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"TO FRANCHISE OR NOT TO FRANCHISE" – IS IT EVEN A QUESTION?

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Typical, you wait all year for a bus related essay and then three come along at once. Seamus Brennan proposed franchising Dublin bus routes from 2004. This essay takes a critical look at this suggestion. Solving the congestion problem in Dublin has led to a number of policy proposals. Oliver Fegan investigates the benefits of the Luas and Foster et al have looked into congestion charging in the city. Here, Michael Costello and Stephen Teeling investigate ways of improving the existing transport structure, by examining proposals to introduce franchising into the Dublin bus service.

Introduction

The past twenty years has seen many state-owned monopolies around the globe crumble in favour of private sector participation in an attempt to rid the transport sector of numerous inefficiencies. Consequently, the Minister for Transport's plans to end Dublin Bus's age old monopoly in favour of a fully franchised Dublin bus sector by the year 2007 has been received with much enthusiasm by both consumers and regulatory bodies such as the competition authority alike. In this paper, we discuss how such a monopoly came to prominence, referring to the 1932 Transport Act and the interventionist nature of Irish governments in the transport sector. The essence of the franchise model and the format which has been proposed for the greater Dublin area will be outlined, followed by an argument supporting the rationale of 'limited competition'.

The franchise model has been the recipient of much criticism by those who view it as a watered down version of competition. Faults both theoretical and practical can be found within the franchise model and these have been analysed thoroughly. In the course of our research for this paper we obtained the opposing views of John Lynch, the Chairman of the state incumbent Bus Ath Cliath and John O'Sullivan, founder of Aircoach. Consequently, we formulated a more rounded and practical perspective of the issues surrounding the proposed franchise model. We shall conclude by offering recommendations specific to the greater Dublin area.

Overview of Restrictive Practices in the Urban Bus Sector

In August 2000 the New Institutional framework for Public Transport was published. This set the wheels in motion for the end of Dublin bus's strangle hold on the bus sector in the Greater Dublin area. The ramifications of this report are being felt today in the transport sector but how in essence did this era of anti-competitive behaviour begin and what was the rationale behind it?

The restriction of competition between bus operators in Ireland began under the Road Transport act in 1932. In this act, the operation of scheduled passenger transport services except under license from the Minister for Industry and Commerce was prohibited. The objective was to protect the railways, which had lost market share because of road competition. The pressures on the government to curtail the independent bus sector increased steadily from the late 1920s. "Road transport should be merely used as a complement for rail transport, not as a substitute for it"(Conroy, 1928;37). There was a belief in the 1930s, that the market was prone to bouts of "wasteful competition". According to John Lynch of C.I.E, "unfettered competition had led to chaos on the streets", citing this as the main reason behind the 1932 Act and not the protection of the railways.

S. Barrett (2000), felt there were four main factors behind the Irish government rationale for prohibiting bus competition.1.) Successful lobbying of the railways resulting in regulatory capture of the regulatory arm of the government by the railway lobby.2). The interventionist tradition in economic affairs of Irish nationalism. "one major legacy of the thirties was the institutionalisation of an Irish dependence on the state"(M.Daly;1982). 3). The interventions induced by the recession in 1929. 4.) The lack of economic knowledge of the consequences of regulation. The economic case given for government intervention was based on a market failure in this sector but in reality it was legislative rather than economic.

The Road Transport Act of 1932 requires the Minister for Public Enterprise, in considering an application for a license to consider if this proposed bus service is required in the public interest having regard to the passenger road services and other forms of passenger transport available to the public. The Act does not prohibit the Minister from granting other licenses to transport operators other than Dublin Bus in the Greater Dublin area. But "To get the license under the 1932 Act you had to prove that the demand was there for the service" (J. O'Sullivan, 2003)

However until July 2000, only 7 private transport operators held licenses for routes in Dublin. Eleven new licenses in the Dublin Bus zone were granted in July 2000. There were various licenses awarded but Dublin bus monopoly was retained. Unlike private operators Dublin Bus was exempted from the requirement to hold a license to carry passengers under the 1932 Act. Dublin Bus monopoly was held in check by a drastically anti-competitive licensing application process. A "one

operator per route" policy was applied and the Department's policy was to refuse an application for a license where the route sought was similar to an existing Dublin Bus route. Route licenses were given to private operators for routes not directly served by Dublin bus, like "feeder services" or "orbital services'

The legacy of the 1932 Act imposes not only legislative barriers to entry but also financial. In the Act, C.I.E companies can all self-insure but any private operator hoping to compete must get full cover insurance if it wants to participate in the market. In today's economic climate this poses a massive financial barrier to entry into the bus sector as insurance coverage has jumped to extreme levels in recent years! John O' Sullivan of Aircoach informed us that in the year ending 2002 that his insurance costs had sky rocketed to five hundred thousand euro from two hundred thousand in 2001. He felt that " this posed a massive financial barrier to competing in the Dublin market". Contrary to this John Lynch of C.I.E. maintained that the state body did not self insure, but revealed that the organisation's insurance bill of a mere five million euro provided cover for the entire company. When compared to Aircoach's insurance bill of five hundred thousand euro for one route, the amount C.I.E is required to pay appears minute and the level playing field referred to by Lynch seems to be non existent.

Over the past number of years, there has been an increase in the financial resources allocated by the government and the EU for greater investment in public transport. With state subsidies in 1999 £13.2 million was channelled through the C.I.E Group to Dublin Bus. There is no transparency in how the subsidies were allocated to the different routes and C.I.E has never identified which routes are loss-making!

Over the past few years the National Development Plan (NDP) has become a point of contention in the transport industry. Various Economists and private transport operators cite the possibility of EU funds being handed out to a state run monopoly, while there are private competitors in the same industry. Critics have stated that EU funds had been used for various capital expenditure in C.I.E and some have felt that this may be illegal. "This is certainly not in the spirit of the EU understanding and it is definitely open to challenge." (J.O'Sullivan, 2003)

Since the bus market in the UK was fully deregulated in the 1980s, the Irish government has issued various regulatory reviews. In 1985 'The Green Paper' was issued on the bus sector in Ireland. The Green Paper on transport policy presented numerous proposals for regulatory reform. It evaluated for and against liberalisation of the bus industry. However no white paper followed the review, due to the proponents against liberalisation winning out. But it wasn't long before the issue was once again under review. In 1989-1993 the National Development Plan promised to replace the outdated Road Transport Act of 1932. But the usual bureaucracies and interest groups delayed this review. The process of bringing

liberalisation into the bus industry to provide greater competition was not however pursued until the publication of the New Institutional Regulatory Framework (NIRF) in the Summer of 2000

On the 7th of November 2002 the Minister for Transport Seamus Brennan delivered a statement on Public Transport reform where he set out the recommendations from the NIRF in his proposals for the bus sector in the Greater Dublin Area. The main feature of his proposal was the introduction of "Controlled competition" in the form of a franchising model for the regulating of the bus services in Dublin. He proposed *"that the first phase of franchising be introduced at the beginning of 2004, with up to 25% of the market becoming available in that year and with annual progress thereafter."* (Brennan, 2002)

The Franchising Model

The introduction of full competition into the market can sometimes lead to problems such as market power, externalities or information problems. An example of this in the bus sector might be where competition in bus services would lead to needless pollution, congestion and a lack of service integration.

Franchising, as a term in the transport industry is understood as "*an arrangement whereby firms tender for the right to undertake certain activities under conditions of limited competition"* (Competition Authority, 2001). This competitive tendering involves a synthesis of public and private roles. The public sector thus decides what services should be competitively tendered and what specifications should apply. The competitive market responds to the invitation of the government and one or more producers are selected to provide a specific period of time.

A new entrant under the franchising model does not face the usual risk associated with entering a market with a dominant incumbent. "*By winning the franchise competition, the new entrant can take on that part of the market immediately rather than trying to do battle for market share with an incumbent"* (Competition Authority, 2001). The competitive tendering rules out the possibility of predatory pricing by the incumbent and the presence of this competitive environment helps to ensure the incumbent is efficient.

For a franchising scheme to be effective service specification levels should be kept very clear and concise. These would include frequency, capacity, availability and the specific route being tendered for. Typically, franchise licenses are between 3-5 years in length, with this being decided by the regulatory board. It is imperative that the specifications be kept concise but not overly restrictive as this might hamper innovation. Some freedom must be left to the franchisee to make judgements about elements in their own sector or the worth of the model is called into question.

Various different franchise structures are used, varying on the basis of the allocation of risk between operator and contracting authority. There are 7 variations of the franchising model:-horizontal franchising, vertical franchising, investment franchising, gross cost franchising, net cost franchising, progressive franchising and big bang franchising. But in the Urban bus transport sector, there are 2 basic franchising options that apply. 1.)*The Gross Cost contract*: where operators take no revenue risk and receive a fixed income from the government. 2.) *Net Cost Contracts*: where operators take both revenue and cost risk.

Under gross cost contracting, competition is based on the cost at which bidders offer to supply the required service. The payment for the contract period is determined by the bid cost. Gross cost contracting has been used successfully for procuring bus services in a number of developed cities. It has the advantage of facilitating integration and enlarging the pool of competition. Cost savings over public monopolies are in the range of 20-30% with this form of franchising. But one of the limitations of the gross cost approach is that the operation has little incentive either to generate or to secure revenue!

Net cost contracting is also known as minimum or net subsidy. The incentive to generate traffic can be increased by requiring franchisees to be responsible for both costs and revenues. This makes the basis of competition the best offer for the subsidy requirement. The authorities carry no risk, except operator default or failure. The operator carries the costs and revenue risks though he/she has a guaranteed income. There is an increased incentive to generate traffic but with this comes a high incentive to engage in predatory practices against operators on parallel or overlapping routes.

The increased incentive to attract revenue may imply less need for monitoring the quality of the service provided. There will be an opposing need to monitor street behaviour. Coupled with this, the process makes integration more difficult to achieve and requires safeguards to ensure that any loss making service that is required is not being neglected. Even the allocation of compensation for reduced fares such as those for pensioners and school children is more difficult because it requires information on who is carrying the passengers.

Even so, since the net cost constraint allows operators to increase revenues by operating a service which attracts new customers it would be expected that the number of potential bidders for a tendered net cost route would be greater than that of a route under gross cost. But due to uncertainty, people who are unfamiliar with a particular market prefer at least at the beginning to go with gross cost contracts. White and Tough in 1995, found this to be true in the Urban Bus sector in London. It demonstrated that there was much higher competition for gross cost contracts than the net cost contracts. It was found that small operators, who do not have the ability to diversify risk across their operations, favoured the net cost approach less.

N Shaw in 1996 found that despite the fact that net cost contracts transfer a greater proportion of the risks to the operator, gross cost contracts have several major advantages. These are namely: lower cost to franchising authority, greater compatibility with integrated multimodal system planning, greater compatibility with complex subsidy mechanisms and lack of incentives for predatory operating practices. However, they do depend on stronger measures to monitor performance, secure revenue collection and transfer mechanism.

One approach might be to begin with gross cost contracts and move toward net cost franchises as uncertainty surrounding the newly competitive market dies down. This is what was done in London in 1997. But it created some problems with the integrated ticketing system in the city. To try and rectify this particular problem there was a move toward a system-wide smart card ticketing.

The Proposed Franchise Model for the Greater Dublin Area

The NIRF model for franchising is derived from the work of Demsetz “Why Regulate Utilities” in 1968. The Demsetz model seeks the benefits of competition by tendering for the market where there are obstacles to competition in the market. It is proposed that an independent public transport regulatory function will be established which will : regulate the bus market through franchising and licensing, negotiate public service constraints and award public transport franchises and allocate state financial support for non-commercial bus routes. This is imperative to separate government from the operation of the franchising.

Much of the regulatory framework proposed is based on the Copenhagen experience. In the franchising model, the state will define the bus service and will invite tenders for its provision. The winning tender will have exclusive rights to operate services on particular routes for a specified amount of time (normally 5 years). The winning operator will either pay to operate the service exclusively, or will receive subvention. The type of franchising model used will depend on whether the route in question is profitable or not.

The independent regulatory function will ensure a quality of service and keep the integration of the public transport network. Its main objective will be to ensure a level playing field for all operations and maintaining contestability and competitiveness in the market place. The framework proposes a 3-phase transitional period to a fully franchised bus market. But it is envisaged that the regulatory body will begin franchising the core network in late 2003 or early 2004. With a process of 25% being franchised each year, probably leading to franchising of the entire network by 2006/2007, John Lynch is of the firm belief that it is pending union support and is not by any means guaranteed. It follows that the progressive process

of franchising, which experience in other countries suggests is the best incremental approach.

The Rationale Behind the Proposal for "Limited Competition"

In Britain in the 1980s, full deregulation was introduced to the bus sector with the exception of the Greater London area where the franchising model was introduced. In 1984, an Act of Parliament was passed which required competitive tendering of bus services to begin in London. In 1985 the tendering for bus routes began.

Cox, Love and Newton in 1995, found in a study on the "Expansion of Competitive Tendering in International Urban Transport" that since the introduction of the franchising model to London in 1985 bus services had increased by 26%, while the total cost of bus services declined by 27%. With a 42% reduction in cost per vehicle kilometre, the operating margin for all bus services had climbed from 60% in 1985 to 89% in 1995. A hard hitting figure of £3.4 billion was saved from 1985 to 1995 in bus operating costs from the combined effects of competitive tendering and competitive pressures. In Copenhagen, positive results of the franchising model were found. Since its introduction in 1989 there had been a 20% reduction in inflation adjusted costs per mile of bus services.

But in their report it was found that not just in London but throughout the developed world competitive tendering has saved money for governments, kept fares affordable and expanded services. Competitive tendered services have been less costly, with virtually no reduction in service levels or service quality. Urban transport operator costs have been reduced in response to competition. The results have been significant with system-wide cost per vehicle kilometre reduction from 19% in Perth to 33% in San Diego and other cities around the world experiencing approximately a 25% reduction. The best results were achieved where there is a separation of politics from operations.

These figures are supported by the Irish Competition Authority Report in 2001, which found that there had been a 30% reduction in operating costs in the last decade in the London Bus market. With fares not increasing in real terms and service level improving, it was also found that there had been an increase in patronage and a marked decrease in subsidy levels. The report found that service levels in London were superior under the franchising model than under the model of full deregulation that had been applied to the rest of the UK. It was felt the reason behind this was due to the franchising model maintaining the degree of co-ordination and integration between competing operator's services since the acceptance of the tender is made under strict guidelines. The very nature of

London's tendering system led to better operations by maintaining the overall ticketing system, which allowed co-operation between different operators.

In contrast, it was found that the most negative of outcomes under liberalisation was a decrease in patronage. This was attributed to some extent to the loss of integration and co-ordination since competing operators are reluctant to enter into agreements with competitors. In recent years however, this problem has been overcome with the establishment of "Quality Partnerships" in the UK due to the co-operation between local authorities and bus operators on issues of integration. This agreement has led to increased productivity and quality in the deregulated market. The report though poses a very interesting question: *"It is possible that the management of the transition to a deregulated market is what failed in the UK and not the deregulation itself".* (Competition Authority ,2001)

The Report concludes with the recommendation that the franchising model seems appropriate for the bulk of services in the Greater Dublin area. However, other models may be appropriate for outer suburban routes and that the independent regulatory function should have the flexibility to develop alternative approaches to different markets. Transparency seems to be the key in its recommendations and the design of the tendering system is of utmost importance.

The Isotope Report in 2000, which carried out a survey of authorities and bus operators from 109 European cities found that deregulated markets have theoretical and empirical advantages. In terms of efficiency in production, regulated markets have efficiency in terms of consumption. But, limited competition through franchising may have advantages overall. It was felt that if the political will and technical competence were present then the limited competition regime was the best choice because stability of the system can be maintained at lower cost with the prospect for further improvements.

It seems even advocates of full deregulation such as J. O' Sullivan of AirCoach, see the advantages behind the franchise proposal. He feels that total deregulation in an environment like Dublin will only further the chaos in Dublin, with the infrastructure problems, road space and gridlock issue. He also feels that the franchising model has all the efficiencies of a competitive deregulated market without the negative issues associated with full liberalisation and that "*it was absolutely the right way to go."*(J.O'Sullivan, 2003).

Criticisms of the Franchise Model

Although the proposed Franchise Model, based on competitive tendering, has been widely adopted recently, both in other EU states and elsewhere, it has not been without valid criticism and even staunch opposition from many economists. The model has been deemed both theoretically unsound and practically flawed and we shall now evaluate such claims.

It is a maxim of economics that the market works best for the increase in efficiency if it is left alone. Any argument for intervention must be made against that assumption. Franchising does intervene in the market process to a certain extent, and therefore the Franchising Model must be open to the risk of doing more harm than good.

The N.I.R.F maintains that "Franchising can push a market towards being perfectly contestable, by winning the Franchise competition, the new entrant can take on that part of the market immediately rather than trying to battle for market share with an incumbent". Thus by obtaining the Franchise the new entrant therefore becomes the sole incumbent, for a period of five years no less. However even basic economic theory asserts that a contestable market is one in which the positions of the incumbent firms are easily contested by entrants.

Indeed Barrett (2001) observes that "the policy implications of contestable markets are that governments should not ban new entrants and should remove obstacles to competition". In reference to the Franchise Model, John Hibbs of the University of Birmingham was of the opinion that "*conventional wisdom has it that this (franchising) means 'competing for the market' instead of 'competing in the market': an aphorism that makes no sense in economics, since the market is where competition takes place. It would be better expressed as 'competing for a monopoly*"(1997). If the Franchise Model is simply a mechanism to rid the state of its inefficient monopoly, and to subsequently replace it with a private monopoly of sorts, how then can the consumer benefit from the effects of market competition?

The "battle for market share" usually results in short term gains for the consumer, followed by the provision of competitive service by a producer who is wary of further competition around the corner. However, the NIRF report takes pride in mentioning that this "battle for market share" will not occur, a point highlighted by Barrett(2001) "*The failure to permit market forces in Irish public transport involves excess costs to users, creates economic rents for producers and signifies regulatory capture of the government as regulator by the protected company*".

The extent to which the franchise model can benefit the producer rather than the consumer is also established by Hibbs, "*Management is free to operate for the set period of years in the knowledge that there will be no threat of competition*

over the route. From the investor's point of view the degree of certainty that the system provides is an attraction"(1999;14). This school of thought contradicts the conclusions of the Isotope report which suggested that although a fully deregulated market would have theoretical and empirical advantages in terms of efficiency of production, regulated markets had theoretical and empirical advantages in terms of efficiency of consumption.

Not a Franchise Model in the Traditional Sense

One must also consider the context of this 'franchise' model, which is very different from the high street version. In a traditional sense, the term 'franchise' relates to an outlet where the franchisee sells goods or services to a guaranteed standard, paying for the use of the franchisor's reputation and style, in a highly competitive market. In this instance the 'franchise' is not as much a threat to competition as the proposed franchise model for the bus sector would be.

McDonald's still have to compete with local chip shops for their custom If consumers are unhappy with the service provided by McDonald's or if the rival chip shops provide a cheaper service, then as in any competitive market the consumer is entitled to make an informed decision.

Competition for the market has proved to be a success in some areas as previously documented. However, the model does seem to be most adept in ensuring competition occurs in areas where a competitive market is difficult or impossible to obtain and where few economists have any objection to its use. Barrett identifies areas such as the air traffic control sector where competitive tendering "*brings competition to a sector whereas airlines shopping around between competing control towers is impracticle*". (2001;10)

Stifling Innovation

Another bone of contention among detractors of the franchise model is that it accommodates bureaucracy and stifles innovation. One of the positive externalities of competition is that inefficient bureaucracies are consigned to the scrap-heap. Unfortunately the franchise model provides sufficient scope for such bureaucratic tendencies in the sense that it may give power to people who are "at more than one" removed from the market, thus creating extra layers of communication which can result in time wasting. John Lynch cites the Copenhagen regulatory body as a prime example of how the franchise model can promote bureaucracy. He states that the body " *was vastly over staffed with 300 people which lead to bureaucracy and in turn low levels of productivity."*

The franchise model will inhibit managers who wish to increase the frequency of service or attempt slight alterations of routes as demand sees fit, due to restrictions which are expected to be rigid in terms of route deviation. Professor

Hibbs observed of the London experience that "*franchising can only limit the freedom of managers to innovate and to do so at their own risk. For franchise means bureaucracy. And bureaucrats, administering public funds, must not go into the risk business* (Hibbs and Bradley, 1997). Those who are to administer public funds to the franchisees in Dublin have yet to be established of yet, but there is a demand that this body be independent of political influence as to minimise the potential of bureaucracy or indeed corruption.

The franchise model will also "in effect" create private monopoly's on routes, and in general monopolies tend to be inefficient according to John O' Sullivan of Aircoach "*Any monopoly tends not to be lean and efficient, it tends to be overburdened with extra layers of management which don't really add any value….consequently decision making can take a long time and therefore is expensive"*.

Problems in The Competitive Tendering Process

The franchise model is not without fault at a practical level either, and many of these faults could be exacerbated by certain factors present in the Irish economy. Primarily, one of the main practical concerns is regarding the possibility that the bidding process for the franchise of certain routes will not be competitive. If few firms put forward applications during the tendering process, then the firms involved may decide it is in their best interest to behave in a oligopolistic manner through collusion and signalling. This would involve the firms engaging in private consultation on prices and attempting to carve up the market to best suit each other's needs and not necessarily to suit the best need of the consumer. What could follow competitive tendering in this instance? A market where the competitors refuse to compete and collude with each other to their mutual benefit. Although the Competition Authority has produced a paper on "Detection and Prevention of Collusive Tendering in Public Service Contracts", this possible drawback of the franchise model needs to be addressed in far greater detail. The regulatory body may need to reserve the right to abandon a tendering process if it has evidence indicating that collusion has occurred.

Another assumption in which confidence may have been misplaced by the department is that *"the more competition there is in the bidding process the greater the expected efficiency of the winning firm*" (Competition Authority, 2001;62) However, the uncertainty which will no doubt accompany the first round of competitive tendering may induce some eager firms to price themselves so competitively that they may not be able to provide an acceptable standard of service. Thus they themselves may eventually go out of business, while the consumer is left with an inadequate service. Conversely, many services currently provided by Dublin Bus are not profitable because of the inefficient manner in which they are run,

therefore some firms who obtain the franchises on these routes may be able to achieve supernormal profits.

The False Legacy of London?

With all of the above in mind, one must question how the N.I.R.F came to the following conclusion that "*it is clear that the franchising model is the optimal regulatory solution to manage the development of the core urban bus network*". (N.I.R.F, 2000) Indeed Barrett (2001), ponders why they were so quick to dismiss on road competition. It appears, at least to these authors that the N.I.R.F proposals were predominantly based on findings derived from the franchising experience of London compared to the deregulation of cities and areas outside of the greater London area. Recently, whilst the number of people using buses in London has been increasing, the number in the rest of the country has slightly declined. This conundrum has led to the simplistic conclusion that the 'London franchise system' works better than the deregulated market which exists in the rest of the country. This could be a red herring according to Professor Hibbs (2000) who believes that "*London is not comparable with provincial cities, central London is large enough to have bus and tube services that cater for the demand of the central areas alone. In London there is an established market for such travel: people do not, to any significant exten,t use buses to travel within the centre of cities like Birmingham or Manchester*". Hibbs estimates adult commuting in central London at 80% and 40% for the city on a whole, compared to a National figure of just 7%, leaving us in no doubt as to attractiveness of the London market to bus companies.

Jakee and Allen contradict the Isotope Report which outlines that full deregulation causes problems of integration, instability of supply and greater inequity in the levels of service. They suggest that much of this evidence in the UK is anecdotal "*But the substantiation of numerous claims of ill-conduct, such as hazardous driving, is practically non-existent even by* contemporary economists". Ms Anne Nolan of Trinity College Dublin found that the level of service within the cities outside London has not declined and in some cases had improved in the routes where mini-buses had been introduced. The final question the N.I.R.F should ask themselves is 'Can we compare Dublin, a city with a population of roughly a million people with that of greater London with a population of roughly seven and a half million people?"

Conclusions

The franchise model has emerged as many people's favourite option to replace the state monopoly Dublin Bus. The model has some positive attributes, not

least the fact that it appears to provide a compromise between a state monopoly and outright deregulation. However, economic theory would suggest that rather than push a market towards being perfectly contestable, the franchise model restricts entry to the market preventing the consumer from obtaining the benefits of competition and the improvements in technology which might occur within the window period of five years.

The Competition Report's acknowledgement that " *it is possible that the management of the transition to a deregulated market is what failed in the UK, not deregulation itself*" (Competition Authority, 2001) has many implications. First and foremost, the market had not necessarily failed and that it was the poor implementation of the theory rather than the theory itself which failed. The loss of patronage evident in the deregulated bus market in areas outside London was attributed to a loss in integration and co-ordination since competing operators were reluctant to enter into agreements with each other. No doubt this may also prove a big problem if Dublin were to enter into a predominantly deregulated market.

However, it is not beyond the bounds of possibility that adequate integration cannot be achieved by a regulatory body within a deregulated system. The level of integration required would have to be high as Dublin's streets are notorious for their narrow congestion, and the confusion which may accompany deregulation would need to be kept to a minimum. According to John Lynch, this can be attributed to Dublin's medieval street structure which has traditionally caused problems for Dublin's infrastructure.

The establishment of an independent regulatory body would be of primary importance, and it is imperative that this body would be transparent in every facet of the organisation. This organisation would have to be strictly independent of government intervention and its main role should be to as a watchdog and co-ordinator over the industry. The success of the proposed model may hinge on the government's ability to learn from other countries' mistakes, such as the bureaucracy encountered in Copenhagen and the lack of co-ordination in the London model.

The proposed franchising model represents an attack on the inefficient structure of the Dublin Bus market without what we feel is an appropriate strategy to tackle the infrastructure problems that plague Dublin. The apparent lack of any National transport policy is a major concern and renders the introduction of full competition into the Dublin Bus market highly improbable. In conclusion, we feel that the proposed model can be made to work if it sticks rigidly to its two primary objectives of providing a better service for the consumer and reducing costs for the operators. The franchising model will be an improvement from the current situation. However monumental efforts should be made to tackle Dublin's congestion problems thereby paving the way for the possible introduction of full competition,

so consumers can reap the same benefits from the bus services as they have in the airline and taxi industries.

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