DE GRUYTER
OPEN

Administration, vol. 66, no. 1 (2018), pp. 129–146
doi: 10.2478/admin-2018-0012

Reflections on rent-seeking in Ireland and its bus industry

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Introduction

Rent-seeking is the lobbying of government in order to achieve tax reductions, subsidies and restrictions on competition. O'Leary (2015) has argued that the theory of rent-seeking has the potential for explaining Ireland's long-term growth from the 1950s to the present day. This paper reflects on the destructive effects of rent-seeking in Ireland as a whole and in its bus industry in particular. The next section outlines the pervasiveness of the problem as set out in the Culliton report (1992). This is followed by a section considering rent-seeking in Irish transport in general and in the bus industry in particular before the 1980s. The following sections deal with developments in that industry from the 1980s to 2010, the impacts in the bus industry of the liberalisations following the Swords Express case in 2010, and the need for reforms in Ireland's public institutions. The final section widens the discussion again to rent-seeking in other sectors in the present day.

The pervasiveness of the problem

The extent of rent-seeking in the Irish economy was noted in the Culliton report of 1992, which examined the causes of an under-performing economy at that time. The report stated that 'the competitive edge of Irish industry has been blunted as effort and energy have been distracted from the proper emphasis on serving the market and achieving high productivity, into maximising the grant or tax benefit. Tax avoidance and grant maximisation are directly unproductive activities (or rent-seeking in the economists' jargon) par excellence. Tax reform and a reduced emphasis on industrial grants, especially for non-mobile investment, should help refocus entrepreneurial effort' (Culliton, 1992, p. 22). Later it states that 'We have observed a widely-held perception in both the public and private sectors that the Structural Funds represent in some way "free money from Brussels", the allocation of which requires to be less rigorously evaluated and accounted for than normal. The allocation of resources by Departments to the management of activities co-financed by the Structural Funds appears to be on the minimalist basis of ensuring that the draw-down of funds is at the fastest possible level without sufficient attention to ensuring the most effective use of the Funds' (Culliton, 1992, p. 49).

These quotations illustrate concerns that Irish economic crises were caused by rent-seeking in both the Irish private and public sectors. These concerns are also important today. As Ireland returns to full employment and balanced current budgets, it is appropriate to examine the failures of institutions and policies which cause recessions in Ireland.

Rent-seeking, in addition to the tax avoidance and grant maximisation noted by Culliton, includes lobbying by incumbent producers seeking protection by government from potential competition. Laws to restrict competition and create barriers to entry are examples of successful rent-seeking. When a regulator is captured, the rent-seekers increase their income without increasing overall economic output. A captured agency wields the authority of government on behalf of the successful rent-seeker. An example is the Department of Transport before airline deregulation, when it was known as the 'downtown office of Aer Lingus'. Rent-seekers seek to capture political parties, academia and the media, as well as the permanent government in the bureaucracy. The estimated number of lobbyists in major centres of governance is 12,000 in Washington, 14,000 in London and 15,000 in Brussels.

The next section considers rent-seeking in Irish transport, from the 1920s to the 1980s.

Rent-seeking in Irish transport before the 1980s

The difficulties of Irish railways in the late 1920s led railway management and shareholders to lobby against bus competition. This rent-seeking succeeded. The Road Transport Acts of 1932 and 1933 transferred successively many bus and road freight operations to railway control by schemes of voluntary and compulsory acquisition. Passenger numbers on the Great Southern Railways, which operated rail services other than cross-border services, fell by 23 per cent, from 15.5 million in 1926 to 11.9 million in 1931. The number of road goods vehicles increased by 67 per cent between 1925 and 1931. The Great Southern Railways acquired a major bus operator, The Irish Omnibus Company, and the largest road freight operator, John Wallis and Sons. At the annual general meeting of the Great Southern Railways Company in 1931 the chairman called for the regulation of road transport in order to protect the railways: ‘It is obvious, moreover, that unless legislation is passed regulating transport and removing the disabilities at present imposed on the railways the companies cannot continue to adequately maintain and operate them.’ At the 1932 annual general meeting the chairman stated that ‘nowhere in the world was the whole matter of road and rail competition allowed to drift as it has been, until recently in Great Britain or the Irish Free State’ (Barrett, 1982, p. 3).

The rent-seeking succeeded. The Road Transport Act, 1932, prohibited the operation of scheduled passenger services except under licence from the Minister for Industry and Commerce. The Act permitted railways to acquire road transport companies. Some 1,098 independent bus services were absorbed into three favoured public transport operators under the Road Transport Act, 1932, between 1933 and 1941. These were the Great Southern Railways Company, the Great Northern Railway Company and the Dublin United Tramways Company. Over 60 per cent of the transfers were compulsory. Acquisitions by the three statutory companies under the 1932 Act reduced the number of independent bus companies from 107 to 42 between 1932 and 1938.

The minister introducing the bill, Mr McGilligan, TD, stated in the Dáil that while the tendency in the Act was ‘to divert traffic into the hands of the three transport companies operating on a big scale at present… we do allow for the existence side by side with these three agencies of the independent bus proprietor or company. Personally, I would look forward to seeing these people disappearing by degrees either by process of amalgamation with other companies or by the main companies deciding that their future lay in certain areas in the country and leaving other areas for exploitation by independent bus owners.' (Dáil Éireann, 1932).

Rent-seeking succeeded also in relation to the freight market. The Road Transport Act, 1933, restricted the operation of road freight for reward outside small exempted areas adjoining the main towns to persons operating prior to the passing of the Act. The existing carriers were restricted in areas of operation, classes of merchandise carried, and the weight and number of vehicles. The Act also provided for the acquisition of hauliers, by compulsory purchase if necessary, by the railways. The number of hauliers declined from 1,356 prior to the Act to 886 in 1938, a fall of 35 per cent. The railways acquired 387 road freight companies and there was a net reduction of 87 operators, who were not acquired by railways but left the industry. The minister, Mr Lemass, TD, stated in Seanad Éireann that the aim of the bill was 'to make it possible for the Great Southern Railways in its area and other railway companies to establish themselves in what is described as a monopoly position' (Seanad Éireann, 1932).

Rent-seeking in this period thus strengthened its preference for monopoly provision and weakened market access and participation by the independent bus sector. Since nationalisation did not occur until 1950, most of the first two decades of intervention by government in the transport market sought to favour one set of private sector companies, the railways, and to restrict another set of private sector operators, the non-railway, independent road transport companies. The superiority of railways over bus operators in rent-seeking was illustrated in the Transport Act, 1944, which established CIÉ as an amalgamation of Great Southern Railways and the Dublin United Transport Company in order to bring to the support of the railways the revenues secured from bus operation in Dublin. Further support for railways from other transport modes was sought by the amalgamation of the Grand Canal Company with CIÉ on nationalisation in 1950, and the subsequent transfer of its traffic to the railways.

The success of rent-seeking by the railways is documented in the Milne report (1948). The number of passengers carried by the independent bus operators declined from 34.5 million to 1 million per year, and their market share dropped from 46 per cent to 0.92 per cent. The Milne report found 28 independent bus operators and noted that 'no new entrant had been granted a licence since 1940' (1948, p.

22). The Beddy Report (1957) also recorded 28 independent operators with 1.2 million passengers in 1955.

Largely excluded from scheduled services, the independent bus sector sought growth opportunities in group travel such as sports and shopping trips, tourism, travel clubs, student weekend travel, school tours, cupid buses, sub-contracting school bus services and subcontracting occasional CIÉ services as 'auxiliaries'. By 1985 there were 38 independent bus companies operating over scheduled services over 105 routes. The *Green Paper on Transport Policy* in 1985 stated that 'most of these routes were short rural services. Regular services are provided on 70 routes while occasional services (e.g. trips to seaside, dances, etc.) operate over the remaining 35 routes' (Department of Transport, 1985).

Transport developments from the 1980s to 2010

The Goodbody report (2005) showed an independent sector bus fleet of 4,859, receipts of €307 million and 6,000 employees in 2003. Passenger revenue was €219 million at Bus Éireann and €173 million at Dublin Bus. The total passenger revenue of the bus sector was €699 million, with 43.9 per cent going to the independent sector, 31.3 per cent to Bus Éireann and 24.7 per cent to Dublin Bus. While the Department of Transport remained captured by, and protective of, its in-house transport companies in respect of individual stage carriage, the restrictions on market entry did not cover group travel. The independent bus operators were less restricted in serving this market. Data within the Department of Transport supplied to the National Prices Commission in 1972 showed that 'the remaining independent bus companies, many operating in remote areas, charged lower fares, in some cases significantly lower fares than CIÉ,' the successor of the companies protected by the 1932 legislation (Barrett, 2011, p. 7). In 1979 the minister, Mr Faulkner, TD, stated in the Dáil that 'while I do not have full up-to-date particulars in relation to fares charged by private operators of licensed road passenger services, the information available to me suggests that these fares are in most, but not all, cases lower than CIÉ's fares mainly because of lower administrative and staff costs' (Dáil Éireann, 1979).

Barrett (1982, pp. 130–3) estimated that the Dublin–Cork bus fare would fall by 40 per cent to 50 per cent if market entry by more efficient but excluded operators was permitted. The fare reductions were based on fares charged by independent operators operating in the midlands and on charter rates for independent bus hire. This intercity market thus replicated the European aviation market where charter airlines operating to tourist destinations charged fares per mile of about one-third of those charged by legacy airlines operating between major cities.

While ministerial discretion and individual court cases secured bus market entry on an ad hoc basis from time to time, the Department of Transport opposed deregulation of the bus market up to the Swords Express decision in 2010. In the decade after 2000 the case for market entry to the bus sector was strengthened by several events as follows:

i. Evidence that fares per mile on contested routes such as Dublin–Galway and Dublin–Waterford were lower than on uncontested routes such as Dublin–Cork and Dublin–Belfast in 2004. Fares on the uncontested routes were 58 per cent higher for a single journey and 66 per cent higher for a return journey.
ii. The introduction of competition on the Dublin–Cork route in 2005 led to an increase in frequency from six to fourteen per day and fare reductions from €20.50 to €7 for a single journey and from €33 to €12 for a return journey.
iii. The introduction of the Aircoach service at Dublin Airport in 1999 brought 24-hour service and higher frequency and vehicle standards without the need for subsidisation.
iv. The regulation of transport markets in the interest of incumbent producers rather than consumers and new entrants was criticised in the taxi deregulation judgement in 2000. That judgement stressed the rights of persons to work in the taxi sector and the rights of citizens to avail of the services of such persons. The judgement has relevance for bus regulation because taxis and buses are categorised as public service vehicles (small) and public service vehicles (large), respectively. The judgement by Mr Justice Murphy criticised quantitative licensing of public service vehicles. 'A quantitative restriction not alone affects the rights of citizens to work in an industry for which they may be qualified but it also manifestly affects the rights of the public to the services of taxis and indeed to the development of the taxi industry itself.' Mr Justice Murphy also stated that 'regulations which restrict the number of public hire vehicles contradict the very concept of public service'. He also stated that the minister's right 'does not

appear to extend to the limitation of numbers or to discriminate in favour of existing licence holders'.[1]

v. The influence of airline deregulation, a policy in which Ireland was an EU leader, was significant in Ireland, an outer island. Fares fell by 54 per cent on the first day of competition in 1986. The single Irish airline before deregulation carried 2.3 million passengers. The prediction for 2018 is that the four Irish airlines will carry over 150 million passengers.

Despite the above factors, the Department of Transport published arguments against new market entrants regularly over the years 1985 to 2009. These are summarised in Table 1.

Table 1: Department of Transport cases against new market entrants to the bus sector, 1985–2009

Publication	*Bus competition would lead to:*
Green Paper on Transport Policy (Department of Transport, 1985)	1. Reduced quality of service and safety 2. Gaps in the network 3. Service only on high-demand routes 4. No funds available for cross-subsidisation 5. Redundancies 6. Adverse impacts on railways 7. Incumbent bus companies having to reduce costs
Regulation of Bus Services outside the Greater Dublin Area (Steer Davies Gleave, 2002)	1. Free sale of tickets being abandoned at peak times 2. Reduced integration opportunities 3. Fare rises where there is no competition 4. A focus on high-demand routes
Regulatory Impact Analysis of Public Transport Regulation (Department of Transport, 2009)	1. Cherry-picking 2. Lack of integration 3. A limited market in rural areas 4. Localised monopolies 5. Lower standards 6. Services would be 'patchy and unstable' 7. Services for tourists at peak times but not for locals at off-peak times 8. Market instability leading to loss of confidence and decline in services 9. Fares may rise if there is limited competition 10. Unsustainable competition may require more subsidy

[1] *Humphrey v Minister for Environment and Local Government* [2000] IEHC 149.

The arguments in Table 1 dominated policy up to 2010. They were asserted rather than analysed. The counterarguments about vehicle standards might have stressed the higher vehicle standards of many independent bus operators. The safety argument could have been assessed by reference to insurance claims and the scrutiny of the Road Safety Authority. Since the department already knew about the lower costs and fares of the independents and had, since 1932, restricted their route access, the statements that competition would lead to higher fares lacked conviction. Cross-subsidisation is both an acknowledgement that some passengers on some routes are overcharged and an assumption that the supernormal revenues are allocated to other passengers on other routes rather than absorbed by higher costs. The cost pressures noted in the 1985 Green Paper acknowledge the efficiency gains from competition and might be considered benefits rather than costs of deregulation (Department of Transport, 1985).

The latter criticisms in 2002 and 2009 ignore the contestability of the bus sector due to its low sunk costs (Baumol, 1982). Buses can be moved to other routes. Potential new entrants thus ensure the efficiency of incumbents and reduce the likelihood of local monopolies. Market exit is a core component of a contestable market and would limit the saturation of high-demand, cherry-picked routes. Higher fares on a route would attract new entrants.

While the twenty-one arguments against bus competition in Table 1 are, in the main, threadbare in the light of both the bus business in Ireland and economic theory, they are important in that they dominated policy from 1985 to 2010 and prolonged the anti-competitive policies in operation since 1932. The arguments in Table 1 continue to dominate the allocation of city and rural bus services, where rent-seeking largely prevails. However, there has been an opening up of the intercity and outer Dublin commuter markets since the Swords Express case in 2010. The next section outlines these developments.

The Swords Express case and subsequent liberalisations in the bus industry

Regulatory capture by the incumbent was a feature of the Swords Express case (2010). In this case Mr Justice Brian McMahon ruled in favour of market access. ‘The Department, because of the privileged position of the notice party [Dublin Bus] as an exempt body, should have been hypersensitive to the competing interest of the private licence operators in applying the guidelines. In dealing with the notice party first, the Department was not only ignoring its own guidelines, but was doing so where the person being favoured was already an exempt body and had an advantage over the applicant'.[2] The minister had favoured Dublin Bus to the detriment of Swords Express.

Following the verdict in the Swords Express case, the independent bus sector has been able to avail of a more even-handed treatment by the regulator in the allocation of licences. The National Transport Authority (2017, p. 11) shows that the services carried 25.2 million passengers on 344 routes in 2016. Passenger trips in 2016 on commercial services were 25.6 per cent greater than in 2013, and in the Greater Dublin Area the increase was 35 per cent (National Transport Authority, 2017, p. 10). Of the 344 routes served, 127 were in the Greater Dublin Area and 217 outside it. There were 122 operators. A total of 32 new routes were added in 2016, of which 25 were outside the Dublin area, and 35 routes were added in 2015 when 20 were outside the Dublin area. The fleet count for the sector was 1,371 vehicles.

The remarkable success of market liberalisation in the main intercity markets is seen in the 40-fold increase in services between 1980, under monopoly, and 2016. The increases in daily frequency on routes from Dublin were as follows: Cork, from 1 per day to 43; Galway, from 1 to 57; Limerick, from 1 to 62; Belfast, from no service to 58; Waterford, from 2 services to 32; and Wexford, from 2 to 34. On the six routes combined, the increase was from 7 to 286. These developments are shown in Table 2.

Table 2: Output under monopoly and competition on intercity bus routes from Dublin

Dublin to:	*Services per day under monopoly (1980)*	*Services per day under competition (2017)*
Cork	1	43
Galway	1	57
Limerick	1	62
Belfast	0	58
Waterford	2	32
Wexford	2	34
Total	7	286

Sources: 1980 bus timetable; autumn 2017 bus websites.

[2] *Digital Messenger Ltd trading as Swords Express v Minister for Transport* [2010] IEHC 311.

In addition to output increases the growth of the independent bus sector has reduced the subsidy cost to the Exchequer. This is shown in Table 3.

Table 3: Exchequer cost per passenger by transport operator, 2016

Operator	*Passengers (m)*	*Exchequer cost (€m)*	*Exchequer cost per passenger (€)*
Rail	42.8	308.1	7.20
Bus Éireann	38.7	60.0	1.51
Dublin Bus	128.2	74.7	0.58
Independent bus	25.2	0.4	0.02

Sources: National Transport Authority; CIÉ company accounts.

The Exchequer costs of the independent services in Public Service Obligation (PSO) payments is €400,000, covering three routes. No subsidies are paid in respect of the remaining 341 routes. The subsidy cost per passenger, spread over 25.2 million passengers, is €0.02. By contrast, railway PSO, capital and other subsidies amounted in 2016 to €308.1 million for 42.8 million passengers, or €7.20 per passenger. Bus Éireann received €60 million for 39.7 million passengers, or €1.51 per passenger. Dublin Bus received €74.7 million in PSO and other subsidies for 128.2 million passengers, or €0.58 per passenger. The numbers of passengers carried per €1 million subsidy in 2016 were 139 for railway, 1,550 for Bus Éireann, 1,716 for Dublin Bus and 63 milion for independent buses.

The capture of the Department of Transport by one dominant public transport rent-seeker is obvious but other departments are also captive. The regulatory impact analysis of the Public Transport Regulation Act, 2009, stated that 'all Government Departments were consulted and either had no view or broadly welcomed the Bill' (Department of Transport, 2009). This indicates capture of government departments which had policies in their sectors at variance with those in the Department of Transport. The Department of Finance overlooked a subsidy of €82,000 per bus in Dublin Bus and €66,000 in Bus Éireann, an average of €77,000 per bus in the state bus fleet compared to zero in the independent bus sector. The Book of Estimates for 2009 allocated €338 million for PSO payments, €917 million for a public transport investment programme and €14 million for public transport agencies and expenses. This programme of €1.3

billion was awarded to the state transport company without reference to other bus companies with a record of not requiring subsidies. That ought to have concerned the Department of Finance in securing value for money in public spending, especially at a time when the public finances were on the brink of collapse. Similarly, the Department of Employment, Trade and Enterprise, while espousing values of entrepreneurship, innovation and competitiveness, nonetheless accepted legislation designed to obstruct these goals in inland passenger transport.

The capture of government as a whole in the transport case is also seen in the parliamentary procedures under which the Public Transport Regulation Act was processed. The time allocated to the president to consider a bill for seven days was curtailed by the government's invocation of Article 25.2.2 of the Constitution in the Seanad on 26 November 2009. The bill was signed on the following day. New contracts with the CIÉ companies were signed on 1 December without competitive tendering. This met an EU deadline and confirmed the view that the protection of state transport companies was in fact the object of the legislation in the first place.

Notwithstanding the weakness of the arguments made against bus competition in Table 1 above, the increases in output by the independents in Table 2, and the minimal Exchequer subsidy per passenger on independent bus operators in Table 3, the Department of Transport in 2017 allocated 10 per cent of Dublin bus routes to Go Ahead, a subsidised UK operator, and five routes in Waterford to Bus Éireann. The initial 2009 direct awards of contracts to the three state transport companies were made without competitive tendering. The 2017 award occurred eighteen years after the initial announcement in 1999.

The Competition Authority (2010) found that the process lacked transparency, placed unnecessarily high barriers to entry and made no provisions for the replacement of an existing operator by a new provider, and that 'all new applications in the Greater Dublin Area and other cities could potentially be rejected'. The authority was 'concerned that the Draft Guidelines did not reflect the positive benefits which competition can bring to consumers and taxpayers and to the economy as a whole' (2010, p. 1). The exclusion of competition considerations has been a major success for rent-seekers.

The 2017 route allocations indicate regulatory recapture since the Swords Express case in 2010. This has already occurred in the case of the taxi market. The High Court verdict in 2000 brought an increase in taxi numbers from 3,913 to a peak of 27,429 in 2009. New barriers to entry since then have reduced taxis by 6,283. Gorecki (2013) noted the anticompetitive re-regulation of taxi numbers at the behest of incumbents.

Failure in 2017 to give the independent bus more route access continues a regulatory capture and rent-seeking tradition going back to 1932. The data in Tables 2 and 3 question why so many state transport services need subsidising at all and why competitive tendering is not used.

The next section widens the discussion to the reform of public institutions.

Rent-seeking controls and the reform of public institutions

Ireland in early 2018 has returned to full employment and a balanced current budget. The failures of the institutions which caused Ireland's economic collapse must be addressed in order to prevent a recurrence. In opposing rent-seekers the economics profession follows distinguished company, including Adam Smith, Alfred Kahn, George Stigler, William Baumol, Mark Pauley, James Buchanan, Jan Tinbergen, Gordon Tullock, Anne Krueger and others. O'Leary warns that 'collective action can undermine productivity growth through successful rent-seeking' (2015, p. 148) and cites Olson's warning that 'such action occurs through professional associations, labour unions, farm organisations, trade associations and the oligopolistic collusions of firms in concentrated industries' (2015, p. 148). Correcting the rent-seeking tradition in Ireland is a challenge to economists.

Barrett (2006) examined resource allocation in Transport 21, an investment programme costing €34.4 billion over the years 2006 to 2015. There was little published economic analysis of either the costs or the benefits of the investment, and there was evidence that rent-seeking had heavily influenced the investments chosen. Barrett's proposals for reform of the appraisal of transport projects in Ireland are shown in Table 4.

Reforms 1 and 2 are needed to redress rent-seeking based on advocacy rather than analysis. Without the protection of independent economic analysis, policy and investment proposals are made to promote the cause of the rent-seeker and to gain regulatory capture over the agency funding investment projects and setting economic rules. The independent bus sector is both a successful market sector and a failed rent-seeker. It is not obvious why its growth and

Table 4: Proposed reforms in the appraisal of transport proposals in Ireland

No.	*Reform*
1.	Greater economic expertise in the Department of Transport, its agencies and local authorities
2.	Reinstatement of the Department of Finance's role in ensuring value for money in public expenditure
3.	Ex ante independent evaluation of all major investments and subsidy proposals
4.	Publication of evaluations for public debate
5.	Designation of a common set of shadow prices for each assumed failure in product and factor markets
6.	Inclusion of a range of alternatives in each project appraisal, including market-based alternatives and alternatives proposed by other agencies
7.	Restricting 'do nothing' alternatives in cost-benefit analysis to the minimum
8.	Estimation of internal rate of return and benefit/cost ratios for all alternatives rather than net present value which favours large projects
9.	Inclusion of a range of sensitivity tests on each alternative appraisal
10.	Publication of ex post cost-benefit analyses of all major transport investments
11.	Measures to transfer risk from state to the construction sector

Source: Barrett (2006, p. 54).

productivity have so little influence in policy, or what economic theory discounts its low dependence on Exchequer funds, low fares, high frequency and extended hours of operation.

Reforms 3 and 4 are required because of secrecy and advocacy in policy and investment promotions. The *Kildare Route Project Business Case Final Report* (Iarnród Éireann, 2005) contains 131 redactions of vital data in its 42 pages. The *Updated Detailed Business Case* for Metro North (2010) redacts all data on the costs and benefits of the project in a table with twelve blank spaces, while stating in a footnote that 'as the results demonstrate, the economic case for the scheme is significantly strengthened under the LA growth scenario' (Railway Procurement Agency, 2010, p. 93). The reader is asked to accept benefit-to-cost ratios and internal rates of return without any quantification of either costs or benefits.

Unless reforms such as 3 and 4 are implemented, Ireland will rely on economic whistle-blowers to release redacted documents designed to conceal vital information rather than inform debate. Reforms 5 to 9 above deal with the choice of shadow prices, limited alternative scenarios designed to favour the project being promoted, the bias caused by a high-cost, 'do nothing' option and the large project bias in the net present value criterion. Reforms 10 and 11 provide a measure to protect the Exchequer against projects which have poor *ex post* results. They seek an equity stake from promoters and input suppliers to fund the projects, in addition to the pursuit of public funds.

Table 4 indicates strongly that the Exchequer and the public interest must acquire knowledge, skills and techniques to counteract rent-seeking and attempts at regulatory capture. The incentive structure for public service should reflect success in turning inputs into outputs, resisting capture by interest groups and replacing bureau budget maximisation by a target that serves society as a whole.

The International Monetary Fund (IMF) report (2017) on public investment management assessment states that Ireland does not underinvest in infrastructure compared to the UK and Germany, and has a pro-cyclical pattern of capital spending. It estimates that Ireland has an efficiency gap in infrastructure performance of 23 per cent compared to the rest of the world, and 58 per cent compared to advanced countries. The IMF finds that 'improving public investment management would enable Ireland to bring the efficiency of its infrastructure closer to the frontier of best practice in advanced countries and deliver more bangs for the buck from infrastructure spending' (2017, p. 8). Other problems noted in this area by the IMF are non-publication of appraisals, cursory reviews of budgeting, lack of attention to changes in project scope and cost, and non-transparent selection of project criteria. The IMF also found that active monitoring at the Department of Public Expenditure and Reform (DPER) level is underdeveloped and that fundamental reviews of projects are very infrequent, and noted the non-publication of past project reviews (see Table 1).

Other defects noted by the IMF include statements of capital requirements without much detail for individual projects, and costings which had not been validated by vote officers in DPER. The IMF also noted that 'the non-binding nature of DPER's review of appraisals on sanctioning authorities is a unique feature of Ireland's system' (2017, p. 45). In relation to transport the IMF states that 'the strategy for land transportation is largely focused on investment needs and puts a case for minimum Exchequer funding of €1.3 billion a year over the long term' (2017, p. 24). The DPER threshold for projects requiring appraisal by the Central Economic Evaluation Unit is €20 million. The IMF describes this as 'a comparatively high threshold for CBA [cost–benefit analysis] by international standards' (2017, p. 39), and notes screening at pre-appraisal stage in other countries where project costs exceed €5 million (2017, p. 40). In 2017 there was strong rent-seeking pressure from the business sector for increased capital expenditure on infrastructure without institutional reform or independent appraisal.

The defects noted by the IMF, and in Table 4, require a substantial infusion of economic expertise. The defects have left transport and other sectors wide open to rent-seekers. The final section briefly outlines rent-seeking in other sectors.

Rent-seeking across the Irish economy

Failures in bank regulation showed deficits in economics in the banks themselves, their auditors and the agencies. The success of bankers in achieving the bailout was a spectacular episode in rent-seeking, and the success of bank managements in transferring the cost to the wider society is a major case of moral hazard. The social need to subsidise state transport companies was created in the public mind by successful lobbying of the Department of Transport in order to exclude other service suppliers. By successful lobbying to exclude your competitors, you make yourself indispensable.

There are also concerns about the cost of legal and health services in Ireland. The National Competitiveness Council (2017) expressed concerns about Irish legal costs. Amendments in the Seanad on ending the monopoly of solicitors in conveyancing and on requiring the attendance of a solicitor during discussions with a barrister were declined by the government in promoting the Legal Services Bill. There was strong producer lobbying for the bill.

On health costs, MacCarthaigh notes a trade unionist view that the sector avoided the 2011–16 reforms after the economic crash: 'I think that DPER probably regrets that they never really got into the heart of the health system. A lot of effort is still going into health reorganisation, but it is not clear what this is achieving. So I think that's the one area that didn't fundamentally change' (2017, p. 266). Department of Health (2016) data indicate that in 2014 Ireland spent on health per head 15 per cent more than France, 11 per cent more than Canada, 29 per cent more than Finland, 64 per cent more than Spain and 26 per cent more than the UK. Irish health service employment increased by 2.1 times between 1988 and 2016, from 50,671 to 105,866, but performed 117,000 fewer hospital bed days over those three decades. In the so-called 'lost decade' between 2006 and 2015 hospital consultant numbers increased by 26 per cent, non-consultant doctors by 21 per cent and all hospital doctors by 23 per cent. Capital investment of €4.3 billion took place over the 'lost' decade. Nurses comprise 38 per cent of the health service staff. Charlesworth (2017) found that nurses in Ireland were the third-highest paid in the OECD after those in the US and Luxembourg, and were paid 38 per cent more than the OECD 29-country average.

The Committee on the Future of Healthcare's report (2017) recommended expansion of the general healthcare budget by 7 per cent per annum, at a minimum, over seven years – a cumulative increase of 61 per cent. The advice on this came from a combination of lobbyists and health service insiders. The transfer of responsibility from health service providers to taxpayers has been a success in rent-seeking. Offshoring of Irish health treatments under EU schemes is likely to save money and reduce waiting times. The use of waiting lists of patients to increase rent-seeking leverage has been central to rent-seeking in this sector.

Ireland has a political tradition of rent-seeking over hundreds of years. Sir Robert Peel, chief secretary for Ireland (1812–18), stated that 'everybody in Ireland, instead of setting about improvement as people elsewhere do, pester government about boards and public aid. Why cannot people in Ireland fish without a board (for fishing) if fishing be so profitable?' (McDowell, 1952, p. 211).

The Department of Transport, true to its old tradition dating back to 1932, serves incumbent producers, lobbyists and rent-seekers. The wider economy, consumers, taxpayers and potential new entrants bear the costs. That should end in a new era of enlightened reformed public administration.

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