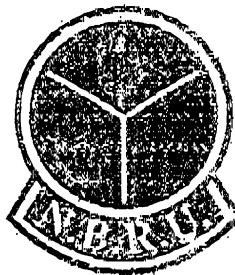


National Bus & Rail Union



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Our Ref:

Your Ref:

Mr Colm McCarthy
Chair Review Group on State Assets & Liabilities
Department of Finance
Upper Merrion Street
Dublin 2

9th September 2010

Re: Review Group on State Assets & Liabilities

Dear Sir,

The NBRU as stakeholders has decided to avail of the public consultation process and submit our observations on the Review Groups Terms of Reference and its potential impact on both our members and the travelling public.

The purpose of the enclosed document is to advance an argument whereby we in the NBRU contend that a dissipation of the assets of the CIE Group of Companies would be counter-productive and would in fact conflict with the Review Groups Terms of Reference.

We are to advise that we will be in a position to address any issues or expand on the content of the enclosed document should the Review Group so decide.

Yours sincerely


MICHAEL FAHERTY
General Secretary

**National Bus and Rail Union Submission to the Review
Group on State Assets and Liabilities.**

Summary

- The remit of Córas Iompar Éireann on its formation (under the 1950 Transport Act) was to provide a Public Transport System for the citizens of the State.
- Fare Revenue has decreased significantly across the CIE Group.
- Subvention has been reducing over the last two years and indications are that it will continue to reduce in the forthcoming Budget.

Despite the drop in fare revenue and subvention the CIE Companies continue to provide a service to their customers while at the same time working with the Trade Unions in addressing the Cost Base.

- The CIE Group assets are predominantly immersed in Property, Bus Fleet and a dedicated workforce. Property provides a vital income stream.
- Asset disposal e.g. Property, would inevitably lead to increased subvention. The future of the CIE Group of Companies would be undermined.
- The provision of a Public Transport Service for the Citizens of the State is incumbent on Government.
- Successive Independent Reports have supported the record of both Dublin Bus and Bus Éireann in comparison with similar Transport providers across the EU, the most recent being the Deloitte Report.
- Asset stripping or disposal of support structures such as Bus Éireann's Expressway service would inevitably lead to a scenario whereby the government would be subsidising Private Enterprise, while at the same time employees of the CIE Group of Companies would become a burden on the State in areas such as Welfare support and Health Services.
- This would result in a reduction in service provision and lead to a situation whereby subvention handed over to Private Enterprise would contribute towards providing profit rather than service.
- The CIE Group of Companies contribution to the Exchequer through the various taxes is significant, €230million in 2010. This contribution is augmented by contributions from the many service providers who rely on the CIE Group to support their particular business.

The Terms of Reference to which the Review Group has been tasked with addressing is of concern to the NBRU.

The reference to "state indebtedness" and the implied potential to somehow alleviate it by disposing of state assets is a premise which we consider to be flawed.

They would (terms of reference) also appear (at least on the surface) to provide an all-encompassing vehicle for either/or:

- (a) Disposal of saleable entities i.e. Bord Gas, ESB etc
- (b) Asset Stripping or Cherry Picking of other Semi States i.e. C.I.E. Group.

There has been sufficient comment on the former which, along with the undoubted submission/s from the stakeholders attaching to those respective Companies, negates the necessity for the NBRU to contribute.

However, it is the latter (b) one which we seek to comment on, on behalf of our members.

Background

In general and broad terms the formation of Córas Iompar Éireann (CIE) under the 1950 Transport Act, was against the backdrop of what preceded its formation, a veritable haphazard free for all approach to providing Public Transport for the Citizens of the State.

It is perhaps not without irony that the "free for all approach" is in danger of making a re-appearance in modern Ireland, albeit under the guise of EU Regulation along with the implied potential of the Review Groups Terms of Reference.

A new Licensing arrangement has been put in place under the Public Transport Regulation Act 2009. This particular Act provides for direct award contracts with Dublin Bus, Bus Éireann and Iarnród Éireann for Public Service Contracts/Public Service Obligation (PSO).

It will take time to establish if this new Licence Regime will fulfil the requirement to provide a proper and acceptable Public Transport Service for the Citizens of the State.

We will in due course submit our views on the Licensing of Public Bus Passenger Services as per invitation from the National Transport Authority.

The National Bus and Rail Union has a long and well documented history in relation to the provision and the protection of Public Transport.

Our approach on such matters is dictated by the two dynamics which underpin the provision of such a service, namely the travelling public and our members who contribute in a major way towards providing the service rightly demanded by the public.

CIE GROUP

The ability of the CIE Group of Companies to provide a Public Transport Service is dictated by a number of factors;

- Fare Revenue
- Subvention
- Generation of Revenue through assets such as Property

The foregoing is indicative and is inserted to illustrate the areas within which we would have concerns regarding the Review Group's Terms of Reference and our interpretation of the potential implications for our members and the travelling public.

Fare Revenue

The CIE Group of Companies has and continues to bear the brunt of the downturn in the economy. Indeed if one required a barometer as to how the economy was performing then a journey on a bus or train would yield "coal face" evidence as to its performance.

There was a decline in 2009 in passenger numbers of almost 11% on 2008 levels.

Source; C oras Iompar  ireann Annual Report and Financial Statements 2009

Subvention

Subvention from the Exchequer has reduced significantly from a total in 2006 of  304 million to  276m in 2010. It is envisaged that subvention will further reduce in the forthcoming Budget.

Generation of Revenue from Property

The CIE Group Property generates revenue through activities such as rental income (€10million in 2009); it also generates income from property through Public Private Partnership Schemes. One such example is Spencer Dock.

The Income Stream derived from PPS's and rental income from property contributes in a substantial way to reduce the subvention requirement on the Exchequer.

We have made reference to our concern on potential asset stripping of the CIE Group. Property was once considered an asset in "Modern Ireland", it may very well become so again. In the meantime NAMA is the vehicle in which the state mothballs property until such time as it may increase its value.

The CIE Group has a significant Property portfolio. It is our view that the sale of such property in a depressed market would be counter-productive;

1. It would realise a fraction of its value.
2. It would deprive CIE of a future and potentially valuable income stream with which to reduce subvention pressure on the exchequer.

Reaction to Economic Downturn

The NBRU along with our colleagues in the ICTU Group of Unions have been proactive in our response to the economic downturn.

Indeed over a number of years preceding the "bursting of the bubble" we (NBRU) cooperated with Iarnród Éireann in reducing staff numbers in order to reduce the cost base and streamline the organisation in recognition of a changing and evolving Railway.

This experience has provided the template for further joint initiatives to further reduce the cost base in Iarnród Éireann.

Overall, the staff numbers in Iarnród Éireann have reduced by approximately 1800 since 2002.

The reduction of staff and its correlation with a reduced cost base is fluid and we in the Trade Union/s are committed to cooperating in achieving further cost reductions.

Dublin Bus Cost Efficiency Plan was presented to the Trade Unions in 2009 and despite initial difficulties with its content, our members have engaged positively with the Company in order to achieve a reduction in the cost base.

The drop in passenger journeys to 126.3million in 2009 from 143.5million in 2008 has led to deficit of €12.9million. This in turn has resulted in a reduction of the bus fleet in Dublin Bus as part of the Cost Efficiency Plan.

Source; Irish Times Business Today August 30th 2010

This reduction had an obvious impact on staffing levels which through negotiation and agreement has significantly reduced. We are now at a stage where the number of employees has gone from 3,847 in 2008 to approximately 3,500 by the end of 2010.

Furthermore, Deloitte were commissioned to undertake a Cost and Efficiency Review of Dublin Bus which has resulted in a Network Review. The implementation of this Network Review is ongoing and is being rolled out incrementally. This in turn has led to further fleet reductions and the obvious additional reduction in staffing levels.

It should be noted that Deloitte gave a favourable assessment of Dublin Bus operations when benchmarked against comparable organisations in similar sized cities.

Source Deloitte Cost and Efficiency Review 2009

Bus Éireann is presently working through a plan similar to Dublin Bus by reducing its fleet and staff numbers. This will result in the staff numbers in Bus Éireann reducing from a high in 2008 of 2,818 to 2,500 by the end of the current year.

The strategic importance of Bus Éireann to the Irish Economy should not be underestimated. The argument advanced to maintaining and enhancing Airport Infrastructure on the basis of our "Island Nation" status contains similarities with Bus Éireann and its service provision.

Ireland, despite the provision of a modern inter urban road infrastructure, remains a rural nation, any dilution of Bus Éireann's ability to provide services to such rural areas would serve to cut off and isolate communities.

This service provision would be totally undermined if its assets were to be in anyway dissipated.

One such asset is Bus Éireann's Expressway. This particular asset is pivotal to providing financial support towards an overall service provision.

Private enterprise where profit and the bottom line rather than service dominate, would have no interest in providing a service to many rural communities.

Staffing Levels

The CIE Group of Companies employs over eleven thousand staff. The three subsidiary Companies have as previously indicated engaged with staff representatives in order to streamline their operations to coincide with the economic downturn.

It is our contention that the sale of assets or abandonment to the so called free market of the CIE Companies (in particularly the Bus Companies) would have a detrimental effect on the economy or "state indebtedness."

One example of this would be where anecdotal evidence would suggest that the vast majority of employees within the CIE Group either own or have their residence/s mortgaged.

The availability of mortgages is based on salary income accruing from their employment within the CIE Group of Companies.

The ability to service such mortgages depends on the ability of the CIE Group of Companies to continue to provide solid and sustainable employment.

Any initiative to dilute the ability to provide such sustainable employment would only serve to shift the burden of self supporting measures such as providing means by which employees support their families from the employee to the exchequer.

Empirical evidence would suggest that Companies who operate in the Private Sector (transport) pay salaries significantly below the amount sufficient to independently support all the various requirements of family life.

In effect those presently employed within the CIE Group would become a non-productive burden on an already overcrowded welfare system in areas as diverse as Family Income Support and the provision of Social Housing, along with the transfer from having access to Private Health Cover to an already creaking Public Health Service.

The CIE Group of Companies will contribute €230million to the Exchequer in 2010 by way of Income Tax, PRSI, and VAT payments.

This contribution to the Exchequer is augmented by contributions from businesses and employees who supply services to the CIE Group of Companies. Those Companies range in diversity in areas such as sub-contracting, cleaning services, stationery, vehicle fleet etc.