

Mr. John J. Fearon
Steering Group Chairman
Strategic Framework for Investment in Land Transport Consultation
Economic and Financial Evaluation Unit
Department of Transport, Tourism and Sport
Leeson Lane
Dublin 2

23 October 2014

Our Ref: C055 2014 CTTC SFILT Consultation

Your Ref: Public Consultation - Investing in our Transport Future:- Public Consultation

Dear Mr. Fearon,

Transport Insights, on behalf of our client, the Coach Tourism and Transport Council of Ireland, welcomes this opportunity to respond to the current public consultation for *“Investing in Our Transport Future, a Strategic Framework for Investment in Land Transport”*.

Coach Tourism and Transport Council of Ireland (CTTC)

The CTTC is the representative body for Ireland's coach touring companies, and Ireland's private bus operators. It promotes Ireland's top independent coach hire operators.

The CTTC's members are experts in all types of coach hire and transport solutions including: airport transfers, day tours, extended touring, incentive travel, golf tours, school transport and provision of scheduled services. In addition to long distance scheduled services, many of CTTC's member organisations also operate licensed bus services in towns and cities throughout Ireland.

All CTTC members are family-owned companies with a combined fleet of over 1,000 coaches, employing over 2,000 people directly. The CTTC comments and makes representation regularly on matters of concern to its members such as public transport, school transport, the coach tourism sector and the tourism industry generally.

About Transport Insights

Transport Insights is an Irish based transport planning consultancy. With a core team of internationally experienced consultants, we provide innovative, effective and deliverable advice and cost effective, sustainable solutions. Since establishment in early 2013, our client list has expanded to include business groups, asset managers, developers, transport operators, local authorities and national government agencies in Ireland and internationally. Recent Transport Insights' experience includes:

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- Advice to domestic bus operators in relation to the National Transport Authority's autumn 2013 proposals to directly award bus contracts to Dublin Bus and Bus Éireann (September – October 2013);
- Strategic advice to Cork City and County Councils in relation to the National Roads Authority's ongoing N40/ South Ring Road Demand Management Study (March 2014, ongoing); and
- Demand forecasting, financial and economic appraisal advice for a planned €400+ million renewal programme on Bucharest's Metro system (September 2014, ongoing).

Framework Focus and Objectives

The Framework intends to set both the shorter-term focus for the 2015-2019 multi-annual capital funding framework, while concurrently guiding longer-term (30 year) strategic investment decisions. Such an approach represents a departure from more traditional short-term decision making, and is endorsed by CTTC members as a positive development.

The relationship between transport and the realisation of a range of national policy objectives is noted in the document, including the economy, society and the environment. The Steering Group has however decided that *“the primary objective of prioritising investment in transport should be the role of transport in supporting renewed economic growth, improved competitiveness and sustainable job creation”*. While CTTC members support the rationale for prioritising this objective over others in the shorter-term, many bus services, including those operated by CTTC members are noted to serve socially important functions:- *“Transport plays a crucial role in combating social exclusion through providing access to jobs, education, health services and social networks. Population groups particularly vulnerable to social exclusion include older people, particularly in rural areas, low-income households, and people with disabilities.”*

The extent to which social and environmental objectives form part of any future prioritisation of investment is unclear and would benefit from clarity. This is particularly important given longer-term demographic forecasts for an aging population – the CSO for example, forecasts the over-65 population growing from 531.6k in 2011 to between 1.392 million and 1.451 million by 2046¹. An ageing population could have profound implications for overall future investment requirements, and/ or the nature of planned investment, and indeed the relative importance over time of supporting socially essential transport services versus alternative capital expenditure priorities. In this respect, it is noted that there is a freeze at present on additional funding for the Free Travel Scheme – increasing future demand from elderly people for travel under this scheme will undermine the financial sustainability of this freeze from a private bus operator's perspective. Although the Free Travel Pass Scheme is currently a budgetary consideration for the Department of Social Protection, it is unclear if the Framework has assessed future state funding requirements arising from different future demographic profiles.

¹ Population and Labour Force Projections 2016-2046, CSO, April 2013:-
http://www.cso.ie/en/media/csoie/releasespublications/documents/population/2013/poplabfor2016_2046.pdf

Framework Context

The Steering Group has sought to analyse the pattern of growth in the last 20 years, and how and where future demand increases are likely to be focused. Such an approach provides valuable insight into current and future transport supply and demand characteristics, and implications for transport investment requirements. Specific points of note are as follows:

- **Population:-** increased from 3.53 million in 1991 to 4.59 million in 2011. While city based population increased by a modest 20% over this period, the population of towns grew by 72%.
- **Employment:-** increased from 1.16 million in 1991 to 2.16 million in 2007, however has since fallen to approximately 1.9 million. Despite the approximate 10% reduction in employment across the country as a whole, over the period from 2006 to 2011, jobs in cities increased by 3.5%.
- **Car versus bus use:-** 1.06 million people drove to work in 2011 compared to 440,000 in 1991 – an increase of 140%, whereas over the same 20 year period, there were only 4,300 additional bus users. The combined mode share for walking, cycling and public transport is noted to have fallen from 34% to 24% over this period.
- **Transport policy failure:-** a recognition that historic mode shift policies have failed:- *“implementation of this mode shift policy has to date proved unsuccessful, as trends show an ever increasing dependency on car-based travel.”* Furthermore, the document notes that failures are not historic in nature with *“even the most recent trends suggest(ing) future growth in car mode share for commuting.”*
- **Future transport demand:-** analysis of future demand has been based on a population scenario of 5.27 million in 2041. An alternative scenario with a higher level of population growth (to 6.1 million) has also been examined. Travel commuting demand is forecast to increase by 35% in the lower growth scenario and by 57% in the higher growth scenario, representing respective increases of 650,000 and 1.1 million daily trips to and from work by 2041.
- **Forecast performance issues:-** volume/ capacity ratios, used as a measure of performance are forecast to deteriorate significantly - to over 90% - on many radial routes into Dublin (M1, N4, N7, N11) and on the M50. Similar performance issues are forecast to emerge on the N25 and N28 in Cork.
- **Demographic trends:-** while central and high population growth forecasts are included within the document, as noted previously, changing age profiles in the medium-longer term do not appear to have been considered.

Approach and Terms of Reference

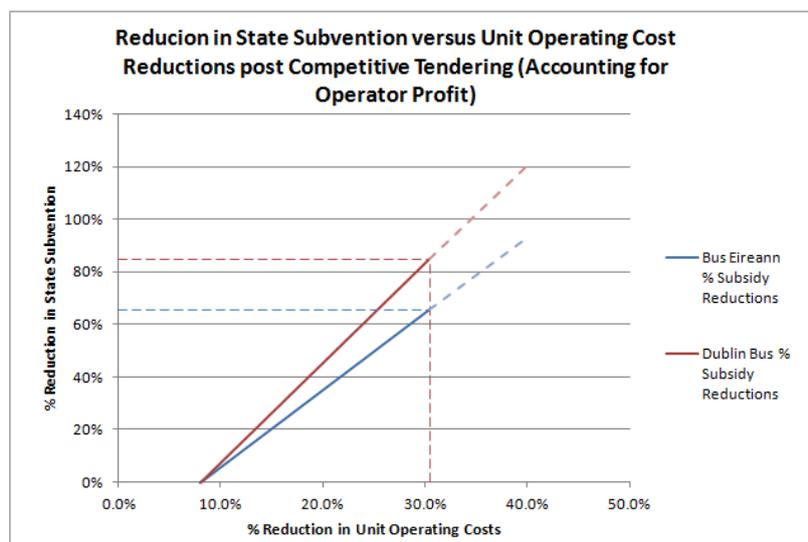
The evidence based approach pursued in development of the strategic framework for investment in land transport is welcomed by CTTC members. In particular, the research undertaken in relation to the historic national and international capital investment trends is considered important to set the context for current historically low investment levels (0.52% of GDP in 2013). Furthermore, given the competing demands for state resources both within and outside the transport sector, analysis of the economic return from capital investment in transport is also welcome, indicating national output increasing by between 0.06% and 0.2% for every 1% increase in transport capital.

While the evidence based approach pursued in development of the Framework is welcomed, within Section 3.1 of the document it is acknowledged that: *“The steady state figures for public transport relate to capital investment requirements only. The figures do not include the ongoing cost to the Exchequer of subventing public transport services under public service obligations as these are outside the terms of reference for this framework.”*

CTTC members feel that such a restriction on the Framework’s Terms of Reference represents a major limitation to the validity of its conclusions. For example, while the Framework recommends development of *“a new rail policy that addresses the future role of rail transport in Ireland from an economic and social viewpoint”*, and considering *“reducing the required level of performance on parts of the network”*, reducing the state subvention to Public Service Obligation (PSO) bus services has not been considered. As such, the maintenance standard of transport networks generally could deteriorate significantly at the expense of reduced subventions to publicly owned bus operators, the latter having no adverse impacts on service quality and coverage. While accepting the limitations imposed on the Steering Group by its Terms of Reference, the Group could have remained within its Terms of Reference by considering an alternative base case scenario, representing full compliance with the provisions of EU Regulation 1370/2007, i.e. competitive tendering of all PSO bus services presently operated by Bus Éireann and Dublin Bus.

Ernst & Young, in their research for National Transport Authority’s consideration of bus service contract options for bus markets in Dublin and elsewhere in Ireland² cite international research that has *“found unit cost savings of up to 50 percent, with many estimates clustered in the 20-30 percent range.....”* Based on analysis by Transport Insights on behalf of CTTC in late 2013³, longer term operating cost savings of up to 30% could be achieved by full introduction of competitive tendering in the Irish bus market, reducing the state subversion (in 2012) by over €83 million per annum. The

relationships between operating cost savings and state subvention requirements for Dublin Bus and Bus Éireann are indicated in the figure to the right, indicating the substantial state subvention savings that could be achieved were a lower level of operating cost savings actually achieved in practice. Had this EU Regulation compliant scenario represented



² Economic Analysis of Direct Award Bus Contract in the Dublin Market, EY, September 2013:- http://www.nationaltransport.ie/downloads/2._Economic_Analysis_of_Direct_Award_Bus_Contract_in_the_Dublin_Market_-_Dublin_Bus_September_2013.pdf

³ Bus Services Consultation Submission, Transport Insights, October 2013:- http://www.cttc.ie/_fileupload/Tendering%20Submission.pdf

future base case scenarios, a different conclusion regarding future steady state funding requirements would be reached.

A further observation related to the Terms of Reference is the apparent exclusion of Northern Ireland from the Framework's scope. The Framework acknowledges the potential role (and limitations) of transport in achieving balanced regional development:- *"while transport investment can mitigate some of the effects of peripherality, it cannot eliminate them"*, and a need for transport investment to *"occur in the context of other supporting policies and measures that aim to address underlying competitiveness issues."* It also notes that *"investment that alleviates congestion on a key route in a neighbouring region, rather than within the peripheral region itself, may well be the most beneficial transport investment to make, even for producers in the peripheral region."* As such, excluding Northern Ireland from the Framework's Terms of Reference, should it have implications for future investment decisions, e.g. A5 Route linking Dublin and north Donegal, appears a further omission in the Framework's scope.

Investment Trends and Current Funding Shortfall

Data from the International Transport Forum is presented within the document, and notes that investment levels in Ireland in the recent past have been comparable with international norms (1.12% versus 1.23% over the period from 1995 to 2007). This comparison may provide some assurances in relation to the overall levels of investment over this period, however the document also includes Work Economic Forum (WEF) transport related competitiveness rankings, in which Ireland is ranked 37 in 2011, up from 65 three years earlier. While these improvements are very encouraging, the Exchequer allocations for capital investment in land transport have fallen from 1.64% of GDP in 2008 to 0.52% in 2013, with *"land transport capital allocations ...at historic lows"*. Without significant increases from current investment levels, there appears to be a high risk that over the medium-longer term such competitiveness gains will be reversed. Increases in urban road traffic congestion as noted in the analysis underpinning the Framework, when considered in the context of *"limited capital built up in urban public transport"* is deemed likely to have a major bearing in future on global perceptions of our transport infrastructure.

The Framework attempts to identify future steady state Exchequer funded costs over the period from 2014-2016 and 2016 onwards - €1.3 billion and €1.2 billion respectively. While it is sensible to estimate such requirements, it has been noted earlier that this figure excludes public transport subventions - were these included to reflect overall land transport costs (and current PSO direct award contract arrangements), the funding levels increase by a further €110+ million, based on 2012 subventions to Dublin Bus and Bus Éireann.

The Framework estimates the funding shortfall, i.e. the funding required to maintain the existing land transport system in an adequate condition if all the available funding is spent on steady state, at €260 million per annum. As noted earlier, had full compliance with the provisions of the relevant EU regulations as they relate to the competitive tendering of public passenger transport services (PSO services currently operated by Dublin Bus and Bus Éireann) been assumed as the future base case scenario, the longer-term funding shortfall would be significantly lower.



Options to Address the Funding Shortfall

Four options to address the funding shortfall have been considered. While each of these options may have merit, one or more (including seeking an increase in the Exchequer allocation for transport) may prove unnecessary in the context of expedited compliance with the relevant EU regulations as they relate to public bus service operations in the Irish market.

Managing Current and Future Transport Demand

The Framework proposes a move from a *“predict and provide approach to transport planning to an approach centred on how to best manage our existing assets and provide the best transport services within our limited resources.”* CTTC members endorse such an approach.

Furthermore, the Framework recognises the essential nature of achieving an *“alignment between land use, spatial planning and transport”* to ensure *“that the growth in demand for trips occurs in a way that can be catered for effectively.”*

A 2009 Forfás report, ‘Our Cities: Drivers of National Competitiveness’ considered the necessary policies and investment to improve the competitiveness of our cities, and specifically recognised the *“poor performance of urban transport in Ireland and the need for sustained investment to improve public transport in our key urban centres.”* Furthermore given the overarching economic focus of the Framework, competitiveness and productivity remain key considerations, and a report entitled ‘Land transport priorities for enterprise’ was prepared for the Steering Group to inform their deliberations. The report highlights, amongst other points:

- *“the needs of our main urban centres are highlighted, both in terms of movements within our cities and international connectivity. It is noted that Dublin, Cork and Galway accounted for 82% of employment in new foreign firms for the period 2007 to 2011. Development of better public transport to meet customer needs is specifically highlighted, as is the need for completion of the ring roads in Cork and Galway. It is also noted that improving the competitiveness of our cities will benefit the wider hinterland.*
- *In terms of developing the hinterlands and regional development, the quality of access between urban centres and to seaports and airports is highlighted.”*

In light of the above, the Framework recommends that *“Capital investment in capacity increases will primarily be targeted at urban areas and their catchments, and developments and improvements to urban transport networks should benefit all social groups living in urban areas.”*

Fiscal measures, as a means of managing travel demand emerge as a key component of the Framework:-

- *“Ultimately, should demand patterns and demand growth erode the functioning of our networks and impact upon economic output, fiscal interventions such as road user charging may become necessary”;* however it also clearly states that they
- *“should not have the aim of raising additional revenue”;* and
- *“that mode shift is a desired policy outcome of such user charging. If this is to be achieved, these alternative mode choices must be available – and revenue raised from such user charging could be used to fund the provision of alternative modes of transport.”*

The role of demand management in achieving a sustainable balance between transport network demand and supply is acknowledged by CTTC, however ensuring the above principles receive appropriate attention in the development of any fiscal intervention scheme is considered essential.

In light of the focus on securing further productivity and competitiveness improvements, and the concentration of future performance issues on the national road networks in and around the two largest cities (Dublin and Cork), the role of the following targeted interventions merits renewed focus:

- enhanced bus service provision;
- park and ride – both bus and rail-based; and
- high quality bus and coach parking facilities.

The role of spatial planning is highlighted by the Framework:- *“The value of future investment will be maximised if land use and spatial planning is aligned with transport investment plans.”* As the representative body of bus service operators, the demand related importance of spatial planning is acknowledged by CTTC members. Active government intervention in the land use-transport interaction cycle through the timely provision of (initially subvented) public transport services is however considered essential to achieve this alignment.

Strategic Planning Initiatives

A range of national and regional spatial planning initiatives are referenced within the Framework, including a possible successor to the National Spatial Strategy and *“a new national spatial planning framework will also set a strategic, national context for the proposed new regional, spatial and economic strategies to be prepared by the three new regional assemblies as replacements for the current regional planning guidelines (RPGs).”*

The Framework also recommends *“the preparation of regional transport strategies by the NTA, either as stand-alone strategies or as a key input to the regional, spatial and economic strategies, to ensure that future transport investment has maximum effect and that there is optimum co-ordination between transport and wider spatial and development policies.”* The benefits of developing effective and deliverable strategies that are aligned with economic and spatial planning aspirations is acknowledged and supported by CTTC members, however it is unclear if the desire for them to *“have a similar statutory footing to the GDA transport strategy”* can be realised in the short term.

Other Observations

CTTC members are involved in delivering a wide range of transport services across the island of Ireland. In light of the varied nature of their service offer, they have identified that:

- Significant amounts of state funding is being allocated by Government departments in areas such as HSE Transportation, Rural Transport, School Transport and Free Travel Scheme. More effective cooperation and coordination in the planning and delivery of these services would lead to significant saving which could then be reallocated elsewhere to the benefit of the tax payer. Furthermore, it could help address future funding shortfalls associated with the needs of an ageing population.



- School transport services, as currently controlled by Bus Éireann on behalf of the Department of Education, and operated by private operators, infer a potentially unfair competitive advantage on Bus Éireann as a result of a lack of clarity in the allocation of costs under a general 'shared costs' item.

Summary

CTTC members welcome the opportunity to respond to the Department of Transport, Tourism and Sport's *"Investing in Our Transport Future, a Strategic Framework for Investment in Land Transport"*, and are broadly supportive of its aims and evidence based approach pursued in its development.

Despite an overall positive reception of the work of the Steering Group and its emerging findings, in light of issues raised within this submission, it is strongly recommended that the benefits of the following be assessed and reflected within the final Framework:

- expedited introduction of competitive tendering in the Irish PSO bus market;
- more effective cooperation and coordination by Government departments in the planning and delivery of services such as HSE Transportation, Rural Transport, School Transport and the Free Travel Scheme; and
- the potential role of transport networks/ services in Northern Ireland in addressing issues of peripherality in the Republic of Ireland.

Including the above items within the Framework's scope will, in the view of CTTC members and ultimately the general public, safeguard the validity of its findings, and ensure it does not represent a massive missed opportunity to deliver greater value for money in the achievement of its objectives.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ciaran McKeon', written over a horizontal line.

Ciaran McKeon
Managing Director