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ASSESSMENT OF THE COVID-19 ISSUES FACING THE PRIVATE BUS & COACH SECTOR IN IRELAND

A Report Prepared for Coach Tourism & Transport Council of Ireland by Jim Power, June 2020.

INTRODUCTION

The COVID-19 crisis is having a profound impact on the Irish economy, and every sector within the economy to varying degrees. While it is now being gradually opened, there is a very risky and delicate balance to be achieved between preserving the health of the nation on the one hand, and the health of the economy on the other.

There is a view that a healthy nation will lead to a healthy economy, but the reality is that the longer the economy is suppressed, and businesses shut down or subject to very stringent trading conditions, the more difficult it will be to get it re-started and back to where it was prior to COVID-19.

A range of measures are now necessary to ensure that as many small businesses as possible survive the shock presented by COVID-19 as they will have to play an essential role in re-building the Irish economy once the virus passes and the economy is re-opened.

Specific ongoing measures are required to keep those businesses solvent during the crisis, but once the crisis ends, economic recovery will not be possible without those businesses, and they will require ongoing support until there is a return to a semblance of economic and business normality.

The private bus and coach industry has been hit very hard by the crisis. The sector plays a crucial role in Ireland's transport, tourism, and environmental management system. It operates school transport services, many Irish commercial bus services, and it is a significant part of the tourism sector.

Since the crisis commenced, international tourism has been halted; the schools have been shut down; and with the closure of many businesses, and the advent of remote working for a large segment of the workforce, commercial services have declined dramatically.

For any sector faced with these challenges, survival is very difficult. However, for the private bus and coach operators, the capital expenditure and financial commitments are very significant. With the collapse in cashflow, the sector has been forced into a very precarious situation, where the survival of many operators is now in considerable doubt.

This is very problematical for the economy and Irish society. Once the schools re-open; once businesses are back functioning normally and remote working starts to wane; and most particularly when international tourism resumes, the private bus and coach sector will be vital. If many of the operators are no longer operational, there will be a serious problem for Irish society and the economy.

This short report commissioned by the Coach Tourism & Transport Council (CTTC) looks at the contribution that the sector makes to the economy; the challenges it is currently facing; the assistance it requires; and the potential consequences for the sector and the economy if this assistance is not forthcoming.

SECTION 1

THE PRIVATE BUS AND COACH SECTOR IN IRELAND

Research carried out by Hannigan Advisory (January 2020)ⁱ for the CTTC provides a comprehensive and compelling review of the structure, nature and contribution of the Private Bus and Coach operators in Ireland. This review forms the basis of the analysis in Section 1 of this report.

QUANTIFYING THE PRIVATE BUS & COACH SECTOR

Based on the legal requirement for an operator of a public sector vehicle to have a Road Passenger Transport Operators Licence or a European Community Licence, it is estimated that in 2019 there were 1,721 private operators in Ireland. These operators are spread across every county in Ireland and provide valuable services and employment in every county in Ireland.

Commercial operators carry over 27 million passengers each year and provide a viable alternative to the car. This is good from an environmental and a congestion perspective.

Table 1 outlines the number of operators and vehicles per county.

Table 1: Number of Operators per County (2019)

COUNTY	NUMBER OF OPERATORS	NUMBER OF VEHICLES	COUNTY	NUMBER OF OPERATORS	NUMBER OF VEHICLES
Donegal	125	644	Dublin	230	1,274
Monaghan	37	216	Wicklow	67	270
Cavan	49	200	Wexford	67	349
Roscommon	33	134	Carlow	19	127
Leitrim	20	124	Kilkenny	29	311
Sligo	27	130	Laois	38	208
Mayo	87	345	Clare	59	243
Galway	135	659	Tipperary	73	423
Longford	18	113	Limerick	72	321
Westmeath	30	179	Kerry	100	544
Louth	52	253	Cork	118	865
Meath	99	410	Waterford	29	197
Offaly	33	263			
Kildare	75	462	Total	1,721	9,264

Source: Hannigan Advisory

It is estimated that in 2019, the 1,721 private operators had 9,264 large public service vehicles in operation.

Many of the operators are small:

- 34% have 1 vehicle.

- 16% have 2 vehicles.
- 10% have 3 vehicles.
- 8% have 4 vehicles.
- 5% have 5 vehicles.
- 11% have between 6 and 9 vehicles.
- 11% have between 10 and 19 vehicles.
- 5% have more than 20 vehicles.

SERVICES PROVIDED BY PRIVATE COACH & BUS OPERATORS

The private coach and bus sector deliver several essential services to the economic and social life of Ireland:

- I. Coach tourism – the sector provides bus and coach tours on both a fixed route and an ad-hoc basis to both foreign and domestic tourists, for tours of varying lengths. This is an essential part of Ireland’s tourism offering. In 2019, over 2 million tourists were carried by private operators and generated revenues of €400 million. The private bus and coach sector is a vital component of Ireland’s tourism product.
- II. Private Hire – includes the provision of transport services corporates, conferences, incentive coach tours, sporting fixtures, school trips, social outings, weddings, and travel clubs.
- III. Scheduled Services – private bus operators offer commercial services on most interurban routes in the country, subject to obtaining a passenger road licence from the NTA. The NTA estimates that over 10% of scheduled bus services are delivered by commercial operators that it licences.
- IV. School Transport – private bus operators have operated as sub-contractors to CIE and Bus Eireann since 1967. Most of the school bus services are carried out under the Bus Eireann Contractual Programme. It is estimated that there are 4,500 privately owned vehicles providing vital school transport services on a contract basis, which amounts to 87% of the total fleet used in the provision of school transport services. In 2019, 41 million school journeys were made, of which almost 36 million were provided by private operators.

ECONOMIC AND EMPLOYMENT CONTRIBUTION

The private coach and bus operators make a very strong contribution to the Irish economy. In addition to the services that they provide, they contribute to the economy through investment in new vehicles; direct employment; the indirect employment generated through sales and servicing; and the tax contribution.

- In 2018 private operators invested €80.5 million in new vehicles.
- The private operators had estimated turnover of €617 million in 2018, compared to €338 million for Bus Eireann and €304 million for Dublin Bus.
- 11,457 full-time equivalent staff were employed by the private operators in 2018. This compares to 2,500 for Bus Eireann and 3,500 for Dublin Bus.

- Gross wages paid to these workers estimated at €203.6 million.
- Total taxes paid by the sector – VAT, PRSI, Excise & Nora, PAYE, Corporation Tax, and USC – estimated at €164.2 million.

Table 2 shows the employment breakdown by Country. This demonstrates the significant regional contribution that the private operators make around the country.

Table 2: Private Operator Employment by County

COUNTY	EMPLOYMENT	COUNTY	EMPLOYMENT
Donegal	799	Dublin	1,590
Monaghan	268	Wicklow	335
Cavan	248	Wexford	433
Roscommon	166	Carlow	158
Leitrim	153	Kilkenny	386
Sligo	161	Laois	258
Mayo	428	Clare	302
Galway	818	Tipperary	525
Longford	140	Limerick	398
Westmeath	179	Kerry	675
Louth	314	Cork	1,073
Meath	508	Waterford	244
Offaly	326		
Kildare	572	Total	11,457

Source: Hannigan Advisory

SECTION 2

THE IMPACT OF COVID-19 ON THE PRIVATE BUS & COACH OPERATORS

COVID-19 has had a devastating impact on many sectors of the Irish economy. However, the private bus and coach sector has been hit particularly hard.

All its core activities have been very badly affected:

Tourism

The tourism industry has ground to a complete halt since the beginning of March. In 2019, 10.8 million overseas visitors came to Ireland and the private bus and coach operators played a very important role in transporting many of those visitors from one location to another, and to the many visitor attractions around the country.

Failte Ireland's *Annual Survey of Travellers* shows that 269,000 overseas tourists took coach tour holidays in Ireland in 2018. Furthermore, up to 1.1 million overseas visitors took a day coach trip; up to 300,000 cruise passengers use bus and coach services from cruise ships; up to 75,000 travelled by coach for transport to conference venues and associated activities; and 436,000 domestic tourists took journeys by bus and coach.

Bus and coach operators are a vital component of Ireland's tourism product. However, for the remainder of 2020 it is very difficult to envisage many overseas visitors coming to Ireland, and indeed it is likely to prove challenging again in 2021, unless a vaccine is discovered and tourists feel totally confident and comfortable in travelling.

Now, all coaches are parked up and all incoming tours have been cancelled.

On the tourism front, it appears clear that the business environment for bus and coach operators will be extremely challenging over the next 18 months. The practical issues that bus and coach operators are now having to deal with include:

- Social distancing means much reduced capacity. A 53-seater coach will only be able to accommodate 12 passengers under the 2-metre distancing rule. Under such capacity constraints, it will not be economically viable for operators to stay in business.
- The restoration of consumer confidence to travel by group transport will be very challenging.
- Screens will need to be fitted to increase capacity. This will be very expensive.
- Limited international travel and quarantining will hit many operators very hard.

The bus and coach sector is a vital component of the Irish tourism product, and it is essential that those operators are around to fulfil the role that they do once tourism reverts to more normal conditions.

School Bus Services

The schools were closed on 12th March. Contracts run until the end of June, but operators had their payments cut by 50%. In September, there is still no clarity about how many pupils buses will be able to carry, or what social-distancing and health protocols will apply.

Scheduled Services

Scheduled services have been cut back dramatically as people have basically stopped travelling and indeed the official Government advice is to stay off buses. Meanwhile, the public bus service continues to be subsidised by the State. This creates very unfair competition.

Private Hire Services

The private hire service has ground to a standstill with the cancellation of all sporting activities and social functions such as weddings.

SECTION 3

SUGGESTED AID FOR THE PRIVATE BUS & COACH OPERATORS

It is clear from the foregoing analysis that the private bus and coach operators play a very fundamental economic and social role in Ireland. They operate valuable scheduled services around the country; they have become an increasingly significant component of the school bus services; they are an integral and essential part of the Irish tourism product; and they provide a valuable service to many people through private hire services.

Eventually, COVID-19 will pass, and life will return to normality. The requirement to transport children to school will return; the need to provide competitive scheduled services will return; the demand for private bus hire will return; and it will be necessary to re-build Ireland's tourism offering, of which bus and coach operators are a vital component.

The problem is that COVID-19 has posed an enormous challenge to the survival of many private operators. Revenues have collapsed or totally disappeared in many cases - operators estimate that turnover is down by at least 75% for most. At the same time the cost base, and particularly the servicing of debt for what is a very large capital outlay, has not gone away.

Prior to COVID-19, the private bus and coach sector was involved in a low margin activity in most cases, and the shock from COVID-19 has threatened to push many operators out of business.

The reality is that if a significant number of private operators are forced out of business, many scheduled services will disappear; there will be inadequate transport infrastructure to bring children to school; and the recovery of the tourism sector will be seriously undermined.

Regional and rural economies would be most affected by such an outcome as bus and coach operators provide significant regional employment, but they also service the transport needs of rural towns and the cities around the country; they transport children from rural areas to schools; and they transport many tourists to the various attractions all over the country. Rural areas have considerably more dependence on tourism and so they are particularly vulnerable to COVID-19 and it will be essential to rebuild the tourism sector as quickly as possible. The bus and coach sector will have to be an integral part of this re-building process.

To ensure the survival of the bus and coach sector, it is essential that several supports and policy changes are delivered.

- The wage subsidy scheme needs to be retained until March 2021 or until turnover returns to at least 75% of its pre-COVID levels.
- The forbearance by financial institutions needs to be extended from 6 months to 12 months, with no adverse impact on the credit rating of the business. This is

particularly important for bus and coach operators, as the capital investment required is very significant, and consequently debt levels in the sector are significant.

- The National Small Business Recovery Planⁱⁱ has called for a national small business compensation fund to fairly compensate SMEs for the losses incurred from the Covid-19 crisis, with compensation netted against any emergency lending provided to SMEs. This fund should also be aimed at covering the costs of social distancing, PPE equipment and staff training to operate in the new environment. The Bus and Coach operators should be part of such a scheme.
- The National Small Business Recovery Plan called for an SME bailout with recovery funds (capital and liquidity) on favourable terms. The Bus and Coach operators should be part of such a scheme.
- The Government's credit guarantee scheme cannot be used for refinancing of loans, and the interest rates on the facility are too high. This scheme needs to be altered to address the needs of small businesses that are currently in serious financial trouble and need liquidity support to survive.
- Financial supports for commercial scheduled service operators from the Department of Transport, based on payment per KM.
- Subject to health considerations, serious consideration should be given to the relaxation of the 2-metre distancing rule and the mandatory wearing of masks on buses until the threat is removed.
- Subject to health considerations, serious consideration should be given to the relaxation of the quarantine requirement for international visitors.
- School children on buses should be required to wear face masks to increase capacity of the buses.

These measures will be required to enable the capacity in the bus and coach sector survive this crisis. At a minimum, the existing level of capacity will be needed to help tourism re-build; transport children to school; run adequate scheduled services; and satisfy the demand for private bus hire.

In the Programme for Governmentⁱⁱⁱ the prospective parties of Government made several commitments that will only be deliverable if there is a vibrant and profitable private bus and coach sector. The commitments include:

- 'Protect and expand regional connectivity and connectivity between towns and villages in rural Ireland'.
- 'Address pinch points for buses and expand priority signalling for buses and Real Time Passenger Information'.
- Give greater priority to bus services by expanding Quality Bus Corridors, and consider the introduction of Bus Rapid Transit Services'.
- Tourism is to be placed at the centre of the National economic Plan, in recognition of the fact that tourism is one of Ireland's most significant economic sectors, and that it is a significant source of local employment and regional development.

- Accelerate sustainable transport plans for schools. This will involve completion of the review of the School Transport Scheme to seek better outcomes and reduce car journeys.

The fact is that the private bus and coach operators are in serious trouble due to COVID-19 and the survival of many operators is now under serious threat. The sector needs to be supported as it will play a key role in re-building tourism; improving regional connectivity; and providing a valuable school delivery service.

REFERENCES

- ⁱ 'A Review of the Private Bus and Coach Sector in Ireland', Hannigan Advisory, January 2020.
- ⁱⁱ 'National Small Business Recovery Plan', May 2020
- ⁱⁱⁱ 'Programme for Government – Our Shared Future', June 2020