulfil their goals. For example, the level of subsidies to Dublin Bus must be determined on the basis of an analysis of the costs of a typical well-run company.³ The Consultation Paper states that in 2012 the CIE group, of which Dublin Bus is a subsidiary, was in very challenging financial circumstances and required refinancing. However, the Competition Authority believes that the NTA should distinguish between the concept of "the general economic interest" referred to in Section 52(6) (c) (ii) of the 2008 Act and the "general economic interest of the state" referred to in the Consultation Paper. It is not clear that CIE's financial situation is relevant for an assessment of whether another direct award Public Contract to Dublin Bus is in the general economic interest.
- 2.8 The Consultation Paper states that *"The Authority considers that the general economic interest would be best served in the coming 5 years by Dublin Bus retaining a substantial proportion of services, but not all services"*. However, it is unclear from the Consultation Paper how the general economic interest, as opposed to the interests of the CIE Group, could be served by directly awarding the contract to Dublin Bus and delaying the introduction of competition. It may in fact be contrary to the general economic interest, as a directly awarded contract to Dublin Bus on 1st December 2014 could delay the accrual to consumers of the potential benefits associated with introducing competition.
- 2.9 The Competition Authority notes the statement on page 9 of the Consultation Document that *"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 statement is repeated at point 4.4.1 of the Economic Analysis report. This approach assumes that Dublin Bus's costs are fixed, and that, if the scale of its operations is reduced because other, more efficient firms win tenders, it will maintain the same level of resources and overheads but operate less efficiently. We would respectfully submit that the efficiency of Dublin Bus's operations is a matter for its own management, and should not be taken into consideration by the NTA in

³ See for example, the ECJ's decision in Altmark, Case C-280/00

deciding the optimal model for public transport passengers in Dublin. It is up to the company to ensure that its resources and overheads match the level of its operations, rather than being up to the regulator to ensure that the level of operations awarded to the company without competition matches the current resources and overheads.

- 2.10 The argument that the vast majority of routes should remain with Dublin Bus because it would be "easier for the Authority" (p. 10) to manage the integration of the new Luas Cross City light rail route under a direct award contract with the incumbent may not be sufficient. Firstly, it is not clear why it should be easier. Presumably the same information would be available to a new operator as to the incumbent, and the same issues would arise. Secondly, this argument does not appear to meet the "general economic interest" test. Thirdly, accepting that future complexity is a valid reason for not opening up routes to competition would set a bad precedent, as it is likely that any future changes to complementary modes of transport could be used as an excuse to defer competition.
- 2.11 There are significant benefits that have been identified as being associated with introducing competition. These include
- i. financial benefits to consumers through lower fares and/or subvention costs to the Exchequer;
 - ii. improved quality of services and incentives for innovation in service delivery - such as more reliable, punctual services; and
 - iii. improving the bus network to better match consumers' needs and better incentives for the public bus services to integrate into the wider public transport system.⁴

Granting another directly awarded contract to Dublin Bus will further delay realisation of these potential benefits to consumers and harm the general economic interest.

Competition concerns associated with the proposal

- 2.12 A directly awarded contract to Dublin Bus on 1st December 2014 could further entrench Dublin Bus's market position and thereby discourage private firms from expanding the network of licensed commercial routes and entering the competitive tendering market in 2016.
- 2.13 The current Public Contract for Dublin Bus provides competitive advantages to Dublin Bus in the public bus services sector in the GDA. Even though, there are very few licensed commercial routes in the GDA, it is difficult for private firms to compete on licensed commercial routes with Dublin Bus, where its operations are facilitated by its direct subvention from the Exchequer for all PSO routes.⁵ This could hold private operators back from developing and expanding their licensed commercial routes.

⁴ For a detailed analysis of these benefits, please see the Competition Authority's 2012 submission.

⁵ Up to early 2013, Dublin Bus holds five commercial routes licences in the GDA.

- 2.14 If Dublin Bus's monopoly position is guaranteed for another five years by another directly awarded contract of at least 90% of services covered by the current contract, this is likely to further entrench its market position and could discourage interested private firms from entering the market in the long run.
- 2.15 Setting an end date for Dublin Bus's contract on the 10% in 2016, with the possibility that it will lose the routes at that point, may also create adverse incentives for the operator. For instance, if an operator is tied to a route which it considers to be uneconomic, awkward to operate or otherwise undesirable, it may have no interest in bidding for the route at the end of the contract period. In this case the operator may be incentivised to allow quality to diminish during the tail-end of the contract, by running fewer buses, using older or less reliable buses on that route, or allowing punctuality to decline.
- 2.16 On the other hand, if the operator values the routes but fears it may lose out in the tender process, it may seek to safeguard its position by setting up alternative, partly overlapping routes or by improving existing interconnection services, which attract some or all of the passengers away from those routes. In this case the operator would be likely to make such alternative routes or interconnection services more attractive through their frequency, punctuality, better connection with rail services, or closer bus stops, with the aim of undermining the service of the new entrant when it takes over the original route.
- 2.17 The NTA should guard against such activities. It should be vigilant in ensuring that quality is maintained right through to the end of the contract. Furthermore, the NTA should avoid authorising Dublin Bus to set up alternative or near-alternative routes to ones which will be opened out to tender within a specified time.
- 2.18 The proposals set out by the NTA could also have serious implications for the future development of competition in public transport services in the GDA. In our 2012 submission, the Competition Authority advised that *"were the NTA to tender out part of the Public Contract in 2014, it may want to inform the industry that all routes covered by the Public Contracts would be subject to competitive tendering gradually, and within a particular timeframe."* This would encourage more bidders to participate in the auction and to get involved in the Irish public bus transport sector as early as possible.
- 2.19 It is not clear from the consultation documents whether competitive tendering of all services covered by the current Public Bus Contract is on the agenda after 2019. If there is to be further opening of the public bus contract in the Greater Dublin Area from 2019, the NTA needs to set out the steps it will take to achieve this now.
- 2.20 An important part of this would be a commitment to greater accounting separation by Dublin Bus and the CIE group in general. For example, financial information on each route requires Dublin Bus to separate accounts by route, day and time of the day. That information is crucial in deciding the correct route and/or bundle of routes and designing the effective tendering process. The apparent lack of commitment in the Consultation Paper to opening up the market from 2019 could discourage interested bidders from participating in the 2016 tender process.

2.21 In summary, another direct award contract to Dublin Bus in 2014 could

- run contrary to the general economic interest by delaying the realisation of benefits to consumers and the Exchequer associated with competition,
- provide competitive advantage to incumbent operators and discourage private firms from entering the market in 2016,
- create adverse effects on the proposed tendering routes, and
- create uncertainty for incumbent and private operators on the future of competition in the relevant sector.

3. CONCERNS REGARDING THE PROPOSED SIZE AND LOCATION OF THE ROUTES TO BE OPENED TO COMPETITION

- 3.1 The choice of size and location of the routes to be opened to competition is crucial to fostering effective competition. How the bus network is divided among competitors could have serious implications for the introduction of competition into the PSO sector in Ireland in both the medium and long run. It does not appear that the NTA has taken all the necessary steps in determining the size and location of the routes to be opened to competition in 2016.

Only genuine PSO routes should be subsidised

- 3.2 Identifying the true PSO routes is the first and most important element that the NTA should consider in issuing competitive tendering for the subsidised bus services. Funding should be limited to socially necessary and financially unviable public transport services only. Therefore, it is important that the NTA has information on which routes are potentially loss-making and which are potentially profitable. However, the Consultation Paper suggests that the NTA's decision on the size and location of bus routes on which it proposes to initiate competitive tendering in the Dublin bus services market is not informed by whether those routes are profitable or loss-making.
- 3.3 In our 2012 submission, the Competition Authority re-stated that "*in order for a meaningful tender to take place, the NTA has to know which routes are potentially loss-making and which are potentially profitable*". The Competition Authority appreciates that there are other issues which need to be taken into account when considering the size and location of routes on which the NTA proposes to initiate competitive tendering. However, without clear information on the financial status of the services covered by the current Public Contract with Dublin Bus, it is difficult to determine which are genuine PSO routes that should be retained within the Public Contract.
- 3.4 The European Commission state aid rules require that "*The parameters that serve as the basis for calculating compensation to the SGEI must be established in advance in an objective and transparent manner in order to ensure that they do not confer an economic advantage that could favour the recipient undertaking over competing undertakings.*"⁶ This would need to be addressed by the NTA in designing the tender competition(s).
- 3.5 The current Public Contract to Dublin Bus is awarded as a single grant for the provision of a network of services in the GDA. The subsidy is not attributed to specific routes or a specific time of day. Dublin Bus does not provide separated accounts for subsidised routes and profitable routes. Thus, under the current system there is implicit cross-subsidisation between profitable and loss-making routes. Dublin Bus may have more detailed accounting information on the profitability of its routes, however, the Consultation Paper suggests that the NTA does not yet have such information.

⁶ Communication from the Commission-European Union framework for state aid in the form of public service compensation (2011)

- 3.6 The Consultation Paper further suggests that Dublin Bus could participate in the competitive tendering process. Without a separated accounting system, it would be difficult to tell whether Dublin Bus has cross-subsidised the competitively tendered routes with subsidies from the Public Contract. This creates further uncertainty for private operators participating in the tender process. On this basis the NTA should consider excluding Dublin Bus from the tendering process. Dublin Bus could then act as supplier of last resort in the event that there are no suitable competitive bids.
- 3.7 In summary, in the absence of information on each route's profitability,
- the NTA could over-compensate service providers and would not create the correct efficiency driving incentives,
 - Dublin Bus could cross-subsidise competitively tendered routes with subventions intended for their direct award contract routes and create uncertainty for private operators participating in the tender, and
 - it is difficult for the NTA to assess how efficiently either type of route is being run and whether it is possible that competing operators could run the loss-making routes with a lower level of subsidy, or none at all.

Therefore, it is crucial that accounting separation is introduced now to address this information asymmetry. If this issue cannot be addressed in advance of the tendering process, Dublin Bus should perhaps be excluded from the tendering process and act as a supplier of last resort only.

Is 10% enough to generate effective competition?

- 3.8 The Public Consultation states that *"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."* It is not clear to the Competition Authority how the NTA has arrived at the figure of 90% of the current services, as the scale of operation that will remain efficient for Dublin Bus's resources and overheads. It is not clear either that this justification is consonant with the "general economic interest" test, as it suggests that the extent of the subsidised direct award contract should be tailored to Dublin Bus's existing operations, rather than the other way around.
- 3.9 A comparative analysis of subvention levels across Europe outlined by the Economic Analysis Report indicates that, when all State interventions are taken into account, the level of subvention to Dublin Bus is at the upper end of the range. However, the prices of annual tickets in European cities in 2012 shows that Dublin with €1416 is at the top of the range along with London €1246 and Oslo €914. This calls into question whether Dublin Bus is efficient for its resources and overheads with the current scale of operation. Maintaining the current scale of operation may not be the ultimate solution for enhancing Dublin Bus's operational efficiency.
- 3.10 Ensuring that the market places effective competitive pressure on the incumbent operator would limit the ability of Dublin Bus to extract monopoly rents and create incentives for it to increase its efficiency.

Effective competition would push Dublin Bus to be innovative and competitive. This would be beneficial to Dublin Bus in the long run and would better serve the public interest in both the short and longer term.

- 3.11 Even if it is true that Dublin Bus needs 90% of the Public Contract to retain its operational efficiency, without detailed information on the routes, it is not clear whether the 10% routes chosen by the NTA are enough to foster effective competition. Therefore, the NTA should consider opening more than 10% of the bus network to competition in 2016.

Will the routes chosen provide effective competition?

- 3.12 The routes which the NTA proposes for competitive tendering in the Consultation Paper are orbital routes which connect the city suburbs and local routes which operate in and around local centres in the suburbs and outer areas.
- 3.13 The Consultation Document outlines the rationale as being that *"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."* The Competition Authority is surprised to learn that the NTA proposes to tender out routes which have **not** been addressed by the Network Direct project. The NTA envisages that opening the market for these routes could help to reconfigure them. However, it could also create difficulties in identifying appropriate markets for the initial competitive tender process. The Network Direct project provides the NTA with practical knowledge and information regarding the routes covered. It could be more effective to tender out those routes rather than routes on which the NTA has less information to inform the performance specifications of the contracts. Having practical knowledge of the relevant routes could increase the efficiency of the competitive tender and smooth the tendering process. It better empowers the NTA to drive the tendering process to achieve its goals.
- 3.14 The Competition Authority appreciates that the NTA considers that the risks relating to the reconfiguration of public transport services to complement the new cross city light rail route would be greater if radial and cross city bus services were included in a competitive tender package. However, we understand that the NTA and Dublin Bus completed the re-organisation of radial and cross-city routes in 2013 with reconfiguration for the new Luas Cross City light rail route in mind. Even if that is not the case, it should be possible to build a clause into the competitive tender contract such that the tendered routes could be subject to reconfiguration to complement the new Luas Cross City light rail route. In any case, as outlined in paragraph 2.10, it is not clear why the NTA would be at a disadvantage in dealing with a new entrant compared to dealing with Dublin Bus, as presumably the information from the Network Direct project would be available to both.
- 3.15 The Consultation Paper indicates that one of the purposes of tendering out the orbital routes is to allow the NTA to test market pricing and enable benchmarking. However, the Economic Analysis Report points out that these orbital routes have not kept pace with the development of those areas in recent years. It is likely that it would take time for operators (whether incumbent or new entrant) to improve the

efficiency of those services. Therefore, it is unclear whether the orbital routes provide an effective means to benchmark the sector rather than some radial and cross city services.

- 3.16 We understand that another concern in relation to tendering out radial and cross city bus services is the fact that these routes are strongly dependent on existing property held by the CIE group. The Technical Report on Contract Options states that *"The Authority has no statutory powers to ensure depot facilities of those buses purchased pre 2012 would be available to new operator/s."* However, the issue of access to key network facilities, such as depots, bus stations, needs to be addressed by the NTA *ex-ante* in the design of the competitive tendering process if there is to be any prospect of effective competition in the market for PSO bus services in the future.
- 3.17 In its 2012 submission, the Competition Authority states that *"Without a clear decision on how those facilities can be accessed by potential service providers and what the costs of using those facilities are, it is difficult to encourage potential bidders to participate in the tender process."* A clear policy on access to bus network facilities would give confidence to potential entrants that their entry plans are not at risk due to difficulties in securing access to bus stations and enable third party operators to compete on a level playing field.
- 3.18 Although the NTA may not have the power to ensure access to depot facilities or those buses purchased pre 2012, CIE is a state-owned company. The NTA could seek Government support in reaching a solution to address this issue. For example, the UK Competition Commission recommended some measures to the Office of Fair Trading to reduce barriers to entry and expansion in the local bus services market in December 2011.⁷ One of those measures is the Local Bus Services Market Investigation (Access to Bus Stations) Order 2012.⁸ This Order requires local bus operators that manage bus stations to provide access to rival operators on fair, reasonable and non-discriminatory terms and to publish Conditions of Use, which contain, among other things, information about charges and the allocation of stands.⁹
- 3.19 In summary, decisions regarding the size and location of routes for competitive tendering should be informed by whether such routes are profitable or loss-making to ensure that the State can optimise the benefits to be accrued from the competitive tendering process. They should also be of a scale and type that facilitates effective competition to ensure they provide useful price comparison and benchmarking. For these reasons the Competition Authority urges the NTA to reconsider its decision not to open any radial and cross-city bus services to competitive tender.

⁷ UK Competition Commission, Local Bus Service Market Investigation. A Report on the supply of local bus services in the UK December 2011.

⁸ An Order is one of the primary means by which remedies are given effect under the Enterprise Act, and its predecessor, the Fair Trading Act 1973.

⁹ This Order applies to Great Britain excluding any Bus Station which is managed by Transport for London, and any relevant bus station to the extent to which it provides a local bus services within London.

4. COMPETITIVE TENDERING CONSIDERATIONS

- 4.1 The Competition Authority welcomes the NTA's detailed consideration of competitive tendering in its Technical Report on Contract Options. Many aspects of competitive tendering can be used to foster effective competition and achieve the NTA's social and economic objectives outlined in its non-statutory public consultation on future Public Bus Service Contracts in 2012. In our 2012 submission, the Competition Authority states that *"In designing the competitive tender, the NTA should make sure that competitive tendering neither limits the number of potential bidders nor the intensity with which operators compete for these tenders."*
- 4.2 It is important to design the tender process carefully to encourage competition, both in the short and long term, and achieve the desired outcomes. The UK Competition Commission Report on its Local Bus Services Market Investigation 2011 concludes that the way a local transport authority designs tenders and the limited number of potential bidders in some local areas could have adverse effects on competition. Therefore, simply introducing new operators into the sector should not be considered equivalent to introducing effective competition.

Eliminate potential barriers to entry

- 4.3 The way in which a tender competition is designed can help to eliminate deterrents or barriers to entry. In some cases, it could be difficult for private bus operators to link their services with other established services (rail, Luas) or get access to facilities. The NTA needs to ensure that any problems relating to access to car parks, station forecourts, bus stations, specific areas at the side of the road, that may raise with the incumbent operator are solved in advance. It is important that terms of access to those facilities and integrated ticketing are fair, reasonable, and non-discriminatory for all operators.
- 4.4 The Competition Authority agrees with the NTA's conclusion that *"The competition for services has to ensure equal treatment for all tenders and ensure that the incumbent has no advantage."* Equality of access to bus infrastructure is critical in the tendering process. It enables third party operators to compete on a level playing field and gives confidence to potential entrants that their entry plans are not at risk due to difficulties in securing access to bus stations. To facilitate effective competition, it should be clearly outlined in the tender process how those facilities can be accessed by potential operators and what the costs of using those facilities should be. This would eliminate uncertainty for potential bidders and reduce any potential information asymmetry between incumbent and new entrants.
- 4.5 The Competition Authority agrees with the NTA's conclusion that *"Public transport integration (ticketing, fares, passenger information, and network integration) will need to be included as a contractual requirement but it does not preclude competition"*. Ticketing integration is crucial to the effectiveness of the public transport system. The Competition Authority's 2012 submission states that *"the NTA may use competitive tendering to ensure an integrated transport system"*. Consumer uncertainty regarding tickets and prices for new operators within the transport network would undermine competition and ultimately the effectiveness of the public transport system.

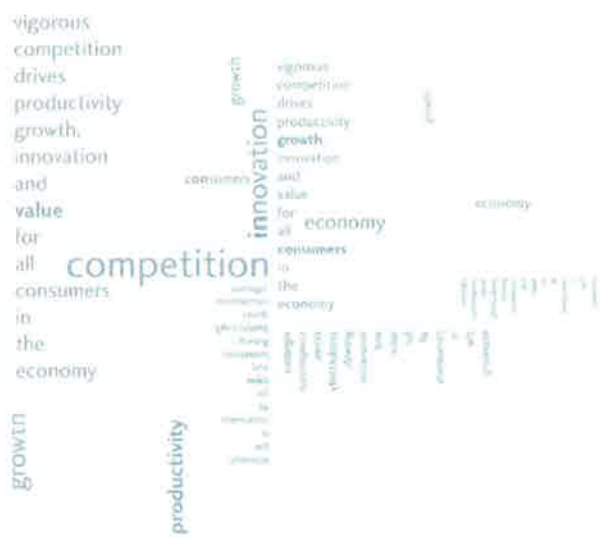
Ensuring a properly integrated transport system – where the costs to new entrants are fair, reasonable and non-discriminatory - could therefore eliminate barriers to entry and allow entrants to compete efficiently with the incumbent operator.

Route bundles should be sized to encourage new operator participation

- 4.6 The Economic Analysis Report states that *"the specific bundles which are tendered should be selected so as to maximise the level of market interest and thereby increase the level of savings and enhanced customer service available."*
- 4.7 In our 2012 submission, the Competition Authority states that *"Bundled contracts usually allow some efficiency in operation. For example, bundled routes can allow operators to use vehicles efficiently across different contracts. However, smaller operators may not have the capacity to compete for large contracts. In the early years of the introduction of competition, single route or small bundles of routes may be designed so that they only require a small number of vehicles to operate, thereby allowing small companies to compete. In contrast, to attract big international companies, the NTA might want to divide the network into few sub-networks geographically."*
- 4.8 The Economic Analysis Report states that the findings of the NTA's 2012 non-statutory consultation show that Irish operators typically want a smaller bundle of routes than international operators. Conversely, international companies tend to be interested in a larger bundle size compared to national operators. These industry responses are consistent with our 2012 submission. However, it is important that the sizes of the bundles offered are carefully designed to encourage effective competition, both in the short and long term, to achieve the desired outcomes of the competitive tendering process.

Contract Specification

- 4.9 The Competition Authority supports the NTA's proposal that "The Authority will maintain a fairly tight contractual specification of required service (routes, frequencies and so forth)". The Competition Authority 2012 submission states that *"Clear contracting terms and monitoring schemes for evaluating the performance delivered in exchange for public funds is vital during the process of competitive tendering"*. Inadequate service specification, effective collusion (cartels) by the leading operators during the tendering process, and poor ex-post control on contract execution can lead to fewer and fewer bidders over time. Therefore, it is important that the NTA is active in identifying insufficient performance where it occurs, and applies effective sanctions. This is vital to secure the NTA's credibility and effectiveness of the contracts.
- 4.10 In summary, the NTA should make sure that competitive tendering neither limits the number of potential bidders, nor the intensity with which operators compete for these tenders.



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Submission to the National Transport Authority

Proposal to Directly Award a Public Bus Services Contract to Bus Éireann in 2014 – Consultation paper

Submission S/13/06

Oct 2013



The Competition Authority
An tÚdarás Iomaíochta

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1. INTRODUCTION

- 1.1 The Competition Authority welcomes the opportunity to make a submission to the public consultation issued by the National Transport Authority ("NTA") on its Proposal to Directly Award a Public Bus Services Contract to Bus Éireann in 2014 ("the Consultation Paper").
- 1.2 The Competition Authority made a submission to the NTA's non-statutory public consultation on future public bus service contracts in 2012 ("2012 submission").¹ In its 2012 submission, the Competition Authority explained the benefits of competitive tendering compared to another direct award contract and outlined some practical issues associated with implementing competitive tendering.
- 1.3 The NTA proposes in the Consultation Paper that a new contract for the operation of all services covered by the current Public Contract outside the Dublin Area will be awarded directly to Bus Éireann on 1st December 2014. While the consultation proposed that 7 to 10% of the services covered by the current contract will be opened to competitive tendering in 2016, **90 to 93%** will still be covered by a directly awarded contract for a period of another **five years** until 30th November 2019.
- 1.4 The Competition Authority queries the grounds for the NTA's proposal to grant another direct award contract to Bus Éireann in 2014. It is not clear from the consultation documents that continued adequacy of the public bus passenger services can "only be guaranteed" by another direct award contract to Bus Éireann – the relevant legal test to be applied by the NTA. In the Consultation Paper, the NTA recognises the potential benefits associated with introducing competitive tendering. However, it goes on to propose another directly awarded contract to Bus Éireann. The rationale behind this decision is not immediately apparent from the consultation documents. Moreover, there is no indication whether the NTA plans to increase the scope of competitive tendering, including the rest of the 90 to 93% of services outside Dublin after 2019.
- 1.5 Elements of the consultation document and of the supporting economic analysis suggest that the decision to leave Bus Éireann with 90 to 93% of routes after 2016 is based, in part, on potential difficulties that Bus Éireann would face in managing a downsizing of its operations. The Competition Authority would suggest that that is an issue for Bus Éireann management, rather than the regulator. The criterion for direct award is that this must be the only way in which the continued adequacy of the public bus services to which the contracts relate can be guaranteed. Options for ensuring the continued adequacy of the services other than through a direct award contract to Bus Éireann do not appear to have been considered.
- 1.6 The consultation documents provide little information on why the NTA believes that city services in Waterford, some city services in Cork, some rural stage carriage services in the south east region and certain Dublin commuter services are most suited for competitive tendering in 2016. The documentation suggests that the choice of routes on which the NTA proposes to initiate competitive tendering outside the Dublin

¹ <http://www.tca.ie/EN/Promoting-Competition/Submissions/Bus-Service-Contracts.aspx>

area is not informed by whether those services are profitable or loss-making. This creates an information asymmetry between the NTA and Bus Éireann, and between Bus Éireann and potential entrants. Although there are more private operators providing non-PSO services outside the Dublin Area than there are within the Greater Dublin Area, information asymmetry still raises competition concerns for services covered by the Public Contract, especially in urban areas. The Competition Authority believes that this is a factor that should be examined by the NTA to ensure that it can maximise the benefit associated with effective competitive tendering.

- 1.7 The Competition Authority welcomes the NTA's acknowledgement of the factors to be considered in maximising the benefits of competitive tendering in its Technical Report on Contract Options. Issues raised by the Competition Authority in its 2012 submission are considered in detail in the Consultation. For example, equality of access to infrastructure, maintaining integration, specific service levels and contract type. These are important considerations to be borne in mind in designing an effective tender competition for public bus services.
- 1.8 In summary, while the Competition Authority welcomes the NTA's proposal to open up some part of the Public Bus Services Contract to competition from 2016, we question the basis for the decision to
 - delay the introduction of competitive tenders until 2016, and
 - directly award 90 to 93% of the services to Bus Éireann in 2014 for another five years.

We urge the NTA to reconsider its proposal and allow the introduction of effective competition in the provision of bus services outside Dublin as early as possible.

2. PROPOSAL TO DIRECTLY AWARD THE CONTRACT

- 2.1 The Competition Authority notes that the NTA has concluded that another direct award contract is the only way to provide adequate subsidised public bus services outside the Dublin area. While we welcome the fact that the proposal builds in the possibility of tendering out 7 to 10% of the bus services covered by the current contract in 2016, it is unclear that this will provide sufficient scale to provide for effective competition and regrettable that there will not be any competition in the subsidised public bus service sector outside Dublin for at least another two years.
- 2.2 Although the Competition Authority has not made recommendations regarding the introduction of competitive tendering for Public Service Obligation ("PSO") bus services outside the Dublin area, we have always advocated the competitive tendering of PSO services in general.
- 2.3 The Competition Authority emphasised the benefits of effective competition in the public bus services sector in our 2012 submission. We concluded that *"the competitive tender procedure can actually give the NTA greater power and a stronger framework to achieve [its] goals than a direct award contract"*.² The Competition Authority's conclusion is further acknowledged in the Consultation Paper and the Economic analysis of Direct Award Bus Contract outside the Dublin Market prepared by Ernst & Young ("the Economic Analysis Report").
- 2.4 The Consultation Paper acknowledges that *"the clear finding of the literature is that enhanced value for money is available through a move to competitive tendering"*. The Economic Analysis Report also states that *"A further benefit put forward for moving to competitive tendering relates to the potential for enhanced customer service levels. The meta analyses cited above also found evidence of service improvements in the studies reviewed..."*. This suggests that particularly under the current public finance constraints and given the financial state of the CIÉ Group, introducing effective competition in the subsidised public bus service sector is needed now more than any other time. Hence, there should be a solid basis for any decision in favour of granting another direct award contract to Bus Éireann over introducing effective competition in the subsidised public bus services.

Has the correct test been applied?

- 2.5 Section 52(6) (c) (ii) of the Dublin Transport Authority 2008 Act provides that the NTA can only grant direct award contracts for the provision of public bus services to Bus Éireann, if 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 a direct award contract (emphasis added). This imposes a high standard for any decision not to introduce competition.
- 2.6 The economic justification for another direct award contract to Bus Éireann is not clear from the Consultation Paper. The Consultation Paper states that *"The Authority judged that it was not in the general economic interest of the state for the Authority to determine, [in*

² The goals referred to are the NTA's three main objectives of achieving (i) improved service quality, (ii) a more integrated transport system (iii) greater value for taxpayer's money.

2012], that a significant Direct Award contract would be awarded to Bus Éireann given the financial circumstances of the holding CIÉ Group – the nature of what they could discharge as a company was in question”. It is not clear to the Competition Authority that the correct standard has been applied to determine the general economic interest. We believe that the test to be applied should be consistent with the European Commission’s rules on Services of General Economic Interest (“SGEI”).

- 2.7 Transport networks are generally considered as SGEI. To comply with European Commission rules on SGEI, as outlined in the Commission’s *Decision on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with operations of SGEI*, the NTA should take care that PSO bus services operate on the basis of principles and conditions which enable them to fulfil their goals.³ For example, it is important that the level of subsidies to Bus Éireann be determined on the basis of an analysis of the costs of a typical well-run company.⁴ The Consultation Paper states that in 2012 the CIÉ Group, of which Bus Éireann is a subsidiary, was “in very challenging financial circumstances and required refinancing”. However, the Competition Authority believes that the NTA should distinguish between the concept of “the general economic interest” referred to in Section 52(6) (c) (ii) of the 2008 Act and the “general economic interest of the state” referred to in the Consultation Paper. It is not clear that CIÉ’s financial situation is relevant for an assessment of whether another direct award contract to Bus Éireann is in the general economic interest.
- 2.8 The Consultation Paper states that “The Authority considers that the general economic interest would be best served in the coming 5 years by Bus Éireann retaining a substantial proportion of services, but not all services”. However, it is unclear from the Consultation Paper how the general economic interest, as opposed to the interests of the CIÉ Group, could be served by directly awarding the contract to Bus Éireann and delaying the introduction of competition. It may in fact be contrary to the general economic interest, as a directly awarded contract to Bus Éireann on 1st December 2014 could delay the accrual to consumers of the potential benefits associated with introducing competition.
- 2.9 The Competition Authority notes the statement on page 10 of the Consultation Paper that “...the re-structuring of many services is on-going and the interface with rural transport services is currently being examined in detail, all of which are assisted by having a knowledgeable incumbent.” Network industries are known to be prone to information asymmetries. However, we would submit that one of the tasks of the regulator should be to make as much information as possible widely available to potential market players, so that the regulator is not as dependent on the incumbent to provide it with the information it needs to operate. The provision of information to the regulator should be independent of the decision to award contracts to the incumbent or a new entrant.

³ Commission Decision of 20 December 2011 on the Application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest

⁴ Altmark Judgement, Case C-280/00

- 2.10 The same paragraph also states that *"The Authority considers it is in the public interest to leave Bus Éireann with a scale of operation which remains efficient for the company's resources and overheads."* This approach assumes that Bus Éireann's costs are fixed, and that, if the scale of its operations is reduced because other, more efficient firms win tenders, it will maintain the same level of resources and overheads but operate less efficiently. Again, we would respectfully submit that the efficiency of Bus Éireann's operations is a matter for its own management, and should not be taken into consideration by the NTA in deciding the optimal model for public transport passengers in Ireland. It is up to the company to ensure that its resources and overheads match the level of its operations, rather than being up to the regulator to ensure that the level of operations awarded to the company without competition matches the current resources and overheads.
- 2.11 The argument that the vast majority of routes should remain with Bus Éireann because the current service would be considered to be of good quality by international standards may not be sufficient. The quality offered by new entrants might be better. In addition, the fact that the current quality of service is considered adequate does not appear to meet the "general economic interest" test.
- 2.12 There are significant benefits that have been identified as being associated with introducing competition. These include
- (i) financial benefits to consumers through lower fares and/or to subvention costs to the Exchequer;
 - (ii) improved quality of services and incentives for innovation in service delivery - such as more reliable, punctual services and
 - (iii) improving the bus network to better match consumers' needs and better incentives for the public bus services to integrate into the wider public transport system.⁵

Granting another directly awarded contract to Bus Éireann will further delay realisation of these potential benefits to consumers and harm the general economic interest.

Competition concerns associated with the proposal

- 2.13 A directly awarded contract to Bus Éireann on 1st December 2014 could further entrench Bus Éireann's market position and therefore discourage private firms from expanding the network of licensed commercial routes and entering the competitive tendering market in 2016.
- 2.14 The current Public Contract for Bus Éireann provides competitive advantages to Bus Éireann in the public bus services sector outside Dublin. It is difficult for private firms to compete with Bus Éireann in the licensed commercial routes, where its operations are facilitated by its direct subvention from the Exchequer for the PSO services. This could hold private operators back from developing and expanding their licensed commercial routes.

⁵ For detailed analysis of these benefits, please see the Competition Authority's 2012 submission.

- 2.15 If Bus Éireann's position is guaranteed for another five years by another directly awarded contract of at least 93% of services covered by the current contract, this is likely to further entrench its market position and discourage interested private firms from entering the market in the long run.
- 2.16 Setting an end date for Bus Éireann's contract on the 7% to 10% in 2016, with the possibility that it will lose the contract at that point, may also create adverse incentives for the operator. For instance, if an operator is tied to a route which it considers to be uneconomic, awkward to operate or otherwise undesirable, it may have no interest in bidding for the route at the end of the contract period. In this case the operator may be incentivised to allow quality to diminish during the tail-end of the contract, by running fewer buses, using older or less reliable buses on that route, or allowing punctuality to decline.
- 2.17 On the other hand, if the operator values the routes but fears it may lose out in the tender process, it may seek to safeguard its position by setting up an alternative, partly overlapping routes or by improving existing interconnection services, which attract some or all of the passengers away from those routes. In this case the operator would be likely to make such alternative routes or interconnection services more attractive through their frequency, punctuality, better connection with rail services, or closer bus stops, with the aim of undermining the service of the new entrant when it takes over the original route.
- 2.18 The NTA should guard against such activities. It should be vigilant in ensuring that quality is maintained right through to the end of the contract. Furthermore, the NTA should avoid authorising Bus Éireann to set up alternative or near-alternative routes to ones which will be opened out to tender within a specified time.
- 2.19 The proposal to grant another five year direct award contract to Bus Éireann on 1st December 2014 could also have serious implications for the future development of competition in public transport services outside Dublin. In our 2012 submission, the Competition Authority advised that *"For example, were the NTA to tender out part of the Public Contract in 2014, it may want to inform the industry that all routes covered by the Public Contracts would be subject to competitive tendering gradually, and within a particular timeframe."* This would encourage more bidders to participate in the auction and to get involved in the Irish public bus transport sector as early as possible.
- 2.20 It is not clear from the Consultation Paper whether competitive tendering of all services covered by the current Public Bus Contract is on the agenda after 2019. If there is to be further opening of the public bus contract outside Dublin from 2019, the NTA needs to set out the steps it will take to achieve this now.
- 2.21 An important part of this would be a commitment to greater accounting separation by Bus Éireann and the CIÉ Group in general. For example, financial information on each route requires Bus Éireann to separate accounts by route, day and time of the day. That information is crucial in deciding the correct routes and/or bundle of routes and designing the effective tendering process. The apparent lack of commitment in the Consultation Paper to opening up the

market from 2019 could discourage any interested bidders from participating in the 2016 tender process.

2.22 In summary, another direct award contract to Bus Éireann in 2014 could

- run contrary to the general economic interest by delaying the realisation of benefits to consumers and the Exchequer associated with competition,
- provide competitive advantage to the incumbent operator and discourage private firms from entering the market in 2016,
- create adverse effects on the proposed tendering routes, and
- create uncertainty for incumbent and private operators on the future of competition policy in the sector.

3. CONCERNS REGARDING THE PROPOSED SIZE AND LOCATION OF ROUTES TO BE OPENED TO COMPETITION

- 3.1 The choice of size and location of the routes to be opened to competition are crucial to fostering effective competition. How the bus network is divided among competitors could have serious implications for the introduction of competition into the PSO sector in Ireland in both the medium and long run. It does not appear that the NTA has taken all the necessary steps to determine the size and location of the routes to be opened to competition in 2016.

Only genuine PSO routes should be subsidised

- 3.2 Identifying true PSO routes is the first and most important element that the NTA should consider when issuing competitive tenders for the subsidised bus services. Funding should be limited to socially necessary and financially unviable public transport services only. Therefore, it is important that the NTA has information on which routes are potentially loss-making and which are potentially profitable.
- 3.3 The Consultation Paper suggests that the NTA's decision on the size and location of bus routes on which it proposes to initiate competitive tendering is not informed by whether those routes are profitable or loss-making. In absence of such information, it is unclear the proposed routes are the most appropriate ones to be opened to competition in 2016.
- 3.4 In our 2012 submission, the Competition Authority re-stated that *"in order for a meaningful tender to take place, the NTA has to know which routes are potentially loss-making and which are potentially profitable"*. The Competition Authority appreciates that there are other issues which need to be taken into account when considering the size and location of routes on which the NTA proposes to initiate competitive tendering. However, without clear information on the financial status of the services covered by the current Public Contract with Bus Éireann, it is very difficult to determine which are genuine PSO routes that should be retained within the Public Contract.
- 3.5 The European Commission state aid rules require that *"The parameters that serve as the basis for calculating compensation to the SGEI must be established in advance in an objective and transparent manner in order to ensure that they do not confer an economic advantage that could favour the recipient undertaking over competing undertakings."*⁶ This would need to be addressed by the NTA in designing the tender competition(s).
- 3.6 The current Public Contract to Bus Éireann is awarded as a single grant for the provision of PSO services outside Dublin, and the subsidy is not attributed to specific routes or a specific time of day. Bus Éireann does not provide separated accounts for subsidised routes and profitable routes. Thus, under the current system, there is implicit cross-subsidisation between its PSO services and its commercial services.

⁶ Communication from the Commission-European Union framework for state aid in the form of public service compensation(2011)

Bus Éireann may have more detailed accounting information on the profitability of its routes however, the Consultation Paper suggests the NTA does not yet have such information. This is important because it raises the question of whether some of these services need subsidisation at all. The fact that, as noted on page 11 of the Consultation Paper, commercial operators of city bus services already have a significant presence in Galway and Waterford raises questions as to the extent to which the market would supply some of these routes in the absence of a subsidy.

- 3.7 The Consultation Paper further suggests that Bus Éireann could participate in the competitive tendering process. Without a separated accounting system, it would be difficult to tell whether Bus Éireann has cross-subsidised the competitively tendered routes with subsidies from the Public Contract. This creates further uncertainty for private operators participating in the tender process. On this basis the NTA should consider excluding Bus Éireann from the tendering process. Bus Éireann could then act as supplier of last resort in the event that there are no suitable competitive bids.
- 3.8 In summary, in the absence of information on each route's profitability
- the NTA could over-compensate service providers and would not create the correct efficiency driving incentives,
 - Bus Éireann could cross-subsidise competitively tendered routes with subventions intended for their direct award contract routes and create uncertainty for private operators participating in the tender, and
 - it is difficult for the NTA to assess how efficiently either type of route is being run and whether it is possible that competing operators could run the loss-making routes with a lower level of subsidy, or none at all.

Therefore, it is crucial that accounting separation is introduced now to address this information asymmetry. If this issue cannot be addressed in advance of the tendering process, Bus Éireann should perhaps be excluded from the tendering process and act as a supplier of last resort only.

Is 7-10% enough to generate effective competition?

- 3.9 The Public Consultation further states that *"The Authority considers it is in the public interest to leave Bus Éireann with a scale of operation which remains efficient for the company's resources and overheads."* It is not clear to the Competition Authority how the NTA has arrived at the figure 90 to 93% of the current services, as the scale of operation that will remain efficient for Bus Éireann's resources and overheads. In addition, as previously noted, the Competition Authority's view is that the level of PSO subsidy should not be determined on the basis of Bus Éireann's current level of costs.
- 3.10 The Economic Analysis Report shows that Bus Éireann has incurred a deficit in net terms since the 2009 Public Contract. This calls into question whether Bus Éireann is currently efficient for its resources and overheads with the present scale of operation. Maintaining the current

scale of operation may not be the optimal means for enhancing Bus Éireann's operational efficiency.

- 3.11 Ensuring that the market places effective competitive pressure on the incumbent operator could create incentives for it to increase its efficiency. Effective competition would push Bus Éireann to be innovative and competitive. This would be beneficial to Bus Éireann in the long run and would better serve the public interest in both the short and longer term.
- 3.12 Even if it is true that Bus Éireann needs 90 to 93% of the Public Contract to retain its operational efficiency, without detailed information on the routes, it is not clear whether the 7% to 10% routes chosen by the NTA is enough to foster effective competition.
- 3.13 The Economic Analysis Report further states that "*According to analysis by the NTA there is value in introducing competition in the bus services market outside Dublin while maintaining a smaller Direct Award Contract to Bus Éireann.*" The NTA's decision to keep 90 to 93% Direct Award Contract to Bus Éireann is inconsistent with the above conclusion. Furthermore, there is no indication on further downsizing of the Direct Award Contract to Bus Éireann in medium to long term.
- 3.14 The Competition Authority believes that it is feasible for the NTA to introducing competition in the majority of bus services outside the Greater Dublin Area which is covered by the current Public Contract, rather than only 7 - 10% of those services. In our view, it is not clear from the Consultation Paper how this figure was arrived at.

Will the routes chosen provide effective competition?

- 3.15 The routes which the NTA proposes for competitive tendering in the Consultation Paper are city services in Waterford, some city services in Cork, some rural stage carriage services in the south east region and certain Dublin commuter services.
- 3.16 There are significant PSO bus operations in four cities outside Dublin, Cork, Galway, Limerick and Waterford. As outlined by the Consultation Document, commercial operators of city bus services already have a significant presence in Galway and Waterford. However, the paper also notes that 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. It is not clear, therefore, why Galway and Limerick are subsequently ruled out, while Waterford and parts of Cork are chosen instead.
- 3.17 The Consultation Paper indicates that tendering Cork city services is challenging because Cork city services comprise almost 20% of the Bus Éireann PSO operations, and that, therefore, tendering Cork city services could trigger a need for additional PSO subsidy. Given the purpose of the whole PSO scheme, it is difficult to understand why Bus Éireann should be given more money to provide fewer services. Again, it appears that the economic interest of the incumbent is being confused with the general economic interest.
- 3.18 In general, little rationale is provided as to why particular routes have been selected for tendering options. The paper notes that the

reorganisation of rural transport and PSO stage carriage services has only been undertaken in the South East region, so that this region is seen as the only realistic candidate for tendering of PSO stage carriage services at this time. It is not clear why operators other than the incumbent could not be involved in the reorganisation of such services. Similarly, the reasons why the Dublin coastal commuter route would be better suited to tendering than others are not stated.

- 3.19 We understand the NTA's concern that the issue of access to existing property held by CIÉ Group could raise difficulties during the tender process. The Technical Report on Contract Options states that *"The Authority has no statutory powers to ensure depot facilities of those buses purchased pre2012 would be available to new operator/s."* However, access to key network facilities, such as depots, bus stations, need to be addressed by the NTA *ex-ante* if there is to be any prospect of effective competition in the market for PSO bus services in the future.
- 3.20 In its 2012 submission, the Competition Authority states that *"Without a clear decision on how those facilities can be accessed by potential service providers and what the costs of using those facilities are, it is difficult to encourage potential bidders to participate in the tender process."* A clear policy on access to bus network facilities would give confidence to potential entrants that their entry plans are not at risk due to difficulties in securing access to bus stations and enable third party operators to compete on a level playing field.
- 3.21 Although the NTA may not have the power to ensure access to depot facilities or those buses purchased pre 2012, CIÉ is a state-owned company. The NTA could seek Government support in reaching a mutual solution to address this issue. For example, the UK Competition Commission recommended some measures to the Officer for Fair Trading to reduce barriers to entry and expansion in the local bus services market in December 2011.⁷ One of those measures is the Local Bus Services Market Investigation (Access to Bus Stations) Order 2012.⁸ This Order requires local bus operators that manage bus stations to provide access to rival operators on fair, reasonable and non-discriminatory terms and to publish Conditions of Use, which contain, among other things, information about charges and the allocation of stands.⁹
- 3.22 In summary, decisions regarding the size and location of routes for competitive tendering should be informed by whether such routes are profitable or loss-making to ensure that the State can optimise the benefits to be accrued from the competitive tendering process. They should also be of a scale and type that facilitates effective competition to ensure they provide useful price comparison and benchmarking. For these reasons the Competition Authority urges the NTA to reconsider its decision to open more Bus Éireann PSO services for competitive tender.

⁷ UK Competition Commission, Local Bus Service Market Investigation. A Report on the supply of local bus services in the UK December 2011.

⁸An Order is one of the primary means by which remedies are given effect under the Enterprise Act, and its predecessor, the Fair Trading Act 1973.

⁹This Order applies to Great Britain excluding any Bus Station which is managed by Transport for London, and any relevant bus station to the extent to which it provides a local bus services within London.

4. COMPETITIVE TENDERING CONSIDERATIONS

- 4.1 The Competition Authority welcomes the NTA's detailed consideration of competitive tendering in its Technical Report on Contract Options. Many aspects of competitive tendering can be used to foster effective competition and achieve the NTA's social and economic objectives outlined in its non-statutory public consultation on future Public Bus Service Contracts in 2012. In our 2012 submission, the Competition Authority states that *"In designing the competitive tender, the NTA should make sure that competitive tendering neither limits the number of potential bidders nor the intensity with which operators compete for these tenders."*
- 4.2 It is important to design the tender process carefully to encourage competition, both in the short and long term, and achieve the desired outcomes. The UK Competition Commission Report on its Local Bus Services Market Investigation 2011 concludes that the way a local transport authority designs tenders and the limited number of potential bidders in some local areas could have adverse effects on competition. Therefore, simply introducing new operators into the sector should not be considered equivalent to introducing effective competition.

Eliminate potential barriers to entry

- 4.3 The way in which a tender competition is designed can help to eliminate deterrents or barriers to entry. In some cases, it could be difficult for private bus operators to link their services with other established services (rail) or get access to facilities. The NTA needs to ensure that any problems relating to access to car parks, station forecourts, bus stations, specific areas at the side of the road, that may raise with the incumbent operator are solved in advance. It is important that terms of access to those facilities and integrated ticketing are fair, reasonable, and non-discriminatory for all operators.
- 4.4 The Competition Authority agrees with the NTA's conclusion that *"The competition for services has to ensure equal treatment for all tenders and ensure that the incumbent has no advantage."* Equality of access to bus infrastructure is critical in the tendering process. It enables third party operators to compete on a level playing field and gives confidence to potential entrants that their entry plans are not at risk due to difficulties in securing access to bus stations. To facilitate effective competition, it should be clearly outlined in the tender process how those facilities can be accessed by potential operators and what the costs of using those facilities should be. This would eliminate uncertainty for potential bidders and reduce any potential information asymmetry between incumbent and new entrants.
- 4.5 The Competition Authority agrees with the NTA's conclusion that *"Public transport integration (ticketing, fares, passenger information, and network integration) will need to be included as a contractual requirement but it does not preclude competition"*. Ticketing integration is crucial to the effectiveness of the public transport system. The Competition Authority's 2012 submission states that *"the NTA may use competitive tendering to ensure an integrated transport system"*. Consumer uncertainty regarding tickets and prices for new operators within the transport network would undermine competition and ultimately the effectiveness of the public transport system.

Ensuring a properly integrated transport system –where the costs to the new entrants are fair, reasonable and non-discriminatory - could therefore eliminate barriers to entry and allow entrants to compete efficiently with the incumbent operator.

Route bundles should be sized to encourage new operator participation

- 4.6 The Economic Analysis Report states that *"the specific bundles which are tendered should be selected so as to maximise the level of market interest and thereby increase the level of savings and enhanced customer service available."*
- 4.7 In our 2012 submission, the Competition Authority states that *"Bundled contracts usually allow some efficiency in operation. For example, bundled routes can allow operators to use vehicles efficiently across different contracts. However, smaller operators may not have the capacity to compete for large contracts. In the early years of the introduction of competition, single route or small bundles of routes may be designed so that they only require a small number of vehicles to operate, thereby allowing small companies to compete. In contrast, to attract big international companies, the NTA might want to divide the network into few sub-networks geographically."*
- 4.8 The Economic Analysis Report states that the findings of the NTA's 2012 non-statutory consultation show that Irish operators typically want a smaller bundle of routes than international operators. Conversely, international companies tend to be interested in a larger bundle size compared to national operators. These industry responses are consistent with our 2012 submission. However, it is important that the sizes of the bundles offered are carefully designed to encourage effective competition, both in the short and long term, to achieve the desired outcomes of the competitive tendering process.

Contract Specification

- 4.9 The Competition Authority supports the NTA's proposal that *"The Authority will maintain a fairly tight contractual specification of required service (routes, frequencies and so forth)".* The Competition Authority 2012 submission states that *"Clear contracting terms and monitoring schemes for evaluating the performance delivered in exchange for public funds is vital during the process of competitive tendering".* Inadequate service specification, effective collusion (cartels) by the leading operators during the tendering process, and poor ex-post control on contract execution can lead to fewer and fewer bidders over time. Therefore, it is important that the NTA is active in identifying insufficient performance where it occurs, and applies effective sanctions. This is vital to secure the NTA's credibility and effectiveness of the contracts.
- 4.10 In summary, the NTA should make sure that competitive tendering neither limits the number of potential bidders, nor the intensity with which operators compete for these tenders.

The Competition Authority, Parnell House, 14, Parnell Square, Dublin 1, Ireland
Tel: +353 (0)1 8045400 LoCall 1890 220224 e-mail: info@tca.ie

Lynn Mahony

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 13:41
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-NTA-Bus-Market-Consultation-2013.pdf

From: Tim Hayes

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

Organisation:
Chartered Institute of Logistics and Transport

Address:
1 Fitzwilliam Place, Dublin 2

Comment:
On behalf of the Policy Committee of the Chartered Institute of Logistics and Transport I attach

"SUBMISSION FROM THE CHARTERED INSTITUTE OF LOGISTICS AND TRANSPORT IN IRELAND TO THE NATIONAL TRANSPORT AUTHORITY'S PUBLIC CONSULTATION IN RESPECT OF PUBLIC BUS SERVICE CONTRACTS"

Regards,

Tim Hayes

Uploaded File:
http://www.nationaltransport.ie/wp-content/uploads/wpcf7_uploads/Submission-on-NTA-Bus-Market-Consultation-2013.pdf

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**SUBMISSION FROM THE CHARTERED INSTITUTE OF LOGISTICS AND TRANSPORT IN
IRELAND TO THE NATIONAL TRANSPORT AUTHORITY'S PUBLIC CONSULTATION IN
RESPECT OF PUBLIC BUS SERVICE CONTRACTS**

Introduction

The Chartered Institute of Logistics and Transport in Ireland ("the Institute") is the independent professional body for people engaged in logistics and all modes of transport. The Institute is part of an international body with 30,000 members worldwide. As a professional body, the Institute does not lobby on behalf of any sectoral interest, but seeks to take an independent, objective and considered view on matters of public policy.

The Institute welcomes the opportunity to respond to the public consultation in respect of public bus service contracts.

Timing and Duration of Consultations

In its response to the consultation on the draft Integrated Implementation Plan for the Greater Dublin Area, the Institute expressed its disappointment about the timing and duration of that consultation. On this occasion the Authority launched two important consultations on public bus service contracts and a cycle network for the Greater Dublin Area at the same time. They both have short consultation periods and their response deadlines are within four days of each other. This makes it very difficult for interested parties to respond effectively to both consultations and this is particularly so for organisations, such as the Institute, which rely to a large extent on the voluntary efforts of members. The unfortunate result is that we will not be able to make an input to the cycle consultation.

The Institute welcomes the opportunities being afforded to it to make an input into policy development but strongly urges the Authority to take immediate action to ensure the better phasing and timing of future consultations and to provide, where feasible, a longer period for responses.

The Section 52 Test

Section 52 of the Dublin Transport Authority Act 2008 requires the Authority, before entering into any new direct award contract for public bus services, to satisfy itself that the continued adequacy of the public bus services to which the contract relates can **only** be guaranteed in the general economic interest by entering into a direct award contract. The Authority acknowledges that this test sets a very high threshold but it is not wholly clear from the extensive consultation documentation what conclusion the Authority has reached. In the case of both the Dublin Bus and Bus Eireann services, the consultation papers state that the Authority "considers that the general economic interest would be **best** served" by retaining a substantial portion of services, but not all services, in a direct award contract. On

the face of it, this conclusion does not seem to meet the “can **only** be guaranteed” requirement set down in the 2008 Act. When making its final determination, the Authority should state with greater precision what its exact conclusions are. Has it concluded that the continued adequacy of specified public bus services can only be guaranteed in the general economic interest by entering into a direct award contract or has it concluded that tendering should be introduced, albeit on a phased basis?

In our response to the 2012 public consultation, we raised a question as to whether it was possible to introduce tendering on a limited basis while at the same time retaining exclusive rights and direct award contracts. This does not appear to have been definitively addressed in the consultation documentation, but should be in the Authority’s final determination.

Selection of Services for Competitive Tendering

If the Authority decides to proceed with an element of competitive tendering, around 10% of the relevant market is in principle about right for the initial market test. It is of a sufficient scale to attract interest from bus operators and is of manageable proportions for the incumbent operator to address if it does not win the contract.

Two issues need to be considered in deciding the composition of the tender packages – the types of service to be included and the size of the tender package.

It is proposed to tender orbital and local services in the **Greater Dublin Area**. There may be a certain logic to this approach for the reasons set out in the consultation documentation. However there are questions as to its value. While it would undoubtedly provide the Authority with a valuable opportunity to test the market and obtain experience of the tender process, how much useful information would it provide to guide a decision on potential further opening of the market at a later stage? Local and orbital routes are not typical of the services provided by Dublin Bus. These are largely radial and they generally have different service patterns and frequencies and different operating conditions when compared with orbital and local routes.

The point is made in the consultation documentation that the orbital and local services have not been reconfigured as part of the Network Direct project and that they therefore offer significant potential for delivering cost efficiencies and possible service improvements within a low risk environment. However it also means that they would not necessarily be a good guide to the cost efficiencies and service improvements that could potentially be achieved from subsequently tendering the radial network which has already been reconfigured and has delivered significant cost and efficiency benefits.

We also have a range of specific concerns. Most of the routes are very small (23 routes operated by 80 buses) and geographically dispersed, stretching from Skerries in the north to Dunboyne in the west and Newtownmountkennedy in the south. These routes are currently operated from six Dublin Bus depots and contractors would probably require at least three

alternative depots and a lot of dead running between these depots and the termini. There is already spare capacity in the existing depots and this would increase further if Dublin Bus did not win the tender competition. This is an inefficient use of resources and consideration should be given to ways in which existing depot space could be used. The depot issue will have to be addressed if tendering is expanded and it might be as well to face up to it now.

The proposed selection of orbital and local routes would provide no little or opportunity for an operator to plan and deploy resources on a network rather than a route basis. Some of the local routes serve a market in tandem with a radial route and it may be less than optimal to have them operated by different service providers. Examples include route 70 to the city supplemented by route 270 (Dunboyne-Blanchardstown) and route 33 to the city coupled with route 33a (Skerries-Swords-Airport). The Authority may also be too optimistic about the scope to grow business on the orbital and local routes because the economy and residential development are likely to grow at a somewhat slower pace and public funding may continue to be constrained and consequently not be available to support service expansion of up to 50%.

If our concerns prove to be well founded, they could lead to greater cost to the public purse than necessary, less than optimal efficiency and above all a poor basis on which to assess the efficacy of competitive tendering.

It is not clear from the consultation documentation how the services would be tendered – as one package, as a series of packages or route by route? The economic analysis suggests two packages, each of about 40 buses on the north and south fringes of the city. However the consultation paper appears to give no indication of the Authority's thinking in this regard. This should be addressed in the final determination.

As mentioned earlier, the services proposed to be tendered are very dispersed and this would present significant operational challenges such as where to position the fleet to optimise efficiency and where to provide depot facilities. Two packages, north and south, would go some way to address this concern.

Another factor referred to in the consultation documentation is the trade-off between a high level of competition (small number of routes in each tender) and economies of scale (larger number of routes in each tender). The market consultation also revealed a difference of preference between Irish and international operators. Irish operators had a preference for smaller tender packages, less than 50 buses and preferably 20. International operators would wish to have packages of not less than 50 buses and preferably over 100. It may therefore be appropriate to have both smaller and larger packages to provide an adequate market test and effective competitive tension. It would also be important to consider the longer term implications where, for example, the PSO bus market was fully tendered. The Authority should consider how it might counter the tendency in other countries towards

market consolidation over time, with fewer tenderers and therefore less competitive tender prices.

This initial market testing phase of competitive tendering should be used to trial a range of contract types. While the trend elsewhere has been towards route-based contracts, it may be useful to market test an area-based contract in Irish conditions. Orbital and local services might offer a suitable opportunity for such a contract. These services are underdeveloped and also present a challenging environment for traffic development. However this may also present an ideal opportunity to test the capacity of operators to be innovative. One way of doing this might be to use an initial request for proposals to test the market for innovative ideas and to follow this with a tendering process involving a shortlist of those who responded to the initial RFP. A route-based approach may provide little opportunity for innovation and may encourage a renewed tendency towards network fossilisation. This could be increasingly true the more detailed the service specification.

An area-based approach might encourage tenderers to think outside the box and this might be particularly useful in an area which has not been the subject of a detailed network review. It might also encourage a more root and branch review of how well the current network matches present and emerging travel demand, including latent demand. The Authority should ensure that all available transportation planning and traffic data is available to potential bidders.

A range of potential services has been identified for tendering **outside the Greater Dublin Area**, including city services, commuter services and rural stage carriage services. There is merit in selecting a range of service types for inclusion in the initial tender competition so as to obtain the best possible information to guide any potential future extension of tendering. Of the three potential combinations suggested in the consultation paper, a package comprising Waterford city services and stage carriage services in the southeast would seem to have the most merit. It offers geographical coherence and a mix of service types. Inclusion of all the Waterford city services in a package would seem to be a better option than a small number of Cork city services. Consideration could also be given to tendering a package of Dublin commuter routes. However the northern and southern coastal routes proposed in the consultation paper are very dispersed, stretching from Newry to Wicklow. They would, however, extend the range of service types to be market tested in the Greater Dublin Area but would have to be tendered on their own because of the legal restrictions on the areas of operation of Dublin Bus and Bus Eireann.

It is proposed to tender between 7 and 10% of the existing PSO market outside the GDA. This would represent between 28 and 40 buses, based on a PVR of 401. A tender package at the lower end of this range might not be terribly attractive to the market, especially if it was widely geographically dispersed. It might therefore be preferable to consider a market segment of around 10% which would permit both a reasonably sized package and one or

more small contracts. It should be possible for Bus Eireann to absorb the loss of a segment of this size given the total scale of its operations.

The rationale for including the stage carriage services in the southeast as a tendering option is that a re-organisation of PSO stage carriage and rural transport services has already taken place in this region. This seems to be at odds with the rationale for the inclusion of orbital and local services in the Greater Dublin Area in that they offer significant potential for delivering cost efficiencies and possible service improvements. The Authority should explain more clearly why seemingly contradictory rationales are appropriate to the selection of these routes for tendering.

The selection of routes for tendering should also have regard to how the existing bus fleet and drivers are deployed. For example, buses may be currently used to operate a range of different service types, say both city and commuter, with the objective of maximising their utilisation. It would be important to preserve these efficiencies in designing any tender package.

Design and Specification of the Tender Competition and Subsequent Contracts

The Institute supports the broad conclusions set out in the consultation documentation relating to the design and specification of the tender competition and subsequent contracts and offers the following specific observations:

- Specific requirements in relation to integration should be included, covering ticketing, fares, information and branding. The Leap card should be available for use on all tendered services and the full range of ticket types should be available on it. Fares integration should also be developed to ensure that the fare charged reflects the journey taken rather than the number of operators or modes used to complete that journey. The introduction of daily fare caps is a start in this direction but it is of little benefit to people who do not make multiple trips.
- It would also be important to address timetable integration and the interlinking of public transport services, particularly where service frequencies are lower. The focus has to be on enabling people to make end to end journeys as conveniently as possible without incurring substantial additional interchange penalties. There is no point taking a lower frequency local service if it does not connect, conveniently or at all, with say a higher frequency radial bus service or an intercity or commuter rail service.
- As mentioned earlier, this market testing phase of competitive tendering should be used to assess the applicability of different contractual models to Irish conditions.
- We note that detailed service specification is the trend in other jurisdictions, covering frequency, reliability and punctuality. However this should be coupled with the flexibility to adjust services to reflect changing demographic and economic circumstances. We support the inclusion of provisions which would provide the

scope to grow orbital and local services, while acknowledging that this may be difficult to achieve because of slower economic growth and continuing constraints on the public finances. These services are currently the poorest and have been least responsive to changing circumstances. They also have the potential to attract additional users, particularly from the socially deprived cohort and private car users. The service specification should also be flexible enough to take account of developments during the period of the contract which could arise from a range of factors such as new employment locations or retail developments or even to address the consequences for PSO services of bus licensing decisions (for example the loss of services through smaller towns and villages following the introduction of direct long distance services using the motorways).

- The specification should also include quality of service requirements, building on those already contained in the existing direct award contracts. However the performance specifications, in both the tendered and direct award contracts, should be strengthened. The current performance specifications provided a useful starting point when contracting was being introduced for the first time. However the current requirements are not challenging enough, nor do they accord with best international practice.
- We are inclined to favour the use of gross cost contracts with incentives based on experience elsewhere in Europe. In such contracts revenue risk remains with the contracting authority and it is critical that measures are included in the contract to ensure that the operators fully recovers revenue on behalf of the contracting authority. However net cost contracts, where the operator retains the revenue risk, tend to be better at providing the operator with incentives to grow traffic. The Authority should therefore consider how it can ensure, through specification and incentives, that traffic growth is promoted and facilitated by operators.
- As well as performance standards, the Authority should set down strong requirements relating to technical standards, vehicle maintenance and staff training. It should put in place effective measures to enforce compliance with these requirements and to supervise compliance with existing statutory obligations such as the Driving Time Directive and the Health, Safety and Welfare at Work Acts. It is not enough to write in terms in the contracts requiring that both direct award and tendered operators comply with such requirements. The Authority has an obligation to ensure that operators comply, if for no other reason than that it will be held to account for any failure particularly where it relates to public safety.
- The Authority should consider whether it wishes to include conditions in any tendering process which stipulate requirements in relation to pay and conditions. Some public transport authorities have included conditions which seek to prevent price competition based on lower remuneration, terms and conditions for employees than apply in existing direct award operators. This may be done for social policy reasons, to facilitate a smooth transition from direct award to tendered

services and/or to prevent deskilling in the sector. The alternative is to allow tenderers the freedom to pay market rates, subject to compliance, where applicable, with the Transfer of Undertakings Directive.

- Consideration should be given to how to combat bid rigging and future market consolidation. Consolidation will clearly not be a factor in this initial tendering phase, but it is important to start considering now how it might be addressed if tendering were to be extended. Consolidation and dominance by one or a small number of operators is a particular concern in the small Irish market and could lead to increased costs for the provision of PSO services in the longer term. Consideration should therefore be given now to these longer term issues because they might influence the shape and scope of this first tendering process.
- When assessing tender prices the Authority should consider whether there are any issues relating to compliance with the law. For example, do the tender prices give rise to any concerns about compliance with taxation law or driving time regulations?

The documentation suggests that all tender competitions will be run concurrently. This may make it difficult for small operators, with limited resources and tendering skills, to respond as fully as they might wish and may, therefore, limit the amount of competition for tenders. One possible way of addressing this might be to have a phased rollout of tenders over a relatively short period. This would enable small operators to participate more effectively without deterring participation by larger operators.

Consideration should be given to whether Bus Eireann and Dublin Bus will be allowed to tender for contracts outside their operational areas. A view may be taken that this is precluded by the existing law which delimits the area of operation of each company or that it is incompatible with the award of exclusive rights. However, such restrictions may not be compatible with a potential gradual extension of tendering.

Very careful consideration will have to be given to the design of the tender competitions so as to ensure a level playing field. On the one hand Dublin Bus and Bus Eireann may have incumbency and other benefits that need to be taken into account and on the other hand private operators may be offered free depot facilities and buses. It would be important to undertake a thorough economic analysis as part of the competition design process to ensure that factors which might give an unfair advantage to any party or might affect the subsequent assessment of the impact of competitive tendering are fully taken into account.

Implementation Risks

The Institute strongly endorses the implementation risks identified in the economic analyses published by the Authority and would draw attention to similar conclusions in our submission to the 2012 public consultation on the public bus service contracts. There are a number of important health warnings which we strongly endorse, including the following:

- The need for careful design of the tender competition to prevent the emergence of cartels and bid rigging, as suggested by the Competition Authority.
- The importance of adequate preparation by both the contracting authority and the bidders.
- The need for the contracting authority to be adequately resourced to effectively manage the tender process.
- Ensuring the stability and reliability of bus services following the announcement of a tender competition and effective management of the transition where the incumbent operator does not win the tender.

In its response to the 2012 public consultation, the Institute placed strong emphasis on the Authority having the necessary skills, expertise and resources to manage the whole public service contracts process, whether tendered or not. The requisite skills are a scarce commodity in Ireland. A skills audit should be undertaken to establish what skills deficits exist, covering network planning, tender design and administration, contract preparation and specification and measurement and evaluation of performance. The necessary core skills should be developed in-house as this represents the best value for money for the taxpayer. A consultant-led approach would be more expensive and result in less skills transfer. Having the core skills in-house would also enable the Authority more effectively to manage the output of consultants engaged to do specific pieces of work. Where possible, staff should be seconded to public transport authorities abroad and field visits should be undertaken. Skills and expertise have to be augmented by local knowledge. Even in a country as small as Ireland it would be inadvisable to attempt to draw up a service specification at national level without an adequate input of local network expertise.

We urge the Authority to outline in its final determination its assessment of the capacity of the Authority effectively to administer a competitively tendered system of public service bus contracts. The Authority should only proceed to implement such a system when it is satisfied that it has the necessary skills, expertise, local knowledge and experience.

The Institute considers that hands-on bus operational and network planning expertise and experience is a necessary core skill. Without it, the Authority will find itself in a weak position vis-a-vis bus operators, whether tendered or direct award.

Lynn Mahony

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 14:32
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: National-Transport-Authority-Consultation-11-10-13-FINAL.doc

From: Allen Parker

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

Organisation:
Aircoach / First Group

Address:
Airport Business Park, Dublin Airport, Co. Dublin

Comment:
Dear Sir,

Please find attached our submission document in relation to the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services.

Should you have any queries please do not hesitate to contact me at 087 9598672.

Yours faithfully,

Allen Parker,
Managing Director.

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National Transport Authority

Public Consultation October 2013

Public Consultation on proposals for the direct award of contracts in 2014 to Dublin Bus and Bus Eireann with later tendering of 10% of services for 2016 operations.

Presented by: Aircoach

Date: 11th October, 2013

Aircoach is Ireland's leading private bus and coach operator and provides a range of high frequency, high quality scheduled coach services to and from Dublin City Centre and Dublin Airport. Aircoach operates five key services connecting Dublin Airport with Dublin City Centre and its suburbs, as well as non-stop express services connecting Dublin Airport with both Cork and Belfast.

Aircoach is a 100% owned subsidiary of First Group plc which is one of the world's largest surface transportation companies with turnover of £6.9 billion a year and some 120,000 employees across UK & Ireland and North America.

Our vision is to provide solutions for an increasingly congested world ... keeping people moving and communities prospering.

Across the UK and Ireland, First's bus businesses provide approximately 2.5 million journeys a day for customers across a broad range of operating environments. This wide range of services includes commercial urban bus networks, Bus Rapid Transit services, inter urban routes, contracted services for local transport authorities and third parties, Park & Ride services, private hire, school transport, rail replacement services and further key airport connections. Our Rail Division provides comprehensive passenger services under the Transpennine, Scotrail, Great Western and Capital Connect franchises.

Aircoach has vast experience in operating high quality scheduled bus and coach services and has been instrumental in increasing the level of public transport usage in Ireland over the last 14 years, forecasting to carry 1.9 million passengers this year.

Aircoach's strategy is based around delivering high quality, punctual, reliable, clean and efficient public transport services in Ireland. We are committed to working in partnership with all stakeholders to improve both the range and quality of public transport services in Ireland.

Aircoach fully supports the National Transport Authority's (NTA) proposals to move forward with the open competitive tendering of Public Service Obligation bus services in Ireland. We would urge the NTA to move forward with these proposals immediately to ensure that the public benefit from the introduction of private sector experience, skills and expertise. This will help ensure the delivery of a sustainable, high quality and accessible bus service at improved value for money to the Exchequer.

We will set out below our key observations in relation to the Consultation Papers that have been published and would also ask that you also revisit and consider our submission in 2012 to the previous consultation "2014 Bus Services Contract(s) Market Consultation" which also outlined our views on a number of the key issues surrounding the proposal for open competitive tendering of PSO bus services in Ireland.

Proposal to directly award a Public Bus Services Contract to Dublin Bus and Bus Eireann in 2014 with 90% of services award for 5 years and 10% award for 2 years only with the Authority putting this 10% of services out to competitive tender with the objective of commencement of operation by the winning tender in Autumn 2016.

As stated above, Aircoach fully supports the general principle of putting the PSO services in Ireland out to open competitive tender. Experience shows that the introduction of competitive tendering will deliver many advantages including improved efficiency, improved quality of service for the customer, introduction of innovation and lower costs and better value for money for the Exchequer.

(a) Time Scales:

It is in the interests of both the Exchequer and the travelling public to ensure that the benefits associated with competitive tendering are fully recognised and delivered as quickly as possible. In this regard we would propose that the process is fast tracked and that the new services are introduced well before the proposal of Autumn 2016.

Taking account of Regulation 1370, which requires one year between a decision being made and actual tendering commencing, competitive tendering can commence in November 2014 and we see no issue with contracts commencing operation in Summer / Autumn 2015 at the latest. The fact that the Authority will be providing vehicles for these contracts removes one of the key time constraints (delivery lead times for new vehicles) making the achievement of Summer / Autumn 2015 very achievable at minimal risk.

An added associated benefit of a quicker market opening is that this will put pressure on the incumbent operators to "up their game" in recognition of the competitive market, thereby delivering additional benefits to the travelling public and the Exchequer.

(b) Tender Packages and Scale:

It is evident from the consultation documentation that the benefits of moving from a direct award process to open competitive tendering are well accepted. In this regard it is considered difficult to justify the proposal to limit the scale of services to be tendered to 10% of the current direct award PSO services.

In order to realise the maximum benefit we would propose a more rapid, phased introduction of competitive tendering, with a proposal to tender 10% per annum from the introduction of the first tender package, both inside and outside Dublin. This would still provide for a managed phased introduction of competitive tendering whilst delivering bigger benefits in a shorter time scale. Building in an appropriate review procedure will allow lessons learned from each tendering round to be built into the subsequent rounds.

In addition it is necessary to provide tender packages of sufficient scale in order to encourage sufficient bids to allow the full benefits of competitive tendering to be achieved. As detailed below we would urge the Authority to review the current proposals in order to deliver such packages.

(i) Dublin Bus Services:

On review of the proposal it is evident that there is approximately 80 buses worth of work to be tendered in the Dublin Area. The services under consideration are spread throughout Dublin, but appear to potentially fit into two equally sized 40 bus packages, one operating from a North-side location and one operating from a South-side location. In order to ensure that maximum economies of scale are achieved, and allow for best value tenders to be submitted, we would therefore recommend that two packages are advertised for tender, each of approximately 40 buses, one North and one South.

Whilst we cover our views on the proposals for services outside Dublin below, again in order to achieve the maximum benefit from economies of scale, we believe that serious consideration should be given to including the Service 100 (Dundalk) and 101 (Drogheda) in the North Dublin tender package and Service 133 (Wicklow) in the South Dublin tender package.

Tender packages of sufficient scale as proposed above will deliver further savings through the benefits from economies of scale that arise from the ability to spread the fixed costs associated with both tendering and operations over a bigger operation.

Should the above proposal not be adopted, we consider that it would be highly beneficial that the tender competitions be run concurrently using the same procedure, thereby providing the opportunity for bidders to submit bids for appropriately sized operations that fit efficiently together. In order to facilitate this, the bidding rules will need to state clearly that bids combining operations within or outside Dublin, or comprising both inside and outside services, can be submitted. Careful consideration will be required by the Authority in assessing how differing bids comprising of different services from various operators will be compared.

Whilst Aircoach understands the rationale of limiting the initial competitive tender process in Dublin to local and orbital routes, to minimise risks associated with this new process, the Authority must accept that this approach will also limit the ability to achieve the full benefits that can be delivered by competitive tendering. These services are likely to be the least commercially attractive to potential bidders and this may have a bearing on the quantity and price of bids received, which may not be reflected in later bidding rounds for more attractive services.

Therefore we recommend that the Authority gives serious consideration to including at least one key radial Dublin Bus PSO route in each of the proposed north-side and south-side tender packages. This would have the dual benefit of increasing the scale of operation and economies of scale for the potential new bidders, and would also provide the opportunity for the Authority to test and measure the performance of new entrants across the full range of service types.

(ii) Bus Eireann Services:

The proposed tender packages for Bus Eireann PSO services, whilst representing up to 10% of the current services, are by nature across a considerably wider geographic area. This spread creates significant challenges in developing the required scale of operation necessary to deliver best value for money to the Exchequer.

On review given the wide geographic spread it is difficult to see how the following tender packages as proposed, i.e.

Waterford City and portion of Cork City,

Cork or Waterford City with Dublin coastal commuter services,

would create economies and efficiencies, due to the large geographic spread. Indeed Aircoach believes that such groupings are likely to lead to operating inefficiencies.

Of the proposed packages, the Waterford City services grouped with the South East services does appear to present a good geographic spread. However, due to the localised and rural nature of the South East services, there will be limited opportunity to spread the costs of the Waterford operational base.

On review the Dublin coastal commuter services present a reasonable scale of operation. However, as stated above, we believe that these two services would better fit with the Dublin Bus PSO tender packages than with the Cork or Waterford City tender packages.

We also recommend that the Authority seriously considers increasing the scale of the Bus Eireann tender packages. In particular, we would propose that the Authority increases the scale of the tender package for Cork City Services. Whilst we understand the concerns associated with tendering all Cork City services, we do feel the potential benefits to customers and to the State are substantial and that this should not be discounted as a potential package.

In addition this approach would provide the opportunity for the Authority to benchmark and monitor the performance of contracted operators in a similar operating environment both inside and outside of Dublin.

(d) Level Playing Field:

We fully support the Authority's position of ensuring the principle of a level playing field between the incumbent and new bidders. However, even if the contracts are let on a gross cost basis, the data and knowledge held by the incumbents will place them at a significant competitive advantage compared with other bidders. As the market opening process develops this will be a significant issue and a potential barrier to entry of new bidders.

In addition, assuming the Authority intends to continue making capital grant awards to Dublin Bus and Bus Eireann, as stated in the consultation document, this has the potential to provide competitive advantage to the State companies over private companies in the tendering process. Even where the rules of Regulation 1370 accounting are followed in full, there is always an opportunity value to such investment that will not be available to other operators.

(e) Depot Facilities:

The consultation documentation suggests that the Authority may make Depot facilities available to new entrants or assist with Depot facilities. It is not clear how depot facilities would be made available to bidders and greater clarity is required on this issue.

In addition the property issue needs to be fully addressed particularly as the competitive tendering process develops to ensure that the incumbent operator does not receive an unfair competitive advantage due to its ownership of existing depot sites and facilities.

(f) TUPE:

It is understood that the initial proposed scale of competitive tendering at 10% is designed to allow the incumbents the opportunity to reduce the size of their operations in a planned and managed way. However it is our understanding that should this not be achievable through natural wastage, TUPE regulations would most likely apply. This is even more likely when the transfer of vehicles from one operator to another is involved.

As the tendering process develops and gathers pace it is more likely that TUPE regulations will become relevant and it will be critical that full details of all employees are quickly made available to all potential bidders. In addition, the issue surrounding existing and future pension provisions and liabilities will need to be fully transparent and understood by all parties.

(g) Transfer of Vehicles:

The proposal that the Authority will be in a position to provide vehicles to the successful bidders will assist in the speedy introduction of services for successful tenders as it removes the delay of procuring new vehicles.

It is essential that full maintenance records are made available for the vehicles transferring as part of the tendering process and indeed would be beneficial if full access could be provided to existing maintenance management systems.

Given that vehicles have been initially maintained by the incumbent operators, it is recommended that warranty cover on agreed vehicle components and systems for an agreed period of time be put in place, otherwise new bidders are likely to build this risk into the tender price.

It is assumed that the benefit of any remaining manufacturer warranties provided with the vehicles from new would automatically transfer with the vehicles. This will need to be confirmed by the Authority in order for this to be suitably reflected in the tender price.

(h) Contract Type:

We understand from the consultation documentation that the Authority is proposing gross cost contracts, with incentives for Operators based on quality of service and passenger growth targets. We welcome this proposal and consider that under the current structure of the market, this is likely to provide the best value to the Authority, whilst also providing an incentive to any new operator to grow and develop the commercial service offering. Any restrictions on the development of the service contracts awarded by this process (such as restricting the ability of operators to compete with services operated by the direct award operators) will need to be clearly stated from the outset of the tendering process.

In order to be able to bench mark performance across all operators, incumbent and new, it is assumed that the same service and contract performance targets will be applicable to all operators and to the direct award and competitively tendered services.

It is noted that the Authority does not propose to move any Direct Award contracts to gross cost contracts at this time. We are unsure as to the reason for this and would be concerned that by having different contract types it would be difficult to successfully measure and compare the performance of new versus incumbent operators.

There is reference within the consultation document to amending contracts during the contract term. Whilst growth opportunities are welcomed, these changes will need to be fully negotiated between the Authority and the operator to ensure they reflect the additional costs to be borne by the operator.

(i) Exclusivity of Contracts:

There is no clarity within the consultation document whether the contracts would be exclusive awards. It is stated that there will be exclusive rights granted under the direct award process; however, it is not clear if this will be similar for competitive tendered services.

There is already competition in a number of locations, for example on Waterford and Galway City services, and the impact of this competition, and indeed any future competition, would need to be fully understood so that it could be suitably reflected in the tender bid.

(i) Access to support infrastructure / systems:

The incumbent operators currently have access to a range of support infrastructure and systems that have been State funded. These include AVL systems, real time information systems, radio systems, ticketing equipment, CCTV systems but to name a few.

In order to ensure a level playing field and to ensure there is no duplication in costs, access to these systems will need to be made available to new bidders on a fair equitable and transparent basis. Any costs associated with such access will need to

be set out in the bidding documentation and the same costs applied to the incumbents' usage of these systems when comparing bids.

(I) Summary:

Aircoach fully welcomes the market opening proposals put forward by the National Transport Authority in the consultation papers. We urge that, at minimum, 10% of services are put out to open competitive tendering within, if not quicker than, the timescales indicated in the consultation proposals. In summary Aircoach;

- Fully supports and welcomes the proposals
- Recommends that the process is fast tracked with the first tranche of tendered services commencing operation in Summer / Autumn 2015
- Recommends that greater than 10% of PSO services are tendered in order that both the customer and the Exchequer to fully benefit from the advantages this process will deliver.
- Recommends that this forms the first phase of a programme to tender at least a further 10% of PSO services each year in subsequent years

We look forward to working in partnership with the National Transport Authority over the next few years and in playing an increasing role in delivering high quality and accessible bus services, at best value for money to the Exchequer, and growing public transport usage in Ireland.

Should you require any further detail or wish to discuss any item further please do not hesitate to contact:

Allen Parker,
Managing Director,
Aircoach.

Tele: 00 353 87 9598672

Email: allen.parker@aircoach.ie

11th October, 2013.

Lynn Mahony

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 14:33
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: Matthews-Coach-Hire-Limited-Submission-PSO-tendering.docx

From: Paddy Matthews

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

Organisation:
Matthews Coach Hire limited

Address:
Callenberg, Inniskeen, County Monaghan

Comment:

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http://www.nationaltransport.ie/wp-content/uploads/wpcf7_uploads/Matthews-Coach-Hire-Limited-Submission-PSO-tendering.docx

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Matthews Coach Hire Limited

Callenberg, Inniskeen, County Monaghan

Submission regarding the National Transport Authority's proposal to directly award the contract to Bus Éireann for the operation of all public bus services outside Dublin from December 2014, along with - A proposal to commence competitively tendering a 10% portion of the public bus service market outside Dublin in 2014/2015 with the target of a contract for those services being in place from Autumn 2016 onward.

The company has decided to limit itself to commenting on the said proposal in the context that the company currently operates in the outer Dublin commuter belt and primarily along the M1 corridor.

The company overall welcomes the proposal for competitive tendering of "approximately 7% to 10% of the services" and in particular 'a portion of the Dublin coastal commuter services'. The services suggested are the current Bus Éireann routes no's 100, 101 and 133. There is clearly some coherence to this 'grouping' in that the routes concerned service the coastal corridor extending from Dundalk to Wicklow and encompass the greater Dublin metropolitan area.

This company is cognisant of the high threshold set by Section 52(6) (c) in determining whether the NTA can enter into a subsequent direct award with Bus Éireann, 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.

In the specific context of Section 52 (6) (c) (ii) it is questionable if the proposal published by the NTA has established the case for the renewal of the PSO contracts with Bus Éireann to the extent proposed. However in the context of the submission by the Coach Tourism and Transport Council of Ireland (CTTC), of which this company is a member, it is not intended to repeat the issues detailed in the said submission but this submission is limited to the identification of some specific matters that may relate to any future tendering process for the routes identified above.

1. Depot ownership. The proposal states in respect to the said routes that: "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." This raises the issue of the ownership of, the management of and the access to existing transport infrastructure that is in the ownership of the state transport companies and Bus Éireann particular.
 - (a) Measures to overcome the challenges presented by the ownership of such infrastructure by the companies concerned do not appear to have not been identified or addressed in the tendering proposal. Clearly access to and the use of such

infrastructure will be central to proposed tender that may be submitted by a 'private' transport operator.

- (b) As an initial step towards resolving the issues concerned Section 62 of the Dublin Transport Act should be implemented immediately. It is illogical that the private sector continues to be excluded from access to such facilities particularly in the context that such facilities were in most cases funded from the public purse. It is absolutely essential that provision must be made to extend to all private operators the use of stations and depots that are currently in CIE ownership. As an initial step such access should be provided immediately. Otherwise we are all being disingenuous about the proposed tendering process. And the integrated of public transport. In this context see section 62 of the Dublin Transport Act.
 - (c) The issue of the commencement of Section 62 of the 2008 act must be addressed and indeed its application extended throughout the State. The tendering proposal cannot be taken seriously in the absence of addressing this core issue which goes to the route of integration, networking, connectivity and interchange.
 - (d) It is acknowledged that Section 62, even if extended to the entire state does not fully address the issues as to the access to and the full use of 'depots' in the ownership of the state transport companies. The issue of depot ownership is highlighted by NTA as a factor underpinning the proposal to limit competitive tendering to orbital and local services. A possible solution is that such depot ownership be transferred to the NTA at the direction of the Minister, this would likely result in risk minimisation at little, if any, cost to the exchequer. This would have the added advantage of allowing the true cost of a such facilities to be factored in to any tender, both from the state owned companies and the private sector, in a transparent manner. Therefore it is recommended that the issue of the ownership of transport infrastructure be addressed in advance of any tendering process and that as an interim measure that Section 62 be implemented immediately and extended to the entire state.
 - (e) The proposed routes for tendering being 100, 101 and 133 involve a total distance of 145 kilometres from Dundalk to Wicklow. Clearly such a route length for a small number of medium distance routes would imply the need for a 'depot' either at each end of this route system or in Dublin. This again raises the issue of access to and use of 'depots'.
2. Scale of contract involved. This company welcomes the scale of contract that may be involved in any tendering process for the said routes. *"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."* This scale of operation will allow a significant involvement from private transport companies operating within the state and perhaps provide for a more level 'playing field' when competing against tenders from larger operators based primarily outside of the state.
3. Bus Fleet. The Authority proposes *"to provide the winning tender with the fleet to operate the services."* However we note that only those buses purchased since 2012 will be made available. This raises the issue as to the suitability of such vehicles for use on the routes that will be the subject of tendering. It would appear that the NTA will have a limited capacity to address this issue as to matching suitable vehicles as against the specific route requirements. It would be our initial view that some of the services on the 100, 101 and

133 routes will only require lower capacity buses. The issue as to the availability of such vehicles is not addressed in the proposal.

4. **Financial transparency.** It is the reality that one of the fears that arises in respect to the proposed tendering process is that Bus Éireann will be able to 'hide' significant aspects of the costs associated with their current operations and that this will result in a more advantageous tender submission for that company's perspective. This can be addressed by putting in place a number of outcomes **before the commencement of any tendering process:**

- (a) The clear allocation of appropriate costs, income and expenditure as between the two bus companies, i.e. Bus Éireann and Dublin City Bus, Irish Rail and the parent/holding company CIE. The current published accounts of these companies/group do not achieve this objective.
- (b) 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. A simple block grant was allocated and the result is that a specific amount of subsidy is not attributed to a specific route or a specific time of day. Full information must be published indicating the income and expenditure on each PSO route, including ticket sales and the amount of subsidy allocated to that route. Such information should be published for all routes that are proposed to be the subject of public tendering with immediate effect so that any interested party can clearly identify the costs associated with such a route over a reasonable timespan. The absence of such information risks a result that the routes assigned for tendering are the least profitable and hence most costly routes plus the lack of information seriously undermines the 'fairness' of any proposed tendering process.

5. **Green Procurement Policy** The annual procurement budget of the Irish public sector is of the order of €15 billion. If buyers in the public sector consistently took environmental factors into account in their procurement decisions, it would provide huge leverage to "move the market" towards providing environmentally superior goods, services and works in a cost-effective way. This would enable Government and the wider public sector to continuously improve the environmental performance of their procurement activities, leading over time to significant benefits to the environment and to public health. It would also boost Ireland's competitiveness and job-creation by fostering eco-innovation among SMEs and the wider business community. One of the areas in which this could be clearly addressed is public procurement of transport services. In this context it is suggested that any future tendering process for PSO services should include **mandatory consideration of the following objective performance criteria:**

- (a) The extent to which an operator/applicant is certified in accordance with ISO50001. This is a certificate of energy management which is lost if performance dis-improves.
- (b) That a vehicle operated at maximum fuel efficiency will be safer, more comfortable and is more likely to be well maintained.
- (c) Incorporating fuel performance scoring in tenders for PSOs will help the NTA and the State meet Green Public Procurement targets and emissions targets.

(d) Fuel usage now has to be recorded by operators to claim rebates from the Revenue Commissioners. It is easy to extend this to include distance and passenger numbers to report ml / PAX / Km.

6. Contract Type. This company would prefer that the contract awarded under any tendering procedure will be a gross cost contract is where the operator is paid to operate the service, the fares revenue is kept by the Authority.



Mr Gerry Murphy
Chief Executive
National Transport Authority
Dún Scéine
Harcourt Lane
Dublin 2



Córas Iompair Éireann

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Dublin 8.
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11th October 2013

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

Dear Mr Murphy

We are writing to you in respect of the National Transport Authority's proposal to

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

We note that the Authority is now undertaking a statutory public consultation on these proposals, which have been prepared in accordance with Section 52 of the Dublin Transport Authority Act 2008, and is inviting written submissions or observations before the Friday October 11th, 2013.

As you are aware CIE is the Statutory Body charged with responsibility for the provision of socially necessary public transport services. In pursuit of this statutory objective it wholly owns Dublin Bus and Bus Éireann. To assist the NTA in its consultation on these proposals both Dublin Bus and Bus Éireann will be responding individually with their submissions. Notwithstanding these individual submissions, as CIE is financially responsible for both companies, CIE would make the following observations.

As parent of both Dublin Bus and Bus Éireann, CIE is supportive of all future developments that improve public bus services in Ireland and will support the NTA in its objectives of ensuring the provision of high quality accessible bus services that are best value for money for the Exchequer.

In tandem with this CIE is a commercial semi-state. Therefore allied with CIE's support for NTA objectives and CIE's own commitment to public transport delivery is CIE's Government mandate to operate a **financially sustainable** Group on behalf of the Group's shareholder the Department of Transport, Tourism & Sport. This mandate leads to certain responsibilities and duties which CIE must stress to the NTA.

In June 2013 CIE entered into new 5 year banking facilities for the period July 2013 to July 2018. This plan was anchored in three key drivers, which made the plan financially sustainable:

- (i) Cost reductions (particularly payroll)
- (ii) Assumptions on fare increases
- (iii) Assumptions in relation to subvention levels

Assumptions made in respect of all three were outlined in a detailed plan, which the Department of Transport Tourism & Sport reviewed.

In respect of market opening the plan submitted by CIE to its banks assumed that the impact of market opening would be neutral. That is CIE's subsidiary companies – Dublin Bus and Bus Éireann – would neither gain nor lose from the opening of the market.

This is a cornerstone of CIE's plan and is something that the NTA must take into consideration in its market opening proposals.

CIE note from your press release that "Dublin Bus and Bus Eireann will be able to plan for tendering and a possible downsizing if they are unsuccessful". While both Dublin Bus and Bus Eireann will do all they can to prepare for the outcome of any process the NTA will no doubt be aware that under Transfer Regulations how the NTA decide to tender the routes has a very material bearing on what actions need to be taken by both companies in this regard. Therefore CIE would respectfully suggest that the NTA has an obligation to establish with Dublin Bus and Bus Eireann, prior to tendering, the least disruptive method of transitioning tendered routes in the event that one or both companies are unsuccessful in a tender process.

In summary, as CIE have pointed out in the past, our shareholder is the Department of Transport Tourism & Sport and on their behalf and in line with the obligations placed on the CIE Group by its banking arrangements, CIE must point out to the NTA that any market opening actions taken by the NTA should take cognisance of CIE's ministerial mandate to operate a financially sustainable Group. In these circumstances CIE must reserve its position on what the NTA intends until it sees the detail of the proposals put to tender.

Finally, both Bus Eireann and Dublin Bus carry out a wide range of positive activities in addition to just running buses (e.g. information, marketing , promotion, community support, planning) , and it is essential that the NTA identify and accept these activities and the cost associated with same. CIE consider this NTA recognition necessary to avoid both bus companies being penalised in future competitions with the cost of these activities spread over a diminished revenue base. Essentially the principle of a level playing field must apply to all – this includes Bus Eireann and Dublin Bus.

We trust that the NTA will understand CIE's position.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'M Flannery', with a large, stylized loop at the end.

Michael Flannery
Chief Operating Officer

Lynn Mahony

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 14:52
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: ChambersIrelandSubmission_NTA_Proposals-to-Directly-Award-Contracts.docx

From: Barry Peak

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

Organisation:
Chambers Ireland

Address:
New Mount House. 22-24 Lower Mount Street, Dublin 2

Comment:

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Submission to Consultation on Proposals to Directly Award Contracts from December 2014 for Public Bus Services

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Foreword

Chambers Ireland is the country's largest business organisation, with over 50 member chambers representing businesses throughout the State. Our national remit is to support and develop the economic and social environment of Ireland's communities in order to make them a better place in which to live, work and do business.

In our earlier submission to the National Transport Authority (NTA)¹, Chambers Ireland put forward the view that an efficient and reliable public transport system is essential for businesses, their staff and their customers. We also noted that a more competitive system is the best means to achieve this end.

Decisions taken by the Government on public bus service contracts must consider a number of stakeholders: businesses who rely on public transport for their customers; the users of public transport; the members of society who benefit from an improved transport system and a cleaner, greener society; and the companies competing for tender.

We broadly support the process of competitive tendering as set out in the consultation documents and believe that the principle of increased competition is good for businesses and communities. This should be the strategic direction of the NTA as it would lead to sustainable development and support economic growth.

However, we maintain that any process of competitive tendering must be done in a way that maximises the potential for competition while also ensuring the existence of a core network of bus routes needed to facilitate business, staff and customers.

To this end, we offer the following recommendations. A number of these are restated from our earlier submission; however, a number of others are in response to the more recent consultation documents issued by the Authority.^{2 3}

¹ <http://6311664e1a241bd4b58f-3999d26af054d711e4557be72bd8ff23.r3.cf3.rackcdn.com/wp-content/uploads/2011/12/Submissions-50-to-62-final-October-2012.pdf>

² http://www.nationaltransport.ie/downloads/1_Consultation_Paper_-_Dublin_Bus_September_2013.pdf

³ http://6311664e1a241bd4b58f-3999d26af054d711e4557be72bd8ff23.r3.cf3.rackcdn.com/wp-content/uploads/2013/09/1_Consultation_Paper_-_Bus_Eireann_September_2013.pdf

Recommendations

1. Competitive tendering

We support a process of competitive tendering and believe it will lead to increased efficiencies, better performance and higher levels of customer satisfaction. Any process of competitive tendering must be done in a way that maximises the potential for competition while also ensuring the existence of a core network of bus routes needed to facilitate business, workers and commuters.

2. Gross cost contracts

We have concerns regarding the award of contracts based on gross costs. Such contracts give little or no incentive to the operator to either grow the market, or provide a quality service as the contractor gets paid for operating the kilometres. Gross cost contracts require control and monitoring of the operator by the Authority to ensure quality compliance. This is cumbersome and increases costs, administration and bureaucracy. Net cost contracts, similar to that by which Dublin Bus operate, put an onus on the operator to innovate, respond to customer demands and deliver a quality service to retain existing customers and seek out new markets.

3. Integration

As continued public transport integration is a key goal of the reform process, we believe the Leap card should overtime, and in accordance with current plans, be developed to include both travel beyond the Dublin metropolitan area and to be fully interoperable. This would create convenience for all travellers and could have knock on benefits for business, especially the tourism sector.

4. The role of the NTA and Transport for Ireland

As we move towards a more integrated bus service it is important that the NTA and Transport for Ireland have clearly defined roles and functions. This will be especially important as integration begins to take place across road, rail and tram services.

5. Public Service Obligations

As an organisation that represents the interests of SMEs in rural areas, we urge the NTA to ensure licenses are awarded to companies who will fulfil their Public Service Obligations. Rural dwellers must have access to public transport in order to support local businesses.

Furthermore, the provision of services in non-mainstream routes is essential to maintain healthy communities and reduce levels of social exclusion.

6. The tender process

The process by which licenses are distributed must be open and transparent. The public must have full confidence that the NTA is acting objectively to produce the best possible bus services throughout Ireland.

7. Tender pricing

We are concerned that many tenders submitted to transport authorities may be below market costs. The NTA should seek to eliminate any below cost bidding as it is not sustainable, creates artificial markets and distorts the longer term market.

8. Managing downsizing

We are also concerned about the management of any downsizing of staff. For example, a 10% reduction or transfer of Dublin Bus staff would involve approximately 350 people. The consultation paper does not explain how this process can be managed efficiently and effectively.

9. Looking forward

It is now essential that the Authority continues to press ahead with a reforming agenda. At the end of the 5 year period there must be a root and branch review of all routes to test for cost, efficiency, frequency and utilisation.

Lynn Mahony

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 15:57
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: Jim Higgins MEP

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

Organisation:
European Parliament

Address:
Jim Higgins MEP, European Parliament, ASP 13E 112, B1047, BRUSSELS, Belgium

Comment:
Dear NTA,

I write to you concerning the National Transport Authority's proposals to directly award contracts from December 2014 for public bus services. I am concerned that only 10 per cent of the PSO routes would be put out to tender in the period 2014-19.

In the context of the ongoing EU investigation into public monies received by Bus Eireann for the operation of PSO routes, and given the provisions of EU Competition law, most notably Directive 2004/17 and 2004/18 on public procurement, the NTA should move to open up all current PSO routes for tender. The incumbent on each route should be allowed to tender, however other operators should be allowed to tender for city and rural routes currently receiving a PSO subsidy. If Bus Eireann and Dublin Bus are found to be the most efficient operators, then naturally the contract could be given to these companies.

The NTA should devise a system of tendering which would allow smaller operators tender for a small bundles of routes – one national tender contract should not be introduced, since very few operators, if any would be able to compete to provide such a service. Concerns about ticket interoperability would also have to be addressed in the tendering process.

It cannot remain to be the case that the current operator is directly awarded a subsidy, without facing any competition. Competition for PSO subsidies would lead to better and more efficient use of scarce public funds, and provide the travelling public with a modern, sustainable, competitive public transport system.

Kind regards,
Jim Higgins MEP for Ireland Midlands-North-West

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**Submission to the NTA re proposals to directly award contracts from
December 2014 for public bus services in Dublin**

Author: John O'Flaherty B.Comm DipProfAcc FCA

Date: 11 October, 2013

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Introduction:

The proposal to directly award contracts from December 2014, with local and orbital routes to go out for tender subsequently is, in my view, a sensible one. It brings the development of our bus service a step further, and will, provided it is regulated correctly, result in improved services and costs. In this submission I have detailed some additional factors that I think, from a customer viewpoint, are important in considering how this project should be rolled out.

For far too long, the bus service in Dublin has been left to stagnate and as a result struggle to develop in the face of political intervention, and to suffer from the “poor man’s” image – in other words to not be seen as attractive to the higher socio-economic classes.

In recent years, there have been significant improvements in the bus service in Dublin through:

- Redesign of the network and schedules through the rollout of Network Direct
- Rollout of the AVL system restoring visual control of the network to controllers
- Rollout of RTPI on-street and online
- Consequent requirement for full working timetables for all bus routes

These improvements have meant that a more customer-focused bus service has resulted, rather than one that was built around historical routings, and a haphazard design to service provision.

The next five years are I believe going to be critical in the development of the public transport in Dublin. Following on from Network Direct, it is imperative that the momentum of change is maintained, and that the service does not stagnate. Key issues to my mind that will impact on the development of the public transport network in Dublin include:

- Continued rollout and development of the LEAP card
- Detailed review of bus fare system in Dublin city
- Further development of the Transport for Ireland website and brand
- Continued development of RTPI
- LUAS line BXD construction and implementation
- Completion on the Irish Rail city centre re-signalling project

All of these will have some impact upon the bus service in Dublin, and do need to be considered in the light of these proposals in planning the route network going forward. The review of the fare system is urgently required so that dwell times are reduced.

I think the basic premise of tendering roughly 10% of the service is correct, as this ought to be possible to manage without significant industrial relations issues arising. However, I would have concerns about the ability of small operators to take on the numbers of routes involved. Concerns that I would have include:

- Depot provision
- Control system provision
- Schedule and roster design experience

All of these would be impacted by the size and experience of the operator that takes on the tendered routes. It is important that any successful operator does have a suitable track record of providing and delivering services to an acceptable standard at the scale required.

I also think that either in advance of this tendering process, or during it, that time be taken to examine the route network that is being tendered and where possible make improvements made to it. Many of the services listed were not adjusted during the Network Direct project.

Examining the routes listed, I would certainly examine the possibility of redesigning some of them to better serve travel generators such as industrial and business parks, hospitals and the airport. Improving the orbital network is essential – the western and southern orbital services do need to be improved – links from Blanchardstown to other western areas are painfully slow and at very low frequency (76a and 239). A more direct service should be examined, that links the industrial and retail areas of Blanchardstown with the other major west Dublin conurbations and corridors. Similarly a more direct service across south county Dublin (such as the planned 175) would be something that should be examined.

In examining the proposals, I have detailed several operational concerns that I would wish to be taken account of in preparing for the potential awarding of tenders for public transport:

- Branding, Livery
- Sources of Information
- Dual Door bus operations and bus stop design
- Reporting requirements and targets
- Timetable, roster design and control of bus services
- Change procedures

Branding and livery:

Branding:

I think that it is imperative that the lead brand for the public transport PSO services in Dublin going forward becomes Transport for Ireland, with the operator becoming the secondary brand. It is absolutely essential that a central branding is retained, and that this becomes the first “port of call” for all public transport information in Dublin. The current situation where people consult different websites for information is far too confusing – there needs to be a central location with a standard design across all platforms for that information. “Transport for Ireland” will give a new brand image to end users that will not necessarily have any of the (sometimes unfair) stigma that the CIE (and subsidiary brands) have built up over the years.

Livery:

In parallel with this common branding, I believe that there also needs to be a unified livery on all vehicles operating Dublin PSO bus services. Within this livery the operator branding should be restricted to a logo as part of the overall livery, as in London.

Ten years ago, in 2003, Dublin Bus vehicles began to be repainted into the current livery of predominately yellow, with subsidiary colours of light blue and navy blue. While this livery has an important link with Dublin, incorporating the traditional sporting colours of both the Dublin football team (blue) and Leinster Rugby (blue and gold), it also had a second very important asset.

When Dublin Bus decided to change their livery in 2003, considerable consultations took place with organisations representing visually impaired customers. The current livery of predominately yellow coloured buses and yellow and black bus stops was chosen by the then CEO of Dublin Bus, Alan Westwell, after it emerged that these colours were the most visible to visually impaired customers. From my own experience I would have to concur that the predominately yellow/gold colouring on both buses and stops has proved invaluable in being able to see buses in the distance (particularly important if between stops at the time), and on board has enabled me to see bus stops in the distance in areas that I would not be completely familiar with.

I would be anxious that this be taken into account when planning the on-street furniture in the future, and also the livery for vehicles. It was a major step in the right direction that has considerable practical advantages, and it would be a shame to see this removed.

Sources of information:

Online:

A single point of contact is vital going forward. The Transport for Ireland website needs to become the centralised point for end users to obtain information on:

- Fares and prepaid tickets
- Routes and timetables

The myriad of locations that currently prevail is unsustainable and very confusing for people trying to gain information about transport in Dublin. Timetables need to become available in a standard format, which clearly identifies the days of operation, the stops served, and times of operation.

On Street:

At the same time, standardised on-street information needs to become the norm. Bus stops should be of a standard design, with information for services operated from them by all operators included to a standard design. This should include at every stop:

- Timetables for that specific location
 - Times for that specific stop as opposed to terminus departure times
 - Full timetable listing of **all** departures from that stop
 - Timetables should be filtered to ignore buses not serving that stop where there are route variations
- Each timetable should include a schematic route map such as the one included at bus stops in London that shows the full route and highlights what portion is remaining. An example of good practice of this sort of schematic information is at the top of the page linked to below which is representative of each London bus stop: http://journeyplanner.tfl.gov.uk/user/AHF/TLJJP16P1_00004c1d.pdf
- The bus stop head plate needs to incorporate the location, bus stop number, route listing, and a general direction such as “towards Bray”.

Where a bus shelter is provided and additional space is available the following should also be provided:

- Local area street map
- Schematic “spider” map of buses available from that area
- Fare information

These measures are vital to providing simple and clear information to users, which will encourage non-users to think about using public transport. The current situation which requires customers looking at a timetable at a stop to effectively guess when the buses are due to arrive is not an acceptable means of information provision. Similarly, the current requirement that each operator provides their own stop and flag, means that at certain locations in Dublin there are up to four or five stops (one for each operator), and at several locations across the city stops remain in situ for services that are long since defunct. This needs to be centralised within the remit of the NTA and taken away from the operators.

Travel Centres:

In looking at the provision of information, cognisance needs to be taken of the not insignificant number of users who do not have access to the internet. Such users currently can visit the Dublin Bus office in O'Connell Street, or Busaras, or any Irish Rail station and obtain information in the printed form from the operator concerned, but in my view that is not at an acceptable standard.

Consideration will need to be given as to providing a central location and indeed suburban locations where information on all public transport can be obtained at a NTA Travel Centre in a printed form and where information about the best journey and ticket options can be obtained.

Maps and Timetables:

Printed maps of the full public transport network need to be made available, not just of "core" services. These can be of the schematic and detailed variety. Once again TfL produces spider maps for each main location, and five regional guides (printed) that give both full network route maps and route information for each of those regions. This is something that is badly lacking in Dublin.

Freedom of Information:

I would also be very anxious that the scheduling and operation of services become part of the remit of the NTA so as to become subject to freedom of information legislation. For far too long this has been cloaked in secrecy and needs to become subject to public scrutiny, providing that commercial sensitivities are protected.

Dual door bus operations:

In planning for the potential tendering of 10% of the routes, this incorporates the provision of the vehicles purchased by the NTA which are all of dual door double deck design.

One of single greatest factors impeding a faster and more efficient bus service is dwell time at bus stops. The fact that city buses in Dublin in practice operate (primarily) only using the front doors for both entrance and egress is a major factor in extended dwell times.

This **must** change once and for all in order to get bus services moving in a more efficient manner.

Given that the tendered routes will be operated using the recently purchased dual door vehicles, it is imperative that the tendered routes must be operated using the front door for entrance and rear door for exit.

In implementing this policy I believe that it is also imperative that the NTA remove the recurring objection that bus drivers have raised to operating the vehicles in this manner, which is safety at bus stops.

It is in my view incumbent upon the NTA in preparation for the tendering of bus services to establish common design standards and implement them for every bus stop in the city, including:

- Dimensions of bus stop markings on the carriageway – the “bus stop cage”. This should clearly define be of a sufficient size to allow for buses to:
 - Approach;
 - Straighten up;
 - Stop; and
 - Exit
- These dimensions should take into account the number of routes serving the stop and their frequency, thereby allowing for additional buses to stop where necessary
- Safe design of passenger waiting areas at each bus stop

Such work has already been completed in London, and TfL have published comprehensive design guidance in this area – a copy of which is available at the link below:
http://www.tfl.gov.uk/assets/downloads/accessible_bus_stop_design_guidance.pdf

It is absolutely vital in preparation for the tendering of services, that similar bus stop design standards are established in Dublin, and that initially a comprehensive review of every stop on tendered routes that are to be operated by dual-door vehicles is carried out and **all** stops redesigned where necessary to permit safe operation of dual-door services on an ongoing basis. All other stops should also be examined as a matter of course to ensure that they comply with these standards.

I would incorporate a study of stopping places for tour services and chartered services into this so that they do not block access to PSO service bus stops. The current situation in Nassau Street frequently leads to Dublin Bus stops being blocked by other operators, and the same situation prevails in the early mornings in Suffolk Street.

Reporting requirements and targets

I would have a significant concern about one particular performance target, which is the target of 95% of scheduled services being operated. While the performance targets set for an operator need to be realistic, they should challenge the operator to operate at a service level that meets passenger requirements.

In my view the requirement to operate 95% of services scheduled is completely unacceptable for a city bus operator. To put this into perspective this means that, assuming hours of operation are from 06:30 to 23:30 (18 hours), and standard service patterns operate throughout the day, that the following targets apply:

Frequency	Buses per hour	Hours of Service	Total Buses	Target 95%	Shortfall Allowed
60 mins	1	18	18	17.1	0.9
30 mins	2	18	36	34.2	1.8
20 mins	3	18	54	51.3	2.7
15 mins	4	18	72	68.4	3.6
12 mins	5	18	90	85.5	4.5
10 mins	6	18	108	102.6	5.4

This means that for a route where frequency is hourly (such as the 185), it is acceptable that effectively one bus every day does not operate, or where 6 buses an hour are scheduled, that it is acceptable for over 5 buses to not operate during the day. Actual performance has regularly been between 95% and 97% which is not in my view acceptable for a city bus operation.

An acceptable standard would, in my view, be one in the region of 98%. This would translate to the following performance requirements:

Frequency	Buses per hour	Hours of Service	Total Buses	Target 98%	Shortfall Allowed
60 mins	1	18	18	17.64	0.36
30 mins	2	18	36	35.28	0.72
20 mins	3	18	54	52.92	1.08
15 mins	4	18	72	70.56	1.44
12 mins	5	18	90	88.2	1.8
10 mins	6	18	108	105.84	2.16

Operators must be set a target that delivers an acceptable service to the customer, and penalises them for non-compliance. The current target of 95% does not deliver this.

Targets should be monitored on a route by route basis, and appropriate penalties set, up to and including removal of an operator for repeated non-performance.

Timetable, roster design and control of bus services

It is important that going forward when new timetables are being implemented by the NTA, that these are correlated with the driver rosters that the operator draws up to operate them, to ensure that:

- They are realistic in terms of overall journey times
- They are correlated with the historic journey times taken from the AVL system
- The rosters are examined and correlated with the historic information to ensure that where driver changes take place mid-route, that such changes are timed to ensure that buses are not waiting at the changeover location for longer than a maximum of 5 minutes
- At quieter periods of the year (Christmas, Good Friday and school/college holidays), different rosters / timetables are drawn up that are more realistic in terms of the journey time taken. For example between Christmas and New Year, and on Good Friday a Saturday service (amended for certain routes which don't have one or where they start later) would be sufficient

It is absolutely vital that this oversight function be taken on and implemented by the NTA and it be monitored, in order that realistic timetables are put into effect.

It is also vital that regulation of services is implemented so that a consistent service is provided along the route and that bunching is minimised.

What customers require from a bus service is:

- Consistency
- Reliability
- Speed

I would suggest that the first two are the most important requirements, and that they are not currently being measured in an acceptable manner.

Given different operators may operate routes along the same corridor, for example the 33 and 33A between Skerries and Swords, how this is monitored is something that needs to be examined in detail and addressed. Schedules must be prepared on a corridor basis (rather than a route basis) wherever possible in order to give customers a consistent product. The individual route timetables across operators should be correlated together to provide consistency all along the route.

It must become the situation that the effective veto that drivers currently have on rosters ceases to become the driver behind schedule changes.

Schedules should be based upon the AVL information that schedulers have, and should also incorporate sufficient recovery time for unexpected delays en route, to ensure that the following service departs on time. Typically this would be approximately 10 minutes. Implementing schedules and rosters designed in this way would eliminate potential objections from drivers.

Change procedures and user feedback

Going forward, I would consider that when bus timetable changes are to be implemented, that where they are of a significant nature, or involve the abolition of or change to a bus route, that they are put out for customer consideration in advance, and that the responses be analysed.

For far too long the customer has generally been the last person to be consulted, but to be fair this did change when Network Direct was being implemented.

It is important that a full change programme be developed that ensures:

- Sufficient time to draw up new schedules/rosters
- Users and stakeholders are consulted through notices online, at stops and on board vehicles
- Sufficient consultation time is allowed for users/stakeholders to respond
- That information on the final services is available at least one week in advance online and at travel centres
- That on-street information is updated overnight to ensure that it is in place for the first day of operation

These are detailed procedures that are vital for users to be heard as part of any network review.

It is important that timetables and routes be reviewed on a far more regular basis, both between the NTA and the operator, but also between the NTA and the public, and that the network becomes more responsive to changes in passenger needs rather than remaining static.

I also think that going forward, for any new public transport investment project that impacts on bus services, that detailed plans outlining how the bus network will be affected (both during and post-construction), so that bus users can constructively contribute to the planning process. As at the time this submission is written, we are still awaiting a full outline of the impact of LUAS BXD on the bus network in central Dublin on a route-by-route basis.

It is, in my view, critical that people can assess the impact on their own journeys of such projects and therefore arrive at an informed opinion when such projects are being assessed.

I would also consider that a formal user feedback process be established on a statutory basis, similar to Passenger Focus in the U.K., that would provide the network managers and operators with meaningful reports on the services provided.

Conclusion:

I think that the basis for the tendering of services is correct, however I believe that substantial work needs to be done in the areas outlined above, in advance of the tendering process commencing, in order for the bases of a customer focussed bus service to be put in place.

The NTA needs to become a full network manager and to develop the appropriate reporting and control mechanisms to deliver this. It is vital that the NTA in doing this, also acquire staff with the relevant knowledge of the network and services in order to monitor this – this is something that will need to be developed.

In achieving the right mix of services, and operators, it is vital that the network delivers consistency and reliability. Provided these are delivered, the bus service should begin to become more relevant to a greater number of people. Without it, people will not be prepared to choose the bus as a regular mode of transport.

Biographical Note:

The author is a Chartered Accountant who is a daily user of public transport across Dublin. He has provided feedback to operators over the years of his experiences that have on occasion resulted in changes in operations. He has made submissions to the Oireachtas Committee on Transport, and to the operating companies on service design and timetabling.

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Lynn Mahony

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 15:58
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: Eamon Walsh

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

Organisation:

Address:

Co Louth

Comment:

This will have a negative impact on the secure employment provided by bus eireann. It will also lead to a much poorer public transport system to more isolated rural areas. Bus Eirann operations has its problems which could be rectified, less higher management. In the rural area they should use more people friendlier buses. Some of the garage facilities are outdated and not suited for a modern fleet.

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Lynn Mahony

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 16:34
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: Go-Ahead-Response-Dublin.pdf

From: Mr Martin Dean

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

Organisation:
Go Ahead Plc

Address:
First Floor, 4 Matthew Parker Street, London SW1h 9NP

Comment:
Please see attached Go Ahead Response file for Dublin.

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Proposal to Directly Award a Public Bus Services Contract to Dublin Bus in 2014

Response from Go-Ahead Group to September 2013 Consultation Paper

1. Introduction and Background

The Go-Ahead Group plc (Go-Ahead) is one of the UK's largest public transport operators running three rail franchises for the Government (Southern, Southeastern and London Midland) as well as 4,600 buses in a range of locations. Some operate in the deregulated market outside London in places such as Tyne & Wear, Oxford, Brighton, Bournemouth, Norwich, Southampton and the Isle of Wight and we have a major fleet in London of around 2,000 vehicles running on contracts in the regulated market specified by Transport for London (TfL). Overall we have over 23,000 employees and a reputation for service quality, customer service and innovation. Our annual turnover is £2.3bn and further information can be found at www.go-ahead.com

Go-Ahead therefore has extensive experience of regulated and deregulated bus frameworks and was pleased to participate in the market sounding exercise in 2012 meeting with the National Transport Authority (NTA) in Dublin in August 2012 to discuss the way forward.

2. Response to Consultation Document

Go-Ahead welcomes the consultation paper's general view that a number of bus services should be opened up to competitive tender by 2014/15 with a proposed start date in Autumn 2016.

As noted, Go-Ahead operates in the regulated London market which is 100% supplied by private operators operating to a specification determined by TfL. The Ernst & Young economic analysis uses London as an example of good practice and recent years have seen considerable patronage growth, quality improvements and high levels of customer satisfaction. The tendering process is very competitive and this means that TfL obtains good value for money when awarding contracts.

We plan and design the services we operate outside London ourselves and consistently achieve high levels of customer satisfaction. The overall message is that customers and public bodies organising public transport services have nothing to fear from private operators who are highly incentivised to provide good levels of service whatever the regulatory framework.

As an experienced bus operator, Go-Ahead would be extremely interested in bidding for bus contracts in the Dublin area subject to the exact content of the Invitation to Tender. We would offer the following specific observations on the content of the consultation paper:

- The proposal seems to envisage around 80 – 120 buses would be available for bidding possibly divided up into two lots of around 60 vehicles each. We would advise these numbers are probably at the lower limits of attractiveness for new entrants coming into a market.
- Bus operations are at their most efficient where the minimum overhead costs can be spread over as many vehicles as possible. Winning both lots is only likely to lead to any efficiencies in this respect so we would suggest splitting the offer would not be best for the operator or for the NTA in achieving value.
- We agree though that both lots running concurrently makes sense to allow bidders to bid at the same time and take advantage of any spread of overheads.
- If (as it seems) Dublin Bus are able to bid for these contracts there is a strong chance they would win them because they would be able to spread overheads (and some semi direct costs) across their directly awarded business a lot further than any new entrant with such a small base of vehicles.
- Indeed it is also possible given how much they would still operate through direct award that they could price the remaining residual work to cover direct operating costs only.
- The geographical spread of services is a concern: in the market testing exercise we indicated the most efficient way forward from both a cost and operating point of view was to tender quite a narrow defined geography, this has the following benefits:
 - Operationally compact
 - Easier to supervise staff and other incidental occurrences such as breakdowns
 - Limited need for ancillary depot facilities and outstations
 - Stakeholder relationships are clearer the more localised the area
 - Lower cost: less operational support required the smaller the operating area

Some reconsideration – maybe concentrating on the north or south side would seem appropriate with the quantum of vehicles made up by the inclusion of some radials operating from those areas as well (see other bullet points below)

- The Ernst & Young technical report seem to dismiss the operators taking any revenue risk and concludes that a gross cost approach is likely to give the NTA 'best value' as operators prefer not to take revenue risk and will price accordingly. We would contend this is not the case: Go-Ahead has good experience of marketing and retail techniques and an excellent track record of revenue and patronage growth. The behaviours described by Ernst & Young may apply to some operators but we would always recommend a tendering authority should offer both gross cost and minimum cost as options and then make a decision as to what offers best value based on the prices received.
- Given the NTA is considering leasing vehicles and depots to the successful operator the timescales for implementation seem very conservative. If staff transfer automatically under a TUPE process the usual constraints are lead times for new vehicle build and depot availability. If these are removed then a one year lead in time between award and commencement of operation seem excessive.
- A new entrant will inevitably have some mobilisation costs. The proposed five year lapsed time for the operation of the tender should be the absolute minimum to allow these costs to be spread in a way which diminishes any disadvantage this places a new entrant over the incumbent.
- Integration with other public transport services is clearly an important requirement. We do not envisage any difficulties and would point to high levels of integration in both the UK regulated and deregulated markets.
- If the NTA decides to adopt gross cost contracts with performance and quality incentives we would strongly recommend these should not be overly complicated. Modelling their effects can be extremely costly in the tendering process and managing them after tender award can become unnecessarily bureaucratic for both sides. The key measure which is most appreciated by customers is punctuality and reliability: helpfully with modern technology this is the easiest to measure as it is the most automatic.
- We are surprised at least some of the key radial routes are not included in the tender package. Otherwise there is a risk a 'next stage' of tendering could be

undermined by claims that any positive conclusions about the first stage of tendering are based on routes that are untypical of the rest.

3. Conclusions

In conclusion Go-Ahead is pleased to have been able to offer some comments on the proposed tendering process for bus services in Dublin. Ultimately the most appropriate way forward will depend on the objectives and desired outcomes. Small individual tenders and lots with very low levels of revenue risk are likely to appeal to existing family or independent operators already present in the country. Larger lots with an element of revenue risk may be more attractive to larger operators from outside with the skill and expertise to exploit the opportunities offered. We would be happy to discuss our thoughts further if this helped the development of the process.

Go-Ahead Group plc
October 2013

Lynn Mahony

From: WordPress <website@nationaltransport.ie>
Sent: 11 October 2013 16:48
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
Attachments: Go-Ahead-Response-Bus-Eireann.pdf

From: Mr Martin Dean

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Address:
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Comment:
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to fear from private operators who are highly incentivised to provide good levels of service whatever the regulatory framework.

As an experienced bus operator, Go-Ahead would be extremely interested in bidding for bus contracts in Dublin and the rest of the country subject to the exact content of the Invitation to Tender. We would offer the following specific observations on the content of the consultation paper:

- The Bus Eireann 'removal' proposal seems to envisage around 30-40 buses would be available for bidding. We would advise these numbers are probably at the lower limits of attractiveness for new entrants coming into a market particularly given the spread of contracts available. (Cork city for example is too far from other proposed routes/areas for tender for any synergies to be exploited.)
- Indeed for an organisation like Go-Ahead, as a new entrant to the Irish market bidding for the proposed Bus Eireann services is only likely to make sense if the bidding process was run concurrently with those proposed for Dublin. A combined market entry of around 160 buses could be feasible (adding the Dublin and outside Dublin tenders together) but one of only 30-40 is less likely to make sense and will be hard to price competitively against incumbents.
- If (as it seems) Bus Eireann is able to bid for these contracts there is a strong chance they would win them because they would be able to spread overheads (and some semi direct costs) across their directly awarded business a lot further than any new entrant with such a small base of vehicles (particularly with such a geographic split).
- Indeed it is also possible given how much they would still operate through direct award that they could price the remaining residual work to cover direct operating costs only.
- The geographical spread of services is a concern: in the market testing exercise we indicated the most efficient way forward from both a cost and operating point of view was to tender quite a narrow defined geography, this has the following benefits:
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Go-Ahead Group plc
October 2013