



The Chartered  
Institute of Logistics  
and Transport

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## **NTA – DIRECT AWARD CONTRACTS**

27<sup>th</sup> October 2023

### **Dublin Bus – Balance in the level of privatisation and the ability to keep flexibility and adapt to change.**

It is noted that in **section 52** where CILT had previously raised queries about the direct contract awards and their rule of awarding it only “*where it is satisfied that the continued adequacy of the public bus services to which the contract relates can only be guaranteed in the general economic interest by entering into such direct award contracts.*” and the subsequent phasing into competitive tendering when the criteria are not met has been briefly addressed. This is illustrated by the metropolitan routes in outer Dublin being awarded to Go-ahead Ireland in 2018. It is also noted that 85% of PSOs in Dublin city are under direct contract and approximately 15% are under competitive tendering. This offers cost benefits to the consumers and also maintains a balance in the level of privatisation, avoiding monopolisation of the Bus Service Sector.

Over the three-year period from 2020 to 2022, Dublin Bus met or exceeded its dependability and punctuality performance standards, including overcoming the obstacles posed by COVID-19. According to the findings of mystery passenger surveys conducted by the NTA, Dublin Bus has a strong track record in terms of customer service quality metrics. Scheduled vehicle kilometres run rose by 8.7 percent throughout the time frame of the first four stages of Dublin BusConnects Network Redesign. A total of €25.6m, or 9.2%, was added to the cost of providing the service. The increase in operating expenses per kilometre travelled was minimal. As the BusConnects program grows and adjustments are made to deal with passenger growth and infrastructure, how will the Direct award contract change? The advantages from further competitive tendering need to be evaluated. There are various macro elements involved, which need to be considered as they could have a major effect 2-3 years after commencement of the contracts.

Important KPIs such as reliability, punctuality and customer satisfaction levels are discussed, and data is also provided. However, there is a major caveat for the period of 2021 and 2022. It is just after COVID. There's less traffic and congestion allowing them to operate at higher efficiency levels. Further to this, we can see different levels for the later part of 2022 which shows normalised performance levels. This is an example where dynamic forces and factors may not be consistent throughout the contract and there needs to be a possibility to make amendments to the contract to maximise the benefits for the operator and consumers.

Dublin's bus system is undergoing a significant overhaul as part of the "BusConnects" initiative, and there is no guarantee that the planned network will be completed before the Authority awards the 2024 contract. In order to account for the updated bus routes and services that still need to be implemented, every new contract must enable the Authority to negotiate revisions after it is awarded. In order to successfully roll out this plan, infrastructure, financial and significant man-power resources are required. Since these are the tangibles involved, the authorities have decided to shift towards competitive tendering for the remainder routes, but CILT strongly believes that majority of the routes should be under direct contract to have a better control of the financial risks involved and to make sure the contractor is able to provide what is required of them.

## **Bus Éireann – Balance in the level of privatisation and the ability to keep flexibility and adapt to change.**

CILT supports the authority's decision to award the east coast commuter routes (101, 101x and 133) to Bus Éireann as a part of the existing direct contract to them. A decision needs to be made soon in order to adhere with **Regulation 1370** which states that “*at least one year before the launch of the invitation to tender procedure or one year before the direct award*”, is announced in an official paper. Although competitive tender has certain advantages over direct contracts, Bus Éireann already has the infrastructure in place and there's less risk involved for the authorities.

As part of the "Bus Connects" and "Connecting Ireland" initiatives, a substantial reorganisation of the bus networks outside of Dublin is in progress. Before the Authority awards the 2024 contract, the planned networks will not be completely developed. Accordingly, the Authority suggests that Bus Éireann operate a network of buses outside of Dublin with roughly the same overall scale as the current direct award contract (as of mid-2023) beginning in December 2024 which is supported by the CILT.

Experience from Dublin and from a range of cities and countries internationally supports the contention that competitive tendering of public bus services yields benefits. The results regarding an initial move to competitive tendering are encouraging, although with a cautionary finding that second and subsequent awards, while still offering cost benefits, can lead to increased unit costs from the first tender. While some of the observed increases can be attributed to developments which would be evident in the scenario without tendering (such as fuel and other cost increases) at least some of the increases represent an erosion of the initial gains through market evolutions such as authorities becoming more specific in their requirements and bidders becoming more experienced. However, the clear finding from the Authority's experience to date, is that enhanced value for money is available through a move to competitive tendering.

When all the changes are taken into consideration, Dublin Bus and Bus Éireann will retain the same terms of operations and will be completely tendered over the next direct award contract. This will result in 65%-70% being operated through direct award contracts and 30%-35%

through competitive tendering. CILT believes that this is a healthy balance between the two approaches.

## **International Good Practice – London (TfL)**

Competition by route describes a market structure in which a private contractor provides a transportation service but has little say over which routes are used. Transport for London (TfL), a functional body of the Greater London Authority, is responsible for coordinating the capital region's public transportation system (routes, frequencies, and fares) and implementing the Mayor of London's Transport Strategy. Initially implemented in London in 1984, route-based contracting has come to represent the gold standard of route-based competition. There are 700 urban bus route contracts in London, and only around 15% to 20% are renewed annually (contracts last 5 years, with an additional 2 years available if specific goals are fulfilled).

During the request for proposals process, the bids are evaluated based on a number of characteristics, including cost, the capacity to provide high-quality services, ITT, personnel (hiring, training, and retaining employees), facilities, cars, finances, scheduling, and records pertaining to health and safety. In case of contract changes, the contract price can be renegotiated. TfL sees the relationship with the private contractors more as a partnership to deliver good service for the passenger. The "Quality Incentive" contract governs the operation of buses in London. This implies that private contractors face consequences for underperforming and get incentives for succeeding above predetermined benchmarks.

Since the implementation of these Quality Incentives Contracts in 2000, the excess waiting time has been reduced from approximately 2.2 minutes to about 1.1 minute. Also, during the same period, customer satisfaction increased from 75% to 86%. As a result, a new measure known as "Journey time metric" has been developed to include a wide range of factors, such as passengers' wait times at bus stops, travel times on the bus, and excessive wait times. The new metric is a step toward better service for all travellers.