BUS DEREGULATION IN IRELAND

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1 THE POLICY CONTEXT.

Since 1932 Ireland has had a policy of eliminating competition in bus transport. Similar policies were adopted in relation to road freight from 1933 to 1988, air transport from 1935 to 1986 and taxis from 1978 to 2000. Table 1 shows the transfer of 1098 independent bus services to the designated statutory transport companies between 1933 and 1941.

TABLE 1: Voluntary (V) and Compulsory (C) Transfers of Independent Bus Services to Statutory Transport Companies, 1933-1941.

	To GSR		To GNR		To DUTV		Total	
	V	C	V	C	V	C	V	C
1933	459*	1	5	12	-	-	464	13
1934	157	55	1	1	18	47	176	103
1935	11	191	4	78	-	-	15	269
1936	1	9	-	-	-	5	1	14
1937	2	17	1	-	-	-	3	17
1938	2	-	-	-	-	-	2	-
1940	1	-	-	-	-	-	1	1
1941	1	2	-	-	-	-	1	2
							633	419

*446 licences held by a subsidiary company up to 31 December 1933.

GSR: Great Southern Railways; GNR; Great Northern Railways

DUTC: Dublin United Tramways Company.

Note: In addition to the 1082 services above transferred to the three main statutory transport companies there were 16 transfers to the remaining railway companies comprising 10 in 1934, 3 in 1935 and 3 in 1938. The total of services transferred was therefore 1098 over the years 1933-1941. There were no transfers in 1939 to the three large companies above.

(2) THE RATIONALE FOR PROHIBITING BUS COMPETITION.

The goal of government intervention to prohibit bus competition was to protect the railways from competition. The pressures on government to curtail the independent bus sector increased steadily from the late 1920s onwards. At the annual general meetings of the largest railway company, Great Southern Railways, in 1926 and 1928 the chairman complained that road transport competitors enjoyed unfair advantages in their tax treatment and freedom of operation. In 1930 the chairman defended the purchase of the Irish Omnibus Company on the grounds that it would ' eliminate wasteful competition." (Barrett, 1982,12). In 1931 the chairman called for the regulation of road transport in order to protect the railways. " It is obvious, moreover, that unless legislation is passed regulating transport and removing the disabilities at present imposed on the railways the companies cannot continue to adequately maintain and operate them" At the 1932 annual general meeting the chairman claimed that "nowhere in the world was the whole matter of road and rail competition allowed to drift as it has been, until quite recently, in Great Britain or the Irish Free State." (Barrett, 1982,3).

In 1927 the Railways (Road Motor Services) Act allowed railway companies to operate road services under conditions set by the Minister for Industry and Commerce. According to Shields the restrictions were based on the assumption that the railways " would gain a virtual monopoly of transport as a result of their great financial resources and general economic and strategic position in the country. This fear, a relic of nineteenth century railway legislation, should not have existed in view of the fact that numerous privately owned commercial road services, unfettered by legislation had begun to entrench themselves as public road carriers." (Shields, 1936/7, 91/92).

The prevailing climate in economic policy is seen in Conroy's statement that ' it would not be inconsistent with this age of "trusts" and "combines" that all competition in the transport world should be eliminated ... Road transport should be merely used as a substitute for rail transport , not as a substitute for it." (Conroy, 1928,370). In introducing the Road Transport Act, 1932, the Minister for Industry and Commerce, Mr McGilligan told the Dail (parliament) that while the tendency in the Act was " to divert traffic into the hands of the three transport companies operating on a big scale at present... we do allow for the existence side by side with these three agencies on the independent bus proprietor or company. Personally, l look forward to seeing these people disappearing by degrees either by process of amalgamation with other companies or by the main companies deciding that their future lay in certain areas in the country and leaving other areas for exploitation by independent bus owners." (PDDE, 40, 2632-7). The prevailing thinking was applied to road transport a year later by a new government. Introducing the Road Transport Act, 1933, the Minister for Industry and Commerce, Mr Lemass, stated that the object was " to make it possible for the Great Southern Railway in its area and other railways in their areas to establish themselves in what is described as a monopoly position." (PDSE, 16,979).

The Transport Tribunal in 1939 estimated that the number of passengers carried by the independent bus companies under the 1932 Transport Act was reduced from 34.5 million to 1 million per year and the market share reduction from 46% to 0.92%. (1939,13-4). The number of passengers carried on the Great Southern Railways in 1931 was 11.9m, compared to 15.5m in 1926.

The interventions of two successive Irish governments on behalf of the railways and against independent bus and road freight companies is attributed to four factors; the successful lobbying of the railways resulting in regulatory capture of the regulatory arm of government by the railway lobby, the interventionist tradition in economic affairs of Irish nationalism, the interventions induced by the recession in 1929 in most countries and the lack of economic knowledge of the consequences of regulation. (Barrett,2000, 56-8).

The ability of sectors to secure government legislation to restrain their competitors is known as regulatory capture. (Levine, 1998,267). Levine notes also that ordinarily, the welter of information that the public receives about political issues from the media and the difficulties of organizing to achieve political ends insulate regulators from monitoring and general-interest pressure.' An exception, however, was the US Airline Deregulation Act, 1978. Following Senator Kennedy's hearings, " the cost to the public of being informed on the issues and influencing government dropped dramatically.... Capture became nearly impossible, and the US airline industry was unable to stave off a deregulation it strongly opposed." (270).

The interventionist Irish political culture is amenable to regulatory capture. According to Daly, "one major legacy of the thirties was the institutionalisation of an

Irish dependence on the state, and on politicians, for economic benefits." (Daly, 1982,4).

Th e current deregulation movement is a rejection of the to be " partly an echo of the regulatory movement of the 1930s which was a response to the Great Depression, when the securities, airline, banking, and many other industries became regulated."

The fourth factor explaining the success of lobbying for protectionism in Ireland in the 1930s was the weak position of the study and practice of economics in the country at the time. University departments of economics were small and had little influence on government departments (Fanning, 1985). It was not until 1950 that economists were employed in the civil service and in the initial stages they were confined to the Department of Finance.

(3) THE INDEPENDENT BUS SECTOR AFTER 1932.

The CSO series on the earnings of bus companies shows that the number of companies rose from 96 in 1928 to 145 in 1932. It then declined rapidly to 38 in 1938 and 34 in 1941. (Irish Statistical Bulletin). Local bus services were left unacquired by the railway companies mostly in remote areas of the country. The Milne Report in 1948 found that there were 28 independent bus operators. "These licences are issued only at the discretion of the Minister and in practice have only been granted in cases where there was no public service and no existing operator was prepared to provide one. No new entrant has been granted a licence since 1940. " (1948, 22). The Beddy Report in 1957 also found " 28 small operators holding passenger licences in respect of regular omnibus services. (1957, 120/1). Beddy estimated that they carried 1.2 million passengers in 1955.

In the Dail in 1979 the Minister for Transport and Tourism stated that in the previous two years eleven applications for new passenger licences were refused because he existing services were judged to be adequate. The Minister stated that CIE was consulted in every case and that he did not consider that there would be any justification for an appeal to an independent arbitrator

Barrett in 1980 found that the fares charged by these operators for journeys between 19 and 32 miles were 63% of the CIE fare. (1982,130). This fare comparison was based on the Dublin-Drogheda fare charged by CIE with the independent operators' fares on the routes between Clonmel and Thurles, Athlone and Mullingar, Cavan and Longford and Urlingford and Kilkenny.

The ban on bus competition covered individual stage carriage only. Private hire group travel by bus was exempt from the 1932 legislation. Sporting fixtures, school trips, services to dances and bingo and shopping trips provided the bulk of the private hire business for the independent bus services. The sector gained from the establishment of the school bus service in 1967 when the independents were allowed to sub-contract routes from CIE but not to tender directly to the Department of Education.

Barrett (1982) estimated that bus competition on a main route such as Dublin-Cork would reduce the return fare to a range between £4.80 and £5.40 return from a rail fare of £27 normal and £13.50 excursion. The bus fare assumed 80% occupancy and undercut the excursion rail fare by 60%. (1980,130/1).

The Green Paper on Transport Policy (1985) noted that "there are operators who provide what are regular service type operations using "private hire" through "travel club" arrangements, as a basis for claiming immunity from the requirements of the road transport legislation. Despite successful prosecutions , business has increased over the years and the services are now well established." The Green Paper also noted that there were thirty-eight operators licensed to operate over 105 routes. " Mot of these routes were short rural routes. Regular services (e.g. daily, weekly) are provided on 70 routes while occasional services (e.g. trips to seaside, dances etc.) operate over the remaining 35 routes." The Green Paper stated that " the general policy has been to refuse an application for a licence where there is an existing CIE service or a service by a licensed operator, unless it can be shown that the proposed service would meet a need not being met by the existing service."

According to Conlon, " the number of unlicensed weekend operators doubled between 1983 and 1986 while the number of unlicensed daily services trebled in the same period. In 1986 there were 56 operators with 115 vehicles operating unlicensed weekend services and 44 operators with 68 vehicles operating unlicensed daily services." (1988).

In the late 1980s Bus Eireann began to enter the express bus market. Successes were achieved in eliminating private sector competitors on routes to Dublin from Cork, Tralee, Mayo, Sligo and Meath. On the other hand substantial private sector bus services have survived in the south midlands, Galway, Donegal, Monaghan and Cavan. The most competitive route is Dublin-Galway which in the summer of 2000 had 26 services a day, 13 by CIE, 8 by Citylink and 5 by Nestors.

(4) PROPOSALS FOR REGULATORY REFORM 1985-2000.

The 1985 Green Paper on Transport Policy presented sets of six arguments for and against liberalisation of bus services. The arguments for liberalisation were as follows-

(1) customers would benefit from competition in fare levels and quality of service;

(2) market supply would adjust to passenger demand, thereby producing more effective and economical use of transport resources;

(3) would challenge CIE and its staff, giving them an opportunity to respond to competition in the market;

(4) a licensing system would provide a means for controlling the very considerable transport operations that are at present legally doubtful

(5) would encourage experiments with minibuses and small buses, particularly as replacements on routes where the use of large buses is uneconomic due to low levels of demand;

(6) Success of private operators would help to convince CIE to withdraw from certain areas (or services), thereby leading to improved CIE financial performance; also increased competition might help the railways to be more cost-effective.

In the list of benefits item (4) above is wrongly included. Liberalisation benefits an economy by fewer, not more, controls. The remaining benefits have been seen in the de facto liberalisations of the bus market on routes such as Dublin-Galway. The market was developed by the private sector as an alternative to an infrequent stopping service run by CIE as a monopolist. The market has grown to 26 services a day in each direction and fares are as low as £5 for the 136 mile journey, 3.7p per mile. The Dublin-Galway fare per mile is only 47% of the 7.8p per mile fare charged from Dublin to Cork which has no competition and the fare £13.50. The savings from actual competition on the Dublin-Galway route, over 50%, are approximately twice the savings from bus tendering as indicated in the OECD report on regulatory reform in Ireland. (2001, 37).

The Green Paper's arguments against liberalisation were as follows;

(1) risk that unrestricted competition would adversely affect the quality of service, with safety implications;

(2) full liberalisation might lead to gaps in service rather than an integrated network;

(3) operators would concentrate on routes with high demand, leaving CIE to serve the low demand routes;

(4) benefits of cross-subsidisation within CIE would be eroded, as CIE reduced fares on well supported routes in order to retain traffic;

(5) possibility of a reduction in CIE staff on foot of a fall in demand for CIE services, with redundancy and other cost implications;

(6) competition would reduce CIE's share of bus traffic, in the short term at least, and possibly cause a further fall in rail passenger levels. This would adversely affect CIE's financial position, and would lead to its having to reduce costs(by eliminating and/or reducing uneconomic services.

In the event no White Paper or legislation followed the Green Paper of 1985. The arguments against liberalisation apparently prevailed. The inclusion in (6) above of CIE "having to reduce costs" as an argument against liberalisation is obviously misplaced since a major gain from liberalisations is to secure cost reductions from the previous monopolists.

The other arguments against liberalisation, while successful in preventing legislative change, are not supported by analysis. Liberalisation refers to removing of barriers to entry to the sector and safety regulation such as vehicle testing and drivers' hours regulations would remain. The value of an integrated network may mean little to passengers seeking cheap point to point transport. Airline liberalisation has allowed the growth both of airlines with an integrated network and those selling point to point tickets only. (Doganis, 2000, 72;127)

Cross-subsidisation by monopolists is a transfer from passengers on routes where price exceeds costs to other routes where costs exceed price. There is no net gain to passengers.

The protection of labour-intensive enterprises such as public transport as a means to securing employment in the protected companies imposes substantial hidden costs on the economy and these costs are difficult to justify in a full employment economy such as Ireland in recent years. Labour hoarding should be discouraged rather than promoted.

The National Development Plan (1989-93) promised to 'replace the outdated Road Transport Act, 1932. The planned changes will bring in the liberalisation of the bus industry to provide greater competition and increased flexibility in the range of services'. The matter was not pursued however until the publication of A New Institutional Framework for Public Transport in August 2000.

The New Institutional and Regulatory Framework (NIRF) proposals may be summarised as follows;

(1) the public transport market will be opened up to private participation as a way of better exposing it to market forces, improving quality and efficiency, increasing attention to customer requirements and reducing the cost of service provision;(p.8)

(2) state financial support will be provided on a contractual basis, specifying the payments to be made for a defined quantity and quality of service; (8)

(3) Bus Atha Cliath and Bus Eireann will be established as separate independent companies and the existing geographical restrictions on their areas of competition will be removed;(9)

(4) Bus Atha Cliath will be privatised and the future privatisation of Bus Eireann is 'not being ruled out.' (10)

(5) "Implementation issues" cited were the financial implications for the Exchequer of improved public transport services and restructuring the CIE companies; "substantial industrial relations issues"; the pensions of those in the CIE holding company; the right of staff to transfer back to CIE when a subsidiary is wound up; possible share ownership by staff in the restructured CIE companies and the financial restructuring of the individual CIE companies including reallocation to them of loans and assets from the CIE group. (12).

(6) The bus service " will be one element of an integrated transportation strategy for the Greater Dublin area." (14). It will from " part of an integrated network of public transport services" (14) and "will participate fully in an integrated ticketing system" (14).

(7) "Contracts or franchises will be awarded to the winning tenders who will have exclusive rights to operate services on particular routes or in defined geographical areas for a specific period of time (say 5 years)." (15)

(8) "the winning tenderer will either make a payment to the State to operate the specified services on an exclusive basis or receive a subvention" (15-16)

(9)"in line with the intention to franchise routes or groups of routes, interim licences will be restricted to one operator per route." (18)

(10)" it is assumed that the proposed Bill (to allocate subsidy through public service contracts) will be able to provide for exclusive rights in respect of the existing core networks of Bus Atha Cliath and Bus Eireann as necessary." (18)

(11)the new bus regulatory body for the Dublin area will have power to refuse licence applications not consistent with the overall transportation strategy; to terminate a licence in order to introduce a franchising scheme in respect of particular routes or geographical area or where the existing licensee is not providing an adequate service.; to attach conditions to licences such as participation in an integrated ticketing scheme or sharing of bus infrastructure(19) and to investigate and take enforcement action in respect of any abuse of dominant position jointly with the Competition Authority with each body 'given an express right to defer to the other's consideration of a matter that otherwise falls within its own broad jurisdiction." (18).

(5) ECONOMIC ASPECTS OF THE NIRF PROPOSALS.

NIRF proposes exclusivity on routes with competition every five years for routes. It protects the "existing core networks of Bus Atha Cliath and Bus Eireann as necessary." The range of choice offered to passengers on the deregulated bus services between Dublin and Galway might itself be reduced under a purported liberalisation programme. The possibility of competition on other routes is closed off by the NIRF proposals. The consumer is thus denied the normal gains from having a choice of supplier of goods or services such as price and service competition.

The weakness of the consumer position under the NIRF proposals can be seen by examining the position of wishing to change his present supplier of public transport services. His redress is to petition the licensing authority to seek improvements in the present service and not to renew the licence when the five year period has expired. In the short term the dissatisfied passenger may transfer to another bus route in the hope that the monopolist there may provide a better service. This possibility is reduced when groups of routes are franchised and reduced even further when core networks are protected from both franchise and "on the road" competition.

New entrants face refusal of licences from bodies such as the new bus regulatory body for the Dublin area. Additional barriers to entry are proposed such as participation in an integrated ticketing operation. and the requirement to pay the government in return for licences. The contrasting model is the provision of cheap point to point transport as shown in the present long distance bus competition in Ireland and the concentration of cheap point to point transport rather than an integrated network by airlines such as Ryanair.

New entrants will face the likelihood of market dominance by the two CIE companies, Bus Eireann and Bus Atha Cliath, both created not by market forces but by legislation to secure the abolition of competing bus companies by compulsion if necessary. In the United Kingdom the National Bus Company was privatised in small sections in order to reduce the danger of market dominance. In view of the evidence of market dominance in the sector in the United Kingdom in recent years the weakness of the NIRF provisions to deal with this problem is surprising.

NIRF shows substantial evidence of regulatory capture in its concern with implementation issues, all of which raised in the document refer to the protection of the legislative position of CIE since 1932. There is little consideration, on the other hand, of the gains to consumers and to society as a whole, from deregulated markets.

(6) COMPETITION FOR THE BUS MARKET VERSUS COMPETITION IN THE BUS MARKET.

The NIRF model of competition for the market instead of competition in the market is derived from the work of Demsetz in Why Regulate Utilities? (1968). The Demsetz model seeks the benefits of competition by tendering for the market where there are obstacles to competition in the market. Thus for example, competition between electricity generating companies would take place in tendering for the supply of electricity to the national distribution grid instead of each customer being wired up directly by each of the competing electricity generating companies.

In the air traffic control sector competitive tendering for the operation of control towers brings competition to a sector whereas airlines shopping around between competing control towers is impracticable. Similarly in the telecommunications, television and radio sectors the limit on the availability of transmission capacity was cited as the reason why alternative ways of allocating frequencies and capacities either by auction or by applications in accordance with government stipulated criteria.

The policy implications of contestable markets are that governments should not ban new entrants and should remove obstacles to competition. Prospective entrants ensure the efficiency of incumbents because they know that if they set price too high a price this will attract new entrants. Monopolists both charge too much and produce too little and earn economic rents or allocatively unnecessary payments. These economic rents may be absorbed in high costs and low productivity or result in supernormal profits.

The Department of Public Enterprise, publishers of the NIRF document, has experience of the models of competition both in the market and for the market. A key question in regard to the NIRF document is whether its choice of competition for rather than in the market was the correct one.

NIRF states that "it is clear that the franchising model is the optimal regulatory solution to manage the development of the core urban bus network" (17) but does not explain why on the road competition has been rejected. NIRF acknowledges however that "other regulatory approaches may be more appropriate when considering the bus market, say, in smaller towns on the periphery or key radial commuter routes from the hinterland into the city centre. The independent regulatory function will have appropriate flexibility to develop alternative regulatory approaches for these very different markets." (17). NIRF thus rejects competition in the major urban bus markets without giving reasons for a policy which requires some justification. Bus companies competed in Ireland before the state intervened to prevent them doing so in 1932. Truck companies have competed since 1988 and airlines since 1986 and bus competition applies on routes such as Dublin-Galway. To the consumer all three cases of competition in the transport sector have been highly successful. It is not obvious why NIRF does not want to extend that success to the bus sector. It is not clear why NIRF recommends possible competition in some small bus markets but rules it out in large urban markets.

NIRF also avoids the policy decision on where competition might be allowed outside the protected core networks of the CIE companies. NIRF allocates to "the independent regulatory function" the policy of deciding whether competition may take place. This is a policy rather than administrative matter .

(7) BUS DEREGULATION IN BRITAIN.

The first deregulation of bus services in Britain was the long distance sector in 1980. Fares fell by 35 to 40% following deregulation. (ECMT, 1988,10). Seven hundred new services were introduced (Buses, 11). The White Paper also noted that "the NBC National Express services have been dominant in this area, the number of passengers carried increasing by 45% between 1980 and 1983.

The dominance of National Express increased when its largest competitor, British Coachways, withdrew in 1983. Prices rose in real terms and by 1985 " in aggregate, prices were slightly lower in real terms than immediately before deregulation. This fall in real price marks a departure from previous trends. In the past the regulated bus industry has been characterised by slow productivity growth which has been associated with rising real costs and prices.' (Jaffer and Thompson, 1986, 62).They conclude that "the introduction of competition in sectors formerly the preserve of state monopolies is worthwhile" but that "effective competition requires an effective competition policy." (65).

The main barriers to competition in the deregulation of intercity coach services were the exclusion of new entrants from coach stations owned by the National Bus Company, the market power of the National Bus Company n operating in protected markets before the deregulation of local bus services in 1986, and the weak bankruptcy constraint on the National Bus Company as a public company.

In the 1986 deregulation of bus services outside the London area the privatisation of the National Bus Company removed the weak bankruptcy constraint and market dominance was tackled by splitting the company into fifty-two separate bus companies, six coach operating companies, and eight engineering companies. In addition National Express, National Travelworld, and the coach station subsidiary were sold as separate companies. (Vickers and Yarrow, l988,374).

In 1985 transport in Britain lost its exemption from the Restrictive Practices Act. It may be investigated by the Office of Fair Trading (OFT) in matters such as fares collusion between bus companies. "The crunch will come if and when OFT decides that remaining agreements are restrictive and proceeds to their determination by the Restrictive Practices Court. " (Beesley, 1989, 35).

Local bus service deregulation in October 1986 was examined over its first year by the Transport and Road Research Laboratory (TRRL). The authors Balcombe, Hopkins, and Penet, (1988) found the following results

- some increase in bus kilometres;
- about 85 per cent of vehicle-kilometres were operated commercially;
- fares were largely unaffected by deregulation;
- initial reduction in patronage;
-a reduction in subsidies;
- a substantial increase in the number of operators;
-greater competition between operators;
- innovations such as the greater use of minibuses;
-no change in safety standards.

A two year assessment of bus deregulation was published by Beesley (1989) in an European Conference of Ministers of Transport round table on The Role of Government in a Deregulated Market. The data are taken from the series Transport Statistics of Great Britain (TSGB).

(1) Bus kilometres; In 1987/88 there were 2,342 million local stage bus kilometres, compared with 2,076 million in 1985/86, the last full pre-deregulation year. The increase was therefore 13%. The 1987/88 output reversed a decline in output throughout the 1980s. (Transport Statistics of Great Britain (TSGB), table 2.36)

(2) Social service bus transport: 349 million vehicle-kilometres of bus travel out of the total of 2,343 million were provided under subsidy, that is 14.9%. The separation of the commercial network from the social services network ensures that subsidies are used only on routes where the service would not be provided commercially. (TSGB, table 2.37).

(3)Fares; The fares index for all operators with a base year of 1985 = 100 increased from 110.1 in the July-September quarter in 1986 to 112.7 in January-March 1987. These are the quarters before and after deregulation in October 1986.(TSGB, table 2.38.)

(4)Service: The loss of service did not persist throughout the first year. There were 2,076 million vehicle-kilometres in 1985/86 and 2,160 million in 1986/87, an increase of 4% (TSGB, table 2.38).

(5) Patronage: The number of passengers carried was 5,641 million in 1985/86; it declined to 5,332 million in 1986/87 and increased slightly to 5,340 million in

1987/88 (TSGB, table 2.37). Before deregulation the number of passengers fell from 6,864 million in 1977 to 5,461 million in 1985/86.

(6) Subsidies: Revenue support grants for bus companies increased from £225m in 1979/80 to £465m in 1985/86. After deregulation they declined to £365m in 1988/89 (TSGB, table 1.19).

(7) Operators: There were 5,600 operators in the private sector before deregulation and there was a net increase of 465 operators by May 1988.

(8) Competition: The increase in competition is reflected in the increase of 13% in bus kilometres and 8% in the number of private bus operators.

(9) Innovations: In 1980 small vehicles with up to 35 seats comprised 8% of the fleet of 69,100 vehicles. By 1985/86 the accounted for 14% of 67,900 vehicles. After deregulation the small bus fleet increased to 15,900, or 22% of the fleet of 71,700 (TSGB, table 2.40).

(10) Accidents: The accident rate per 100 million vehicle miles for buses and coaches was 395 in 1980, 333 in 1986 and 292 in 1988. For all vehicles the rates were 152 in 1980, 129 in 1986 and 120 in 1988 (TSGB, table 2.48). Taking 1980 as an index of 100, the accident involvement rate both for buses and vehicles as a whole declined to 84 in 1986. Since bus deregulation the accident rate for all vehicles has fallen to 79 while the rate for buses has fallen further to 74.

(11) Productivity:As shown at (1) above the output of the sector in terms of vehicle-kilometres increased by 13% in the first full year o deregulation. The staff numbers declined in the same period from 174.3 thousand to 158.8 thousand, a decline of 9%. There was thus an increase of 24% in bus-kilometres per staff member.

(8) COMPETITION POLICY AND BUS DEREGULATION IN BRITAIN.

In transport deregulation a major problem has been the use of predatory pricing and the weakness of response by regulatory authorities in applying competition policy to transport. Beesley (198) states that NBC's ability to harass competition was even greater than the commentators appreciated. Its nationalised status was a help in pursuing what would be judged by most anti-trust standards as competitive dubious practices. Vickers and Yarrow found that " the National Express policy bears some sign of a campaign of predatory pricing but, whether or. not this is so, the competition authorities stood by and did nothing." (1988, 374).

Pryke, Dodgson and Katsoulacos (1991) admit the difficulty in identifying predation in transport because pricing to fill empty seats may be difficult to distinguish from pricing to drive out competitors. However, they list as factors to examine in cases of reported predation areas such as timetable matching, significant fare increases after market exit by a competitor and operation of services at a loss during the period of competition.

In examining the possible monopoly position of Stagecoach in Hastings and Portsmouth, Wolmar notes that " the Monopolies and Mergers Commission reports, as usual, were published nearly a year after the referrals, restricting the scope for action without further disruption to the local bus markets." (1998;71). The MMC recommended that if a future competitor came in, and Stagecoach responded by slashing its fares, the company would have to retain those fare levels even after the competition disappeared.

Wolmar found that the "local (bus) battles normally followed a similar pattern, with a period of fare cutting, rear-mirror scheduling (waiting for the rival bus behind to turn up and then leaving the stop), buses leaping in front of each other between stops and massive overprovision. Typically, both operators would lose money and eventually, after a few months, one would withdraw bloodied and beaten. And it was rarely Stagecoach, given its superior resources and its readiness to keep harrying its opponents. Later, when Stagecoach's reputation spread, operators facing an attack would simply withdraw at the mere hint that the Perth-based company was coming to town or threatening an attack." (79). The MMC report on Stagecoach in the Darlington area found the behaviour of Stagecoach 'deplorable, predatory and against the public interest." (1995).

(9) SUMMARY AND CONCLUSION.

The NIRF document continues a strong tradition in Irish transport policy of prohibition on competition. Its limited proposals for a small amount of competition from the private sector through "franchise competitions for private operators in respect of routes not in the existing Bus Atha Cliath or Bus Eireann core network." (NIRF, 18). The NIRF document cites "recent Senior Counsel's advice that public service contracts may only be granted to the CIE companies without a competition in the basis of an exclusive right which they enjoy in law and that this exclusive right is not de facto eroded by the existence of private operators in the market served by the companies. It is assumed that the proposed Bill will be able to provide for exclusive rights in respect of the existing core networks of Bus Atha Cliath and Bus Eireann as necessary." (NIRF,18).

The limited competition for exclusive rights to operate on non "core network" routes of Bus Atha Cliath and Bus Eireann contrasts with competition on routes with consumer choice between competing bus companies, as recommended here over the entire commercial bus services market.

The failure to permit market forces in Irish public transport involves excess costs to users, creates economic rents for producers and signifies regulatory capture of the government as regulator by the protected company. The Minister for Public Enterprise is the sole shareholder in CIE, the protected company, and the regulator who regulates the market in favour of that company and intends to continue to do so.

The payment of substantial public transport subsidies in Ireland implies market failure to be corrected by government intervention. There is no mechanism to pay any subsidy to a road transport operator other than CIE. The State has not designated any social service transport as provided for in the Transport Act, 1944, section 48. CIE has not made any application under section 18 of the Transport Act, 1958 which relieved it of its common carrier obligations through a procedure under which other operators.

The State as owner of CIE and protector of its monopolistic position both in the marketplace and in eligibility for public subsidisation has imposed large costs on the customer, the wider economy and on the actual and potential private sector in passenger transport.

The gains from deregulation in other areas of transport are ignored in the NIRF proposals. The precedents elsewhere indicate that these dynamic impacts elsewhere in the Irish economy have been very large. Before the liberalisation of Irish road freight began in 1970 there were 1,051 licensed haulage vehicles in the hired haulage fleet. In 1998 there were 10,146 licensed haulage vehicles in the fleet.

The deregulation of taxi services resulted in an increase in vehicles in the fleet between November 21,2000 and March 31,2001 from 3,922 to 7,775, a 98% increase. The increase in Dublin was 109%, Cork 92%, Galway 70%, Limerick 74% and Waterford, 110%.

The deregulation of air services between Ireland and Britain was the most spectacular of any major airline deregulation. The unrestricted fare between Dublin and London fell by 54% on deregulation in May 1986. The number of passengers in August 1987, the first full year of deregulation, was 92% greater than in August 1985, the last full year of pre-deregulation policies. Ireland is the first case of a deregulation airline, Ryanair, exceeding the passenger numbers carried by the national airline, Aer Lingus.

The ban on new entrants to the bus sector has restricted private bus companies to a handful of licensed routes not wanted by CIE and to the private hire sector. Since the CIE subsidy is not earmarked to specific routes there is no mechanism to prevent it being used as a war chest in CIE's campaign against the private bus sector.

CIE's dominance covers both the market sector from which its rivals are excluded at its behest and the nonmarket sector in which it has sole access to exchequer subsidies. No structures exist to restrict the abuse of this dominance by CIE through tactics such as predatory pricing, timetable matching and the cross subsidisation of routes on which there is competition from those where there is no competition. CIE is a substantial buyer-in of bus services from the private sector for both the school bus service which it controls, and hiring in extra buses for scheduled services thus producing a private sector unable to engage in competition with CIE. The income of CIE from all sources exceeds £600m per year whereas few private operators exceed £1m a year.

While the NIRF proposes the sale of Bus Atha Cliath there are no proposals to sell Bus Eireann, the public bus company which faces more private sector competition. Divestiture of both companies should be considered. Measures to reduce market dominance such as splitting up the state companies and tackling predation techniques should also be considered. They are weak in the NIRF document.

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