



UNFAIR TREATMENT OF CUSTOMERS OF COMMERCIAL BUS COMPANIES IN IRELAND

JUNE 2022

A REPORT PREPARED FOR CTTC

BACKGROUND

In May 2022, the annual rate of consumer price inflation reached 7.8 per cent, which is the highest rate since Quarter 3 1984. The escalation in inflation was initially caused by supply chain disruptions as a result of Covid-19, but these pressures have been exacerbated by the Russian invasion of Ukraine. Energy and transport costs have been the key drivers of inflation to date, but other costs are now starting to accelerate. The acceleration in inflation and the impact on the cost of living has become an issue of considerable political significance and pressure.

In response to climate action priorities and later, the escalation in the cost-of-living crisis, the Government has introduced a number of broad-ranging measures to alleviate the income and price pressures on the population.

In, the transport-related measures introduced to alleviate the cost-of-living pressures, fares on all subsidised public transport services were reduced by an average of 20 per cent from the beginning of April until the end of 2022, and there would now appear to be significant support to extend this into 2023 as energy prices look set to remain at elevated levels; the Youth Travel Card was introduced across all PSO public transport services; and there was a reduction of 50 per cent in the Youth Leap Card.

The 20 Per Cent Fare Reduction

Commercial Bus Operators are excluded from the 20 per cent discount. The survival of commercial operators is now at issue, and if they are forced out of business, the many different services that they provide to many different demographics and sectors will be damaged. For an investment of less than €14 million over the remainder of the year, this situation cannot be allowed continue. Given the current pressures facing commercial operators from unfair competition, labour shortages and significant cost increases in areas such as fuel, insurance, labour costs and engineering costs, it is incumbent on the Government to redress the imbalance if it is serious about a top-class transport infrastructure and its transport-related environmental commitments.

Young Adult Travel Card

In Budget 2022, the Minister for Public Expenditure & reform announced the provision of €25 million for the introduction of a Youth Travel Card. This card would be available to any person between the ages of 19 and 23 and would allow them to avail of a 50 per cent discount on fares across the transport network. This measure was implemented in order to encourage a modal shift away from private car usage. PSO operators are now offering the discount but there is an implementation delay for commercial bus operators. This measure should have been delayed until it could be made available to all operators.

These measures introduced by Government in relation to the transport sector intended to alleviate the costs of living pressures relate only to routes and services operated by National Transport Authority (NTA)-managed companies. Commercial bus operators are not included in the package, which discriminates against those passengers who use commercial bus services, and it also places the commercial operators at a significant competitive disadvantage vis-à-vis the publicly subsidised operators against whom they compete in many instances.

SECTION 1: THE COST-OF-LIVING MEASURES IN THE TRANSPORT SECTOR

The objectives of the reduction in transport fares were to incentivise public transport usage and to alleviate the financial pressures resulting from the escalation in the cost of living and to have a positive impact on passenger numbers by encouraging more people back on to public transport. The reductions are also intended to signal that public transport provides a more affordable and more sustainable alternative for commuters.

The package to reduce fares was introduced in two phases.

In mid-April fares on all non-Dublin city PSO services and on certain Iarnród Éireann services were reduced by an average of 20 per cent. The fare reductions included:

- All Bus Éireann PSO services.
- Go-Ahead Ireland commuter services.
- Local Link.
- Irish Rail web-fares.

Then on May 9th, the full implementation of the 20 per cent average fare reduction was completed. Fares were cut on all PSO services in the Greater Dublin Area, and on Iarnród Éireann services, including intercity services. Fares were cut on:

- Dublin Bus.
- Go-Ahead Ireland.
- Luas.
- DART.
- Commuter rail.
- Iarnród Éireann.

The roll-out on May 9th coincided with the introduction of the Young Adult Card. This enables any person aged between 19 and 23 years of age to avail of an average fare discount of 50 per cent across all PSO public transport services. This is after the average 20 per cent general discount. Fares for under 18s were reduced further on Local Link and some PSO services, resulting of fare discounts in excess of 60 per cent. This is intended to promote modal shift among this age cohort and contribute towards a reduced reliance on private transport.

Commercial Bus Operators are excluded from the 20 per cent discount and this now places them at a significant cost disadvantage vis-à-vis PSO operators.

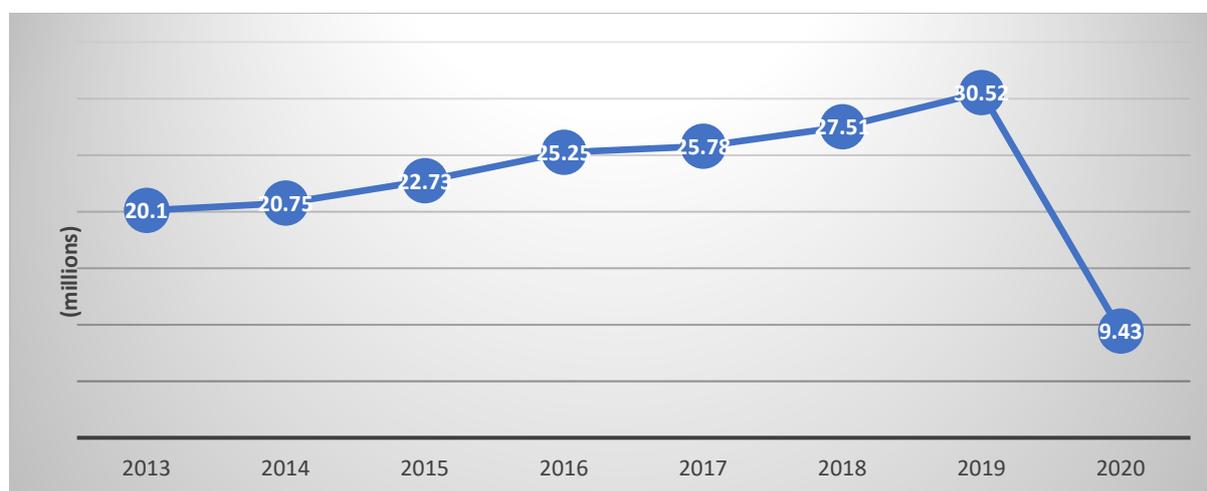
SECTION 2 – COMMERCIAL BUS SERVICES

Licensed public bus passenger services are called ‘commercial’ bus services, because they are operated without any public subsidy from the NTA. These ‘commercial’ bus services are individually licensed by the NTA. Some ‘commercial’ bus services receive payments in compensation for the revenue foregone from carrying those passengers entitled to free travel.

Commercial bus services cover large scale inter-city and interurban bus services, which provide connections to and from the country’s main towns, cities and airports; commuter services that transport passengers to employment and education; urban and suburban services; and rural services that link small towns and villages in rural areas.

In 2019, commercial bus services carried 30.5 million passengers, which has expanded by 51.8 per cent since 2013. There was a sharp decline to 9.43 million in 2020 due to Covid-19.

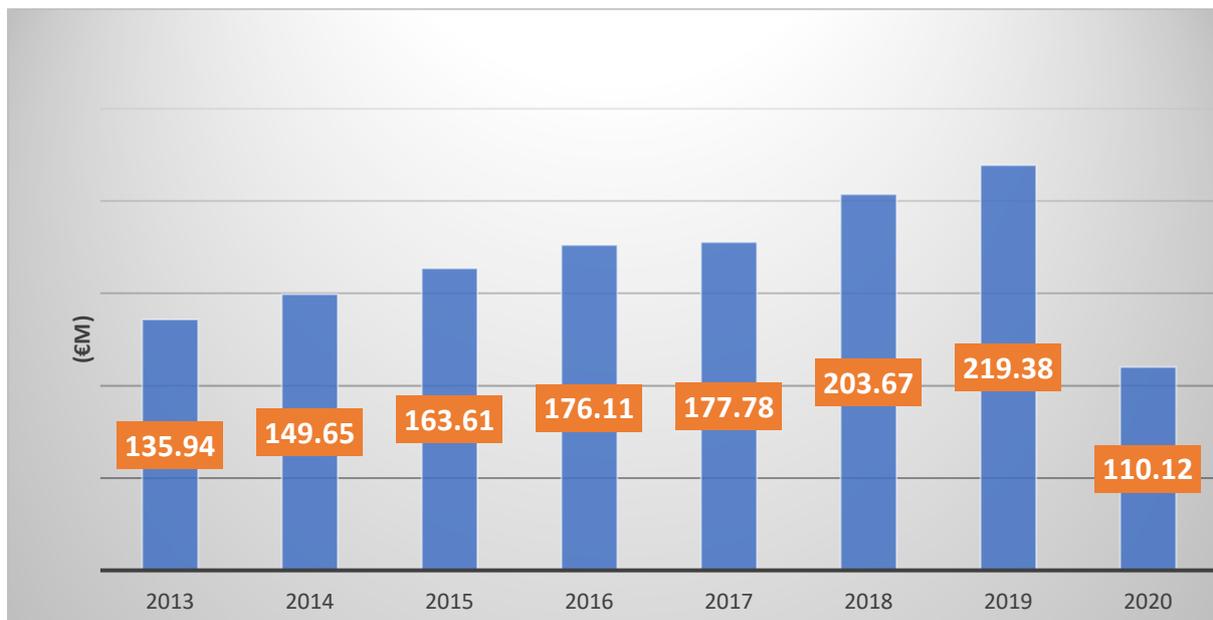
Figure 1: Commercial Bus Services Total Passenger Journeys



Source: NTA

- Between 2013 and 2019, commercial bus service passenger numbers increased by 51.8 per cent.
- Between 2013 and 2019, total free travel passenger numbers increased by 24.6 per cent.
- In 2019, free travel passenger numbers totalled 5.97 million or 19.6 per cent of total passenger journeys.
- Scheduled vehicle kilometres indicate the total number of vehicle kilometres intended to be operated based on the licensed timetables. In 2019, scheduled vehicle kilometres totalled 101.23 million. This is up by 26.4 per cent since 2013. Non-GDA services accounted for 79.1 per cent of scheduled kilometres in 2019.

Figure 2: Commercial Bus Services Annual Ticket Revenue (Non-Free Travel & Free Travel)

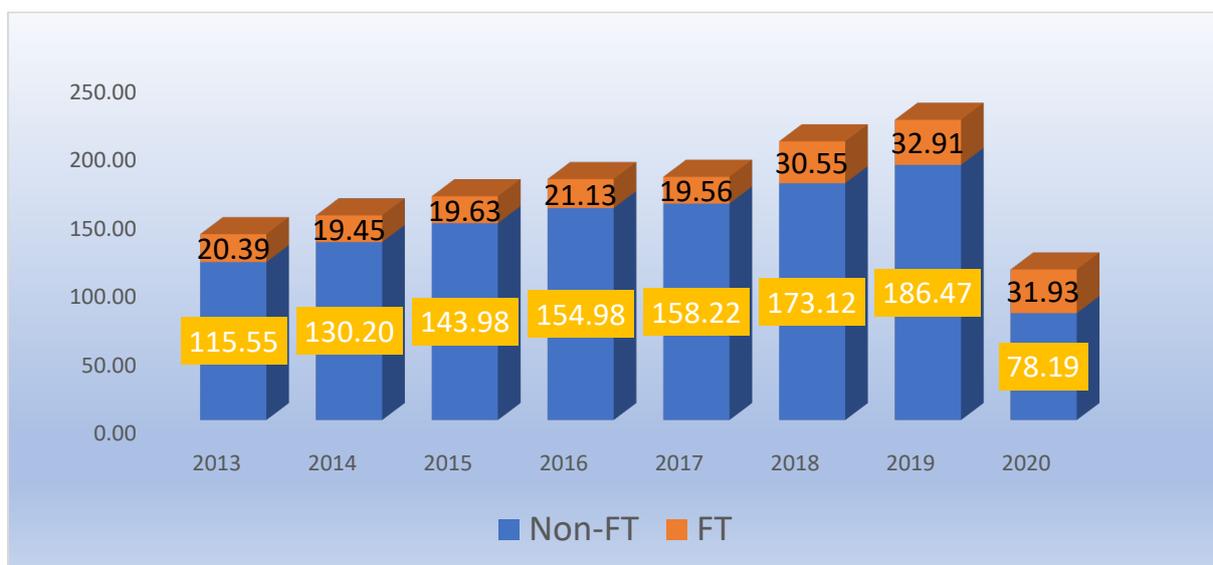


Source: NTA

Figure 2 shows the trend in commercial bus services annual ticket revenue (inclusive of free travel) between 2013 and 2020. Between 2013 and 2019 it increased by €83.4 million or 61.4 per cent.

Figure 3 shows the breakdown between non-free travel and free travel revenue. In 2019, non-free travel revenue totalled €186.47 million, up €70.9 million or 61.4 per cent.

Figure 3: Commercial Bus Services Annual Ticket Revenue (Non-Free Travel & Free Travel)



Source: NTA

Table 1 shows the PSO compensation payments on services mainly operated by Bus Éireann, Dublin Bus and Iarnród Éireann on behalf of the State. These subsidies totalled €308 million in 2019.

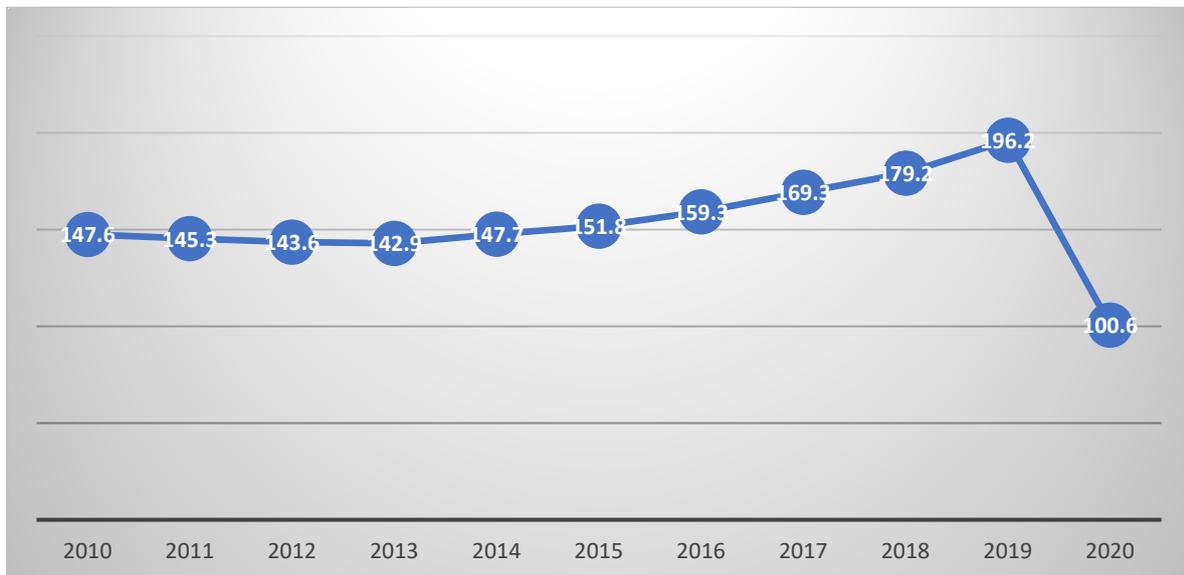
Table 1: PSO Compensation Payments to Public Transport Operators (2019)

OPERATOR/SERVICE TYPE	COMPENSATION PAYMENT (M)
Iarnród Éireann	€128.4
Dublin Bus	€53.5
Bus Éireann (Direct Award)	€66.4
Rural Transport Services	€22.0
Tendered Services	€37.5
Total	€307.8

Source: NTA

Figure 4 shows the number of passenger journeys on PSO bus services.

Figure 4: PSO Bus Services Annual Passenger Numbers (million)



Source: NTA

SECTION 3 - THE IMPACT ON COMPETITION IN THE TRANSPORT SECTOR

The measures introduced by Government in relation to the transport sector intended to alleviate the costs of living pressures relate only to routes and services operated by National Transport Authority (NTA)-managed companies.

Commercial bus operators account for more than half of all kilometres operated by scheduled bus services. The passengers on these services are not being supported by the State and are still expected to pay full fares. Consequently, there is a significant segment of the passenger population in Dublin, Cork and other major towns and cities who will not be able to avail of the lower fares. This is discriminatory and is not consistent with the desire to alleviate the extreme cost-of-living pressures for as many people as possible and encourage the modal shift away from private vehicles.

The commercial bus operators who are competing on the same or similar routes as the heavily subsidised services under the transport-related cost-of-living measures cannot match those fares and remain commercially viable. This represents unfair competition.

Where PSO discounted services compete directly with Commercial Bus Operators, the commercial operators could be forced out of the market. This would put increased costs on the State, as it would have to replace discontinued services with PSO services.

In addition to this unfair competition created by the State, operators are already facing significant cost and other operating pressures. Data from the Central Statistics (CSO) show that consumer diesel prices increased by 55.8 per cent between January 2021 and April 2022. The cost and availability of labour is another significant problem facing the sector at the moment. Already higher State-funded wages in the PSO sector are impacting on the labour market as commercial operators are finding it very difficult to recruit and retain staff.

The trading environment for commercial coach operators has been extremely challenging since the onset of the Covid-19 pandemic in March 2020. The lifting of Covid restrictions has led to a significant improvement in passenger numbers travelling, but the operating environment is still very challenging. The decision by Government to subsidise public transport services now places commercial operators at a significant cost disadvantage.

In addition, PSO services remain insulated from the impact of European or national government decisions or strategies that are driving spiralling costs such as the partial ban on Russian oil, while commercial operators are now facing immense challenges.

The majority of the commercial bus operators provide services outside of Dublin and are a key component of rural as well as inter-urban transport. The profile of users is spread across students, elderly passengers and general commuters. The failure to apply the cost-of-living measures to these operators will push passengers away from the commercial operators, which will threaten their survival.

It is accepted that a well-serviced, reliable transport system made up of both public and private operators is an essential component of the overall national transport infrastructure. If commercial operators are forced out of business due to unfair competition and a challenging operating environment, serious damage will be done to the transport infrastructure. The travelling public will suffer from a loss of vital services, and the environmental objective in transport policy to entice the travelling public away from private cars towards public and private coach and train transport solutions will be undermined. This does not make logical sense.

The CTTC estimates that it would cost just less than €14 million to extend the schemes to commercial operators for the remainder of 2022. This is a small monetary price to pay to ensure the survival of commercial operators and the valuable transport services that they provide.

The economic and financial contribution made by private coach operators across many different sectors. Is very significant. In this context, it makes no sense to implement measures that would place commercial operators at a significant competitive disadvantage and threaten all of the various valuable services they provide across many different segments of Irish economic and social life.

The logic underlying the discriminatory treatment of private bus operators is not clear and needs to be remedied as a matter of urgency.

The failure to treat the public transport system as a whole by segregating out PSO services to incentivise modal shift and support cost of living pressures in just one sector of the system contradicts the principle of a just transition enshrined into law in the Climate Action Plan. This incentive is forcing the commercial bus operators to operate a system that is inequitable for its customers.

CONCLUSIONS

The economic and financial contribution made by private coach operators across many different sectors is very significant. In this context, it makes no sense to implement measures that would place commercial operators at a significant competitive disadvantage and threaten all of the various valuable services they provide across many different segments of Irish economic and social life.

The cost-of-living measures introduced by Government in relation to the transport sector relate only to routes and services operated by National Transport Authority (NTA)-managed companies. Commercial bus operators are not included in the package, which discriminates against those passengers who use commercial bus services, and it also places the commercial operators at a significant competitive disadvantage vis-à-vis the publicly subsidised operators against whom they compete in many instances.

There were 30.52 million trips on commercial bus services in 2019, and it is important that all of these passengers be included in the proposed measures for commercial bus operators.

Commercial Bus Operators are excluded from the 20 per cent discount. The survival of commercial operators is now at issue, and if they are forced out of business, the many different services that they provide to many different demographics and sectors will be damaged. For an investment of less than €14 million over the remainder of the year, this situation cannot be allowed continue.

Given the current pressures facing commercial operators from unfair competition, labour shortages and significant cost increases in areas such as fuel, insurance, labour costs and engineering costs, it is incumbent on the Government to redress the imbalance if it is serious about a top-class transport infrastructure and its transport-related environmental commitments.

Where PSO discounted services compete directly with Commercial Bus Operators, the commercial operators could be forced out of the market. This would put increased costs on the State, as it would have to replace discontinued services with PSO services.

The Solution

All stakeholders should engage proactively in order to ensure that all potential users of public transport have equality of access to all government fare reduction initiatives, regardless of their geographic location or preferred operator.

In order to create equality between PSO funded operators and Commercial Bus Operators, it is important that a robust and verifiable mechanism be found to allow Commercial Bus Operators avail of the 20 per cent discount. A proposed mechanism is that it could be done through the Leap card system and/or other systems used by commercial operators.

The 20 per cent discount should apply to all Leap card fares (separate from the Youth Travel Card). Anybody who wants to avail of the discount could purchase a card. Each day all Leap transactions go through what is known as a system washdown. Currently, all operators are charged for whatever top ups etc. that are owed to the NTA. All payments are made to operators, so as part of that payment process the 20 per cent compensation could be paid. This is a tamper proof, fool proof system that's electronically verified automatically. Essentially, we would be using technology that the state has already paid €53 million for.