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Dear Review Panel

Bus Éireann welcomes the opportunity to submit its views on the review of guidelines regarding pay determination processes currently in place for senior Public Service and Commercial Semi-State posts. We understand that for the purposes of this review the recruitment of CEOs of Commercial State Bodies has been excluded, as they are not deemed to be Public Service posts.

Bus Éireann is a designated activity company limited by shares incorporated pursuant to section 6(1) of the Transport (Reorganisation of Coras Iompair Éireann) 1986 act. whose principal activity is to provide within the state a passenger service by road except in so far as such a service is provided by Dublin Bus.

Bus Éireann is a wholly owned subsidiary (operating company) of CIÉ and has its own Board with Chair appointed directly by the Minister for Transport under a specific mandate with eight further directors, two of which are worker-directors, all subject to the companies acts.

This submission is structured as follows:

- Section 1: Commentary on the review of Pay Determination Processes
- Section 2: Commentary on Tenure of CEO contracts
- Section 3: Commentary on Recruitment restrictions
- Section 4: Conclusion

### **Section 1: Commentary on review of Pay Processes**

#### **I. Relevant legislation underpinning Ministerial power to set individual salaries, terms and conditions.**

The salary for Bus Éireann's CEO is set by the Department of Transport. The CEO salary scale is a one-point scale for the duration of a seven-year contract.

The current one-point scale is inflexible and does not allow for market rate reviews, national wage increases or cost of living increases; is not aligned to Senior Public Sector pay scales or benchmarked commercial salary scales; and, has limitations in terms of pay for performance and attracting experienced future CEO candidates.

We recommend considerations are given:

- To establishing an incremental pay scale to allow increments to be paid during the seven-year term in line with performance.
- To establish a mechanism to ensure national wage agreements as applied to Senior Public Sector posts are also applied to CEOs of Commercial Semi-States.

**Stiúrthóirí Directors – Ms Miriam Hughes, Mr Stephen Hannan, Mr Richard Manton, Ms Miriam Hughes, Mr Brendan Lenihan, Mr Diarmuid Corry, Mr Dermot Healy, Mr Brian Bowden, Ms Rhona Murphy**

Bus Éireann-Irish Bus, cuideachta ghníomhaíochta ainmnithe, faoi theorainn scaireanna, clraithe in Éirinn ag Chloch Leathan, Baile Átha Cliath 7. Uimh. 119570 Uimh. CBL. 4812850M. Bus Éireann-Irish Bus, a designated activity company, limited by shares, registered in Ireland at Broadstone, Dublin 7. No 119570 Vat No. 4812850M

- Any proposed performance related pay bonus mechanisms agreed for Senior Public Service positions are applicable to performance processes for CEO positions within Commercial Semi-State roles.

**II. Process for determining appropriate tenure for appointments to the post of Secretary General or Head of Office to ensure that terms of service are for a limited period so that individuals do not remain in posts for an indefinite period.**

The current tenure of Bus Éireann's CEO's contract is seven years, with no option to extend. The Secretary General positions and CEO positions across the Non-Commercial Semi-State Agencies offer a five-year term contract with the option to extend for a further five years, based on performance up to a maximum of 10 years.

The Government is investing in significant infrastructural development including Project Ireland 2040, Connecting Ireland, Regionalisation plans, Sustainability and Climate Action initiatives, all requiring long term vision and strategies. Strategic leadership and long-term vision of current and future CEO positions are critical success factors in the delivery of significant economic and infrastructural development projects.

We recommend considerations are given:

- To align the tenure of CEO contracts at Bus Éireann to the norm across the senior Public Sector posts and Non- Commercial Semi-States to an initial five-year contract with an option to extend for a further five years, based on performance, up to a maximum of 10 years.
- In the interim, we recommend consideration is given for a three-year extension to the current seven-year term, subject to the usual Ministerial approvals, in circumstances where there is a strong business imperative to do so.

**III. Consideration of processes applied to pay determinations outside of the existing pay structures.**

Bus Éireann's CEO salary is not aligned to existing pay structures applied to Public Sector posts. The tenure of the contract is short term (currently seven years). Remuneration benefits including national wage increases and access to the Defined Benefit or Single Scheme pension arrangements across the Public Sector are not applicable to this post.

The current situation presents a risk of making CIÉ, Bus Éireann and other Commercial Semi-State Organisations an unattractive prospect for high calibre candidates to join. Salaries for such fixed term roles should also over-compensate for the lack of permanency, rather than being sanctioned at rates that are well behind comparable market rates

We recommend considerations are given:

- To recognise that the current pay structure of CEOs of Commercial Semi-State bodies is restrictive and to consider delegated sanction to the Bus Éireann Remuneration Committee to review the CEO salary against an approved incremental salary scale or external benchmark. This would provide the flexibility to reward performance during the tenure and the ability to react to inflation and market pay movements. This sanction would continue to comply with any overarching DPER guidelines on CEO remuneration.

- To replace the current one-point scale with an incremental scale to remain competitive and in line with market rate of pay, inflation and cost of living increases.

#### **IV. Current and historical use of external bodies to provide independent analysis in determining terms and conditions of employment.**

We recommend considerations are given:

- To a biennial benchmarking review of Commercial Semi-State body CEO salaries and benefits by an agreed independent external agency, in-line with benchmarking standards. Ensuring Commercial Semi-State Bodies remain competitive and are reflective of current market conditions, attracting and retaining the best calibre candidate to support the delivery of ambitious Government targets for change within public transport.

#### ***Section 2: Commentary on Tenure of CEO contracts***

As detailed above, the current term for Bus Éireann's CEO is seven years which is not aligned to other Senior equivalent appointments considered within the scope of this review.

We recommend considerations are given:

- To align the tenure of CEO contracts at Bus Éireann to the norm across the senior Public Sector posts and Non-Commercial Semi-States to an initial five-year contract with an option to extend for a further five years, based on performance, up to a maximum of 10 years.
- In the interim, we recommend consideration is given for a three-year extension to the current seven-year term, subject to the usual Ministerial approvals, in circumstances where there is a strong business imperative to do so.

#### **Section 3: Commentary on Recruitment Restrictions**

Whilst CEOs of Commercial State Bodies have not been included in the scope of the recruitment processes review, as they are not deemed Public Sector posts, there are restrictions currently in place with regard to recruitment of Senior posts with Commercial State bodies into Non-Executive positions across

We recommend considerations are given:

To amending the current restrictions of CEO and senior positions at the end of tenure to allow exiting CEOs to competitively apply for alternative posts across the Public Sector and other Commercial Semi-State Agencies or consideration be given to an appropriate level of severance to compensate for restrictions.

##### **I. Competitive Environment for Talent: Introduce salary ranges**

Within the backdrop of a highly competitive employment environment for senior leadership talent, Commercial Semi-State Organisations need to remain competitive with non-public sector roles to ensure that we can compete for talent now and in the future.

Commercial Semi-State CEO salary arrangements are not linked to public sector pensions and there is no link between granting exceptional salary arrangements and future pension liability agreements, as the CEO has private pension arrangements.

Therefore, CEOs with private pensions need not have their salary levels curtailed and more flexibility should be therefore available in future salary negotiations.

Formal CEO Salary Sanction should be based on a range within which relevant Boards and Remuneration Committees can determine specific arrangements.

## **II. Fixed Appointment Terms: Introduce limited flexibility**

The accepted practice of CEOs having to vacate the role after seven years should be revisited as it often takes up to two years for a good CEO to strategically evaluate a complex organisation, leaving little time to make significant strategic and transformative contributions overall, which seems counterproductive.

There should be flexibility to permit a limited extension of the seven-year term of Commercial Semi-State CEOs by three years, subject to the usual Ministerial approvals, in circumstances where there is a strong business imperative to do so.

## **III. Cost of Living: Incremental salary increases should be permitted**

The seven-year contract for a Commercial Semi-State CEO should be adjusted in line with CPI, otherwise a frozen salary only serves to increase the gap with what is available in the market, thus becoming a retention issue. There is the prospect that a high performing CEO establishes themselves only to be headhunted into a better paid public sector or private sector position.

There is an inherent inequity in the fact that the seven-year fixed term contract does not take Inflation or the cost of living into account with the 'flight risk' only increasing as the contract goes on.

## **IV. Role of Board and Remuneration Committee: Address current anomalies**

The current practice around pay determination for CEOs of Commercial Semi-State organisations severely limits the role of a Commercial Semi-State Board or their Remuneration Committee in this area.

The Bus Éireann Board Remuneration Committee, which is chaired by a Non-Executive Director, can only review the CEO's performance but has no power to reward good performance.

The Bus Éireann Board Remuneration Committee should have the power to benchmark the CEO salary with market rates and review it appropriately. There is sufficient and robust governance already in place as the Bus Éireann Board Remuneration Committee follows Government guidelines on the remuneration of CEOs, along with the additional control mechanism which is in place under the Code of Practice for the Governance of State bodies, the requirement for Ministerial consent.

Furthermore, the Department of Transport and Department of Public Expenditure and Reform sign off on the appointment of the CEO role in any event and the same process applies to any salary review.

***Section 4: Conclusion***

The mechanism for reviewing CEO tenure, salaries and conditions of employment within the Commercial Semi- State Sector needs to have more flexibility where Board Remuneration Committees have the ability, on a delegated basis, to move through an incremental salary scale during the fixed term contract of a CEO.

Salary scales also need to be more reflective of current market conditions to attract and retain the best candidates. Other conditions outside of salary should be subject of independent benchmarking with the external market as the CEO roles are not part of the applicable public sector pension schemes.

We are both available to meet with the Panel to discuss the issues raised above should that be of assistance.

Yours sincerely

Jean O' Sullivan  
Chief People Officer  
Bus Éireann

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