



## OIREACHTAS SPECIAL COMMITTEE ON COVID-19

### Submission

July 2020



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# 1. INTRODUCTION

## Background

1.1 This note is in response to a request from the Clerk to the Oireachtas Special Committee on COVID-19 (*“the Special Committee”*), to make a written submission on the topic of the **Impact of Covid-19 on public transport services**, which was received on Friday, 26<sup>th</sup> of June 2020.

1.2 As the representative body for Ireland’s coach touring companies and Ireland’s private bus operators, the Coach Tourism and Transport Council of Ireland (*“the CTTC”*) welcomes the opportunity and is delighted to make this submission. The CTTC’s members are experts in all types of coach hire and transport solutions, including: tours, conferencing, school transport, and the provision of scheduled commuter services throughout the country.

## The Needs of the Sector

1.3 In early June the CTTC made a submission to the Special Committee on the Impact of COVID-19 on the sector. The submission provided a background to the sector, describing it prior to the outbreak of the pandemic. It identified the impact of the virus and listed the measures needed to help the sector to survive. A link to this submission is provided here:

<https://www.cttc.ie/wp-content/uploads/2020/07/COVID-19-Committee-Submission-by-CTTC-June-2020.pdf>

1.4 The Special Committee’s attention is also drawn to a report prepared by leading economist Mr. Jim Power, who has examined the economic impact of COVID-19 on our sector. A link to his report is provided here:

<https://www.cttc.ie/wp-content/uploads/2020/06/COACH-TOURISM-JUNE-2020.pdf>

1.5 In summary, the Jim Power report makes a number of points and recommendations to ensure the survival of the sector, including:

- The wage subsidy scheme needs to be retained.
- The forbearance/moratorium on loans needs to be extended for 12 months or more, with flexibility for sectors which will take longer to recover (e.g. coach tourism).
- The Government’s credit guarantee scheme needs to work for small businesses.
- The 2-metre social distancing rule and the quarantine requirement for international visitors pose a major challenge for coach operators in general.
- The Department of Education should consider facemasks on school buses.
- The National Small Business Recovery Plan for a national small business compensation fund should also be aimed at covering the costs of social distancing, PPE equipment and staff training to operate in the new environment. The bus and coach operators should be part of such a scheme.
- The National Small Business Recovery Plan for an SME bailout with recovery funds (capital and liquidity) should be open to bus and coach operators.

- Funding must be given to re-start scheduled services.
- Coach tour and private hire operators require financial support of €32m to survive.

### **The Current Invitation by the Special Committee**

1.6 The current Invitation points out that there is uncertainty as to the impact that COVID-19 will have on the revenue, capacity and service delivery of public transport services in Ireland, with some providers estimating that passenger demand has reduced by up to 90 per cent.

1.7. The Invitation recognises that this drop in demand will mean that there will be a shortfall between the amount of revenue collected on services and the amount of costs required to operate this service.

1.8 Combined with the reduction in demand for services, there is also a reduction in capacity of services because of the requirements on social distancing.

1.9 The Special Committee has asked for operators' views in relation to a number of areas:

- Staffing.
- Revenue to date.
- Forecasted revenue.
- Impact on investments in 2020 -2021.
- Capacity of public transport.
- Social distancing requirements and the use of facemasks.
- Service delivery.
- Actions taken to date to deal with the pandemic.
- Whether things could have been done differently.
- What actions are being taken to resume service?
- What further actions may be necessary?
- Measures which may be necessary to prepare for a second wave.
- Actions necessary to prepare for further pandemics in the future.

### **The Response by the CTTC to this Invitation**

1.10 The CTTC is delighted to present this response to the Invitation by the Special Committee. Some of the questions asked are best answered by other organisations with more relevance to the area, for example, the impact of COVID-19 on rail infrastructure investment. Our submission focuses on those issues of particular relevance to our sector.

1.11 The CTTC would be delighted to present our submission to the Members of the Special Committee. At such as session we would also be able to answer any questions which the Members may have in relation to this submission, or on the provision of public transport in general. We would be very grateful if the Special Committee accedes to our request and asks us to provide the Special Committee with an Oral Submission.

## **2. ISSUES FOR CONSIDERATION**

### **Background**

2.1 The Special Committee has asked for input on some key areas of public transport provision. Our response is provided in the following paragraphs for those items of particular relevance to our sector.

### **Staffing**

2.2 Most employees have been on the temporary wage subsidy throughout the crisis. In addition, many people are involved in part-time or seasonal work in the industry, particularly for school bus runs and summer tourist services. Many of these have not been employed since last summer. Some of these will not have qualified for the COVID-19 Wage Subsidy Scheme. There is a real danger that these staff will be lost to the sector, which would affect the capacity and skill-set of the sector in future years.

2.3 In order to support the various segments of the industry the wage subsidy scheme should remain in place until businesses reach 75% of their pre-crisis levels of income.

### **Revenue to date**

2.4 Revenues coming in to the industry have virtually ceased as a result of the complete cessation in private hire and coach tourism work. Scheduled services are much reduced, with only about 10% of commercial operators continuing to function. Those services that are continuing to run are incurring ongoing losses on their services. Many operators are at a real risk of going out of business.

2.5 The sector was relieved when a part-payment was made to operators of Bus Éireann school bus contracts for the remainder of the 2019-2020 school year. However, there are many school bus operators who operate outside the Bus Éireann school bus contract system and they have received no income since the start of the crisis.

### **Forecasted revenue**

2.6 Future revenue streams can be best illustrated by considering each segment of the sector in turn.

2.7 *Coach tourism* will not recover this year and, although we can expect to see some tourists return in the summer of 2021, the numbers will not recover to pre-crisis levels until 2023-2024 at the earliest. In the short and medium term there will be little revenue for coach tour operators.

2.8 *Private hire* has seen a complete cessation of bookings. It is expected that income will grow slowly in this segment, with revenue reaching perhaps 10% of normal by the end of the year.

2.9 *Operators of Scheduled Services* have been informed by the Department that there will be support provided, in the form of a service-related subsidy. Therefore, it is hoped that the majority of scheduled operators will recommence services and cover their costs via this new subsidy. The subsidy is set to reduce on a month-by-month basis until revenues from fares reach the level where they cover operating costs.

2.10 *School bus operators* are likely to see a return to normal operation in the next school year. The impact of social distancing will be of particular concern to them, given that schoolchildren are currently exempt from the wearing of facemasks on public transport. Bearing in mind that the re-opening of schools is now less than two months away, the government needs to provide clear guidelines as soon as possible as to what, if any, regulations it wants to impose on school bus transport, including:

- The requirements for social distancing.
- Whether schoolchildren need to wear facemasks.
- The level of funding to be provided to operators for any PPE equipment required by school buses and their passengers.

2.11 It is vital that the government and state agencies express support for the use of public transport as a safe and efficient way of moving people around the country. Calls to avoid public transport should cease and energies directed instead towards achieving compliance in the use of facemasks and sanitisers on public transport.

### **Impact on investments in 2020-2021**

2.12 The average age of the private bus fleet is low, with over half of vehicles being under five years old. In most years we spend up to €80 million on new vehicles. This year this investment has ceased. Any vehicles which were purchased in the first few months of the year are being de-registered by the operator, where possible. It is unlikely that operators will order any new vehicles for 2021, given the uncertain economic climate. Investment is likely to be much reduced until 2022 at the earliest.

2.13 Without investment there will be a gradual reduction in the average standard of vehicle. In addition, a typical coach will depreciate by approximately €25,000 per annum. As a result, one can expect to see an erosion of balance sheet value across the industry.

### **Capacity of public transport**

2.14 Capacity of public transport is much reduced by the need for social distancing. With the compulsory wearing of facemasks the effective capacity of a bus can increase to approximately 50% of normal capacity. This is approaching the level where services begin to return to break-even - we estimate an average loading of 70% across all hours of the day are needed to break even. In general, this 70% average loading is achieved by carrying very high loadings in the peak, which compensate for lower loadings in the off-peak periods.

2.15 The 50% capacity restriction is likely to mean that demand in the peak periods will quickly exceed supply, and this may be problematic for both passengers and operators.

## **Social distancing requirements and the use of facemasks**

2.16 The Special Committee's attention is drawn to other modes of transport where facemasks are in operation, such as on airline transport. Current regulations allow airlines to operate at 100% capacity, as long as their passengers wear facemasks for the duration of the journey.

2.17 For comparative purposes it should be borne in mind that the average journey time on a commercial bus service is less than 1 hour, significantly lower than the average length of time on an airplane. This raises the question of whether any capacity constraint should be imposed on operators, given that facemasks provide effective and sufficient protection to passengers and staff.

2.18 Clarification is needed as to whose responsibility it will be to ensure that passengers comply with government guidelines and regulations in relation to facemasks and other forms of protection on public transport services.

## **What actions are being taken to resume service?**

2.19 A decision was taken at the end of June to provide temporary six-month assistance to enable scheduled bus services to resume operations. This action has been welcomed by the industry. Initial discussions have commenced between the CTTC and the NTA, who are tasked with implementing this decision, to ensure that services can resume as soon as possible.

## **What further actions may be necessary?**

2.20 We believe that a number of measures are needed to enable our sector to survive and continue to play its part in the provision of transport in Ireland. These are listed below.

2.21 There is a pressing need for support for **coach tourism and private hire operators**. In normal times the turnover from this segment of the sector is approximately €250 million a year. Since COVID-19 this has dropped to almost zero. To enable the segment to survive a financial support package of €32 million is needed over the next nine months. Further details on this are given in the paper presented by Mr. Jim Power, referenced earlier.

2.22 The private sector plays a key role in the delivery of the 41 million journeys made on commercial **scheduled services** each year. These passengers pay amongst the lowest levels of fares in Europe and independent surveys indicate extremely high levels of passenger satisfaction with the service operators. The sector has been a resounding success story in the provision of public transport in Ireland.

2.23 To enable us to resume services we have asked for a **temporary subsidy** to allow us to cover our operating costs. We have submitted a request for funding to the Department, based on a subsidy level of €1.35 to €2.40 per vehicle km travelled. This compares to the

current subsidy payment to Bus Éireann PSO services of €3.56 per vehicle km and to Dublin Bus of €5.90 per vehicle km.

2.24 We are pleased that there has been progress made on this issue of subsidy provision to scheduled services. The implementation of these measures needs to be done as soon as possible and the Special Committee is asked to lend its voice to this issue.

2.25 Northern Irish operators have an advantage over Southern operators because they can claim **VAT** back on what they spend. Operators in the South can't reclaim VAT. The impact of COVID-19 and the potential consequences of BREXIT mean that it is imperative that the Irish government removes this anomaly.

2.26 The Government needs to look at the level of **fuel rebate** given to the industry and consider restoring it to pre-2009 levels.

2.27 With limited income coming in to the industry the **loan moratorium** needs to be extended beyond the current six-month period. The extension should be put in place until incomes reach 80% of pre-crisis levels.

### **What measures may be necessary to prepare for a second wave or for future pandemics**

2.28 One of the main lessons to learn from COVID-19 is that actions are needed immediately and those actions are profound. Some actions which we are now taking could have been done at the start of the crisis. For example, the regulations on masks on public transport or their provision of subsidies to commercial operators to enable them to keep running.

2.29 Future lockdowns may not need to be as severe if some key lessons are learnt from society's reaction to the current crisis. For instance, a complete disruption of services will not be needed if future lockdowns are limited to localised areas.

2.30 Consideration should be given to the provision of quarantine accommodation for tourists who test positive while holidaying in Ireland. A small number of hotels, strategically located around the country, could be identified for this purpose.

### **Conclusion**

2.31 The CTTC welcome the opportunity to feed in to the work of the Special Committee. We believe that your assistance is vital if we are to resume our position as a key provider of public transport services in Ireland.

2.32 Our sector has been devastated by COVID-19. Revenues have virtually ceased and operators are in grave danger of going out of business. This would have a hugely detrimental impact on the impact of Ireland to recover from COVID-19.

2.33 To enable us to play our part in Ireland's recovery your particular assistance is requested in relation to the following points:



- a. A financial assistance package of €32 million is needed to enable coach tour and private hire operators to survive. The Summer Stimulus programme should consider including such an assistance package within its scope.
- b. Speedy implementation of the Government's decision to support commercial scheduled services is needed.
- c. Clarity is requested in relation to whether schoolchildren will be required to wear masks on school buses.
- d. Consideration should be given for the removal of capacity constraints on buses, given that facemasks provide effective and sufficient protection to passengers and staff on other transport modes such as airlines.
- e. Loan forbearance and moratoriums need to be extended from the current six-month limits.
- f. The government needs to implement the other areas of support listed above, such as on VAT and fuel, and of those identified by the economist Mr. Jim Power and summarised in paragraph 1.5 of this submission.

2.34 The CTTC would be delighted to appear in front of the Special Committee to discuss this submission, or any other matter which the Special Committee would like to raise in relation to public transport. We would be very grateful for the opportunity to share our thoughts and experience of the current situation with the members of the Special Committee.