

DÁIL ÉIREANN

AN COMHCHOISTE UM IOMPAR AGUS CUMARSÁID

JOINT COMMITTEE ON TRANSPORT AND COMMUNICATIONS

Dé Céadaoin, 9 Iúil 2014

Wednesday, 9 July 2014

The Joint Committee met at 9.35 a.m.

MEMBERS PRESENT:

Deputy Paudie Coffey,	Senator Terry Brennan,
Deputy Michael Colreavy,	Senator Eamonn Coghlan,
Deputy Timmy Dooley,	Senator Paschal Mooney,
Deputy Dessie Ellis,	Senator Ned O'Sullivan.
Deputy Brendan Griffin,	
Deputy Noel Harrington,	
Deputy Seán Kenny,	
Deputy Michael Moynihan,	
Deputy Patrick O'Donovan,	
Deputy Ann Phelan,	

DEPUTY JOHN O'MAHONY IN THE CHAIR.

The joint committee met in private session until 10.32 a.m.

Bus Éireann: Chairman Designate

Chairman: The purpose of the meeting is to engage with the chairpersons designate of Bus Éireann, Iarnród Éireann and CIE in order to discuss the approaches that will be taken when they are appointed to their roles and the challenges facing the companies. Members will be aware of the Government's decision in May 2011 to put new arrangements in place for the appointment of persons to State boards and bodies. The committee welcomes the opportunity to meet the chairpersons designate to hear their views. We trust this will give greater transparency to the process of appointment to State boards and bodies. We will meet, first, Mr. Aidan Murphy, chairperson designate of Bus Éireann, whom I welcome on behalf of the committee.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable. I also advise that any submission or opening statement submitted will be published on the committee's website after the meeting. Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official by name or in such a way as to make him or her identifiable.

I apologise for the delay in starting. We were dealing with private business. As we have two other interviews, we will try to confine this part of the meeting to approximately 40 minutes.

Mr. Aidan Murphy: I am very pleased to have been asked by the Minister for Transport, Tourism and Sport, Deputy Leo Varadkar, to become chairman of Bus Éireann. I also thank the Chairman, Deputy John O'Mahony, and members of the joint committee for the invitation to come before them.

I am a native of County Wicklow, although I have lived in County Tipperary for the past eight years. I was educated at Presentation College, Bray and University College, Dublin, where I studied science and undertook a H.Dip before commencing a career as a science and maths teacher. I obtained a junior transport and warehouse role at Albright & Wilson at the start of the 1980s and progressed my career in transport, logistics and supply chain management through appointments as logistics director at Allegro, group head of supply chain at Fyffes, general manager at Wincanton Ireland, managing director of supply at C&C Group and chief executive officer at Pulse Logistics. I was honoured to be elected president and a fellow of the Chartered Institute of Logistics and Transport Ireland. I have extensive experience as a senior executive and a supply chain professional. I have been a keynote speaker at several European supply chain events, as well as a member of the judging panel for the European Supply Chain Awards. I was privileged to be appointed a director of Bus Éireann in April 2013 and have served on the audit review group and commercial and innovation committees; therefore, I am acutely aware of the issues facing the company.

Bus Éireann operates three businesses within one entity, namely, public service obligation, PSO, services in urban, commuter and rural areas; commercial services, primarily, Expressway services; and the school transport scheme. The main remit of Bus Éireann's extensive network is to connect communities throughout the country with efficient, reliable services, while focusing on innovation through technology and investment in fleet and customer facilities. PSO services, in particular, are an essential component of the Government's transport strategy for provincial rural Ireland.

Bus Éireann had an annual turnover of €324 million in 2013, recording an overall surplus of €400,000. This was achieved in very challenging conditions and delivered through growth in core revenue, with significant payroll savings and the continuation of a range of efficiency measures. The public service obligation, PSO, payment of €34.4 million in 2013 has been reduced by €15 million or 30% in the last five years and will reduce to €32 million in 2014, but passenger revenue, excluding schools, has increased by €5 million since 2011. In 2013, the company carried over 78 million passengers. Passenger numbers on PSO and Expressway services increased by 0.4 million journeys and schools passenger journeys increased by 0.7 million. These positive trends are continuing in 2014 with passenger numbers growing ahead of economic indicators, while operational costs, despite significant increases in fuel costs, have been reducing and customer satisfaction remains at a very high level.

Bus Éireann provides direct employment to nearly 2,500 employees across the country and supports the employment of a further 7,500 among suppliers and subcontracted service providers across its network of services. The company has been in survival mode in the past few years but it has worked through this difficult period while delivering on all commitments to the National Transport Authority, NTA, the Department of Education and Skills and in creating a framework for a sustainable public transport system. The return on commercial Expressway services has improved, while still serving many locations in Ireland at no additional cost to the State and absorbing overheads in rural depots that would have to be allocated to PSO services. Expressway is providing an integrated inter-regional connectivity, in particular where no rail services exist, helping to defray costs for public services.

There are four main challenges for Bus Éireann arising from the recently agreed five year comprehensive strategic plan to invest further in the business, grow profitability and deliver a best-in-class public service transport offering. The first key challenge is to grow revenue and passenger numbers, through focused investment and increasing financial sustainability across the range of Bus Éireann products. We must continue to work in partnership with the NTA to negotiate and deliver the best possible public transport offering for PSO services provided under direct award contract through passenger and capacity growth on the core network along with fleet and facilities replacement. We must reposition the Expressway brand along with network improvements for faster journey times and more competitive fares to improve profitability and provide funds for reinvestment. Third, we must deliver further cost savings in the provision of school transport services, including the introduction of a new information technology, IT, system, while continuing to provide all the services required by the Department of Education and Skills. Fourth, we must identify opportunities for new revenue streams, particularly in international markets.

The second challenge is to continue to build a competitive cost base across all products to maintain competitiveness and ensure flexibility of customer service delivery. The focus must be on delivering a safe, sustainable and competitive cost base with increased operational efficiencies and operational key performance indicators, KPIs, to meet market requirements which

are benchmarked against best international practice. One key requirement will be to work in a practical way with the NTA regarding the tendering of 10% of the direct award contract by the end of 2015 in order to ensure a cost neutral impact on the company and minimise the impact on staff.

The third challenge is to enhance relationships with customers, partners and stakeholders across the community to further improve customer satisfaction and Bus Éireann's corporate reputation. Bus Éireann has a proud tradition of local transport delivery, working with local stakeholders and suppliers to keep public transport close to the community. A renewed and invigorated customer focus is essential to grow public transport across the country.

The fourth main challenge is to have a fully engaged, informed and committed workforce with the right skills and competencies to grow the business in a safe and effective manner in line with evolving market requirements.

In conclusion, I look forward to working with the Minister, the Departments, the NTA, the CIE chairman and the Bus Éireann board and management to grow public transport in a sustainable, safe and efficient manner and to put in place an investment framework that makes it happen.

Chairman: Thank you. I ask members to confine their contributions to questions and to three or four minutes, if possible, as I wish to let everybody contribute. I call Deputy Dooley.

Deputy Timmy Dooley: I thank Mr. Murphy for his presentation. I and my party fully support his appointment as chairperson. Obviously, it is for the Minister to move the appointment from designate to actual chairperson but the fact that he has identified Mr. Murphy as the chairperson designate appears to suggest that his appointment will be confirmed, and rightly so. Given the time he has been involved with the board, Mr. Murphy has a deep understanding of the issues facing the company. His qualifications and general understanding of public transport will bring the type of insight that is required to the company, which is clearly going through a transition.

There are a couple of issues that I ask Mr. Murphy to address. One is the challenge posed by the potential loss of the school transport business. There has been an ongoing challenge to the way the Department of Education and Skills contracts with Bus Éireann for school transport services. I am not commenting on the decision of the Department in that regard, but has the board or the incoming chairperson given any consideration to the potential of losing that business at some stage? If so, how would it impact on the viability of the company?

Second, Mr. Murphy is aware that State subvention has been reducing over a period of time, in line with the current economic situation. Coupled with that, there has been a general increase in fares for public transport. What is his view of the theory of elasticity in regard to the pricing of tickets? Does he believe we have reached a point beyond which further fare increases would lead to a shift away from public transport and back into the car, which clearly none of us wants?

Third, is Mr. Murphy aware of any issues that pose significant risk to Bus Éireann in the immediate or medium term?

Mr. Aidan Murphy: First, school transport revenue represents just over 50% of Bus Éireann revenue, so it is a very significant part. That said, we run it on behalf of the Department. It is cost neutral from the point of the company in that respect. However, it links in with the three specific entities within Bus Éireann and for that reason it is important. Untangling that would

obviously have very significant impacts. We do not anticipate, at this point, that the business will be lost to us. We are certainly working very hard with the Department to improve further the cost base, cost competitiveness, IT systems, renew the fleet and so forth. We recently put in place a new online system for parents to make bookings for children. At all times we are bringing innovation to the service. In the final analysis, we believe the service we are offering to the Department will stand scrutiny from any other competitors that might wish to consider it. Certainly, in an international context we are well regarded in that area.

With regard to the reduction in the subvention, unfortunately we are dealing with the reality of the current position. Despite the positive signals emanating regarding the economy, and we all wish that will continue to be the case, we are under no illusion that there are still difficult times ahead. It is not simply going to be a case of rolling back to further levels of subvention. That is why we have a very strong emphasis on the competitiveness of the company and making it as competitive as possible, both to provide the best value PSO services on the one hand and, second, to provide an Expressway service that generates sufficient profits to allow us to reinvest in the product. Our five-year plan envisages that, from our resources, we will reinvest €50 million in the fleet. The average age of our vehicles on the PSO and Expressway service is of the order of six to seven years. Given that we do 167 million km per year, people can imagine the distance travelled by each vehicle. As they grow older, maintenance becomes a significant cost, and this has an impact on the profit and loss. We will work with the National Transport Authority, NTA, and the Government. Within the subvention levels, we would like to have the maximum we can but we are working to make ourselves as cost-competitive as we can to meet the challenges. There are many challenges for the company in the coming years. We are under no illusions. In the area of competitiveness, 10% of our award will be contracted by the NTA at the end of 2015. At the end of 2019, a new regime with regard to direct award will come into play. We believe we will be well placed from the competitive perspective to manage any competition that will arise.

Deputy Timmy Dooley: I apologise as I have to leave the meeting.

Deputy Paudie Coffey: I thank Mr. Murphy for coming before the committee and I thank him for serving on the board of Bus Éireann since April 2013. With regard to feedback, I never had a complaint about the Expressway service. It is an efficient service and I have used it. It is welcome that further investment will be made in the service. Are there plans to utilise smart technology to inform customers or attract more customers to the services? A high percentage of people use smartphones and it would be beneficial to do so. Wi-Fi is available on the Expressway service. Using an app to inform customers about pick-ups, drop-offs and cost helps to attract more customers. Comfort and the adequacy of the service is also important.

I refer to the PSO service. There are major challenges for Bus Éireann and nationally as regards our public transport service. Public buses in our cities have been heavily subsidised, which is also the case internationally where public transport is provided in cities. There is a global subsidy. Perhaps Mr. Murphy can explain how we compare with other cities internationally.

I come from Waterford, some of whose services are run by private operators and are not subsidised. There is controversy with the rest of the services in Waterford city being put out to tender as part of the 10% put out to tender by the NTA. Is Mr. Murphy confident that Bus Éireann can compete for the services when they are put out to tender in 2016? Are there challenges he envisages in trying to win the services?

I do not hear concerns from the public, as the public only wants an efficient public transport service. It is not a major concern of the public who provides the service. There is loyalty to Bus Éireann and I would like to see the company compete. I would like to hear the views of Mr. Murphy on this point.

Mr. Aidan Murphy: With regard to the Expressway service, I can confirm that we are making significant changes to the ICT system to be able to manage the apps to which the Deputy refers. At the start of the year we appointed a chief commercial officer, who was working very hard to bring into play the modern technology that gives customers up-to-date information and make travelling on the Expressway service more streamlined. Members may have noticed some of our new coach livery on the Expressway service, which is being rolled out. New vehicles are coming into the fleet at the end of this year and the start of next year, and people will see a higher level of service. It is our aim to provide the best level of service on the Expressway routes and to compete with other operators to provide a seamless, modern and efficient transport system.

The Deputy is correct in respect of the PSO in that we are in a competitive situation. We accept and understand it and we accept that the customer is interested in the service and does not care a great deal about who provides it. Having said that, there is a degree of brand loyalty to Bus Éireann because it operates in almost every parish in the country. The closeness to the community gives loyalty to the brand that is different to other operators. On the one hand, we want to retain that, but on the other, we want to be as competitive as we can in providing services that customers demand. At the same time, we must respect the taxpayer. If the subvention is reduced, it is taxpayers' funds and we must be conscious of it.

I cannot provide the figures from other jurisdictions on subsidies. In most jurisdictions there is a certain level of subsidisation for services. With over 4 million inhabitants on the island, we have over 11 million vehicles. This amounts to approximately 4,000 citizens per vehicle on the road. Taking out the large conurbation of Dublin and spreading the remainder over the country, this gives an idea of the sparse population areas we must deal with in terms of the PSO. If we want to provide a certain level of service, there is a cost. We must either transparently decide what is the cost and how it will be funded or decide that we will not provide the service. We will be as competitive as we can but there is a danger in going to a range of competitive situations. We have seen this in the airline industry. Many operators came into the airline industry to provide lower fares and many of them went out very quickly. There must be a sustainable business model that works in the longer term. We must recognise that if we want a level of service to satisfy the needs of rural Ireland, and Bus Éireann is in favour of that, we must be transparent about its cost and how that cost is allocated. That is why we are working closely with the NTA to provide a level of service, to increase services where we can and to increase frequency, increase journeys and put the focus on the customer. There is a cost to this and we must recognise that.

Deputy Michael Colreavy: I thank Mr. Murphy. Like Deputy Timmy Dooley, I agree that Mr. Murphy's experience and qualifications render him suitable for the post of chairman of Bus Éireann. Bus Éireann is a trusted and well-regarded company, which goes a long way for any business. I foresee risks facing the company in terms of the privatisation of routes, particularly where companies can cherry-pick the more profitable routes. Can Mr. Murphy comment on this?

The presentation referred to Bus Éireann operating three businesses within one entity, PSO services, commercial services and school transport schemes. I understand why school transport

is shown separately but I do not understand why PSO urban, commuter and rural transport is shown separately from commercial services. It might be regarded as a fatalistic acceptance that we cannot have commercially viable services in urban or rural areas. Perhaps Mr. Murphy can tease out that point.

Every Deputy receives representations from parents about some of the rigid rules of the Department of Education and Skills with regard to the school transport service. I am sure drivers, inspectors and people in the field hear this from parents also. Is there an opportunity for Mr. Murphy's people to sit down with the Department of Education and Skills to talk through how it is working, the disappointment for some parents and students and some of what appear to be fairly silly things where a bus drives by somebody's house but the person has to travel in order to get the bus? Is there the opportunity for that sort of discussion in order to fine tune the service and make it a bit more sensible?

Is the €0.4 million surplus after provision for fleet replacement and upgrade or is there a totally separate capital expenditure heading for fleet replacement and upgrade?

What time commitment does Mr. Murphy envisage will be required of him in order to fulfil this role? Does he have other commitments in terms of chairmanships or memberships of other boards which will compete for that time?

Mr. Aidan Murphy: I will deal with the PSO first and with why it is separate. We want to be very transparent about our operation. The Expressway service is a commercial operation and it should, and will, make a profit to generate further funds for investment, and I will come back to that in a moment.

In discussions with the NTA, the regulator, we need to be able to clearly show the PSO services and how that is structured. It is not a fatalistic view but rather about being transparent with the NTA about how we are managing our business so there is clarity about where the subvention is going and what it is being used for. We would want to get into further discussions with the NTA about further clarity in that regard in order to demonstrate that certain routes will require certain levels of subvention which comes back to the question about cherry-picking.

There is a real danger routes could be cherry-picked. Obviously, we will want to compete with any other service providers to manage to get those routes because we believe we have built up an expertise and an involvement with the community that will help us. However, if one cherry-picks all of the profitable routes, one is left with a number of routes which will require even greater subvention, so there is a balancing act there. At the moment, the subvention is one sum of money for the PSO operation. It does not follow the particular routes where a greater element of subvention is necessary. Maybe that is what will happen in time. One must recognise that certain routes might be desirable from a social point of view but from a cost point of view, they are very significant in terms of subvention cost. It is purely from the point of view of transparency and how we face into the future restructured direct award situation that we want to be clear about that.

In regard to school transport, the Deputy is right that there is a lot of dialogue between Bus Éireann, as the provider, and the Department of Education and Skills. The Department of Education and Skills lays down the rules and regulations in regard to how it should operate and we operate it on its behalf. Having said that, our staff have regular updates with the Department, they feed back any information we have and any of the feedback we get from our inspectors on the ground and so on. I could not tell the Deputy definitely but I understand from presenta-

tions made to the board, there is quite a degree of understanding on both sides and, as a result, changes which both sides believe are necessary are then implemented. However, I could not give the Deputy chapter and verse on that.

Deputy Michael Colreavy: Mr. Murphy feels it is there.

Mr. Aidan Murphy: I feel it is there.

In regard to the capital investment, the €400,000 is actually our net profit at the end of last year. We are, for example, investing more than €9 million in new fleet from our own resources this year. We have been grant aided €25 million by the NTA for investment in the PSO fleet. All of the time, we are trying to build up the reserves and build up the profitability to reinvest in the fleet and to bring down the average age of the fleet which, at the end of the day, is essential to provide a sustainable business model going forward.

In regard to my own time, I do not have any other directorships but that is not to say that might not happen in time. Right now, I act as a consultant on my own behalf and, therefore, I have the time available to give. At the end of the day, I am not an executive in charge of the company. I will operate on a part-time basis but it is the management team, myself, as chairman, and the board who will direct the strategy and ensure the corporate governance within the organisation is second to none. That is where I see my brief. I can assure the Deputy time will not be a barrier.

Chairman: I call Deputy Seán Kenny.

Deputy Seán Kenny: I thank Mr. Murphy for appearing before the committee. His CV is impressive and his background in supply and logistics and his membership of the Chartered Institute of Logistics and Transport make him a suitable person for the job. Mr. Murphy mentioned bringing down the average age of the fleet. What is the average age of the fleet currently? Deputy Coffey asked about apps. I know Dublin Bus has an app because I live in a Dublin constituency where somebody standing at a bus stop can find out what time the next bus is due by using an app. Does Bus Éireann have a similar type of app? I represent a constituency which does not have Bus Éireann services but I am aware that a large percentage of commuters from Meath, Kildare and Wicklow come to Dublin to work every day using Bus Éireann or their cars. How would Mr. Murphy propose to persuade somebody who currently travels in and out of the city by car to switch to public transport?

Mr. Aidan Murphy: The average age of the fleet at the moment, between PSO and Expressway vehicles, is just seven years, or 6.7 to be precise. For the total kilometrage we are doing, that is really high. I am not saying it is unacceptable but, for example, it is at the level where we are beginning to experience significant overruns in some of our maintenance costs this year. At the end of the day, it is like kicking the can down the road. If one delays decisions like that, it starts to pop up at a later stage and then it affects one's profitability in later years, which affects one's ability to reinvest. One has to confront these things as one goes along. Obviously, because we have been through a very difficult period of time over the past number of years, decisions have been made to put off some of the reinvestment decisions but we are moving back towards reinvestment and we hope over a period of time to bring the average age down.

We have apps. For example, one can now use an app on one's mobile telephone. If one buys a ticket online, one can use an app to scan through as one boards the bus. However, we are developing further refinements, which will be very interesting going forward.

In regard to moving people from their own transport to public transport, there are a number of things one has to do. It has to be cost effective. Congestion is beginning to reappear in the greater Dublin area. For example, our drivers are experiencing congestion starting to creep back in once they reach the outskirts of the greater Dublin area. That is delaying some of the transit times. One has to be able to convince commuters that there is a better and a more relaxed way to travel where they can do some work using WiFi and read the newspapers. They will want a modern fleet with facilities, efficiency of service and connectivity. They will want to be sure that if they arrive at a bus stop at 7.20 a.m., the bus will be there and not at 7.19 a.m. or 7.21 a.m. Being able to rely on the service is key for people who have busy lives. Obviously, there is some discomfort in bad weather but we believe all the other benefits outweigh using one's own car to come into the city, in particular.

Chairman: If it is okay, we will take questions from Deputies Harrington and Griffin and Senator Sullivan together as we are under time constraints. I call Deputy Harrington.

Deputy Noel Harrington: I welcome Mr. Murphy. He outlined his qualifications and work experience in his presentation. From his previous work experience in logistics it is evident that he is qualified for the position. Much of the work in delivering a bus service is unseen. Consumers have very little idea of the amount of work that goes into ensuring the bus arrives on time.

Mr. Murphy has stated that his focus has to be on delivering a safe, sustainable and competitive cost base with increased operational efficiencies. He has identified the challenges as the public service obligation, PSO, and the school transport service.

I wish to focus on how Bus Éireann will deal with the challenges of increasing fares. Mr. Murphy's position is the public face of Bus Éireann, but in his drive to achieve efficiencies and competitiveness, issues such as fare increases and industrial relations are in the mix. How does he propose to deal effectively with the company, the executive, unions and the public in delivering a service?

Mr. Aidan Murphy: We make an application and discuss it with the NTA but we are bound by the NTA, which is the final arbiter of the fare process.

As a matter of course, Bus Éireann does not wish to increase fares but at the same time if subventions are being decreased but the levels of service that consumers are demanding are increasing, clearly there must be a place in the middle to take account of it. We will have the discussions with the NTA on how the PSO services develop. There is an element that if one can manage the fares process correctly, one might be able to gain further passengers on buses, which would reduce the cost.

As I said earlier in response to another question, the spread of the population does not always give Bus Éireann the opportunity to be able to run certain routes on an efficient basis. If one wants to run routes to fill a social dimension, there is a cost element to that. The cost element will either be in individual fares paid by the consumer on the day or by increased subvention which is paid through taxes. There is a balance and that is something for Government to discuss and on which to make decisions. We will obviously have an input into the NTA and develop as best we can the most competitive model. If we are as competitive as possible then that should start to reduce the need for fare increases.

I am very clear on industrial relations. As far as I am concerned if one has a fully engaged

and committed workforce, industrial relations issues can always be dealt with. That is not to say there are no challenges for the company ahead. We have had a great many discussions with our employees in the past period of time and we recognise and understand they have taken some pain in their wage levels and so on. That is necessary if the company is to survive going into the future. The most important point is that employees understand the strategy, and the reason for it in a very transparent way and what I have found from my experience is that employees will actual move with the company in that regard. One is better to do that, talk upfront, be honest and clear with employees, they will come in the main with the company. We have been rolling out our strategic plan and doing employee engagement surveys to gauge how our employees feel, whether they feel engaged by the company. We have more than 2,500 employees spread across the country and communications can be an issue because of the spread of the employee base. I believe from my experience that this is the best way of developing a strong ethos within employees to bring the company forward.

Deputy Brendan Griffin: I thank Mr. Murphy for coming before the committee to make his presentation to members.

Very often what we hear about Bus Éireann is negative and relates to problematic situations. The system that operates in and out and within County Kerry is effective and serves the needs of the community as best as possible within realistic levels. Of course, there is always room for improvement and to do things better. My contacts with Bus Éireann, employees and with the company representatives have always been very positive.

I have three questions about savings, areas where more money could be spent and technology. Has Mr. Murphy and his team considered the new technology in terms of fuel efficiency devices that can be fitted to HGVs and buses that will reduce the fuel consumption levels by up to 10% in some cases? Obviously the fuel bill for buses must be enormous and anything that could reduce it will produce significant savings for the company. Has Mr. Murphy considered this or would he consider it if he was to be pointed in the right direction?

If the company were achieving savings in this area, it might be able to spend more money on bus shelters. I appreciate they are expensive, that the company must apply for planning permission and that the process takes time. The bus shelter in Killorglin will be ready shortly but I remember campaigning for it in 2002 when I was a student and people have been waiting for 12 years since then. We live in a very wet climate and in towns and villages throughout the country there are no shelters. Is it possible that Mr. Murphy will be able to focus more on this? I am not suggesting that we erect similar shelters to those in urban areas in rural towns and villages but a very tasteful shelter has been put in place in Dingle with the theme of an upturned currach forming the roof. One can use other materials rather than plastic and glass. A bus shelter would prevent customers getting wet while waiting for buses.

Transport apps have changed things significantly. How does Mr. Murphy envisage Bus Éireann moving forward on that front in the next number of years?

Chairman: I will call Deputy O'Sullivan. I am sorry; Senator Ned O'Sullivan.

Senator Ned O'Sullivan: I thank the Chairman for the promotion.

Chairman: As the Senator knows, it is a day of promotions.

Senator Ned O'Sullivan: I welcome Mr. Murphy and thank him for appearing before the committee. As a Kerryman, I agree in the main with what Deputy Griffin had to say about the

effectiveness of the service in our county. I have a particular bugbear, which I raised recently in the Seanad, but without any great satisfaction. Let me recount this little anecdote, to which I invite Mr. Murphy to respond. A friend of mine got the train from Heuston Station to Casement Station in Tralee and wanted to continue his journey to Listowel, a distance of about 18 miles. The train and bus stations share a common yard. He found, having come off the train, that the bus had left for Listowel about five minutes earlier. The next bus would come in several hours time so he got a taxi to Listowel, which cost him more than the train fare from Dublin. He subsequently contacted Bus Éireann to complain but he was told that Bus Éireann does not run a connecting service. Is there any way that the bus and train service could be tailored to the needs of those who use both forms of transport? It is not good for business for Bus Éireann if customers off the train must take a taxi when a better timetable would enable people to go from train to bus, which one would expect to be the norm?

Mr. Aidan Murphy: On the question of savings from fuel efficiency, as I said earlier, we are investing in a new fleet and during the procurement process we looked at the best method consistent with new EU regulations on engines and so on to maximise the efficiency of the vehicles. In addition, we have speed governors fitted to all our vehicles which control speeds and gives us an opportunity to ensure that one cannot drive at excessive speeds. We have telematics in the vehicles which allow us to see driving patterns. One can use those telematics to see what the best driving patterns are and then start educating drivers about them. That system has been used in other companies in which I have been involved. If two of us go down the road, I guarantee that one of us will operate the vehicle more efficiently. We are very interested in this matter. As the Chairman rightly said, our fuel costs are very high so we will certainly make any savings on them that we can.

We are bound and involved with the NTA on the provision of bus shelters, so we cannot decide to erect a bus stop or shelter any more. They are no longer specific to Bus Éireann, although some of them are specifically Bus Éireann shelters. We have been in dialogue with the NTA about the provision of further bus stops, bus shelters and real-time passenger information. We want to make savings on the one hand, but will continue to work with the NTA on that.

We want to develop app technology so that people can use it in a paperless fashion. That is our objective. Many airlines are now using that technology and we want to get it also. The modern generation uses mobile phones and are not going to bring pieces of paper with them. For that reason, it makes sense to use new technology which is cost effective.

Chairman: I apologise to Mr. Murphy but I have to leave the meeting. Deputy Coffey will take over as Vice Chairman.

Deputy Paudie Coffey took the Chair.

Mr. Aidan Murphy: The Senator mentioned a story and I understand the frustration that particular passenger must have felt. We must be able to have a better system of connectivity. There are mainline train and expressway bus services, but there needs to be good connectivity at in-between points. I cannot comment on the individual event that took place and I am not sure about what will need to happen. I strongly believe, however, that there needs to be an interconnected service. Going back to Deputy Seán Kenny's question, consumers can be enticed to use public transport if they believe there is an interconnected network that goes seamlessly from train to bus and so on.

There are two companies involved but, nevertheless, we come under the same CIE group

umbrella. I will look into the particular incident to see what solution might lead to further potential opportunities.

Vice Chairman: That concludes that session. On behalf of the joint committee, I wish to thank Mr. Murphy for appearing before us today and engaging in this informative discussion. I propose that a copy of the transcript of today's discussion should be forwarded to the Minister for Transport, Tourism and Sport for his information and consideration. Is that agreed? Agreed.

Sitting suspended at 11.23 a.m. and resumed at 11.25 a.m.

Iarnród Éireann: Chairman Designate

Vice Chairman: I would like to welcome Mr. Philip Gaffney, the chairperson designate of Iarnród Éireann. As Mr. Gaffney was sitting in the ante-room, he will have heard the previous declaration concerning the Defamation Act, so I do not need to repeat it. I now call on Mr. Gaffney to make his opening statement.

Mr. Philip Gaffney: It is an honour to have been nominated by the Minister, Deputy Varadkar, for reappointment as the chairperson of Iarnród Éireann. I am pleased to have this opportunity to attend the committee meeting today. My intention is to tell the committee a bit about myself and my background, reflect on the past three years as chairperson of Iarnród Éireann and set out my plans for the company and the board for the next three years, should I have the privilege of being reappointed.

I was born in Glasgow 66 years ago, brought up in the east end of the city, and educated by the Marist Brothers and through the Glasgow Education Department's school system. I joined British Railways in August 1965 on a five-year engineering student training scheme and attained a higher national certificate in electrical and electronics engineering at Glasgow College of Technology. On completion of this training scheme, I was appointed to various roles in the delivery of re-signalling schemes in Scotland and London, most notably the major rationalisation of Kings Cross station.

In 1977, I joined the Hong Kong mass transit railway corporation as a train control and signalling engineer for the construction of the original line of the network. Over the following 28 years with the Hong Kong MTR, I held a variety of engineering and operations management positions including chief engineer and operations director. My final position was as managing director, operations and business development. When I left Hong Kong in December 2005, the network had grown to five lines, carrying 2.5 million passengers on a daily basis and was the most intensively used, most reliable and most profitable metro in the world.

In 2000, I was part of the executive management team which successfully launched the company on the Hong Kong stock market. From 2002, I was the director responsible for developing and implementing an international business strategy, which now sees Hong Kong MTR operating in London, Stockholm and Melbourne, as well as Beijing and other Chinese cities.

In December 2005, I retired from Hong Kong MTR and relocated to west Cork where I still live. I was fortunate to be appointed to the Iarnród Éireann board as a non-executive director, a position I held for just over five years. In July 2011, I was appointed non-executive chair in the revised CIE group and companies governance structure.

In addition, I am a non-executive director of Crossrail, London, the largest railway infrastructure project in Europe. Through my own company, Phil Gaffney Consulting Ltd., I provide advisory services at board and senior management level to a variety of railway industry companies and authorities. Currently, I am advising the New South Wales Government on the introduction of the first rapid transit railway line in Sydney.

Since I became chair of Iarnród Éireann in 2011, the overriding challenges have continued to be financial. The board, management and staff have worked to address these. We have suffered an unprecedented reduction in income, primarily in the form of public service obligation, or PSO payments, but also through lower passenger revenue. While reducing our cost base, which we have done to the tune of €73 million over the past five years, we have operated an expanded network with three new lines opening as well as a number of new stations.

We have also seen a significant reduction of 75% in the amount of capital funding available to us over five years. Therefore, not only have programmes to expand our capabilities and capacities come to a halt, but this has also reduced the volume of essential renewals and overhaul to infrastructure and rolling stock.

We have delivered efficiencies, reduced our staff numbers to their lowest level ever, reduced overtime, made savings through re-tendering services and contracts, and improved our fleet efficiency. In addition, we have implemented lean management techniques which have seen other railways from around the world coming to Ireland to learn from our practices. At the same time we have increased the service levels we provide to our customers as measured by passenger train kilometres, while maintaining an excellent safety performance.

On the issue of safety, I should note that last night we had the first ever derailment of a DART train, just south of Bray. Fortunately, the 33 passengers on board and the driver were not injured. It is clear that the derailment occurred due to the train striking a coping stone from a wall above the railway which had been dislodged in what appears to have been a deliberate act. We are working closely with the Garda to seek out who was responsible for this act. Actions such as this are extremely serious and reprehensible and, in this case, could have resulted in fatalities among passengers and staff.

In the past three years we have delivered efficiencies and implemented on schedule the internal reorganisation of Iarnród Éireann required under European Union regulations which had previously been the subject of a derogation for Ireland. This included the establishment of separate railway undertaking - a train operations organisation - and infrastructure manager organisations within Iarnród Éireann. We have improved customer facilities, including the provision of free Wi-Fi and online resources. We have become more commercially and customer focused and commenced the Customer First programme which will be central to ensuring strong customer relationship management and dynamic yield management, among many other benefits.

At board level, I have introduced changes to our financial reporting and procurement processes which have resulted in greater transparency at all levels of the organisation and improved procurement of services and contracts to the benefit of our suppliers. This has also provided greater protection for Iarnród Éireann staff and value for money for our funders.

Thankfully, we are seeing recovery in the numbers travelling with us across all passenger services, as well as growth and new business opportunities in the freight business. We have met and exceeded punctuality and reliability statistics under the public service obligation contract with the National Transport Authority and, most crucially, operated safely. This has all been

achieved while reducing our cost per kilometre by 20% in the past three years and a cumulative 33% in the past five years. Notwithstanding this, the position of Iarnród Éireann remains extremely critical. We are seeking to agree a series of pay and productivity measures with our workforce, including a temporary forgoing of pay increases for a period of 20 months, with the sums involved ranging from 1.7% to 6.1%. The senior management team and board, including me, have already implemented these proposals in our own terms. Alone, however, these changes will not be enough - far from it.

That brings me to the challenges and my vision and plans for Iarnród Éireann in the next three years. This will be a period which will determine the role railways will play in the future of transport in Ireland for the coming generations. Today, resulting from the reduction in PSO payments of almost 40% from what was already one of the lowest levels of PSO payment in Europe and reduced capital funding, the current network we manage and service levels we deliver are not sustainable and there is a real threat to the solvency of the organisation. We must grow our revenues further. Working with the CIE Group, the Minister, the Department and the National Transport Authority, we must determine if the current network and services are to be supported adequately, from infrastructure to fleet maintenance to all service operations.

Investment is required in the national rail network. Unlike the bus companies or Luas, Iarnród Éireann is responsible for the infrastructure on which its services operate. In this regard, agreement on a new multi-annual contract in respect of rail infrastructure is absolutely imperative to secure the future of the railways in Ireland. Capital funding is required to maintain our rolling stock fleet at its current standard. We have transformed the quality of the trains on which our customers travel, moving from the oldest train fleet in western Europe to the youngest, through significant investment in the period from 2000 to 2010. If we are to ensure the return to the taxpayer from the significant investment in the fleet, we cannot allow these assets to deteriorate. If it is decided not to invest, to sustain safe and reliable operations, the extent of our current network will have to be reviewed. Also, initiatives which require expanded operations must be adequately funded for the whole-of-life cost. The position is that stark and I am focused on working with all stakeholders in ensuring there is an understanding of the issues we face and we emerge a stronger and more sustainable organisation.

There is a strong role for Iarnród Éireann in meeting the transport needs of the country - in urban areas and nationally. We can generate a return for the economy, for instance, by connecting Dublin Airport to the rail network and expanding the DART network, including DART underground, to effect a significant modal shift from private to more sustainable public transport. There is scope for improving speeds on the network to reduce journey times and improve our service offering and competitive position. While the challenges are great, the opportunities can be greater still. I look forward, therefore, to the opportunity of working with the board, management and staff of Iarnród Éireann in meeting these challenges and opportunities and providing our customers with transport solutions which are safe, service oriented and sustainable.

Deputy Michael Colreavy: I thank Mr. Gaffney for his stark presentation which contained a number of red flags. It is informative to hear about his success in Hong Kong and elsewhere and the significant challenges facing Iarnród Éireann. He referred to a substantial reduction in the amount of capital funding available to the company. A reduction of 75% over five years is significant in any industry. There must be a cliff edge, a point at which reductions must not only cease but be rolled back. Failure to do so will call into question the safety of the services operated by Iarnród Éireann.

Mr. Gaffney has noted that the cost per kilometre operated by Iarnród Éireann has declined

by 20% in the past three years and 33% in the past five years. Again, there must be a point at which it is no longer possible to reduce costs without adversely impacting on the safety of the service.

I am concerned by Mr. Gaffney's comment that PSO payment levels and the reduction in capital funding are not sustainable and present a significant threat to the solvency of Iarnród Éireann. I am also concerned by his statement that should a decision be taken not to invest in the company, it will be necessary, to sustain safe and reliable operations, to review the extent of the current network. Is there a plan B? Has Iarnród Éireann examined the routes it operates? Are routes that depend on the payment of a public service obligation subsidy more vulnerable if the company is forced by economic circumstances to review or reduce its current operations? What discussions are taking place with funding agencies and Government? What is the state of industrial relations within the company? I am aware the workforce has taken significant pay reductions. Have senior management and the board of directors made similar sacrifices?

Vice Chairman: I thank Deputy Colreavy. Mr. Gaffney may wish to respond.

Mr. Philip Gaffney: The Deputy is correct. My presentation was stark because that is the reality. We will not compromise safety as that is our primary responsibility. That is why we are in detailed discussions and analysis with the NTA on working out what is the correct level of both PSO and capital funding to sustain the network as it is. I am a professional railway man and have been for more than 40 years and I am not in the business of closing railway lines but am seeking to open them if at all possible. We are carrying out a detailed review with the NTA and will be going back to the Department on the outcome of that review, laying out the options for funding models for the network. Each line will be looked at in terms of inputs and outputs. That work is ongoing and will continue for some time. However, if that funding level is not sustainable both in terms of safety and reliability and from the financial aspect we will have to look at the service being provided. There is no plan B. Nothing has been identified as yet and I hope that will not come about.

The operating cost per kilometre is a good measure of efficiency not necessarily driven by cuts but it is also a measure of the return on investment which was made in the late 1990s and 2000 in new trains, removing level crossings and some resignalling. We are seeing the return from that technology in driving down these costs. That is not entirely negative and I think there is scope for more of that.

Deputy Michael Colreavy: Sorry, I did not suggest it was negative.

Mr. Philip Gaffney: Apologies, I misinterpreted the Deputy. In terms of industrial relations, the staff has seen reductions in overtime and allowances. There are reports that we are in negotiations with staff for further reductions, as the Deputy said, averaging 1.6% to 6% at senior levels. Those reductions have already been implemented for all the management staff of Iarnród Éireann as well as for board members and myself. We have been working very hard with our staff and unions to ensure we do not get into a position whereby there is any stoppage of service due to staff action. We will continue to engage with the unions to ensure that does not happen.

Vice Chairman: I thank Mr. Gaffney. Following on from what Deputy Michael Colreavy said, Mr. Gaffney mentioned that the PSO payments have been reduced considerably from what were already the lowest PSO payment levels in Europe, in comparative terms. How do the cost structures of the company compare in terms of pay levels or cost per kilometre of network

Europe-wide?

Mr. Philip Gaffney: I do not have detailed benchmarking for that. I am aware from a very small review of certain railways with which I am familiar that the cost per kilometre, which is the standard way of measuring it, compares very favourably with most networks; particularly in terms of cost per train kilometre, we are very efficient. In terms of cost per train kilometre, we are certainly in the top half in terms of efficiency.

Vice Chairman: I thank Mr. Gaffney, and call Deputy Seán Kenny.

Deputy Seán Kenny: I welcome Mr. Gaffney to the committee. I missed the beginning of his presentation but I think he appeared before the committee on a previous occasion as I recall listening to him speak on the Hong Kong metro and his work in Scottish Rail. As he said he is a professional railway man I wish him success in his role. There is no doubt he has painted a very stark picture. I hope the new Minister for Transport, Tourism and Sport, whoever he or she happens to be, will listen to him.

My constituency includes 13 DART stations from Clontarf Road to Howth and out to Clongriffin and Portmarnock. Queries and problems arise all the time around the manning of stations and security on the DART at night, as well as what can happen at weekends in Howth when many people descend on the area, many carrying alcohol. How that is to be managed? I am aware of private security on the DART and that sometimes the assistance of the Garda Síochána is required. That is a problem that needs to be managed, especially when people, particularly women, may feel afraid getting off at an unmanned station late at night. These are issues that need to be addressed. Much of this is down to anti-social behaviour, which is outside the control of Iarnród Éireann. Mr. Gaffney mentioned what happened in Bray this morning and said he thought it was a deliberate act that somebody had caused a derailment. Unfortunately, those types of actions happen. Currently there is also a problem with people stealing overhead cables for the metal content. That is dangerous because somebody will get electrocuted if they continue to do that. These are the problems that arise on the DART, which provides an outstanding service to commuters. I travelled on it this morning. The question of security and unmanned stations at night is a real issue.

Mr. Philip Gaffney: I thank Deputy Kenny. The issue of security on the DART is a cause for concern particularly with regard to anti-social behaviour. As the committee is aware, some weekends many people gather in places such as Howth. When we have prior information intelligence from the Garda Síochána or local information we put additional resources in place and we are in continuous engagement with the Garda. We look at the various social media sites to ascertain what is happening.

On a broader front, going forward there will be unmanned stations and we have to accept that. We have one example of what can be done, not in the Deputy's constituency, in Broombridge where we had very active engagement with the Garda and the local community. Broombridge had a very poor record for many years but we have improved its appearance and reduced significantly the amount of anti-social behaviour through working with the community and engaging with a person part-time to bridge the gap. We are concerned about anti-social behaviour across the rail system, particularly the DART and at weekends, and we are working hard to improve in this regard.

Deputy Noel Harrington: I thank Mr. Gaffney for coming before the committee. As a fellow west Cork man, I am particularly pleased he has made the journey to Dublin. Mr. Gaff-

ney's CV is very impressive and he can be particularly proud of having worked with British Rail and in Hong Kong, an extraordinary achievement. Iarnród Éireann will be all the better for his chairmanship. Having listened to his presentation, I would describe Mr. Gaffney as an enthusiast.

Mr. Philip Gaffney: Passionate and professional.

Deputy Noel Harrington: That is reassuring. As other members mentioned, Mr. Gaffney's presentation demonstrated typical Glasgow, brutal honesty and paints a difficult scenario if options are not taken to support the networks. As he is aware, since the 1950s we no longer have a rail network in west Cork and can see the lost opportunities now because of the decisions taken then.

If Mr. Gaffney is faced with no choice but to review the network and consider line or station closures, how will he deal with that difficult prospect? Such a decision would not be popular. Will he give his views on the possibility of increasing or decreasing rail fares? The figures published in the past few days regarding increasing passenger numbers throughout the network are encouraging. In light of the challenges facing the company, how will Mr. Gaffney deal with industrial relations?

About this time last year, the train accident occurred in Galicia. Unfortunately, I had the misfortune to see that carnage at first hand. Has Iarnród Éireann considered what lessons could be learned from that accident? I know the full investigation process has not been gone through in regard to that accident, but I presume Iarnród Éireann has considered what lessons might be learned and how it might avoid such issues occurring here.

One issue that has arisen in regard to passenger numbers relates to the management of events. I hope Iarnród Éireann has not factored in certain concerts this summer as part of its business plan for 2014 and hope we do not see fare increases as a result of the cancellation of some events.

Deputy John O'Mahony resumed the Chair.

Deputy Brendan Griffin: I thank Mr. Gaffney for his presentation. I concur with Deputy Harrington in regard to Mr. Gaffney's background and experience. It is great to see someone with passion along with professional knowledge in his area of expertise.

I have a serious concern in regard to the incident in Bray last night. It is appalling that this was done deliberately. This could have been catastrophic and the headlines today could be very different. I support Iarnród Éireann's and Garda efforts to bring those responsible to justice.

I commend Iarnród Éireann on being one of the only groups or organisations to have shown common sense and decency this week in regard to what it has done in regard to the cancelled concerts. From a public relations point of view, it was a positive move by Iarnród Éireann to refund fares and I hope this is acknowledged widely. It has been well reported in the media and was a wise and decent move and demonstrates the only common sense we have seen on the issue this week. Fair play to Iarnród Éireann on that.

Deputy Harrington touched on the issue of fares. There is some excellent value where tickets are purchased online. However, sometimes people have to make a journey at short notice and fares in that case can be very expensive. Also, people may not be able to make an online booking within a few hours of their travel time and feel they are being fleeced when they go to

the station. Is this an issue Mr. Gaffney may tackle? I appreciate there are extra costs associated with booking at stations, but high fares leave a sour taste. Will Iarnród Éireann consider more flexibility in the case where somebody has booked on line but needs to get an earlier train? Generally they have to pay extra to change.

In regard to the long term, what is Iarnród Éireann's vision in regard to cutting journey time on intercity and longer distance routes? I acknowledge significant work has been done on this in recent years, but how will the reduced journey times be achieved? Will this require better stock or will it require track infrastructure to be improved? Are there other areas I may not be aware of, such as signalling or crossings, that require improvement? Iarnród Éireann must compete with our new and ever expanding motorway network, and hopefully in ten or 20 years cities like Cork and Limerick will be linked up. The possibility of making the journey quickly by car will make it difficult to justify the expense of taking the train. How will Iarnród Éireann deal with that?

Recently, a friend of mine contacted me about the DART app, which is giving wrong information about the last DART trains leaving Connolly Station. Will Mr. Gaffney check this out? Apparently, the app tells people there is a train at "X" time, but the last train time is before that. This happened last Monday and I received a call on Tuesday about it.

On a local issue, there is an ongoing issue in regard to the level crossing at Stagmount in Kerry, between Rathmore and Killarney. The situation there between local residents and Iarnród Éireann is at an impasse and local residents are aggrieved. Will Mr. Gaffney give this issue his personal attention to try to breach the impasse? If I can assist in that, I will be happy to do so. The issue is causing significant grief and surely a common sense solution can be found.

Deputy Paudie Coffey: Following on Deputy Griffin's query, I presume Iarnród Éireann constantly reviews services, pricing and the frequency of services in line with consumer needs. How often does such review take place or is it continuous? People may need to get to work by 8 a.m., but a train may not arrive at its destination until 8.10 a.m. Are issues such as this - frequency and timetables - constantly reviewed in order to encourage new passengers?

I am aware that Iarnród Éireann tries to encourage as much online booking as possible. I would like to give some constructive criticism in this regard that I hope Mr. Gaffney will take on board. I had reason to book a return journey online for my family to travel from Waterford to Newry, County Down. However, for some reason the online booking facility would not allow me tick the box for the return journey. I submitted an online query to Iarnród Éireann's customer service four days ago which said it would respond as soon as possible. Happily, the family is in County Down, having used Iarnród Éireann but I have not received any response to my query. That can be quite frustrating for the customer. I am saying this in a constructive way for Mr. Gaffney to pass on the need for more interaction, especially in this day and age of information technology.

I have a local question. Why is the Waterford train always on the furthest platform at Heuston Station?

Chairman: That is the micro-question.

Mr. Philip Gaffney: Deputy Harrington asked about options for closure. We are carrying out a very detailed review, line by line, and will have a range of options. Closure of a line is the absolute last option. We have nothing of that kind on the table. We are considering reducing

services if the public service obligation, PSO, does not match what is required. I have said, and it has been agreed, that it would be done in an integrated way, particularly with Bus Éireann. If a gap is created, we should work with our colleagues in Bus Éireann to try to improve that. There is nothing on the table regarding any options for closure, but if we must proceed to considering adjustments, we should do so in an integrated way.

Deputies Harrington and Griffin mentioned decreasing fares. We are not in a position to consider reducing our revenue. Total revenue is a combination of volume and price and we are very actively trying to get that balance right. There is quite a difference between the DART and commuter lines and intercity services. The DART and commuter line fares are relatively inflexible. Many people using them have significant benefits arising from the tax saver option. We have been very aggressive in setting fares for intercity services. The €9.99 promotion is a good example. One area of investment is the customer first programme which will give us much greater ability to adjust fares to meet demand and to be more flexible in how we price our fares, which will answer some of Deputy Griffin's questions.

While it is of no comfort to those who have to shell out the money, our fares are very low by European standards. When one compares similar journeys, for example, Drogheda to Dublin and Luton to London, our fare is one-third of the UK fare, when one takes tax saver into account. We could be much smarter about how we structure our fares. The customer first programme will give us more tools to do that.

Industrial relations are not particularly challenging. In my time as chairman we have had a very committed workforce which generally enjoys coming to work every day and doing its best for the company. It has taken a hit on take-home pay, as has management. In all our discussions with staff and unions we have insisted, and I encourage it at board level, through the work of directors, that we continue the dialogue and that we never stop talking. We have a cost containment committee chaired by the chief executive, and the unions are members of that. That committee examines every single line of expenditure, except payroll.

We analyse every major incident that happens overseas, such as the Spanish derailment, get what information we can and consider it in respect of Iarnród Éireann. We require investment. A programme has been identified for automatic train protection, which would have prevented that accident. A pilot scheme for that will take place later this year. This is one of the areas of capital funding which I hope will come through in the years to come.

We treat special events as windfall, and they are not, thank God, factored into our budget. I thank the Deputy for his comments on our response, which was entirely appropriate to the cancelled concerts and the refund.

We have reduced intercity journey times and are trying to reduce them further. We hope that within this year we will be able to introduce at least one express train, a morning train from Cork to Heuston which will do the journey in two hours. We do not require any investment in trains or signalling, but to sustain a two-hour journey, including the current stopping pattern, would require investment in track to get it up to the level required for higher speeds.

Deputy Brendan Griffin: What is the current journey time from Cork to Dublin?

Mr. Philip Gaffney: It is 2.5 hours.

Deputy Brendan Griffin: The new one would be two hours.

Mr. Philip Gaffney: Yes two hours would make quite a difference. We are also considering Dublin to Belfast.

Deputy Brendan Griffin: What time does Mr. Gaffney envisage that train arriving in Dublin? Would it serve people who need to be in Dublin for business hours?

Mr. Philip Gaffney: Yes. We introduced a 6 a.m. train earlier this year, which arrives at 8.30 a.m. It would be great to have a service around that time for people who could be attending meetings in the city centre by 8.30 a.m.

Deputy Brendan Griffin: That is amazing. That would be very good.

Mr. Philip Gaffney: That would be a huge improvement. There is Wi-Fi throughout the train and that will give us quite a competitive advantage.

I do not have any answers to the question about the DART app but I know somebody who will get them for me.

I do not know Stagmount level crossing personally but I assure the Deputy, following Deputy Harrington's comment, I will not go about dealing with it in my usual brutal Glaswegian fashion. I will be a bit more sympathetic.

We constantly study the loading of trains. We make adjustments to timetables at least annually. That process, however, rests with the National Transport Authority, NTA. We do not have the authority or autonomy to change timetables. We have to conform to that process. We do, however, consider loading all the time.

In answer to Deputy Coffey I will look into why one cannot get a return Waterford-Newry ticket online and why he did not get a response from customer service. Waiting four days for one is totally unacceptable. I will respond directly to the Deputy on that.

I cannot answer his question about the platform for the Waterford train. I have many friends in Waterford and I hear this often.

Chairman: It is not deliberate.

Deputy Paudie Coffey: I hope it is not discrimination.

Mr. Philip Gaffney: Absolutely not.

Chairman: On behalf of the committee I thank Mr. Gaffney for appearing before us today and engaging in a very worthwhile discussion. I propose to send the Official Report of today's discussion to the Minister for Transport, Tourism and Sport for his information and consideration and I wish Mr. Gaffney well for the balance of his term in the post.

CIE: Chairman Designate

Chairman: I welcome Ms Vivienne Jupp, chairman designate of CIE, and invite her to make an opening statement.

Ms Vivienne Jupp: I thank the Chairman and members of the committee for inviting me to attend the meeting today. I have served as chairman of CIE since July 2011 and am honoured

that the Minister for Transport, Tourism and Sport, Deputy Leo Varadkar, has nominated me to continue in the role for a second three-year term. Along with my colleagues in the CIE subsidiaries, we were the first appointees to the chairmanship of a State-owned body to present to an Oireachtas committee under the new arrangements back in 2011. In that context, I will briefly summarise my career history before focusing on the challenges and achievements of the past three years and the future challenges for and ambitions of the CIE group of companies.

My background is that I have a bachelor of commerce degree and a masters in business studies from UCD. I have worked full-time in business since I graduated and had a 32-year career with Accenture, the global leader in consulting, technology and outsourcing. I started my working life as a management consultant and worked with many organisations across various industry sectors and Government Departments in Ireland. During that time, I led and delivered a succession of successful technology-enabled business change initiatives in both public and private organisations, initiatives which drove business success for those organisations. I was elected an Accenture partner in 1988 - the first woman in Europe to reach that level in the company. I ran Accenture's public service business in Ireland for several years prior to being promoted to my first role outside Ireland within the Accenture global network. I held operational managing director responsibility for profit and loss divisions at Irish, European and global levels. I spent the latter 12 years of my career with Accenture as a global executive director reporting to the global CEO.

I chaired the tourism recovery taskforce between 2011 and 2013 and led the development of the Great Britain Path to Growth strategy. This enshrined a new way of looking at and driving business from our key markets. In 2014, we have seen significant growth in visitor numbers - particularly from Britain, which is our largest market. My experience as a management consultant working in diverse industries enables me to understand CIE and the things that must be done exceedingly well if we are to succeed in achieving our vision.

CIE's vision is aligned to its statutory mandate, which is to provide socially necessary bus and rail transport in a well-functioning, integrated manner which contributes to balanced regional economic development and social cohesion at a reasonable cost. CIE has devolved certain of these functions to its three operating subsidiaries, namely, Bus Átha Cliath, Bus Éireann and Iarnród Éireann. Strategic direction, control and overall co-ordination is provided by CIE, but each subsidiary and business unit has a high degree of operating autonomy in its day-to-day business. CIE also owns CIE Tours, an innovative and highly respected tour operator in North America, the UK and mainland Europe. Indeed, CIE Tours is the largest single generator of inbound tour customers to Ireland from North America. The CIE holding company provides centrally a number of services that support the transport companies in their day-to-day operations. These include treasury, IT, property and legal-investigations services, as well as the management of the commuter advertising network contract.

In the early stages of my term as CIE chairman, it became apparent that the group was in the midst of what the Minister described at the time as a "perfect storm", arising from the cumulative effect of reduced Exchequer funding, reduced demand as a result of the severe decline in economic activity domestically, and increased fuel costs. My absolute priority was to help guide CIE through that storm, working with my board, the chairmen and boards of the subsidiaries, the management teams, the Minister and Minister of State with responsibility for public transport, and key stakeholders. In all our efforts to deliver reforms, we also kept in mind the needs of our customers.

It is incumbent on me to point out that the cumulative reduction in Exchequer-funded public

service obligation, PSO, payments to the CIE group since the onset of the economic crisis in 2007 is more than €110 million, or 35%. To put this in context, funding in that period to the health sector has declined by just over 10%, to education by 9%, and to the Garda and the defence budget by 16%. CIE and its subsidiaries continue to play their part in trying to solve the equation of delivering the same level of public transport services on this reduced level of PSO funding. Much of what we have achieved in this regard has been delivered through additional efficiencies in work practices and reduced payroll costs. Now, as the economy recovers, there is a need to revisit what is an appropriate level of PSO funding for the services provided. In very simple terms, it is not possible for CIE and its operating subsidiaries to continue delivering current service levels in return for the current level of PSO and capital funding. This is especially so in the case of Irish Rail, as delegates have heard from Mr. Gaffney. I very much welcome the opportunity to work with the Minister, Minister of State and the Department to try to solve this difficult issue.

When the chief executive officers of the subsidiaries and I appeared before the committee last July, we outlined the immediate steps taken to address our cash issues in early 2012. Additional actions we have taken include a continued focus on cost reduction, including the successful implementation of pay and productivity measures with staff in all three companies, with a further process concluding in Iarnród Éireann; strengthened board committee oversight of cash management; improved central governance function over key financial risks; enhancing the central group finance function; developing an appropriate inter-company funding structure; and enhancement of information technology tools. We are beginning to grow our business again, with an increase in passenger numbers recorded in 2013. In fact, the group has exceeded ministerial targets to grow public transport users by 2% to date in 2014. Crucially, we successfully completed negotiations on a five-year €160 million bank facility with a consortium of banks, demonstrating objectively that the group is moving in the right direction in terms of creating a long-term financially sustainable business.

Despite the challenges we face, CIE is maintaining its comprehensive network of services through its subsidiaries, which continue to facilitate travel to all corners of the country in line with the group's mandate. In addition, CIE Tours had its best ever year in 2013, with revenues of €67.9 million and almost 50,000 passengers - a record number for the business. We continue to try to deliver a comprehensive level of services while receiving significantly less funding than in the past. My priorities for CIE reflect the challenges we face and include managing the group's debt and liquidity positions; a continued focus on reducing the group's cost base at a time when there is extraordinary pressure on the public purse; improving co-ordination of critical areas of common interest, including risk management, HR initiatives and stakeholder engagement; and an ambitious target for CIE Tours to be the leading tour operator to Ireland and Britain. It is important to note that the regulatory environment in which we operate removes control over many of the levers one might use in response to these challenges. In particular, the setting of levels of funding, fares, routes and timetables are all within the remit of the National Transport Authority.

A core responsibility of the CIE chairman is to ensure that our shareholder – namely, the Minister, as representative of the Irish people – is informed of the key strategic issues and challenges we face. We have been open and transparent with the Minister, Minister of State and their departmental officials and ensured they have all the necessary information to make policy decisions in the extraordinarily difficult environment they and the wider Government are facing. I thank them for this support and am confident it will continue into the future.

In this regard we have been clear on the implications of the significant challenge of securing necessary capital investment by the Exchequer in public transport fleets and infrastructure. To maintain the current standard of the public transport fleet and rail network it is a significant priority of mine to work with the Ministers and the Government to secure the necessary investment to ensure that the nation's transport infrastructure, which is so vital to the country's economic well-being and recovery, does not deteriorate. This is a huge challenge for both the Government and CIE, given current constraints, and it includes the investment required by the national rail infrastructure network and the funding required to maintain the Iarnród Éireann rolling stock fleet at its current standard. Both of these issues were highlighted by Mr. Gaffney earlier today in greater detail. In the period from 2014 to 2016 all indications suggest there will be an acute shortage of capital available to the National Transport Authority, NTA, to fund the up-front purchase of new bus fleets for Dublin Bus and Bus Éireann. To assist with the purchase of new fleets the NTA and CIE are exploring options around leasing. While leasing may allow welcome investment in the bus fleets in that period, we must decide on a medium to long-term strategy for the funding for such investment.

Public transport facilitates a strong economy, environment and society. We must ensure that it is equipped to meet the needs of our economy and society as they emerge from the unprecedented upheaval of the past seven years. I look forward to working to ensure that public transport, as delivered by the CIE group of companies, is well equipped. Should our appointments be confirmed we, the chairpersons, boards, management teams and staff, Ministers, Departments and the NTA, will work collectively to this end with the elected representatives of the people, to whom we are all ultimately answerable.

Deputy Michael Colreavy: I think I was here for the corresponding meeting last year, deputising for Deputy Ellis, who holds the transport brief, and here I am again. Last year I pointed out that I know Ms Jupp from her time working at Arthur Andersen many years ago. I knew then that she would go far and I know she is an exceptionally good chairperson of CIE so I have not been disappointed in any respect. I will not go through the same series of questions.

Is there anything Ms Jupp would like to happen at CIE that has not yet happened? Has anything occurred since she joined the board that she wishes had not occurred? It is good that the CIE group can access €110 million through a consortium of banks but will this meet revenue or capital expenditure?

Ms Vivienne Jupp: To answer the first question, I wish the perfect storm scenario, whereby we required additional funding, had not arisen and I wish that I could have predicted its occurrence. I am in a better position to make predictions on processes and procedures, strengthening treasury and finance functions at group level and this is how I can say that the situation now facing us is serious and must be addressed. There should be no surprises and if we carry on doing what we are doing there will be difficulties so we must make changes.

Obviously, some things happened that I wish had not. I do not like disrupting customers and on a couple of days, services were not provided. As we continue to win new customers I hope we avoid such situations. In terms of the €160 million, a great deal of work was done on the business plan to demonstrate to the banks that we were doing the right thing. We had to show them that putting money into CIE meant services would be delivered and the loan would be repaid. All of the money is being used to fund day-to-day operations at CIE and only surplus cash will be invested in capital projects.

Deputy Michael Colreavy: Is the business case that CIE put to the banks the same as that

which is routinely presented to the NTA? Does the NTA not need the same information?

Ms Vivienne Jupp: The NTA deals with the three operating companies individually so the collective position of those companies may not be as visible to the authority as it is to CIE. We now engage more with the NTA because of the scale of the problem and the fact that we were able to give warnings. The CIE group and Irish Rail are working closely with the NTA to find a solution to the problem to present to the Department and the Minister.

Deputy Paudie Coffey: I would like to thank Ms Jupp, who I met previously, for coming before the committee and for her work on behalf of customers as chairperson of the CIE group. I note with concern the flags raised by Ms Jupp on the sustainability of the Irish public transport system. We must continually evaluate the arguments in this debate to see where our priorities lie. I do not have particular questions because Ms Jupp has spelled out the challenges facing the company. Regarding the alignment of the objectives of CIE, I presume there is constant engagement with stakeholders such as the NTA, the Department of Transport, Tourism and Sport, the workforce and the Minister. When challenges arise and a business model for funding is formulated I presume change management is required and it is challenging to get the unions and the workforce to engage in the process. Perhaps Ms Jupp can explain CIE's work in this area.

What is the state of pension funds in the CIE group at the moment? Are they healthy or has Ms Jupp concerns?

Ms Vivienne Jupp: Obviously we have been going through the challenges faced by each company and CIE is co-ordinating the effort to ensure the activities of each subsidiary company are aligned and that they contribute to the overall health of the group and each individual company. We cannot allow one company to do something that is detrimental to another. The bus companies are concerned that we deal with the challenge facing Irish Rail because it could impact upon their services. Since I took this job I have tried to be clear, concise and transparent in providing all of the necessary information to the board, which includes four worker directors, the management teams, the Department and the Minister. I do not believe in hiding things. We must be absolutely clear and transparent and ensure the evidence backing up our point of view is clearly communicated. I always answer questions from the worker directors on the seriousness of the situation because nobody would want to put people through the changes we are asking people at all levels to undertake if the situation were not deadly serious.

Deputy Noel Harrington: I welcome the witnesses and compliment Ms Jupp on the work she has done at CIE.

Ms Jupp's background is commerce and finance. Does she foresee a greater restructuring of the entire CIE Group taking place in the near future in order that it might achieve the greatest possible efficiencies and obtain the strongest possible competitive advantage with regard to the delivery of public transport services? There is not a country in the world whose public transport service does not operate without some form of state support or subvention. The concern of the committee is that the subvention to CIE should be used to deliver efficiencies and a competitive and safe service. In the context of its overall structure, is the group fit for that purpose? Ms Jupp stated that there is competition both without and within the group. Mr. Philip Gaffney outlined his aspiration in the context of reducing the journey time between Cork and Dublin to two hours. Inevitably, that is going to have an impact on bus services. Would there be some way of restructuring the entire group and perhaps of cutting parts of it loose, for want of a better phrase?

Ms Vivienne Jupp: The first point to make is that we always benchmark ourselves against international best practice in the areas in respect of which we can do so. We also try to learn from best practice elsewhere. There are international bodies which do this. We contribute to them and receive information back. This helps us to look at the services we provide and ensure that we operate them in the best possible way. There are certain services which are consolidated within the group itself and which are not replicated in the individual companies. That enables us to achieve some economies of scale across those services and to attract the skills that are required to operate those once rather than in three individual companies. The thing we need to do an awful lot more of is look at the processes and procedures the individual companies - which would be doing similar things - use to run their businesses and determine the services they operate in order to discover whether these are delivering the best outcomes and establish whether we can do anything from a process re-engineering perspective to deliver better services in a more competitive way. No matter what we have in terms of the money we receive from the PSO, the NTA, as the regulator, should always be demanding improved efficiencies and effectiveness from the organisations every year. We would always need to do that and we must make a much better effort in this regard.

Deputy Noel Harrington: Ms Jupp referred to benchmarking against international best practice. In her opinion, where does the CIE Group stand in the context of international best practice?

Ms Vivienne Jupp: We do very well in the context of international best practice.

Deputy Noel Harrington: Is Ms Jupp in a position to provide the committee with material which shows this to be the case?

Ms Vivienne Jupp: I can obtain some of the figures for the Deputy. I do not have them to hand but I can certainly obtain for him some of the reports we use as part of the benchmarking process. Those reports show where we are ranked in the context of some of the services we provide.

Deputy Noel Harrington: Ms Jupp also stated that the NTA should be encouraging the group to achieve efficiencies. Is that also her job?

Ms Vivienne Jupp: Yes. I see my job as ensuring that we have an efficient and effective organisation that delivers high-quality safe services to people. As the regulator, I would expect the NTA to demand that of us also. It is on our agenda.

I did not answer the question which Deputy Coffey posed in respect of pensions. Perhaps he would like me to deal with it now.

Deputy Paudie Coffey: Yes.

Ms Vivienne Jupp: I apologise for the fact that I forgot to answer it. The deficit in the two CIE defined benefit pension schemes was €118 million at the end of 2013. This was €73 million less than the figure for 2012 as a result of the fact that the overall economy had done a little better. The deficit is more significant in what is termed the executive scheme and amounts to €301 million. In the regular wages scheme, the deficit is €116 million. The deficit is dependent on the discount raised and used to value the future pension liabilities of the scheme. That is influenced by bond yields, etc. We submitted a proposal to the Irish Pensions Board in the context of meeting the minimum funding standard and that has been approved.

Chairman: On behalf of the committee I thank Ms Jupp for coming before the committee, for engaging with members so openly and for outlining her vision for the future in the context of the challenges and opportunities that exist. We will send a transcript of these proceedings to the Minister. We wish Ms Jupp well for the future in her post.

Ms Vivienne Jupp: I thank the Chairman.

The joint committee adjourned at 12.35 p.m. until 11 a.m. on Tuesday, 15 July 2014.