

Irish PSO Bus Tendering

A factsheet for bus operators



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August 2014

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Document	Irish PSO Bus Tendering Factsheet
Version Number	1.92
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Date	19 August 2014

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Document overview

This factsheet is intended to provide bus operators with the information presently available on the upcoming tendering of PSO bus routes by the National Transport Authority (NTA), in one concise document.

As well as bringing together the information available in the public domain, Transport Insights has drawn on its experience in the field of bus service procurement and planning, to address some of the gaps still present in the information provided by the NTA. The document provides an overview of the extent of NTA's competitive tendering proposals, an outline of possible forms that the procurement process and contract structure may take, along with some background on past procurement activity by the NTA. In particular, Transport Insights offers advice on engaging in the tendering process and emphasises the importance of preparatory bid development work, in light of the expected emphasis on quality as well as price in the evaluation of tenders.

For those operators not yet present in the Irish market, and who may not be familiar with its structure, this document also gives a concise introduction to the bus services market in the Republic of Ireland.

About Transport Insights

Transport Insights is an Irish based transport planning consultancy. Since establishment in early 2013, our client list has expanded to include asset managers, business groups, developers, bus operators, bus industry representatives, local authorities and national government agencies.

We offer a wide range of transport planning related services to clients in public and private sectors including capital investment planning; option appraisal and prioritisation; development and accessibility planning; public transport planning and tendering support; sustainable transport; traffic management; and transport strategy development.

Relevant recent Transport Insights experience includes:

- competitive tendering advice and subsequent submission to the NTA on behalf of the national bus operator representative organisation (Transport Insights' report can be found at [this link](#));
- bid support to domestic bus operator as part of a competitive tendering process;
- workplace travel planning support to the NTA.

1. An introduction to the Irish bus services market

The majority of bus routes in the Republic of Ireland are currently operated by Dublin Bus (city bus routes in the Greater Dublin Area) and Bus Éireann (long-distance routes, commuter routes into Dublin and city bus services outside Dublin). Both are wholly owned subsidiaries of the state-owned transport company Córas Iompair Éireann (CIÉ).

The Dublin Bus fleet currently numbers some 930 vehicles, while Bus Éireann operates a fleet of 600 vehicles (excluding school buses).

A number of smaller private operators provide some scheduled local, commuter and intercity public bus services alongside the Dublin Bus and Bus Éireann networks.

Dublin Bus and Bus Éireann operate almost all Public Service Obligation (PSO) bus routes on behalf of the State. These are routes that are identified as being of strategic public importance but which are not necessarily commercially viable in their own right. State funding, in the form of PSO subventions, is provided to the operators in order to cover the costs of servicing these routes. PSO routes are also referred to in European legislation as 'services of general economic interest' (SGEI).

The National Transport Authority (NTA) is the State body responsible for – among other things – licencing public bus routes, entering into contracts for the provision of public transport services, and providing funding for PSO routes. The NTA was established in 2009, under the provisions of the Dublin Transport Authority Act 2008 and the Public Transport Regulation Act 2009.

Dublin Bus and Bus Éireann have hitherto been awarded direct contracts for the operation of their respective bus networks, without any competitive tendering process. However, in order to satisfy the provisions of EU Regulation 1370/2007 and EU Directive 2004/17/EC, the State is obliged to introduce a competitive procedure for awarding PSO contracts.

The NTA has opted to introduce competition into the Irish PSO bus services market in stages. Contracts for roughly 10% of the PSO routes that it administers will be awarded on a competitive basis in December 2015. The remaining 90% of PSO routes will continue to be operated by Dublin Bus and Bus Éireann, under new direct award contracts, from December 2014 to November 2019.

To comply with European legislation, the competitive tendering framework should ultimately be extended to include all PSO contracts. The NTA has not yet published any timeframe for the completion of this process; the next opportunity for more extensive competitive tendering will emerge following expiry of the 5-year direct award contracts in 2019.

The successful execution of the upcoming competitive tendering process and the seamless subsequent delivery of services will undoubtedly have a bearing on a decision regarding more extensive competitive tendering. Such a decision will need to be made by the NTA during 2017 or – at the latest – in 2018.

As such, the NTA is deemed likely to apply a conservative approach to the upcoming tendering process, with an emphasis on ensuring smooth service transition and operation.



2. What is the scope of the tendering process?

The National Transport Authority has decided to renew the Public Bus Services Contracts of Dublin Bus and Bus Éireann from 01/12/2014, as direct award contracts. The majority of routes on both networks will remain with these operators for 5 years (from 2014 to 2019).

Roughly 10% of routes on both networks* will be removed from these direct award contracts after no more than 2 years and will then be the subject of competitive tendering, with the aim of services being commenced in August 2016. These include some local and radial bus routes in Dublin, city bus services in Waterford and Tramore, and some long-distance commuter bus services in the Midlands.

The NTA indicates that the competitively tendered routes will be awarded for a period of 5 years (from 2016 to 2021).

The Dublin local and orbital routes to be tendered currently have a combined peak vehicle requirement (PVR) of roughly 80, although the NTA has estimated that an improved service on these routes could require approximately 120 peak hour vehicles.

The selected Bus Éireann routes have a PVR of 30-40 at present.

It is currently proposed that the tendered Dublin Bus routes be split into 2 equal bundles, one to the north and one to the south of the City. Each bundle would therefore have an initial PVR of about 40, possibly increasing to 60 over time.

Bundle sizes for the Bus Éireann routes have not been indicated but these routes are likely to be divided into 2 or 3 bundles.

For example, it is likely that all Waterford City and Tramore bus routes will be offered as one bundle.

The NTA has not ruled out the possibility of tendering certain routes individually.

* Maps of the routes to be tendered are included as appendices to this document.

Current operational and financial data for individual bus routes are not currently in the public domain but the NTA indicates that *“the fullest necessary information will be made available”* to operators as part of the tendering process.

Based on financial data covering the PSO bus networks in their entirety, however, the total value of PSO operations inside and outside Dublin may be estimated at €250 million and €100 million, respectively.



3. How and when will the tendering process take place?

The NTA has indicated that the tendering process will be conducted as a restricted procedure, in 2 stages: Pre-Qualification and Award. In this type of process, only tenderers who satisfy the Pre-Qualification criteria will be invited to participate in the Award stage, at which a priced bid is submitted[†].

The NTA has thus far given the following indicative dates of key points in the tendering process:

- Publishing of **Pre-Qualification** Notice(s) in **November 2014**;
- **Award** of contracts in **December 2015**;
- Successful operator(s) to **begin** services in **August 2016**.

Given the likely parallel tendering of 4 to 5 service bundles and the potentially limited time allowed for the submission of tenders, early (pre-tender) bid development is likely to be advantageous for operators.

It is anticipated that all notices will be published on the Office of Government Procurement's eTenders platform (etenders.gov.ie) and in the Official Journal of the European Union (ted.europa.eu).

[†] The NTA has in the past required that both Pre-Qualification and Award submissions be made simultaneously. Under EU procurement rules, however, such an accelerated process is permitted only in exceptional circumstances.

4. What Pre-Qualification and Award criteria will be applied?

Evaluation Criteria

Pre-Qualification (stage 1) and Award (stage 2) evaluation criteria for this competition have not yet been made public by the NTA. However, based on previous competitions run by the NTA and others, the following areas are strong possibilities for consideration in this process:

Pre-Qualification Criteria	Award Criteria
Licence and Insurance Requirements	Operations Methodology
Available Bus Fleet [‡]	Customer Service Procedures
Staffing Levels	Staff Training
Managerial Qualifications and Experience	Continuous Improvement
Similar Operational Experience	Mobilisation and Service Transition
Corporate Financial Position	Price
Health and Safety Record	

*Although past procurement processes run by the NTA have prioritised price at the Award stage, this is unlikely to be the case in the upcoming tendering process. In light of the following factors, **it is to be expected that there will be a greater emphasis on quality** in the evaluation of bids at the Award stage:*

- *The greater scale of this process and the number of public transport users affected;*
- *The impact of the process outcome on the NTA's ability to extend competition further under this model;*
- *The reputational risk to the NTA, should a contracted operator perform poorly.*

In an April 2014 speech to the Transport Ireland conference, Leo Varadkar, then Minister for Transport, stated: *"Contracts will go to the tenderers that can provide the best service, be they Dublin Bus, Bus Éireann or any other provider. This is not about saving money, but rather it is about providing a better service for passengers at the same cost to the taxpayer".*

[‡] May not enter into consideration if existing vehicles are to be provided to new operator (see Section 6).

The following formula has been used by the NTA in recent bus tendering processes, in marking the prices of competing bids:

$$\text{Marks awarded under Price criterion} = \left[1 - \left(\frac{\text{Tender Fee} - \text{Lowest Tender Fee}}{\text{Highest Tender Fee}} \right) \right] \times \text{Weighting}$$

where the Weighting is the maximum possible number of marks under the Price criterion.

From this formula, it is evident that even a significant difference in price between two bids may have limited impact upon their respective overall scores, if excessive weight is not given to price. This indicates that quality is likely to be a greater determining factor in the award of PSO contracts by the NTA.



5. What type of contract will be used?

The NTA currently uses gross cost contracts for the few bus services already contracted to private operators. All fare revenue is retained by the NTA (though collected on its behalf by the operator) and the operator is paid the contractual fee for the operation of the service.

The NTA has indicated that it *“would propose a gross cost contract with incentives for the Operator for any competitively tendered bus services contract”*.

Present competitive contracts include an asymmetrical incentive provision for the operator: no bonus is allowed for but a penalty may be applied if the operator fails to meet the Performance Obligations specified in the contract.

Service Credit Points are awarded to the operator, based upon its level of adherence to the service levels defined in the Performance Obligations (criteria such as punctuality and reliability). In each contract period, a percentage of the operator’s fee is retained by the NTA. The proportion of this “retention amount” that is ultimately paid to the operator depends upon the number of Service Credit Points awarded to it in that quarter (if the operator is awarded the maximum possible number of Points, the entire amount is paid).

If private operators are successful in the upcoming tendering process, the NTA may expand upon this model of contract, to also include a bonus provision.

Another possibility is that the NTA may replace its current incentive structure, adopting some aspects of the bonus/penalty mechanisms used by Transport for London in its Quality Incentive Contracts.

TfL Quality Incentive Contracts employ two main incentive provisions: Reliability Performance Payments and Quality Performance Payments:

- Reliability Performance Payments (and deductions) are calculated as a percentage of the contract price, based upon the degree by which the operator exceeds – or fails to meet – a Minimum Performance Standard (MPS) for a given bus route. The performance measure used for the MPS depends upon the type of route: *Excess Wait Time (EWT)* is used for high-frequency routes, while a *Percentage On Time* measure is used for low-frequency routes.
- Quality Performance Payments are assessed differently, generally through inspection. They are based upon criteria including driving quality, customer service and the presentation of vehicles (internally and externally).

The NTA may use Automatic Vehicle Location and Control (AVLC) system data to measure adherence to the Performance Obligation service levels that it sets.

Both Dublin Bus and Bus Éireann are already subject to “mystery shopper” audits by market research firms, in order to provide verification that Performance Obligations are being met. It is likely that the successful tenderer(s) would also be subject to such audits, conducted on behalf of the NTA.

Similarly, operators could be subject to periodic inspections (by the NTA or its agents) of vehicle presentation/maintenance standards and driver quality.



6. What resources will be made available to operators?

The NTA has indicated that it is likely to supply the vehicles required to operate the tendered routes, in the event that a private operator wins the contract(s).

In its reports on the most recent direct award contracts to Dublin Bus and Bus Éireann, which also discuss the upcoming tendering process, the NTA states that: *“service accessibility will be guaranteed by supplying the fleet that the incumbent currently uses to the successful tenderer”*.

The NTA funded the purchase of 78 double-decker buses in 2012 and is able to take ownership of these in order to make them available to any future contracted operator. In addition to these vehicles, the NTA is believed to be funding the purchase of up to 282 further buses of various types, for delivery in 2014/2015. By the conclusion of the upcoming tendering process, the NTA should therefore have a fleet of up to 360 vehicles at its disposal, for use by the contracted operator(s).

The NTA does not have any direct power to compel either Dublin Bus or Bus Éireann to make their existing depot facilities available to private operators, even if these operators are replacing Dublin Bus or Bus Éireann as service providers to the NTA on a given route.

Neither Dublin Bus nor Bus Éireann have expressed any willingness to make their depot facilities available to other operators and there currently seems to be little possibility of movement in this regard.

The NTA has implied that it may meet some or all of the cost of providing new depots for the operation of the tendered services. However, it has made no definitive statement to that effect.

The NTA’s final decision on this will have a bearing on the extent to which private operators will be able to compete with the incumbent bus operators.

For a new operator taking over some of these tendered services, there may be an obligation – under the terms of the Transfer of Undertakings / Protection of Employment (TUPE) regulations – to transfer personnel working in these services from the incumbent operator to the new operator. If this is the case, any transfer of personnel would have to be compliant with TUPE regulations, which would involve the preservation of certain contractual entitlements for the employees concerned.

At this point, the implications of TUPE for the services to be tendered are unclear; it is however expected that this would be clarified by the NTA as part of the tender process (if not sooner).

Appendix A: Map of Dublin Bus routes to be tendered

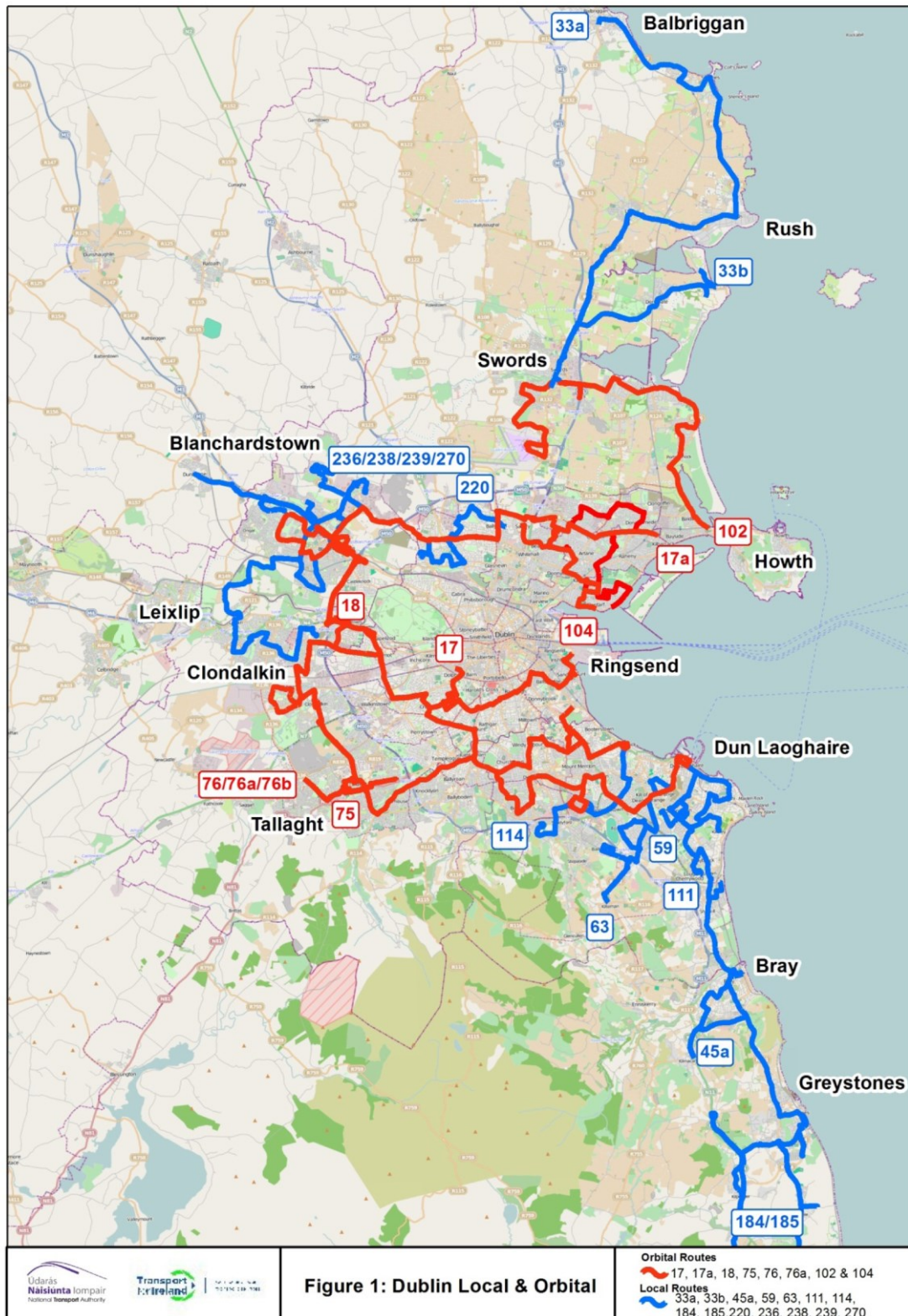


Image credit: National Transport Authority

Appendix B: Maps of Bus Éireann routes to be tendered

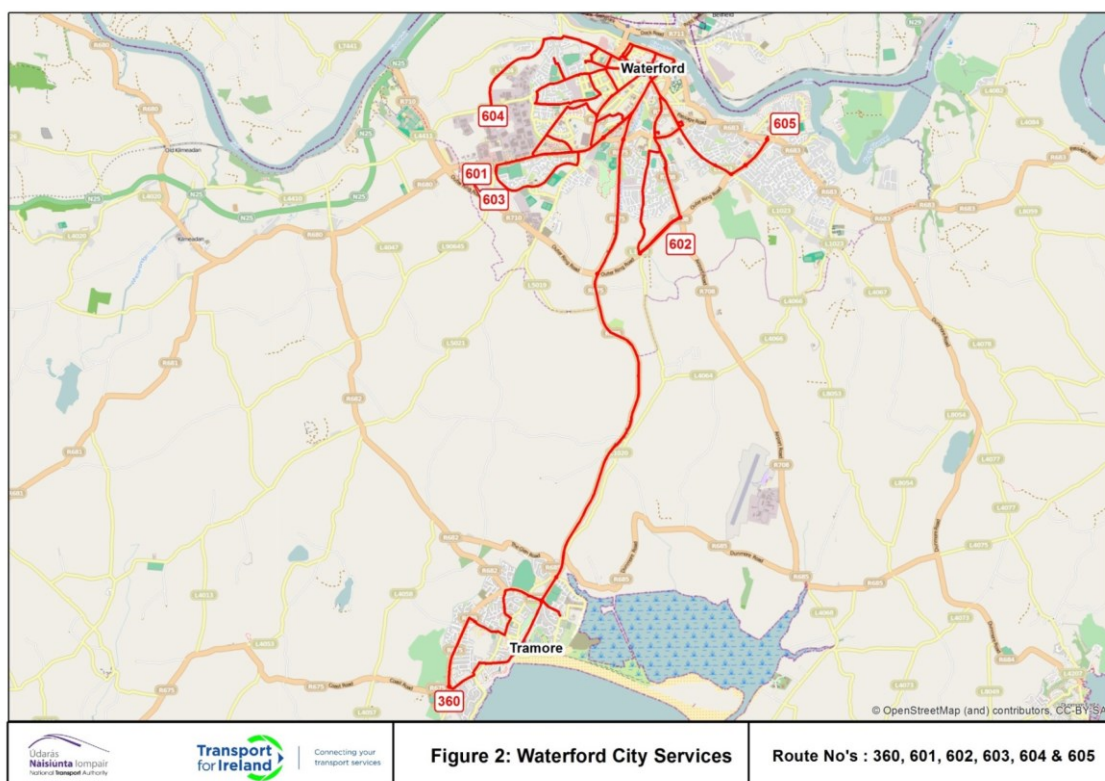
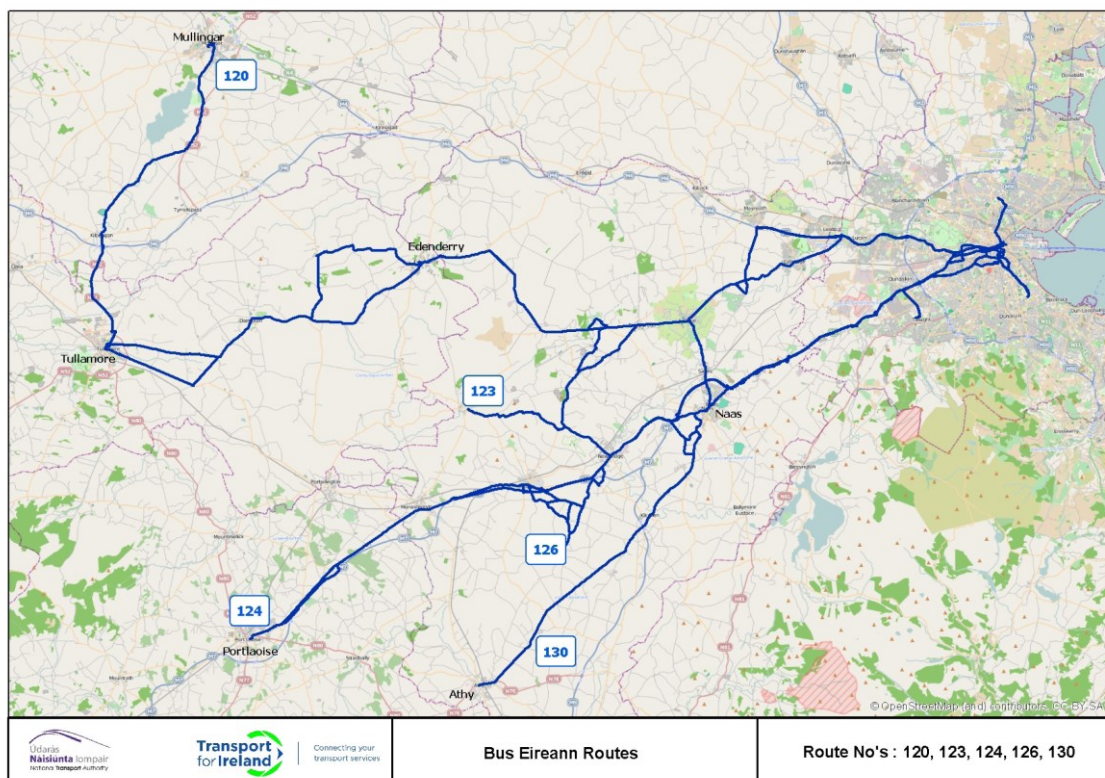


Image credits: National Transport Authority

Appendix C: Further sources of related information

- Diagram of current Dublin Bus network:
<http://www.dublinbus.ie/Global/RouteNetworkDiagram.pdf>
- Map of current Bus Éireann network:
<http://www.buseireann.ie/pdf/1360856510-NetworkMap.pdf>
- NTA transport services publications:
<http://www.nationaltransport.ie/publications/transport-services/>
- NTA information on PSO contracts:
<http://www.nationaltransport.ie/public-transport-services/public-service-obligation-contracts/>
- Bus Statistics for Ireland (NTA Statistical Bulletin 03/2014):
http://www.nationaltransport.ie/wp-content/uploads/2013/10/Bus_Statistical_Bulletin_June_2014_Final_for_web.pdf
- London's Bus Contracting and Tendering Process (TfL):
<https://www.tfl.gov.uk/cdn/static/cms/documents/uploads/forms/lbsl-tendering-and-contracting.pdf>
- Regulation 1370/2007 of the European Parliament:
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:315:0001:0013:EN:PDF>
- Protection of Employees on Transfer of Undertakings (TUPE) Regulations 2003 (Rol):
<http://www.irishstatutebook.ie/2003/en/si/0131.html>