

The Private Bus and Coach Industry in Ireland

Final Report

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Summary

1. The scale of the private bus and coach industry in Ireland is little understood largely because of the absence of official data on the sector. This study sets out to remedy this deficiency, assess the contribution of the industry to the economy, and identify changes in the regulatory environment that would enhance that contribution. In order to make good some of the gaps in information, a survey of bus operators was undertaken as part of the study.
2. There are now some 1,800 private bus operators in Ireland, with an aggregate bus vehicle fleet of 4,859. This is almost double the number of vehicles operated by Dublin Bus and Bus Eireann combined. Between 1992 and 2003, the number of vehicles operated by the private bus and coach industry increased by 71 per cent.
3. The industry is dichotomous in nature, with a minority of firms operating at significant scale. The top sixty operators in the country own 21 per cent of the total vehicle fleet and 90 per cent of them operate across three or more of the market sectors. At the same time, almost half of all operators have only one vehicle and are confined to the provision of local bus and schools transport services.
4. The private bus and coach industry operates more than 234m vehicle miles per annum and has an estimated turnover of €307m. The top 60 operators contribute 60m vehicle miles and have a turnover of approximately €80m.
5. The capacity of the bus and coach industry means that the industry now has the capacity to fully participate in the future development of public transport services within a more liberalised framework.
6. Private operators provide services in the coach tourism, private hire, schools transport, and scheduled services markets. Access to the latter market is restricted, while the schools transport market is relatively static. This means that the coach tourism and private hire markets have been the major source of growth.
7. In contrast to the CIE Group bus companies, the private bus and coach industry does not benefit from State support under the National Development Plan 2000-2006. In total €543 million has been allocated to CIE bus companies towards the renewal and expansion of their fleet over the period of the plan. In addition, CIE bus companies are in receipt of annual subvention from the state. The annual subvention from the state totalled €77m in 2003. The level of State subsidies provided to Dublin Bus and Bus Eireann is undermining the competitive position of the private bus and coach industry in Ireland. There is a pressing need for transparency in relation to State support for the CIE group companies. Services that are social in nature should be identified, and State grants both capital and current should be confined to supporting such services.

8. The restrictive approach to scheduled passenger bus route licensing is also hindering the development of a competitive and dynamic private bus industry. Apart from the restrictive nature of the public interest test, the delays in processing applications place the private sector at a disadvantage. There is a clear need for an independent regulator for the sector and reform of the licensing process to ensure a level playing field. This reform should be put in place as a matter of priority, especially in view of the slow progress towards market liberalisation.
9. Despite the lack of a level playing field in terms of State support, and the restrictive bus licensing policy in place, the private bus and coach industry has expanded significantly over recent years. It is estimated that over the five-year period 1999-2003, the industry has invested over €60m annually in new vehicles alone. As a result, over 42 per cent of the private bus fleet are less than five years old.
10. The expansion of the bus and coach industry over the last decade means that it is now a significant contributor to the national and regional economies. There are at least 6,000 persons directly employed in the industry, with another 3,000 jobs indirectly dependent on it. The industry is dispersed throughout the country with only 13 per cent of operators being based in Dublin. The industry is thus a stimulant to local regional development, in line with the Government's National Spatial Strategy.
11. The Government has indicated its intention is to liberalise the Dublin Bus market through allowing private operators to compete for a proportion of routes. With regard to the market outside Dublin, the Government has yet to decide on the approach. Given the contribution the private bus and coach industry makes to the bus transport sector in Ireland, the private industry should be a full participant in all public fora concerning the evolution of future land transport policy.
12. If liberalisation takes the form of controlled competition, then the degree of competition in the market will be determined by the scale of the franchised contracts. If only large-scale contracts are offered covering a large number of routes, then both the number of bids and ultimately the number of private operators in the market will be very few, as smaller operators will not be in a position to bid. If large bus companies enjoyed significant economies of scale, then it could be argued that they might provide services at lower cost. However, the weight of evidence is that the bus industry is not characterised by such economies of scale, so that smaller operators should be in a position to offer competitive bids and services. A liberalised market with more players is also likely to give rise to greater innovation in service delivery and have greater impact on local and regional economies.

1. Introduction

1.1 Background

Despite the restrictions on entry to the scheduled bus market in Ireland, the Irish private bus and coach industry has grown very substantially over the last decade. It is now therefore, an appropriate time to document the industry's standing and its contribution to the Irish economy.

The Coach Tourism and Transport Council of Ireland (CTTC) commissioned Goodbody Economic Consultants to undertake a study to:

- Profile the Irish private bus and coach industry.
- Assess the impact of the private bus and coach industry on the economy; and
- Consider the role of the sector in the context of the deregulation of bus markets now envisaged.

1.2 Approach to the Study

The study involved:

- Interviews and consultations with operators in the industry;
- A postal/telephone-based survey of 96 firms in the industry;
- Analysis of data from:
 - the Bus Licensing Section of the Department of Transport;
 - the Road Haulage Section of the Department of Transport;
 - the Vehicle Registration Unit in Shannon;
 - Fáilte Ireland; and
 - Kompass (a database of over 120,000 companies in Ireland).
- Desk based research on the liberalisation of bus services.

1.3 Report Layout

The Report is laid out as follows. Section 2 profiles the private operators providing bus and coach services in Ireland in terms of number of operators, number of vehicles, size distribution of both the private operators and their fleet, and the growth of the industry over the last decade. The markets served, services provided and scale of activity in the industry are analysed in Section 3. Section 4 considers the contribution the industry makes to the economy. Finally, the access to the bus market in Ireland and liberalisation of the market are discussed in Section 5.

Appendix 2 provides details of the survey of bus and coach operators that was carried out as part of the Study.

2. The Private Bus and Coach Industry

2.1 Introduction

The private bus and coach industry has remained a hidden industry from the point of view of official statistics in Ireland. There are very few data on its structure and performance available from the CSO or other official sources. This study attempts to remedy this deficiency through collating the statistics that are available and collecting additional information through a survey of private bus and coach operators.

2.2 Number of Private Bus and Coach Operators

A large public service vehicle (LPSV) means a public service vehicle having seating passenger accommodation for more than eight persons exclusive of the driver. In order to operate a large public service vehicle for 'hire or reward' an operator in Ireland must have a Road Passenger Transport Operators Licence (RPTOL) or a European Community (EC) Licence¹. The number of private operators with RPTOL/EC Licences in Ireland was 1,787² in March 2004.

2.3 Number of Vehicles Owned by Private Bus and Coach Operators

Vehicle licensing data from the vehicle registration unit in Shannon indicate that there were 8,437 large public service vehicles (LPSVs) in Ireland in 2003. Of these, 2,578 were operated by CIE. Taking account of LPSVs operated by non-transport bodies on a non-commercial basis, it is estimated that the private bus and coach industry operates some 4,859³ vehicles.

2.4 Growth in the Private Bus and Coach Fleet

Table 2.1 outlines the growth in the total number of Large Public Service Vehicles (LPSVs) under current license over the period 1992 – 2003.⁴

The number of licensed LPSVs increased from 5,709 in 1992 to 8,437 in 2003, an increase of 48 per cent. Looking at private sector non-CIE LPSVs, these increased at a much higher rate of 71 per cent, from 3,440 in 1992 to 5,859³ in 2003.

¹ Carriers who operate exclusively within the State need a national Road Passenger Transport Operators Licence. Those who wish to carry passengers abroad must hold a European Community Licence. The vehicles owned by the operator with the licence are listed on the licence.

² Dublin Bus and Bus Eireann owned an additional two RPTOL/EC Licences, and an additional 12 licences existed but no vehicle details were supplied so they were excluded from our analysis.

³ The 4,859 number of private LPSV vehicles differs from the 5,859 number of private LPSV vehicles, because the 5,859 figure includes all LPSVs with 9 or more seats registered in Ireland, i.e. it includes large public service vehicles owned by the healthboards, charities and local clubs/organisations used on a non-commercial basis, these vehicles do not require an RPTOL licence.

⁴ Including school buses

The proportion of total LPSVs represented by non-CIE LPSVs increased from 60 per cent in 1992 to 69 per cent in 2003.

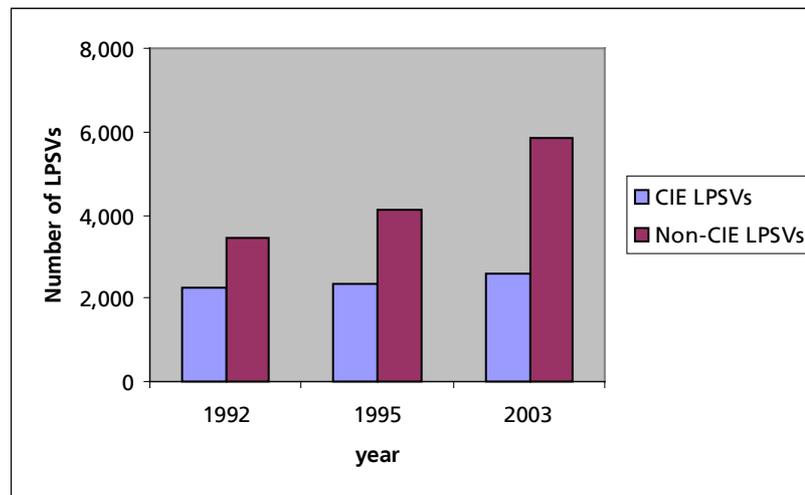
Table 2.1: Growth in Non-CIE Large Public Service Vehicles (LPSVs)

	1992	1995	2003
Total LPSVs	5,709	6,484	8,437
CIE*	2,269	2,369	2,578
Non-CIE LPSVs	3,440	4,115	5,859
Non-CIE LPSVs as a % of total LPSVs	60.3	63.4	69.4

Source: Vehicle Registration Unit Shannon, CIE Annual Report 1992, 1995 and the Road Haulage Section of the Department of Transport.

*The number of LPSVs owned by CIE bus companies for the years 1992 and 1995 were obtained from CIE annual reports. In respect of the year 2003, the number of LPSVs owned by CIE bus companies was obtained from the RPTOL database.

Figure 2.1: The Number of Non-CIE and CIE Large Public Service Vehicles registered in Ireland 1992 – 2003



Source: Vehicle Registration Unit Shannon, CIE Annual Report 1992, 1995 and the Road Haulage Section Department of Transport

2.5 Size Distribution of Private Bus and Coach Operators

Table 2.2 provides a breakdown of the 1,787 private operators by the size of their vehicle fleet. This shows that almost half of the operators in the industry have only one vehicle, while there are 250 operators in the country with 5 or more vehicles.

The top 60 operators in the country all own more than 10 vehicles, representing approximately 21 per cent of the total vehicle fleet. In general terms therefore, the industry is dichotomous in nature, with a relatively small number of firms operating at a significant scale. The very large number of one-vehicle operators reflects the fact that many people are engaged in the business at a local level, operating school and local private hire services.

Table 2.2: Distribution of all Private Operators by Number of Vehicles Owned, 2004

Number of Vehicles	Number Operators	%
1	873	48.9
2	355	19.9
3	189	10.6
4	120	6.7
>=5	250	14
Total	1,787	100.0

Source: Goodbody Economic Consultants

2.5 Size Distribution of Bus and Coach Vehicle Fleets

As outlined in Section 2.3 there are approximately 4,859 vehicles operated commercially by private bus and coach operators in Ireland. The size distribution of vehicles in the private bus and coach industry is outlined in Table 2.3. In total, 45 per cent of vehicles have between 37 and 56 seats. A further 26 per cent of vehicles have between 17 and 36 seats, and 25 per cent have between 9 and 16 seats.

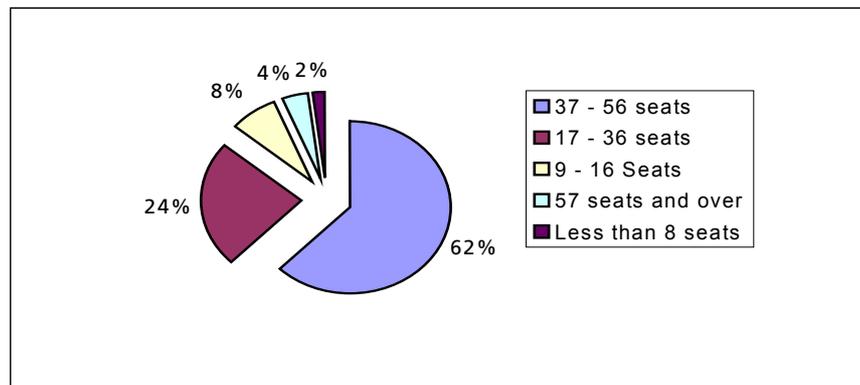
Table 2.3: Distribution of Private Bus and Coach Fleet by Size, 2004

Number of Seats	%
Less than 8*	1.8
9 – 16	25.2
17 – 36	26.2
37 - 56	44.8
57 and over	2.0
Total	100.0

* Does not include taxis or hackneys

Source: Goodbody Economic Consultants

Figure 2.2: Distribution of Top 60 Private Operator's Fleet, by Size



Source: Goodbody Economic Consultants

* Does not include taxis or hackneys

Among the top 60 operators in the country, 62 per cent of their fleet have between 37 and 56 seats while 24 per cent of the fleet have between 17 and 36 seats. Approximately ten per cent of the fleet have 16 seats or less. The remainder of the fleet (4 per cent) have 57 seats or more.

2.6 Conclusions

There are currently 1,787 private operators operating approximately 4,859 vehicles in the private bus and coach industry in Ireland. The top 60 operators in the country, in terms of fleet size, own and operate 21 per cent of the total industry fleet.

Of the total number of 8,500 large public service vehicles registered in Ireland in 2003, approximately 70 per cent were registered to private operators.

Approximately 49 per cent of private operators have more than one vehicle. There are 250 operators in the country with more than five vehicles. The top 60 operators in the country all own more than 10 vehicles representing 21 per cent of the total vehicle fleet. In general terms, therefore, the industry is dichotomous in nature, with a relatively small number of firms operating at a significant scale.

The private bus and coach industry has experienced significant growth over the last decade with the number of private LPSVs registered in the country increasing by 70 per cent over the period 1992 – 2003. This growth has occurred despite the restrictions placed on private bus and coach operators in terms of obtaining stage passenger licenses. The rate of bus vehicle growth experienced by the private bus and coach industry is significantly higher than that experienced by the CIE group of companies. This higher rate of growth is significant given that private bus and coach operators are not in receipt of current or capital grants from the State (see Section 3.5), whereas their CIE bus company counterparts are benefiting considerably from both NDP and State support for the renewal and expansion of their fleet.

3. The Private Bus and Coach Industry: Markets, Services and Activity Levels

3.1 Introduction

This section of the report sets out the various markets in which the private bus and coach industry operates. The degree of involvement of the industry in these markets is explored. Finally, the level of activity of the industry is estimated and compared to that of the CIE group of bus companies.

3.2 Private Bus and Coach Transport Markets

The private bus and coach industry provides services in several distinct markets, including:

- Coach tourism;
- Private hire;
- Schools transport; and
- Scheduled services.

3.2.1 Coach Tourism

Bus and Coach Tours are provided on a fixed route basis as well as on an ad-hoc basis to both foreign and domestic tourists, for tours lasting from one day to several days. The Coach Tourism and Transport Council of Ireland comprise the majority of operators in the Irish Coach Tourism sector.

There are no data available on the overall scale of coach tourism activity in Ireland. According to Fáilte Ireland's Visitor Attitude Survey however, there were 359,000 tourists availing of **day coach tour services** in Ireland in 2003. In addition, according to industry sources, the Irish coach tourism industry catered for approximately 300,000 overseas and domestic tourists availing of **overnight coach tour services** in 2003. In total, it is therefore estimated that the industry catered for approximately 660,000 coach tourism passengers in 2003.

3.2.2 Private Hire

Private hire encompasses a wide variety of services. It includes a significant level of corporate, conference and incentive coach services. This type of service is now a well-established form of business for many private operators in the country. In addition to the above, sporting

fixtures, social outings, school trips, weddings and evening functions provide private hire business for private bus and coach operators throughout the whole of Ireland. Travel club arrangements are also a feature of the private hire market.

3.2.3 Schools Transport

Since 1967, private independent operators have operated as sub-contractors to CIE, who hold the contract for school transport from the Department of Education and Science. According to the Department of Education and Science, there are 2,300 privately owned vehicles providing school transport on a contract basis to CIE, this amounts to 80 per cent of the total fleet used in the provision of school transport services.

3.2.4 Scheduled Passenger Road Services

In Ireland it is illegal for a private bus and coach operator to commence the operation of a passenger road service⁵, without first obtaining a passenger road licence from the Government Department responsible for Transport⁶. The Department issues passenger road licences for either 'omnibus' or 'motor coach' services. The expression "omnibus service" means a passenger road service taking up and setting down passengers along its route on request or at fixed stopping places without pre-arrangement as between the passenger and the licensee. The expression "motor coach" service means any other passenger road service.

3.3 Services provided by the Private Bus and Coach Industry

Table 3.1 outlines the distribution of operators in the country by the number of the above types of services that they provide. See Appendix 4 for a complete breakdown of the types of services provided.

Only seven per cent of all private bus and coach operators in Ireland are involved in providing all four types of service, while 18 per cent of operators provide just one type of service. The remainder of operators provide either two types of service (39 per cent) or three types of service (36 per cent).

Among the operators providing just one type of service the majority share (16.4 per cent) provide school transport services.

⁵ A stage carriage passenger road service refers to a service 'carrying passengers between specified terminal points or along a specified route for separate charges in respect of each passenger'.

⁶ Bus Licensing Section, Department of Transport

Table 3.1: Range of Services Provided by Private Bus and Coach Operators, 2004

Proportion of Operators providing:	%
One Type of Service	18.3
Two Types of Service	38.5
Three Types of Service	36.1
All Four Types of Service	7.1
Total	100.0

Source: Goodbody Economic Consultants

The restrictions on entering the passenger road market have curtailed the presence of the private bus and coach operators in the scheduled passenger bus market. There are approximately 1,250 private and public scheduled passenger bus services in operation in Ireland. The private bus and coach industry operates approximately 518⁷ (41 per cent) of these licensed scheduled passenger services.

Among the private licensed services, almost one in five (18 per cent) are for special dedicated services such as bingo nights and disco runs. A further seven per cent of the private licensed routes are for once a week or restricted mid-week services. Seventeen per cent of licences are for daily runs during the school term only, while an additional 18 per cent are for weekend university/college runs.

In total, less than 30 per cent of licensed services provided by the private bus industry are provided on a daily basis. The opposite is true of CIE services. Except for a small number of rural services, most Dublin Bus and Bus Eireann routes are operated on a daily basis. Thus, the licences granted to the private sector tend to be restrictive in nature, and their number exaggerates the extent to which the private sector have access to the market.

⁷ April 2004

Table 3.2: Approximate Proportion of Private Scheduled Passenger Road Services Licences by Type of Service Provided, 2004

	No Services	%
Daily, no restrictions	148	28.6
Daily, Tours	20	3.9
Daily, Runs School Term	79	15.3
Daily, during restricted period/ restricted service type	14	2.7
Special dedicated services (e.g. discos, bingo)	92	17.8
Weekend, University/College services	85	16.4
Restricted Midweek services/One day a week service	33	6.4
Unknown	47	9.1
Total	518	100.0

Source: Bus Licensing Section Department of Transport

Table 3.3: Types of Services provided by Dublin Bus and Bus Eireann, 2004

	No Services	%
Dublin Bus Dublin City routes	201	27.7
Dublin Bus Tours	4	0.6
Bus Eireann Expressway services	78	10.8
Bus Eireann Commuter/ Local/Rural services	370	51.0
Bus Eireann City/town services	50	6.9
Bus Eireann Airport services	5	0.7
Bus Eireann Day tours	17	2.3
Total	725	100.0

Source: www.cie.ie

The impact of the licensing restrictions placed on the private bus and coach industry have thus been to curtail both the level and the type of scheduled passenger road services provided by the private bus and coach operators in Ireland.

Given the division in the industry between small and larger operators, it is useful to examine the services provided by those who are operating in the sector on a larger scale

Table 3.4 outlines the number of services provided by operators with five or more vehicles. It is apparent that among the larger operators, considerably more operators (27 per cent) provide all four types of service. Only 9 per cent of operators provide just one type of service.

Most operators providing one type of service provide School Transport (7 per cent).

Among the operators providing two types of service, most of them (14 per cent) provide Coach Tourism and Private Hire, while among those providing three types of service, most of them (20 per cent) provide Coach Tourism, Private Hire and School Transport services.

Table 3.4: Specialisation among Private Bus and Coach Operators with 5 or more Vehicles, 2004

Proportion of Operators providing:	%
One Type of Service	9.4
Two Types of Service	25.6
Three Types of Service	37.6
All Four Types of Service	27.4
Total	100.0

Source: Goodbody Economic Consultants

Even among this group, only just over half (51.4 per cent) provide scheduled services.

Examining the top 60 operators in the country reveals that 44 per cent provide four types of service, while in total over 90 per cent provide three or more types of service.

3.4 Scale of Activity of the Private Bus and Coach Industry

There are no official data on the scale of activity of the private bus and coach industry. In particular, key indicators, such as vehicle mileage and passenger mileage are not available. The survey carried out as part of this study facilitated a broad estimate of activity levels in terms of a number of indicators as follows:

Vehicle Mileage

It is estimated that the private bus and coach industry vehicle fleet operates more than 234 million vehicle miles per annum, with the average vehicle operating 47,582 miles in the year.

The top 60 operators in the country operate just over 60 million vehicle miles. This represents 25 per cent of the total industry mileage. The average annual vehicle mileage in the top 60 operators' fleets is 57,200 miles.

Turnover

Annual turnover in the private bus and coach industry is approximately €307m.

The annual turnover of the top 60 operators in the country is approximately €80 million. This represents 26 per cent of the total turnover in the industry.

Employment

At a minimum, there are an estimated 6,000 people employed in the private bus and coach industry in Ireland. It should be noted that this figure, which is derived from survey data, is likely to be an underestimate, as respondents may have understated their employment levels by excluding family members, for example.

The top sixty operators in the country employ 1,420 people, 24 per cent of total employment in the industry.

Thus, despite the restrictions imposed on the private bus and coach industry, the scale of activity, in terms of vehicle mileage, turnover and employment is substantial. It is clear also from details of vehicle numbers presented in Table 2.1 that the scale of activity in the private bus and coach industry has expanded rapidly in recent years. Given the restrictions on access to the scheduled services market and the relative stagnation of the schools market, this implies very strong growth in private hire and coach tourism.

3.5 Investing for Growth

The private bus and coach industry has made substantial investments in vehicles in the last five years to meet the growing demand for its services.

Table 3.5 outlines the number of LPSVs⁸ licensed for the first time in Ireland every year over the period 1999-2003. On average, 380 non-CIE LPSV vehicles were licensed for the first time in Ireland each year over the period 1999 - 2003. This represents 8 per cent of the total private bus and coach fleet size.

⁸ School Buses are not included, the number of school buses licensed for the first time in Ireland each year was not available.

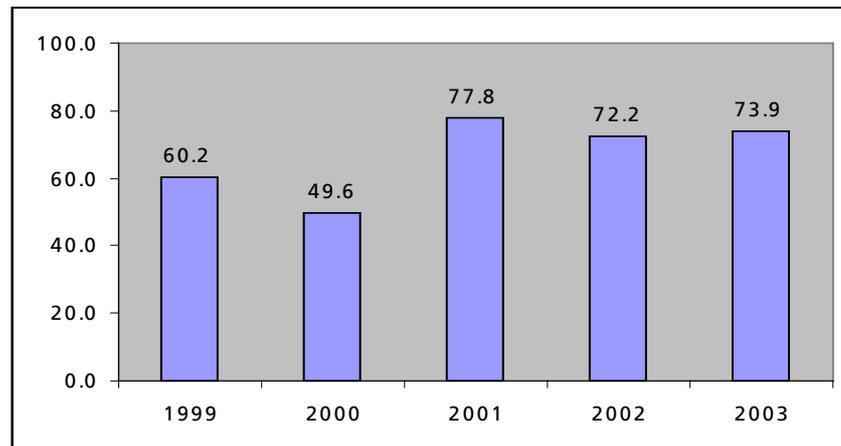
Approximately two-thirds (67 per cent) of the total number of LPSV vehicles licensed for the first time in Ireland each year over this period were non-CIE vehicles.

Table 3.5: Number of Newly Licensed LPSV Vehicles, 1999 – 2003

	1999	2000	2001	2002	2003
Total LPSV	686	901	492	436	482
CIE	273	454	109	121	126
Non-CIE LPSVs	413	447	383	315	356
Non-CIE as % of Total	60.2	49.6	77.8	72.2	73.9

Source: Vehicle Registration Unit Shannon

Figure 3.1: Proportion of Newly Licensed LPSVs Represented by Non-CIE LPSVs, 1999 - 2003



Source: Vehicle Registration Unit Shannon

In order to put a monetary value on annual investment levels made by private operators in the private bus and coach fleet in Ireland, the average number of vehicles registered for the first time each year was multiplied by their typical purchase prices. It was thus estimated that the net investment levels in the private bus and coach industry fleet amounts to approximately €60.7 million annually over the five-year period 1999 - 2003.

Given this level of investment in the private bus and coach industry fleet, it is not surprising that forty two per cent of the total private bus and coach fleet are less than 5 years old.

Table 3.6: Distribution of Private Bus and Coach Fleet by Age, 2004

Age	%
Less than 5 years old	42.2
Greater than 5 and less than 10 years old	25.2
Greater than 10 years old	33.3
Total	100.0

Source: Goodbody Economic Consultants

Differentiating between larger and smaller operators, Table 3.7 shows that larger operators are more inclined to invest in their fleet. In total, 58 per cent of the fleet owned by the 60 largest operators in the country, are less than five years old.

Table 3.7: Distribution of Large Private Bus and Coach Operators Fleet by Age, 2004

Age	%
Less than 5 years old	58
Greater than 5 and less than 10 years old	23
Greater than 10 years old	19
Total	100

Source: Goodbody Economic Consultants

The growth in the private bus and coach industry, and the investments made, have been achieved without recourse to subvention from the State. In contrast, CIE has received significant State support for the company's capital spending on vehicles and bus infrastructures via the National Development Plan (See Table 3.8).

Table 3.8: NDP Expenditure on Bus Network Development

	Dublin Bus €m	Bus Eireann €m
Actual expenditure 2000 – 2002	116.7	56.3
Planned expenditure 2000 – 2006	346.8	196.9

Source: Mid Term Evaluation of the Economic and Social Infrastructure Operational Programme 2003, Indecon

As Table 3.8 outlines, both Dublin Bus and Bus Eireann are in receipt of National Development Plan 2000-2006 investment, aimed at improving public transport provision in the country. NDP investments in Dublin Bus and Bus Eireann comprise expenditure on fleet replacement, fleet development and transport infrastructure development. According to the Indecon 2003 Evaluation of the Economic and Social Infrastructure Operational Programme of the NDP, NDP expenditure on Dublin Bus totalled €116.7m over the period 2000 - 2002. Within the period of the NDP as a whole, it is envisaged that NDP expenditure on Dublin Bus will total €346.8m. During the period 2000 – 2002, NDP expenditure on Bus Eireann totalled €56.3m, while within the period of the NDP as a whole, it is intended to spend €196.9m on Bus Eireann.

The bulk of the NDP funding of Bus Eireann and Dublin Bus comes from the Exchequer and EU sources, with only a minor amount coming from CIE's own resources.

Similarly, the CIE group of companies was in receipt of €77m in operating subsidies in respect of bus transport in 2003.

The private industry's competitive position is being undermined by the level of capital subsidies provided to Dublin Bus and Bus Eireann. There is a pressing need for transparency in relation to State support for the CIE group companies. Services that are social in nature should be identified, and State grants both capital and current should be confined to supporting such services.

3.6 The Private and Public Bus and Coach Industries Compared

The growth experienced by the private bus and coach industry has meant the industry is now a substantial provider of bus and coach services in Ireland. The importance of the private industry can be seen in terms of its share of the total bus market in the country.

- Total employment in the bus and coach industry in Ireland approximates to 12,000 persons. Both the private bus and coach industry and CIE employ approximately 6,000 people⁹. It should be noted that the figure for employment in the private bus and coach industry was determined from the survey carried out on private bus and coach operators in the country (see Appendix 2) and may be subject to under-reporting.

⁹ Included in the figure of employee numbers in the private bus and coach industry are operators working on a sub-contract basis to CIE.

- Turnover in the private bus and coach industry was approximately €307 million in 2003. Turnover levels in Dublin Bus and Bus Eireann were €391m, €173m and €218 million respectively.
- Whereas both Dublin Bus and Bus Eireann are in receipt of State subvention on an annual basis (totalling €76.7 million in 2003), private bus and coach operators do not benefit from any State subvention.

Table 3.9: The Private Bus and Coach Industry and CIE compared

	Private Bus and Coach Industry	CIE*
Number of Vehicles 2003	4,859 ¹⁰	2,578
Turnover (€m) 2003	307	390
Operating Subvention from State (€m) 2003	0	77
NDP capital funding (€m) 2000 - 2002	0	173
Total Numbers Employed 2003	5,950 ¹¹	6,088

* Dublin Bus and Bus Eireann

Source: Vehicle Registration Unit Shannon; Road Haulage Section Department of Transport; CIE Annual Report; Goodbody Estimate

3.7 Conclusions

- Operators in the private bus and coach industry in Ireland have a significant presence in several markets, including the Coach Tourism, Private Hire, the School Transport, and the Scheduled Passenger Service markets.

¹⁰ The figure for the number of privately operated LPSV vehicles is different from that in Table 2.1, the reason being the 4,859 figure is taken from the database of vehicles registered on RPTOL licences. (In order to operate a vehicle for 'hire or reward' carrying nine or more passengers an operator in Ireland must have a Road Passenger Transport Operators Licence (RPTOL) or a European Community (EC) Licence). The database of RPTOL licences is constantly being updated and at any one time does not exactly represent the number of LPSV vehicles taxed in the country. Also certain categories of vehicles included in Table 2.1 are exempt from RPTOL licensing. These include: vehicles used for the carriage of passengers to or from work in vehicles owned by their employers; vehicles used for the carriage of persons to or from a school in a vehicle owned by the school; and vehicles used for the carriage of passengers otherwise than for profit in vehicles owned by voluntary organisations.

¹¹ This figure may be subject to under-reporting.

- The presence of the private bus and coach industry in the scheduled passenger market has been curtailed, due to licensing requirements, dating to the Road Transport Act of 1932.
- This curtailment is seen both in terms of the number and the type of stage carriage passenger road licenses held by private operators. Private operators operate just over one-third (35 per cent) of the total number of passenger road services in the country, while only 30 per cent of these are for daily services with no restrictions.
- Among larger operators (more than five vehicles), 27 per cent provide four types of service i.e. Coach Tourism, Private Hire, Scheduled Services and School Transport. Among the top 60 operators in the country 44 per cent provide four types of service and over 90 per cent provide three or more types of service.
- The industry operates more than 234 million vehicle miles per annum. The top 60 operators in the country operate 25 per cent of the total industry mileage.
- There are approximately 5,950 people employed in the industry. The top 60 operators in the country employ 24 per cent of the total industry employment. In terms of location, 85 per cent of private operators are distributed throughout the country outside Dublin.
- The industry turnover is approximately €307 million per annum, 26 per cent of which is accounted for by the top 60 operators.
- On average over the past five years there has been a total annual net investment of €60.7 million in the private bus and coach fleet in Ireland.
- Approximately 42 per cent of the total industry fleet is less than five years old. The corresponding proportion for the top 60 operator's fleet is 58 per cent.
- Private bus investment has been achieved without recourse to State subvention. In contrast, the CIE group of companies continue to benefit from capital subsidies.
- The private bus and coach industry's competitive position is being undermined by such subsidies, and it is clear that they should be discontinued except where they are used to support social services.

4. Overview of the Economic Impact of the Private Bus and Coach Industry

4.1 Introduction

The previous section has indicated that the private bus industry is now a significant one in terms of vehicles, turnover, employment and investment. This section of the report presents an overview of the impacts the private bus and coach industry have on the economy through the provision of employment and the purchase of goods and services.

These impacts include:

- The generation of employment;
- The contribution to value added¹² in the economy;
- The creation of tax revenue for Government

These impacts may occur directly through the use of resources by the bus and coach industry or indirectly in the wider economy. There are three types of impact usually estimated. These are:

Direct Impacts

Employment, value added and tax revenues that arise directly from the operation of the bus and coach industry.

Indirect Impacts

Employment, value added and tax revenues generated both regionally and nationally arising from the purchase of goods and services from suppliers.

Induced Impacts

Employment, value added and tax revenues generated both regionally and nationally by the spending of incomes arising from direct and indirect employment.

¹² Value Added is measured as the sum of gross labour costs plus profits arising in the industry.

4.2 Employment Impacts

4.2.1 Direct Employment

At present there are approximately 5,950 persons employed in the private bus and coach industry in Ireland, 48 per cent of which are employed on a full-time basis, with the remainder representing either part-time or seasonal employment.

On a full-time equivalent basis the industry represents 4,541 positions.

Figure 4.1 outlines the proportions of all private licence holders by their business address location according to their RPTOL/EC licence. Of the 1,787 private bus and coach operators with RPTOL licenses over 86 per cent have a business address outside Dublin.

Cork, Galway and Donegal are the counties with the highest proportion of licensed operators, outside Dublin. Kerry, Meath, Mayo and Kildare also have significant proportions of private operators.

The geographical distribution of operators spreads the impact of the industry through the economy, and generates employment throughout the whole of the country.

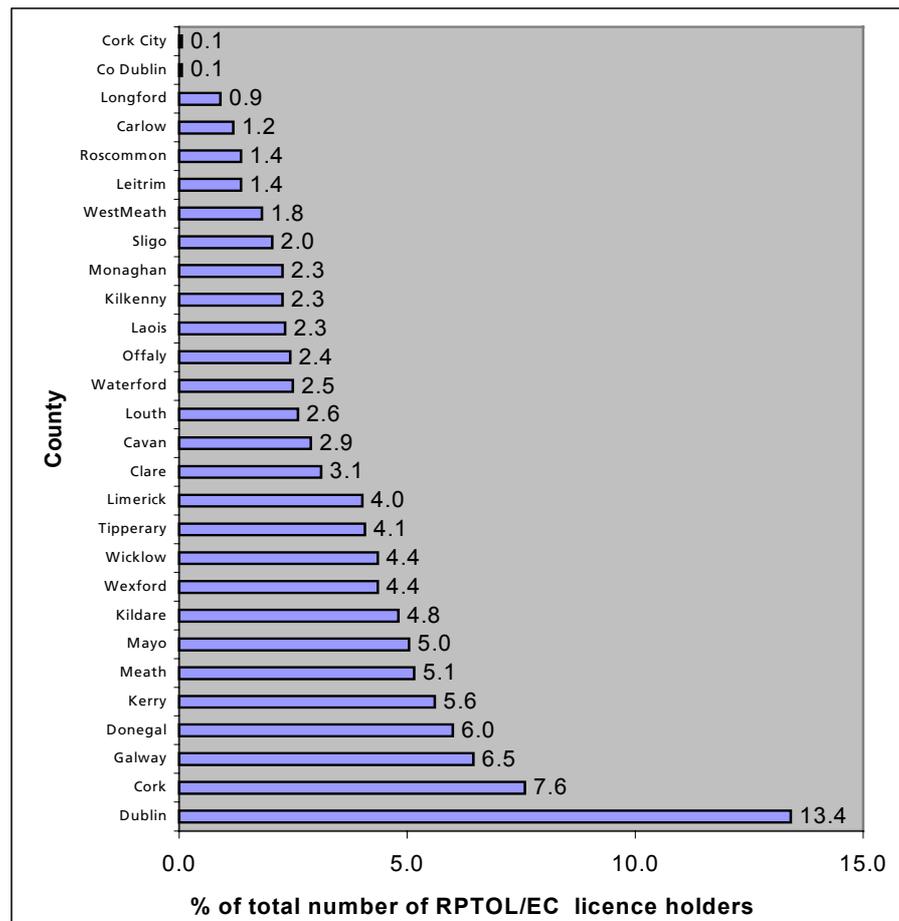
4.2.2 Indirect Employment

Employment is generated indirectly by the private bus and coach industry when it purchases goods and services. Purchases of goods and services include items such as fuel, spare parts as well as a range of goods and services associated with both administration and marketing.

Indirect employment effects are diverse in that they occur nationally and regionally as well as locally. They also occur not only in direct suppliers but also in producers who may supply goods and services to the direct suppliers of the private bus and coach industry. Tracing indirect employment effects throughout the economy is difficult as the number of suppliers continues to expand. The accepted tractable way of doing this is to use input-output tables that summarise the relationship between the different sectors of the economy. Once the composition of the industry's purchases of goods and services by broad economic sector is known, the input-output tables are then used to derive the employment generated throughout the economy. The input-output tables are designed to net out purchases of materials and services from abroad.

Using a typical breakdown of costs facing the industry, the analysis undertaken indicated that through the purchases of these goods and services, the industry gives rise to 2,180 full-time equivalent jobs indirectly¹³.

Figure 4.1: Distribution of RPTOL/EC Licence Holders by Location, March 2004



Source: Road Haulage Section, Department of Transport

4.2.3 Induced Employment

Both direct and indirect employment give rise to wage income that is partly spent on other goods and services in the economy. Gross wages however, are subject to income tax and employee's PRSI, both of which reduce the monies available for consumption. Furthermore, wage earners may choose to save a portion of their net incomes.

¹³ This calculation was based on wage multipliers derived from the 1993 Input-Output Tables which are the most up-to-date available.

Induced employment was gauged by adding the wage income derived from indirect employment to the private bus and coach industry's direct wage bill to arrive at the aggregate of direct and indirect income generated by the industry's activities. The aggregate consumption arising from these incomes was then estimated at 57 per cent of total incomes.¹⁴ Again input-output tables were used to derive the wage income and thus the induced employment effects that would arise from purchases by consumers.¹⁵ Induced employment arising from the industry's activities is estimated at 918 full-time equivalent persons.

4.2.4 Summary of Employment Impacts

It is estimated that in 2003, the private bus and coach industry will have supported 7,639 full-time equivalent jobs. These comprise 4,541 jobs directly, 2,180 jobs indirectly and 918 jobs induced.

Table 4.1: Summary of Employment Impacts, 2003

Employment Type	Number of Full-time Equivalents
Direct	4,541
Indirect	2,180
Induced	918
Total	7,639

Source: Goodbody Economic Consultants

4.3 Gross Value Added Impacts

The contribution of the industry to value added is measured as the sum of gross labour costs plus profits arising.

As direct, indirect and induced labour costs have been measured for the calculation of employment impacts in Section 4.2, these data are again used to measure this element of value added.

In terms of profits it is estimated that the private bus and coach industry achieved profits in the region of €21.6m in 2003¹⁶. In order to estimate

¹⁴ after allowing for personal tax payments, the propensity to save, and product taxes and subsidies

¹⁵ By applying wage multipliers to the distribution or personal expenditure by sector of the economy, and dividing aggregate wage income by average earnings as before.

¹⁶ It should be noted that not all operators return profits. Self employed sole operators may provide themselves with a salary or wage as opposed to returning profits.

indirect and induced profits, a set of profit multipliers derived from the 1993 Input-Output Tables was used. These profit multipliers were applied to the sectoral breakdown of expenditure by the industry.

Table 4.2 summarises the results and indicates that the industry will have contributed approximately €218m to GDP in 2003.

Table 4.2: Contribution of the Private Bus and Coach Industry to GDP, 2003

Source of Value Added	Amount (€m)
Direct	95.9
Indirect	67.9
Induced	53.5
Total	217.8

Source: Goodbody Economic Consultants

4.4 Tax Revenue Impacts

4.4.1 Tax Gain from Employment

The direct, indirect and induced employment supported by the private bus and coach industry also gives rise to a tax gain to the Exchequer. This takes the form of:

- Income tax paid by those employed;
- PRSI paid by those employed; and
- PRSI paid by employers

In addition, the industry pays VAT on goods and services purchased, without any recourse to refund, owing to the VAT exempt nature of the business.

Details of income tax, employee PRSI, and employer PRSI paid in respect of direct, indirect and induced income taxes paid by those employed was derived by estimating the wages and salaries arising and applying the average proportion of income paid in tax of 17.9 per cent. The latter was estimated from the Annual Report of the Revenue Commissioners for 2002.

The PRSI contributions were estimated in the same fashion, using the average proportion of income paid in employee PRSI (3.5 per cent) and employer PRSI (10.75 per cent).¹⁷ The latter figures were derived from the National Income and Expenditure Tables, 2002.

The results are summarised in Table 5.3. It may be seen that the industry supports payments to the Exchequer of in excess of €49m in income tax and PRSI.

Table 4.3: Income Tax and PRSI Receipts Generated by the Private Bus and Coach Industry, 2003

Category	Income Tax €m	EE PRSI €m	ER PRSI €m	Total €m
Direct	13.1	2.6	5.4	21.1
Indirect	13.1	2.6	4.6	20.3
Induced	5.5	1.1	1.9	8.5
Total	31.7	6.3	11.9	49.9

Source: Goodbody Economic Consultants

4.4.2 Tax Gain from Value Added Tax

The bus industry is exempt from Value Added Tax (VAT). As such the industry is not liable for VAT on their receipts and is not entitled to a credit or deduction for VAT borne on their purchases.

The calculation of the contribution of the industry to VAT is based on:

- Determining the purchases the industry makes (i.e. the costs the industry faces) that are subject to VAT;
- Estimating the total expenditure of the industry on these purchases; and
- Calculating the VAT payment on these purchases.

It is estimated that the industry contributes €16.7m in VAT payments to the Exchequer.

¹⁷ These are lower than the rates of PRSI charged due to exemptions and, in the case of ER PRSI, by the fact that it is not paid in respect of the self-employed.

4.5 Conclusions

The impacts the private bus and coach industry have on the economy can be categorised in terms of:

- Employment generation
- Contributing to Value Added
- Generating Tax revenue

Direct, indirect and induced employment arising from the industry is estimated at 7,639 full-time equivalent positions.

In addition, the industry also contributes approximately €218 million to value added in the economy. It is also estimated that the industry contributes €66 million in tax revenue payments to the Exchequer.

5. Access to the Bus Market

5.1 Introduction

This section of the report presents an overview of the access restrictions to the bus market in Ireland. The anti-competitive licensing arrangements are discussed and the need for a reform of the licensing process outlined.

This Section then proceeds to explore the liberalisation of the bus market.

5.2 Current Restrictions on Access to the Market

A private operator, who wishes to initiate a stage carriage passenger service in Ireland, must obtain a license from the Government Department responsible for Transport. The Department of Transport, in determining whether to grant the licence to the private operator, carries out a *public interest test* to determine if there is a need for the proposed service, and if the proposed service will bring value added. The Department assesses whether the proposed service is sufficient in terms of the proposed frequency of service to meet the requirements of the public. The Department also assesses whether the organisation and equipment at the disposal of the operator making the application, are sufficient to enable him to carry out the proposed service. This procedure has tended to restrict the number or routes licensed to private operators. For example, there are only seven such licensed routes in Dublin at present.

In contrast, CIE companies do not have to make applications for licenses, but are required merely to notify the Department of proposed new services or proposed changes to existing services.

Data detailing the performance of the Department in reaching decisions on licensing applications is not made available on a routine basis. While the Department has recently made efforts to speed up the decision-making process, delays are still considerable. Of 196 applications for new and amended licenses received in 2003, 57 were carried over into 2004.¹⁸ Notifications made by CIE companies are dealt with more speedily. During 2003, for example, all notifications were fully processed.

There is a lack of transparency in dealing with license applications in regard to a number of areas. Firstly, the extent to which decisions are evidence or research based is not clear. Secondly, very little information is provided on the reasons for refusing a license, with comments from the Department largely restricted to general references to the 1932 Road Transport Act.

¹⁸ Proceedings of the Joint Committee on Transport. March 2004.

Apart from the restrictive nature of the public interest test, the delays in processing applications place the private sector at a disadvantage. Bus companies, like other companies in the market place, need to be able to react quickly to changes in market conditions, otherwise opportunities may be lost. In particular, if delays occur, then other operators, including CIE operators, may try to enter the particular route market, making the decision-making process more difficult. This increases the likelihood of a negative outcome to the application.

If the application for a licence is successful, the applicant then has 6-8 weeks to present to the Department all the necessary documentation¹⁹. Failure to provide the required information within the given timeframe may result in the application being terminated. Upon receipt of the documentation the Department then proceeds to issue licence. The private operator has four months to introduce service, if they fail to do so the licence may lapse.

The current arrangements are anti-competitive from a number of viewpoints:

- The public interest test is very restrictive;
- It is not exercised in a transparent manner; for example, assessment of the need for the service would not appear to be research-based;
- The CIE companies are not required to make application in the same way as the private sector, giving them flexibility in the market place in putting in place services to compete with the private sector;
- Delays in processing applications work to the disadvantage of the private sector operator; and
- Finally, as the Department is shareholder and funder of the CIE companies, there is concern that it may not be able to fulfil its regulatory role in a fully independent fashion.

There is a clear need for an independent regulator for the sector and reform of the licensing process to ensure a level playing field. This reform should be put in place as a matter of priority, especially in view of the slow progress towards market deregulation.

¹⁹ The documentation includes: written confirmation from the Garda Siochana approving all stops on the proposed route; a copy of a valid Road Passenger Transport Operators Licence or European Community Licence; a copy of valid insurance certificates; and a copy of public service vehicle licences in respect of each vehicle to be used.

5.1 Background to Liberalisation of the Market

The last two decades have seen a number of major changes in the way public transport services are delivered in various countries in Europe. Whereas public monopolies had long dominated scheduled passenger service provision, it is increasingly common to see the private sector involved in transport service delivery. Great Britain led the process with its deregulation of bus services outside London in the mid-80s. Since then successive countries have tried to increase operational efficiency in the bus market through the introduction of effective competition.

Giving that a large number of Member States have introduced an element of competition in their legislative and institutional framework for public transport, the European Commission (EC) wants to establish clear and fair rules for competition in public transport across the European Union. Recent EC communications and regulations in this area are outlined in Section 5.1.1.

5.1.1 The European Commission and Liberalisation of the Bus Market

The three basic strategies that are generally used to regulate public transport are:

- **Closed Markets** in which operators are protected by exclusive rights and do not face competition;
- **Controlled Competition** in which exclusive rights are awarded to operators for fixed periods following a competitive process; and
- **Deregulation** in which there are no exclusive rights, a free market exists.

In relation to road transport services, the regulation favoured by the European Commission is controlled competition. This can be seen from recent communications and regulations produced in the area of road transport outlined below.

In 1998 the European Commission Communication *'The Common Transport Policy – Sustainable Mobility: Perspectives for the Future'* stated that the Commission:

“will reflect on how regulatory framework for domestic public transport might be updated (for example through the use of clear contracts including quality contracts) to ensure that all interested parties including local authorities, operators and user groups achieve maximum benefit”.

In 2001, the European Commission produced a *White Paper* entitled '*European transport policy for 2010: time to decide*'. In the White Paper the Commission outlined that to ensure service provision it foresaw the application of the following principals:

- The use of tendering procedures within a clear framework defined at Community level.
- The granting of exceptions of exclusive rights where necessary.
- The awarding of financial compensation to operators responsible for performing public service tasks.

In September 2000, the EC submitted a proposal for new regulation, which would replace Regulation 1191/69, to the European Parliament. This new regulation was entitled '*Proposal for action by Member States concerning public service requirements and the award of the public service contracts in passenger transport by rail, road and inland waterway (COMM 2000 7 final)*'. While this document is a regulatory proposal and not legislation, it does give a general picture of where the debate in Europe lies.

- In Chapter I of the proposal the Commission outlined that the regulation shall apply to all national and international operations of public passenger transport.
- In Chapter III of the proposal the general rule outlined is that "authorities' interventions in public transport should take the form of public service contracts awarded via competitive tendering"²⁰.
- Special rules for the award of contracts are introduced in Chapter V of the regulation. These include that the procedure must be fair, open, and non-discriminatory and that the selection criteria, award criteria and technical specifications that set out public service requirements must be clear beforehand²¹.

²⁰ Competitive tendering refers to the awarding of an exclusive right to operate a route, or a network of routes, to an operator (or possibly a consortium) following a competitive process. Along with, or instead of an exclusive right, the Authority may also grant subsidies to the successful operator in compensation for the fulfilment of public service requirements. This approach is applied to at least part of the market in most Scandinavian countries (Sweden, Denmark and Finland) and in France. It is also the intended model in the Netherlands and Italy. Competitive tendering is also used to procure non-commercial services in Britain and New Zealand. The proposal does make the provision for direct contracting for certain types of services.

²¹ Following review of COMM (2000) 7 final, a revised proposal was issued in February 2002 entitled COMM (2002) 107 final, which incorporates new provisions which reinforce the provisions of the earlier proposal and achieve them in a simpler way.

The drafting of the above outlined communications and regulations clearly shows the European Commission favours the adoption of controlled competition over the alternatives of closed markets and deregulation.

5.1.2 Ireland and the Liberalisation of the Bus Market

It is against this backdrop that Mr. Brennan, the then Minister for Transport in Ireland, issued his Statement on Public Transport Reform in November 2002. In his Statement the Minister spoke of changes he envisaged for Transport in the Greater Dublin Area including using “market forces to deliver more and better services to customers via regulated competition”.

In his Statement the Minister said “I want to move as quickly as possible to introduce controlled competition in the form of franchising as the primary means of regulating bus services in the Greater Dublin Area, beginning with new services and extending on a phased basis to the existing service network”. In addition “Long distance commuter bus services serving the GDA, which commence/end outside that Area, will be procured and regulated by the Dublin body”. The Dublin body will also regulate fares and set and enforce quality standards. The Minister also proposed that all public transport outside the Greater Dublin Area should also be subject to independent economic regulation, but he has not taken any decisions as to the precise form or forms of regulation to be applied to bus services outside Dublin.

The Minister proposed the setting up of an independent body that will procure public transport services, regulate public transport and allocate funding for specific purposes from an overall allocation provided by the Exchequer.

Given the contribution of private operators to the transport industry in Ireland, the private industry should be fully participant in public fora concerning the evolution of future land transport policy.

5.2 Form Liberalisation Will Take

The former Minister for Transport outlined his intention to introduce controlled competition into the Dublin bus market via franchising.

When defining how to implement franchising procedures for the bus transportation industry, one of the key decisions the authorities charged with procuring services will have to make, is in relation to the scale of the franchised contracts. Services could be procured on a route by route basis, for a bundle of routes, or for the bus network as a whole. The size of the contract will affect the number of bids. Procuring services with mixed sized franchises will facilitate widespread access to all operators in a liberalised bus market, since with mixed sized franchises smaller

operators as well as larger operators will have the financial and operational capabilities to provide the services. Reasons to facilitate widespread access to a liberalised bus market are outlined in the next section.

5.2.1 Rationale for Facilitating Widespread Access to a Liberalised Bus Market

Economies of Scale

The optimal size of a franchised service area is linked to the existence of economies of scale.

In transport, economies of scale are defined as the proportional increase in total cost brought about by a proportional increase in the frequency of output and/or the size of a transport network. Therefore, economies of scale exist if average costs decrease when a bus company increases the scale of its network. This measure is important in defining the optimal size of a service area in a bus industry to be assigned as a franchised monopoly.

Evidence as to the existence of economies of scale in the bus industry is inconclusive. Button and O'Donnell (1985) found economies of scale up to a given minimum efficiency scale above which diseconomies were found to exist. Windle (1988) and Hensher (1988) were unable to identify economies of scale with respect to firm size. Berechman (1983), on the other hand, found economies of scale at all levels of output, while Williams and Dahal (1981) found diseconomies of scale up to a given output level and then economies of scale thereafter.

More recently, Cowie and Asenova (1999) estimated a minimum efficiency scale in the British bus industry, with constant returns to scale above this point. Jorgensen's conclusions were similar when he estimated economies of scale are present up to a certain production level in the Norwegian bus industry.

In their report on the Regulation of Bus Services Outside the Greater Dublin Area 2002, Steer Davies Gleave in association with Fitzpatrick Associates, pointed to the fact that many studies consider that there are very little, or non-existent, scale economies in the bus industry.

Thus, while there is not an absolute consensus with regard to the existence of economies of scale in the bus industry, the bulk of the evidence would not support the view that such economies exist. It is therefore not apparent that dividing the bus market into large networks and distributing them to larger players in a deregulated market will necessarily reduce costs.

More Intense Competition

One of the goals behind the liberalisation of the bus market and the introduction of competitive tendering for franchised routes has been to increase the efficiency of the bus industry by introducing controlled competition.

If franchising is introduced on a route by route or small to medium area basis, the level of potential bidders will be high and thus the level of competition will be more intense. If, on the other hand, large networks are franchised the potential number of bidders will be relatively low as fewer operators will have the capacity required to service the networks. Also, if the market is franchised in large networks, there is the danger that by the end of the contract period the operator(s) will have acquired a major advantage in terms of knowledge of the market and of the details of a complex system, and their position will have become impregnable. The short term financial gain incurred by accepting a particular tender may, as a result, carry more long term economic costs if the effect is to drive smaller, local operators out of the market and reduce the potential benefits for the market in terms of increased competition.

The risk of operating cartels has been raised at the European Commission level. In its Regulatory Proposal *COM 2002 107 final*, the European Commission states "the provisions of this Regulation should permit competent authorities to ensure that small and medium sized enterprises have the opportunity to continue to secure market shares in local transport service. This should be achieved in particular through limiting contracts to proportionate size and through implementing measures that control the development of oligopoly markets open to controlled competition". The Netherlands, aware of the risks involved in competitive tendering for franchised routes, have charged the Netherlands Competition Authority with ensuring that providers do not abuse dominant positions by preventing them from forming operator cartels.

Lower Fares and Increased Service Frequency

Increased competition, resulting from the deregulation of the bus industry, results in bus markets characterised by lower fares and increased service frequencies.

In his article on 'Bus Competition in Ireland – The Case for Market Forces', Sean D. Barrett compares fares and service levels on Bus Eireann intercity bus routes that are subject to private sector competition to those on Bus Eireann intercity routes on which there is no private sector competition.

The two contested routes he looks at are the Dublin–Galway and the Dublin–Waterford routes, where two private operators provide competition on the Dublin–Galway route, and one private operator provides competition on the Dublin–Waterford route. The non-contested routes analysed by Barrett are the Dublin–Cork route, which is operated by Bus Eireann, and the Dublin–Belfast route, which is operated jointly by Bus Eireann and Ulsterbus.

Barrett’s analysis reveals that single fares charged by Bus Eireann on the uncontested routes are on average, 58 per cent higher than those charged by Bus Eireann on the contested routes. The corresponding figure for return fares is 66 per cent higher (see Table 5.1).

Another benefit of bus market competition is service frequency improvements. Table 5.1 shows that service frequencies on the contested Bus Eireann routes are between three and five times those on the uncontested Bus Eireann routes.

Table 5.1: Bus Eireann Fares and Market Frequencies on Uncontested and Contested Intercity Bus Routes, May 2004

	Fare Per Mile		Frequency per Day
	Single	Return	
Uncontested Routes			
Belfast	18.4	12.6	7
Cork	12.7	9.9	6
Contested Routes			
Galway	9.5	5.9	34
Waterford	10.1	7.6	20

Source: ESRI Quarterly Economic Commentary, Autumn 2004, Bus Competition in Ireland-The Case for Market Forces by Sean Barrett, pg. 75

As well as comparing Bus Eireann fares on contested and uncontested routes, Barrett also compares fares charged by the private operators to those charged by Bus Eireann. Here he establishes that on contested routes, single fares charged by Bus Eireann are 32 per cent higher than those charged by the private operators. The corresponding figure for return fares is 33 per cent higher. (see Table 5.2).

Table 5.2: Composite Bus Fares Index, May 2004 (Cents per Mile)

	Single	Index	Return	Index
Private Operators	7.4	100	5.1	100
Bus Eireann contested	9.8	132	6.8	133
Bus Eireann uncontested	15.5	209	11.3	222

Source: ESRI Quarterly Economic Commentary, Autumn 2004, Bus Competition in Ireland- The Case for Market Forces by Sean Barrett, pg. 77

The above findings by Barrett are similar to those found by a Study carried out by the Department of Economics in University College Cork entitled 'The Potential for Increased Competition in Bus Transport: The Case for Ireland'²². The research carried out by Cork University found fares to be lower and service frequencies higher on routes subject to competition. The Cork Study also compared efficiency and productivity levels among private and public operators. The two measures of efficiency used were (i) total expenditure as a proportion of vehicle kilometres, and (ii) total expenditure as a proportion of passenger journeys. The two measures of productivity used were (i) net staff costs as a proportion of vehicle kilometres and (ii) net staff costs as a proportion of passenger journeys. The research found in terms of efficiency, private operators were more efficient by a factor of 6.9 and 6.7, respectively. While in terms of productivity the research found private operators were more productive by a factor of 8.0 and 8.3 respectively.

The analysis by Barrett and University College Cork would indicate that there are large fare savings for passengers travelling with private bus companies on the contested routes. There are also significant savings for passengers travelling with Bus Eireann on contested routes. In addition to the fare savings, bus competition has also resulted in significant service frequency improvements. Prices are thus lower and output higher in competitive markets.

Widespread Economic Benefits

Section 2.4 has shown the capacity of the private bus and coach industry to grow. Private operators in Ireland are distributed throughout the whole country. Procuring transport services on a mixed contract size basis will enable more Irish private operators to partake in the liberalised market. Given the geographical distribution of private operators in the country this will lead to employment generation on a more widespread basis, in line with the Government's National Spatial Strategy.

²² The Study is in Draft format and has not been published.

5.3 Conclusions

The current licensing process for bus services in Ireland is anti-competitive in nature. There is a need for both an independent regulator for the sector, and reform of the licensing process, to ensure a level playing field among all operators wishing to provide bus services in the country.

The last number of years have seen many countries in Europe move away from anti-competitive public monopoly dominated bus transport services and introduce competition into the bus transport market.

In an attempt to establish clear and fair rules for the introduction of competition in road transport the European Commission has produced communications and regulations in this area. In its communications and regulations the EC has favoured competitive tendering in the procuring of transport services.

The Minister for Transport in Ireland announced his plans to introduce competition into the bus market in Ireland, via franchising of bus routes,

in November 2002. In his statement the Minister spoke of the setting of an independent regulatory authority to procure the franchised transport services independently.

The size of the franchised bus contracts will determine the level of competition in the liberalised market. If only large-scale contracts are offered, covering a large number of routes, then both the number of bids and ultimately the number of operators in the market will be few, as smaller operators will not be in a position to bid. If large bus companies enjoyed significant economies of scale, then it would be appropriate to franchise large sized contracts, as larger operators would provide services at a lower cost. However, the weight of evidence is that the bus industry is not characterised by such economies of scale, so that smaller operators should be in a position to offer competitive bids and services.

A liberalised bus market characterised by mixed sized franchised contracts will enjoy greater competition, as more operators will be in a position to bid for contracted services. As prices are lower and output higher in competitive markets, this will benefit the consumer. Finally the participation of a large number of operators in a liberalised bus market will have a greater impact on the local and regional economies in terms of employment creation.

6. Conclusions and Recommendations

- The scale of the private bus and coach industry in Ireland is little understood largely because of the absence of official data on the sector. This study sets out to remedy this deficiency, assess the contribution of the industry to the economy, and identify changes in the regulatory environment that would enhance that contribution. In order to make good some of the gaps in information, a survey of bus operators was undertaken as part of the study.
- There are now some 1,800 private bus operators in Ireland, with an aggregate bus vehicle fleet of 4,859. This is almost double the number of vehicles operated by Dublin Bus and Bus Eireann combined. Between 1992 and 2003, the number of vehicles operated by the private bus and coach industry increased by 71 per cent.
- The industry is dichotomous in nature, with a minority of firms operating at significant scale. The top sixty operators in the country own 21 per cent of the total vehicle fleet and 90 per cent of them operate across three or more of the market sectors. At the same time, almost half of all operators have only one vehicle and are confined to the provision of local bus and schools transport services.
- The private bus and coach industry operates more than 234m vehicle miles per annum and has an estimated turnover of €307m. The top 60 operators contribute 60m vehicle miles and have a turnover of approximately €80m.
- The capacity of the bus and coach industry means that the industry now has the capacity to fully participate in the future development of public transport services within a more liberalised framework.
- Private operators provide services in the coach tourism, private hire, schools transport, and scheduled services markets. Access to the latter market is restricted, while the schools transport market is relatively static. This means that the coach tourism and private hire markets have been the major source of growth.
- In contrast to the CIE Group bus companies, the private bus and coach industry does not benefit from State support under the National Development Plan 2000-2006. In total €543 million has been allocated to CIE bus companies towards the renewal and expansion of their fleet over the period of the plan. In addition, CIE bus companies are in receipt of annual subvention from the state. The annual subvention from the state totalled €77m in 2003. The level of State subsidies provided to Dublin Bus and Bus Eireann is undermining the competitive position of the private bus and coach industry in Ireland. There is a pressing need for transparency in relation to State support for the CIE group companies.

Services that are social in nature should be identified, and State grants both capital and current should be confined to supporting such services.

- The restrictive approach to scheduled passenger bus route licensing is also hindering the development of a competitive and dynamic private bus industry. Apart from the restrictive nature of the public interest test, the delays in processing applications place the private sector at a disadvantage. There is a clear need for an independent regulator for the sector and reform of the licensing process to ensure a level playing field. This reform should be put in place as a matter of priority, especially in view of the slow progress towards market liberalisation.
- Despite the lack of a level playing field in terms of State support, and the restrictive bus licensing policy in place, the private bus and coach industry has expanded significantly over recent years. It is estimated that over the five-year period 1999-2003, the industry has invested over €60m annually in new vehicles alone. As a result, over 42 per cent of the private bus fleet are less than five years old.
- The expansion of the bus and coach industry over the last decade means that it is now a significant contributor to the national and regional economies. There are at least 6,000 persons directly employed in the industry, with another 3,000 jobs indirectly dependent on it. The industry is dispersed throughout the country with only 13 per cent of operators being based in Dublin. The industry is thus a stimulant to local regional development, in line with the Government's National Spatial Strategy.
- The Government has indicated its intention is to liberalise the Dublin Bus market through allowing private operators to compete for a proportion of routes. With regard to the market outside Dublin, the Government has yet to decide on the approach. Given the contribution the private bus and coach industry makes to the bus transport sector in Ireland, the private industry should be a full participant in all public fora concerning the evolution of future land transport policy.
- If liberalisation takes the form of controlled competition, then the degree of competition in the market will be determined by the scale of the franchised contracts. If only large-scale contracts are offered covering a large number of routes, then both the number of bids and ultimately the number of private operators in the market will be very few, as smaller operators will not be in a position to bid. If large bus companies enjoyed significant economies of scale, then it could be argued that they might provide services at lower cost. However, the weight of evidence is that the bus industry is not characterised by such economies of scale, so that smaller operators should be in a position to offer competitive bids and services. A liberalised market with more players is also likely to give rise to greater innovation in service delivery and have greater impact on local and regional economies.

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Appendix 2: Outline of Survey Methodology

1. Introduction

1.1 Background to Survey

In order to gain a comprehensive understanding of the private bus and coach industry a survey was carried out in April and May 2004 of private bus and coach operators in Ireland. The survey captured information that allowed Goodbody to:

- Profile the industry
- Estimate employment levels in the industry
- Examine investment levels in the industry fleet
- Establish turnover within the industry

1.2 Methodology

Forty-six bus and coach operators received postal questionnaires. In order to achieve a good response rate the questionnaire was designed to be attractive and easy to complete, using A4 booklet format (see Appendix 5). The questionnaire and accompanying hand-signed letter, on Goodbody Economic Consultant's paper, were mailed to the survey population, along with freepost envelopes for the return of completed questionnaires. The letter and questionnaire both stressed the strictest confidentiality in the handling and analysis of survey information.

After the deadline for completed questionnaires has passed, follow-up telephone calls were made to encourage operators to complete and return the questionnaires.

In addition to the mailed questionnaire an additional 50 bus and coach operators were surveyed via telephone.

In total 76 bus and coach operators responded, representing a response rate of 79 per cent.

The survey replies were weighted to represent the total population of private bus and coach operators in the country.

Appendix 3: Passenger Road Licences by Geographical Location of Licence Holder

Table A3 1: Proportion of Passenger Road Licences by County where License Holder is based

County	Proportion of Licences
Carlow	1.5
Cavan	2.7
Clare	4.1
Cork	4.6
Donegal	3.3
Dublin	6.2
Galway	12.2
Kerry	1.5
Kildare	2.3
Kilkenny	12.4
Laois	10.8
Leitrim	2.3
Limerick	1.7
Longford	2.7
Louth	1.2
Mayo	13.3
Meath	0.6
Monaghan	1.7
Offaly	1.5
Roscommon	1.0
Sligo	0.2
Tipperary	1.2
Waterford	1.0
Westmeath	1.4
Wexford	6.4
Wicklow	1.7
Unknown	0.4
Total	100.0

Appendix 4: Specialisation of services provided by Private Bus and Coach Operators

Table A4 1: Specialisation among Private Bus and Coach Operators

Proportion of Operators providing:	%
One Type of Service	
Coach Tourism Only	0.0
Private Hire Only	1.8
Scheduled Services Only	0.0
School Transport Only	16.4
Two Types of Service	
Coach Tourism and Private Hire	7.1
Coach Tourism and Scheduled Services	3.8
Coach Tourism and School Transport	0.0
Private Hire and Scheduled Services	0.5
Private Hire and School Transport	17.2
Scheduled Services and School Transport	9.8
Three Types of Service	
Coach Tourism, Private Hire and Scheduled Services	6.1
Coach Tourism, Private Hire and School Transport	16.4
Coach Tourism, Scheduled Services and School Transport	0.0
Private Hire, Scheduled Services and School Transport	13.6
All Four Types of Service	
Coach Tourism, Private Hire and Scheduled Services and School Transport	7.1
Total	100.0

Source: Goodbody Economic Consultants

Table A4 2: Specialisation among Private Bus and Coach Operators with 5 or more vehicles

Proportion of Operators providing:	%
One Type of Service	
Coach Tourism Only	0.0
Private Hire Only	2.5
Scheduled Services Only	0.0
School Transport Only	6.9
Two Types of Service	
Coach Tourism and Private Hire	14.0
Coach Tourism and Scheduled Services	2.2
Coach Tourism and School Transport	0.0
Private Hire and Scheduled Services	3.3
Private Hire and School Transport	5.7
Scheduled Services and School Transport	0.4
Three Types of Service	
Coach Tourism, Private Hire and Scheduled Services	7.9
Coach Tourism, Private Hire and School Transport	19.5
Coach Tourism, Scheduled Services and School Transport	0.0
Private Hire, Scheduled Services and School Transport	10.2
All Four Types of Service	
Coach Tourism, Private Hire and Scheduled Services and School Transport	27.4
Total	100.0

Source: Goodbody Economic Consultants

Table A4 3: Specialisation among Private Bus and Coach Operators with less than 5 vehicles

Proportion of Operators providing:	%
One Type of Service	
Coach Tourism Only	0.0
Private Hire Only	1.7
Scheduled Services Only	0.0
School Transport Only	18.0
Two Types of Service	
Coach Tourism and Private Hire	6.0
Coach Tourism and Scheduled Services	4.1
Coach Tourism and School Transport	0.0
Private Hire and Scheduled Services	0.0
Private Hire and School Transport	19.1
Scheduled Services and School Transport	11.4
Three Types of Service	
Coach Tourism, Private Hire and Scheduled Services	5.8
Coach Tourism, Private Hire and School Transport	15.9
Coach Tourism, Scheduled Services and School Transport	0.0
Private Hire, Scheduled Services and School Transport	14.2
All Four Types of Service	
Coach Tourism, Private Hire and Scheduled Services and School Transport	3.8
Total	100.0

Source: Goodbody Economic Consultants

Appendix 5: Copy of Questionnaire

Survey of the Private Bus and Coach Industry
Private and Confidential

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Introduction

The information provided on your business will be treated in the strictest confidence by Goodbody's and will not be revealed in the study report or elsewhere. If you require any assistance please contact Evelyn Judge, Consultant, Tel (01) 6410485, email evelyn.a.judge@goodbody.ie.

For Official Use Only

Questionnaire

Profile of operator

Q1. Please state the capacity in which you operate?

- Coach Tourism
- Private Hire
- Scheduled Services
- School Transport Services

Please tick one or more of the boxes as appropriate

Q2. Are you predominately a:

- Full time operator
- Part-time operator
- Seasonal operator

Please tick the appropriate box

Fleet Size

Q3. Please outline the total number of vehicles owned by your business?

Number of Vehicles _____

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Q4. Please outline the number of vehicles in each size category?

- | | No. of Vehicles |
|----------------------------|-----------------|
| Minivan and up to 8 seats* | _____ |
| 9 – 16 seats | _____ |
| 17 – 36 seats | _____ |
| 37 – 56 seats | _____ |
| 57 seats and over | _____ |
- *Please do not include taxis and hackneys**

Q5. What proportion (%) of your fleet is?

	% of fleet
Less than 5 years old	_____
Greater than 5 and less than 10 years old	_____
Greater than 10 years old	_____

Q6. How many vehicles did you acquire in?

	No. of new vehicles	No. of second hand vehicles
2004	_____	_____
2003	_____	_____
2002	_____	_____
2001	_____	_____

Routes

Q7. Please estimate the average vehicle miles per annum for an average vehicle in your fleet:

Average miles per annum _____

Profile of Business

Q8. How many people are normally employed in your bus/coach business?

	No. of Employees
Full time all year round	_____
Part time all year round	_____
Seasonally	_____

Q9. Please outline your Annual Turnover level in 2003?

€

<75,000	<input type="checkbox"/>
75,000 – 150,000	<input type="checkbox"/>
150,000 – 500,000	<input type="checkbox"/>
500,000 – 1,000,000	<input type="checkbox"/>
1,000,000 – 3,000,000	<input type="checkbox"/>
>3,000,000	<input type="checkbox"/>

Please tick the appropriate box



Q10. What was your profit margin* as a percentage of turnover in 2003?

Profit margin _____ %

***Profit is defined as Profit before Tax i.e. Turnover less all Expenses (Wages, Materials, Depreciation and Interest)**

Q11: Please estimate what proportion of total costs facing your business are represented by labour?

Proportion of costs represented by labour _____ %

Comments

Q12. Any issues or comments you would like to express regarding the forth-coming liberalisation of the bus market?

If you have any questions please do not hesitate to contact us at:

Evelyn Judge, Goodbody Economic Consultants, Ballsbridge Park, Dublin 4
Phone: 01 641 0485 Email: evelyn.a.judge@goodbody.ie

Many thanks for completing the questionnaire