

# Contractual Relationships between Authorities and Operators

## UITP Report

and

## UITP – EMTA Conference, Vienna, 24-26 February 2003

UITP is pleased to provide you with this CD-Rom, which will give you a comprehensive overview on the contractual practice across the different regions of the world. It offers an insight on how to use contract for all parties: from negotiation to re-negotiation, including the implementation and the management of the contract.

Please note that most of the documents are also available on-line via MOBI+, our electronic library accessible to members only. Most of UITP publications are available on MOBI+ in the three official languages. However the present report in this CD-Rom is available only in English while the UITP – EMTA Conference presentations are in their original language. (For more information please contact [gaelle.nevens@uitp.com](mailto:gaelle.nevens@uitp.com)).

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- Brussels (Operator), Belgium
- Clermont-Ferrand, France
- Copenhagen, Denmark
- Flanders region, Belgium
- Frankfurt, Germany
- Provincie Gelderland Oost, The Netherlands
- Gothenburg, Sweden
- Hamburg, Germany
- Hannover, Germany
- Helsinki, Finland
- Leipzig, Germany
- Manchester, UK
- München, Germany
- Oslo (city), Norway
- Oslo (region), Norway
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#### **4. CONFERENCE PRESENTATIONS**

##### ***OPENING SESSION***

Wolfgang MEYER, President of UITP, Vorstand, Kölner Verkehrs-Betriebe, Cologne, Germany ([Speech](#))

José Ignacio ITURBE LOPEZ, President of EMTA (European Metropolitan Transport Authorities), Managing Director, Consorcio de Transportes de Madrid, Madrid, Spain ([Speech](#))

Sepp RIEDER, Vizebürgermeister, Landeshauptmann-Stellvertreter, amtsführender Stadtrat für Finanzen, Wirtschaftspolitik und Wiener Stadtwerke, Vienna, Austria (No paper)

Günther GROIS, Direktor, Wiener Linien GmbH & Co KG, Vienna, Austria (No paper)

##### ***Keynote speeches***

**What are the key factors for delivering good public transport to the customers? ([Speech](#))**

Pierre VAN DE VYVER, General Delegate, Institut de la Gestion Déléguée, Paris, France

**Development of Competitive Contracting in the U.S. and Recommendations for Success ([Speech](#))**

Kevin ADAMS, President, Connex TCT LLC, Knoxville, USA



### ***1st Session - THE ROLE OF THE ACTORS AND THE REGULATORY FRAMEWORK***

#### **The role of the actors and the regulatory framework in the USA (Speech)**

Donald DURKEE, Assistant Chief Counsel, FTA (Federal Transit Administration), Washington, USA

#### **A European overview (Speech)**

Richard HADFIELD, Detached National Expert, European Commission, Brussels, Belgium

#### **The Missions and organisation of public transport authorities in the European metropolitan areas (Speech - Powerpoint)**

Stéphane LECLER, Secretary General of EMTA, Paris, France

### ***2nd Session - THE TRANSITION PROCESS: FIRST TIME AROUND AND RE-TENDERING FROM THE AUTHORITIES PERSPECTIVE***

#### **Competition in Copenhagen (Speech)**

Johannes SLOTH, Managing Director of Transport, Greater Copenhagen Authority, HUR, Denmark

#### **Towards the virtual circle of a win-win contractual relationship (Speech)**

Camille DURAND, 1st Vice-President, Communauté Urbaine de Nantes, Nantes, France

#### **The transition process: first time around and retendering from the authority's perspective (Speech - Powerpoint)**

Malcolm REED, Director General, Strathclyde Passenger Transport Executive, Glasgow, United Kingdom

### ***3rd Session - PREPARING FOR CONTRACT FROM THE OPERATORS***

#### **The case of Concordia Bus (Speech - Powerpoint)**

Frode LARSEN, CEO, Concordia Bus, Oslo, Norway

#### **The case of Trieste: From the monopoly to a semi-public company (Speech - Powerpoint)**

Aldo DE ROBERTIS, General Manager, Trieste Trasporti, Trieste, Italy

#### **Tendering - Developing a win-win solution (Speech - Powerpoint)**

Keith BASTOW, Strategy & Development Executive, ARRIVA, Leicester, United Kingdom

#### **Contractual expectations of an international operator - The point of view of Connex (Speech - Powerpoint)**

Michel QUIDORT, Directeur de la Communication Internationale, CGEA Connex, Paris, France

### ***4th Session - CONTRACT MANAGEMENT***

#### **Contractual relationships between STIF and RATP: a clarified management in favour of travellers**

Jean GUILLOT, Directeur Général Adjoint, STIF, Paris, France (Speech - Powerpoint)

Jean-Pierre BALLADUR, Délégué Général Contrat, RATP, Paris, France (Speech - Powerpoint)

#### **Service quality and contract development**

Björn DALBORG, Director, AB Storstockholms Lokaltrafik, Stockholm, Sweden (Speech - Powerpoint)

Matt KINANE, Commercial Director, Connex, Solna, Sweden ([Speech](#) - [Powerpoint](#))

#### ***5th Session - QUALITY IN CONTRACTS***

**The quality approach of the operator and the evolution of the contract in Prague ([Speech](#) - [Powerpoint](#))**

Zdenek DOSEK, International Affairs Representative, Dopravni Podnik, Prague, Czech Republik

**The Role of Quality Partnerships and Quality Contracts ([Speech](#) - [Powerpoint](#))**

Bill TYSON, Chairman, GMPTE, Manchester, United Kingdom

**The Hong Kong Experience ([Speech](#) - [Powerpoint](#))**

Lap-Wai WONG, Operations Manager, MTR Corporation Limited, Hong Kong

#### ***6th Session - PRESENTATION OF DIFFERENT TYPES OF CONTRACT***

**Contractual arrangements between authorities and operators: the case of Sevilla (No paper)**

Carmen CALLEJA DE PABLO, Director, Transportes Urbanos de Sevilla, Spain

**Public-Private partnership : The Flemish public transport model ([Speech](#) - [Powerpoint](#))**

Ingrid LIETEN, CEO, De Lijn, Mechelen, Belgium

**The co-operation contracts as the basis for successful co-operation and co-ordination in the Hamburger local public transport sector ([Speech](#) - [Powerpoint](#))**

Lutz AIGNER, Managing Director, Hamburger Verkehrsverbund, Hamburg, Germany

**An Australian overview ([Speech](#) - [Powerpoint](#))**

Stephen LUCAS, Chairman, Bus Industry Confederation INC, North Paramata, Australia

#### ***7th Session - ROUND TABLE - CONCLUSIONS AND PROSPECTIVE***

This session does not contain any presentation

Hans RAT , Secretary General, UITP, Brussels, Belgium ([cv](#))

Per ALS and Volker SPARMANN , as co-chairmen of the UITP Working Group on Contracts and responsible editors of the guidebook ([cv](#))

José Ignacio ITURBE LOPEZ , President of EMTA, Managing Director, Consorcio de Transportes de Madrid, Madrid, Spain ([cv](#))

Guy BOURGEOIS , Representative of Groupement des Grandes Métropoles, Head of Strategy, RATP, Paris, France (no paper)

Brigitte OLLIER , EuroTeam Director, UITP, Brussels, Belgium ([cv](#))

# **1. Comparative study on contractual practices**

## **Foreword**

This activity was carried out in the framework of the ad-hoc working group on contractual relationships, jointly set up by the General Commission on Transport Economics and the Organising Authorities Committee. This group was co-chaired by Per Als, Deputy Director Of Operations, Ørestadsselskabet I/S Copenhagen and Volker Sparmann, Director, Rhein-Main Verkehrsverbund GmbH.

This report has been elaborated by Cécile Sadoux, in collaboration with Line Jussiant, for the collect and analysis of the cases studies, both Managers within UITP Programmes and Studies Department. They were assisted by Sabine Küschelm during her three-month traineeship.

During the work, contacts and exchanges have been organised with Stéphane Lecler, Secretary General of EMTA and Richard Hadfield, national expert in DG Tren of the European Commission.

The authors wish to acknowledge all the participants of the working group meetings for their advises and all the members who have kindly responded to the questionnaire whose contributions have enabled a varied illustration of the report.

## Introduction

In many regions of the world, agreements between organising authorities and operators constitute a new concept, while in other countries contracts have been used for many years and are yet considered as an efficient tool to manage public transport systems.

The contract can be considered as a working method focusing on responsibilities of all the partners and on results, while establishing new relationships between the organising authorities and operators. These contractual relationships are the control lever of policies elaborated in co-operation taking into account the comprehensive mobility policy, the needs of the customers, practical realities and the economic development to increase quality of services and productivity levels. The operator is commissioned to achieve clear objectives in terms of offer and quality of service. In this respect, the contract allows a precise definition of the responsibilities of the public organising authority and the operator while meeting the interest of the public at large and achieving economic efficiency.

Providing transparency in their relationships, the contract makes the different parties aware of their accountability. This process gives a clear responsibility to the operator but requires first and foremost from the authority a strong involvement and responsibility on defining the transport service within a global mobility policy to meet the expectations of the citizens. The organising authority is empowered of a new mission, which is to define the expected level of service and quality, needs therefore to develop a strong capacity of contract expertise and management.

The contract enables to develop a new mode of relationships between authorities and operators, based on reciprocal commitments and on a clarification of the financing modes. Public or private, the companies are entrusted of the execution of a service of collective interest and in this respect constitute a proposals strength vis-à-vis the authority for the design of the whole public transport system. The introduction of a contract leads the operator to change from a means to a results culture while meeting quality requirements and economical and financial constraints.

With the objective to improve knowledge and help the different actors negotiate adapted contracts for a quality transport public system, this study focuses on the different types of contract and all essential aspects of contractual provisions with a clear identification of objectives in relation to the sharing of risks and the allocation of responsibilities between the parties.

While assessing the characteristics of the different types of contract and their impact on the management of the public transport system, the study accordingly produces orientations to allow policy-makers to adopt the best solutions adapted to their local situations. It also provides information and advice on the procedures to launch and respond to call for tenders. Analysis are also illustrated with an array of good practice examples to the extent that there is no universal solution, but identical problems to resolve which optimal solutions depend on the local context defined by the urban, financial, social, legal, political situations and the concerned modes of transport. It is to be noted that the complexity of these issues is strengthened by the lack of reference framework and by the heterogeneity of the concepts, resulting from the national and cultural diversity.

The scope of the study covers all the modes except suburban railways, with a deepened insight on the European situation, without developing the issues related to investment. However information on these questions can be found in the research carried out by the Directorate General Tren of the European Commission<sup>1</sup>.

The UITP report is to be completed by the reading of the presentations made at the Conference in Vienna on 24-26 February 2002, which sheds new light on the current contractual practices in the world. The objective of the conference was to present how to use contract for all parties, from negotiation to re-negotiation, including the definition of obligations with the share of responsibilities according to the allocation of risks, as well as the implementation and the management of the contract. The sessions covered the different types of contracts with a balanced representation of actors to reflect the diversity of the contractual situations across the different regions of the world. Experiences from the United States, Australia, Asia were presented while this report is more limited to the European situation. The conference also aimed at looking at the future of contracts: are new partnerships beyond contracts possible, and what new steps shall be taken in relation to the European draft regulation on public service requirements and public service contracts in the field of passenger transport.

Before focusing on contractual issues, it is necessary in the first section to give a brief presentation on the different regimes of the supply of public transport services as the organisation of the market strongly influences the management of these services and the use of contract. The second section provides information on the different types of contract according to the classical criteria of classification. The third and fourth sections provide a compared analysis between the different type of contracts on key provisions. The two last sections are presenting the case studies collected in order to illustrate the varied current practice of the use of contract in Europe.

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<sup>1</sup> This project will provide a practical information source for authorities and operators who are either facing the need to contract for the first time or are interested in improving how contracts are awarded and managed. The scope of the data base is very broad with a collection of 47 contracts covering several modes: heavy rail, light rail/metro, bus, air, ferry and combined (principally bus and light rail). The study was lead by the UK-based consultancy Colin Buchanan and partners. Document unpublished.

## **Section 1: The general context**

### **Sub-section 1: The organisation of the supply of public transport**

It is not possible to fully understand the contractual relationships between operators and authorities without knowing the different forms of organisation of the public transport market.

The types of organisation of public transport services reflect logically the national singularity, which result from the historical context, the regulatory framework and the cultural customs. Despite all these national differences, the organisation can be generally defined according to three different layers:<sup>2</sup>

Firstly the strategic level which is related to the political decisions, the global definition of the network and the general objectives of the public transport policy. This level usually falls upon the competence of the organising authorities.

Secondly the tactical level where in relation to the fixed global objectives sets up the policy by defining the offer and the tariffs.

The operational level is the third level, which consists at ensuring the operation of the network and to manage the control of the costs.

According to the countries and the types of the cities, towns, the different layers can be split differently between the operators and the authorities.

If the mission of public transport is to ensure the accessibility to the greatest number of citizens at a low price, it is logical to associate the strategic and the tactical level to the responsibilities of the organising authorities, and to delegate the operational level to the operators.

The differences in the role and empowerment of the authorities and operators have a direct impact in the management of the systems and in the existence or not of agreements. Furthermore the type of market regimes will also have implications in the scope and provisions of the contracts, as well as consequences on the contractual relationships between operators and authorities.

Indeed a fundamental classification of the different types of markets can be drawn from the right of initiative to create public transport services, as extensively presented in the MARETOPE project<sup>3</sup>. The main distinction is between the organisational form where the right to initiate the creation is reserved to the authority, which can delegate it, and those organisational forms where this right is left to the market.

In authority initiative regime, two types of management exist: direct management by the administration of the authority and delegated management, where the authority selects a company to set-up and operate public transport services. Concession is a specific form of delegated management where the company is usually the owner of the installations and rolling stock.

In market initiative regimes, companies on the market are the initiators of transport services with the assumption that commercially viable services appear out of autonomous market

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<sup>2</sup> ISOTOPE, European Communities 1997, [26].

<sup>3</sup> MARETOPE Project, [www.tis.pt/proj/maretope/maretope.html](http://www.tis.pt/proj/maretope/maretope.html).



processes. The different categories of regimes vary from fully competitive open entry regime to strict authorisation regimes, where the operators are granted a more or less permanent and extensive levels of exclusivity.

## **Sub-section 2: The management of public transport services in three different market types**

The organisation of the public transport services are sufficiently different in United Kingdom, Germany and France to give a clear illustration of the different types of market regimes and to demonstrate the consequences on the management of the services. The aim of this sub-section is to give an overview of the use of contracts in accordance with the different type of regime. United-Kingdom and Germany are two examples of a market initiative regime, while France illustrates the case of an authority initiative regime. Another important distinction is the character regulated or not of the market for the use of contract, which reflects the role given to the authority and the mission associated to public transport. The more public transport is considered as a service in the general interest of the community with public service requirements, different from a pure market service, the more responsibilities the authority will have to organise, plan and control public transport services. Indeed the authority is empowered of a strong regulation role, when public transport is seen as a key factor in sustainable development of cities, integrating the social, ecological and economical aspects. As a result in a regulated market, the authority sets the rule for the operators, monitors and enforces the rules of the game in all regimes, being market or authority initiative systems. In this respect, the contract is an efficient tool for the management of public transport services. In a deregulated market, the role of the authority is limited to promote public transport in general by an integrated information system and branding activities and to ensure the provision of non-commercial services left over by the market, which explains a marginal use of agreements.

### **§ 1 The marginal use of contract in the British example of a market initiative and deregulated regime**

In United Kingdom, deregulation has been introduced in 1985 by the Transport Act, and implemented in the whole regions except London and Northern Ireland.

The legislation makes a clear distinction between commercial and non-commercial operation. Commercial operation prevails on bus routes, which are financially attractive for the operator and are completely deregulated without any kind of contract between the authority and the operator. Within commercial operation, operators are completely free to operate under their own conditions the service of their choice in terms of route, schedule and tariffs.

According to the services provided by the commercial operators, the authority decides whether the commercial operation meet the social needs or whether it is necessary to add non-commercial services. In this latter case the authority will use different types of contracts to organise the non-commercial services.

In London, the situation is totally different as Transport for London is entrusted of the responsibilities to plan, organise and monitor public transport services. Bus services are

provided by private operators selected by tendering procedure with contracts of 5 to 7 years. The operation of the underground is delegated to London Underground.

## **§ 2 The development of the use of contract in a market initiative and regulated market: the German example**

Within a regulated market, public transport is considered to have to fulfil public service requirements and the product design can not be left to the market. Therefore the authority is empowered to organise, monitor and regulate the transport services, since the authority guarantees the coherence of public service or universal service obligations, security and safety rules, environment protection. Regardless of the degree of intervention of the authority, a regulated system exists as much in a market initiative market, like in Germany, as in an authority initiative market, like in France.

In Germany, since 1996, the legislation on transport of passengers (Personenbeförderungsgesetz PbefG)<sup>4</sup> makes a distinction between transport services operated commercially and transport services operated as a public service. It lays down the principle that urban, suburban and regional transport must be operated commercially. Commercial services are defined as being financially self sufficient i.e. all services whose costs are covered by operation revenues and compensations provided by the authority for the reduced fare wanted by the authority and from other revenue of the undertaking.

On one hand for these commercial services, there are no contract and no obligation to tendering procedure but private or authority-owned companies have to apply for an authorisation before being allowed to operate the transport services. The legal provisions lay down that the authorisation is granted under a number of conditions, such as the applicant's financial status and reliability and requires that the application is being rejected where the service applied for would affect the interests of the public. If there are several applicants, the authority must make its choice having regard to the interests of the public and to take into account cost-effectiveness. The authority is regulating by setting the rules of the game to control and co-ordinate the supply of the operators. The authorisation granted to the operator protects him from direct competition for a period of maximum 8 years for bus and for 25 years for the metro, light rail and trams.

On the other hand, where an adequate transport service can not be provided commercially, it may be operated as a social service. The authorisation is to be issued provided it is necessary for the operation of a transport service by virtue of an administrative act or a public service contract. The option chosen should be the lowest cost to the public, for which the German law provides a public tendering procedure.

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<sup>4</sup> Opinion of Advocate General Léger delivered on 19 March 2002, *Case C-280/00 (Altmark Trans GmbH v Regierungspräsidium Magdeburg)*.

### **§3 The frequent use of contract in the authority initiative and regulated regime: the French example**

France is a typical example of an authority initiative regime: the Loti Act<sup>5</sup> gives the regulating responsibility to the local authorities, including the general definition of the transport offer, the choice of the transport mode and tariff policy.

The method of operation of the services can be classified into two categories:

- operation under public administration ( so-called “in house operation ) by the organising authority
- operation delegated within the framework of an agreement to a company (either a public company or a private company)

Since the Sapin Regulation 1993, authorities, which decide to delegate the realisation of transport services, must use tendering procedure under certain conditions depending on the amount of contract. The selected operator will sign with the authority a contract of delegated management for an average period of 5 years.

The above brief description of the different types of organisational forms of the market allows to better understand in which case a contract is to be signed between the authority and the operator. It is also clear that the type of market regime and the different responsibilities given to the authority will have a strong impact on the contractual relationships and the content of the agreement itself.

Furthermore, before presenting the different types of contract, it is to be stressed that there is no compulsory correlation between the existence of an agreement and the use of a tendering procedure. So far it depends on the national legal framework whether the local authority has the choice to decide upon the type of management and further upon the use of a tendering procedure. In this respect, it is to be mentioned that the European institutions are currently formulating regulation<sup>6</sup> to introduce in Europe controlled competition in the provision of public passenger transport services.

However it is to be stressed that regardless of the existence of competitive tendering, the contract represents<sup>7</sup> “a balanced attitude towards the management of public services between the two extremes of a public monopoly on the one hand and total deregulation on the other hand...”. As an expression of mutual commitments towards clear objectives, contracts are a major criterion for success to make public transport competitive to private car and achieve sustainable mobility. Contracts create a common platform for the organising authority and operator to communicate, understand and accept the overall objectives of their contractual partners.

Given the importance of the social and environmental concerns in public transport policy, it is up to the authority to decide upon the central issues of public transport systems. However operators play an active role in having expertise to propose technical answers to mobility needs. This means that organising authorities have to be able to discuss with the operator at a technical level upon projects initiated by the transport company.

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<sup>5</sup> Loi d’Orientation des Transports Intérieurs 30/12/82

<sup>6</sup> Amended proposal for a Regulation of the European Parliament and the Council on action by Member States concerning public service requirements and the award of public service contracts in passenger transport by rail, road and inland waterway, *COM 2002/0107 fin*.

<sup>7</sup> Introduction by Stéphane LECLER, Secretary General of EMTA in Proceedings of the workshop “*Contracts: a tool for public transport authorities*” Rome, 2001.

In relation to the current and future European Union legislation, the qualification of the contract is of the utmost importance as it determines the applicable European Union legislation. Indeed the distinction goes between public procurement contracts and concessions of public transport services with the following consequence: public procurement directives are applicable to public procurement contracts, while the draft regulation for the award of public service contracts in passenger transport will apply to concessions. At this stage the European Union has not provided yet exact criteria to determine whether the agreement is a public market contract or a concession contract, but this issue is expected to be clarified in the coming legislation. This clarification will have great impact on public transport contracts as the rules for public procurement are more strict than the rules provided in the regulation, as for example making the tendering of a public service contract mandatory for the award of a contract. It is also specifically mentioned in the directives that the competition rules do not apply to concessions. For this reason the classification of contracts according to the repartition of risks constitute a crucial issue, as it enables to identify whether it is a concession or public procurement contract.

In addition to the specificity of the market organisation, the administrative structure is to be taken into consideration, as far as contracts are concerned. Indeed the distribution of territorial responsibilities between authorities and their collaboration are of major concern for efficient public transport systems. Forms of co-ordination between different types of authorities according to the different levels of decentralisation or of different geographical competencies are to be more easily implemented in the framework of contracts.

## Section 2: The classical types of contracts

The contract between the organising authority (OA) and the operator (OP) determines the allocation of risks taken by one another and the type of remuneration in relation to the overall objectives set up by the parties. To address the issues of the remuneration of the OP through the issues of the allocation of risks allows the establishment of a typology of contracts. There are two categories of risks: on the operating costs (industrial risk) and on, the commercial revenues (commercial risk).

As regards the industrial risk, the allocation is as follows: either it is born by the OA or it is taken by the OP at various degrees. As regards the commercial risk, it is never fully supported by the OP because due to the nature itself of public transport service, tariffs are necessarily set up by the OA at a low level. For this reason, this risk is either totally taken by the OA or shared by the parties.

Due to the absence of standard contracts, on one hand, and to the wide range of objectives of the OA, on the other hand, there is a large variety of methods of remuneration of the OP. However we can distinguish three main different types of contracts.

First, there is the distinction between the contracts where the industrial cost is taken by the OA or the OP. Then within the latter category of contract, there is the classification between the contracts where the commercial risk is taken by the OA or the OP (or shared between the OA and OP). As regards remuneration, Management Contract is characterised by the fact that the operator is not remunerated in relation to the profits but on other results of its management such as: costs reduction, productivity gain, extension of the service, improvement of quality.

### Cross table between the types of risks and the types of contracts\*

Contract	Management Contract		Gross Cost Contract		Net Cost Contract	
	Risk by OA	Risk by OP	Risk by OA	Risk by OP	Risk by OA	Risk by OP
Industrial risk (costs)	✓			✓		✓
Commercial risks (revenues)	✓		✓			✓

\*This table shows the classical examples of the different types of contract, however this classification is balanced in practice since the different risks are often shared in hybrid contracts. This classification is commonly used in Europe by the experts<sup>8</sup> in the sectors, being academics or professionals.

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<sup>8</sup> See for example, ISOTOPE, European Communities 1997, p 30, or Certu, *Conventions d'exploitation dans les transports publics urbain*, 1999



In the **management contract**, the industrial risk and the commercial risk are taken by the OA. The OA pays the OP an annual remuneration including a fixed sum and a variable sum, which takes account of the quality of management. The remuneration is not directly related to the profits but to other results of the management, that is to say know-how, technical assistance, expertise, costs reduction, productivity gains and quality. Although the industrial and commercial risks are borne by the OA, the contract may include incentive schemes linked to the changes in revenues, changes in patronage or changes in costs. The remuneration can be periodically updated during the contract in relation to the changes in elements of costs such as salaries, scale of the network etc.

In the **gross cost contract** the industrial risk is borne by the OP while the commercial risk is taken by OA. The operator is remunerated by a contribution of the OA based on the costs.

The remuneration of OP can be modulated by a bonus/penalty scheme according to the evolution of quality, patronage, which enables the OA to share the commercial risk with the OP.

In the **net cost contract** the industrial risk is borne by the OP and the commercial risk is mainly taken by the OP. The operator is remunerated by the revenues and by a complementary compensation payment fixed by the OA with or without adjustment. The sharing of the commercial risk depends on the existence of this adjustment system between the fixed amount and the real revenues.

An important remark in this classification is that there should not be any confusion between bearing the risk and modifying the level of risk. For example, incentive schemes in gross cost contracts have the consequence to modify the level of commercial risk borne by the authority, through the commercial management of the operator. But they do not transfer this risk to the operator, nor change the nature of the contract into a net cost contract.

Concerning the analysis of the case studies, the classification has not been easy due to the complexity of the contractual provisions. One specific problem has resulted in the difficulty to identify whether the intervention of the authority to cover the deficit was in its quality of shareholder of the company, or as the regulatory body, which ensures the financial and administrative supervision. The implication for the type of contract is important, as it makes the difference between management contract and gross cost contract. If the authority intervenes as the regulatory body, this is likely to be a management contract. On the contrary, if the authority intervenes as the shareholder of the company, it is more likely to be a gross cost contract<sup>9</sup>.

Besides the classical types of contract, there is also the British case of Quality Partnership Agreement<sup>10</sup> that is a multi-party agreement involving operators, Transport authorities, but also according to the local situation Highway authorities, Planning authorities, Enforcement authorities. This Quality Partnership concept was developed in the United Kingdom in response to its particular structure of public transport operation in a deregulated environment to get all the parties involved to improve quality and create an integrated public transport system.

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<sup>9</sup> See for example the Brussels case study

<sup>10</sup> Tyson, William, J., Quality to partnership in Greater Manchester, UITP Conference, Florence, 1999

## Section 3: Financial Provisions

This section addresses the contractual provisions related to the revenues and the costs of the operation. Pricing is a politically sensitive issue because it constitutes a key instrument for the authority to support its social objectives. Therefore the control is always retained by the authority although the financial modalities can differ from one contract to another, as far as tariff revenues, revenues from ancillary activities, remuneration, incentives schemes and monitoring are concerned.

### Sub-section 1: Tariff Revenues

In **management contracts**, revenues related to services operation belong to the OA. Tariff revenues are collected by the OP on behalf of the OA and are usually paid back to the OA.

In the region *Clermont-Ferrand* S.M.T.C is the competent OA for the Urban Public Transport. The territory comprises 19 local Authorities with more than 260.000 inhabitants.

Clermont-Ferrand can be considered as a classical management contract, for all risks are allocated to the OA. In regard to remuneration, the OP perceives receipts of all nature on behalf and name of S.M.T.C and is paid by the OA for the performed operation.

In **gross cost contracts**, the OP collects revenues on behalf of the OA. When the revenues are paid back to OA, the OA puts down a provisional progress payment from the contribution to the OP. If the OP keeps the revenues as a provisional payment, the OA will pay back a balance outstanding.

The *Helsinki* intra-region PT system consists of YTV, the OA, which comprises of the four Cities Helsinki, Vantaa, Espoo and Kauniainen, three rail operators with a modal monopoly and four major and several smaller bus operators. In regard to bus services about 99% of the lines are out for tender. The tendered contract model transfers most of the risks to the OA. The contracts are gross cost contracts; the industrial risk is taken by the OP and the revenue risk by the OA. Revenues are collected by the OP on the behalf of the OA. For the performed operations the OP is paid monthly.

In **net cost contract**, the OP collects revenues on its own behalf and the OP receives a compensation from the OA to cover the difference between the production costs and the revenues.

Since 1989 the PT system in Sweden follows rules of tender. *Sundsvall* belongs to Vaesternorrland County, it is located about 420 kilometres north of Stockholm and has about 60 000 inhabitants, all served by buses. In 1981 Laenstrafiken Vaesternorrland was established, which is the administrative/planning and co-ordinating authority.

The contracts are net-cost contracts. The OP bears all the revenue risks and cost risks and collects the revenues, as a consequence, on its own behalf.

## Sub-section 2: Revenues from ancillary activities

Examples of these revenues include advertisement, renting of premises, renting of services, services for tourists, international activities, fines. In the **management contract**, these revenues are generally collected by the OP on behalf of the OA and paid back to the OA. In the **gross cost or net cost contracts**, the OP may retain on its own behalf the revenues from ancillary activities.

In 1999 Västtrafik was formed as a new PT authority for Västra Götaland. Due to the great area it covers, four subsidiaries were formed, one is Västtrafik Göteborgsområdet (VTG) with seat in *Göteborg*. The city of Göteborg is not responsible for PT any more.

In Göteborg and the Greater Göteborg Area, 1/3 of the bus production has been out for tender at a time. The tendered contracts are gross cost contracts with some elements of management contracts.

As shown by the example of Göteborg, which is a gross cost contract, the contracts between OA and OP can also set up other rules for e.g. revenues for advertising. In this case, the OA gets the revenues from advertising on the outside as well as inside the vehicles, though ferries and busses are owned by the OP.

## Sub-section 3: Remuneration

In **management contracts** the OA annually remunerates the OP for his know-how and technical assistance. The contract often provides for the financial participation of the OP. The remuneration comprises a fixed amount and a variable sum to make the OP committed to a better control of operating costs and quality and to increasing ridership. The remuneration of the OP is periodically updated according to the increase of the costs of the salaries, the scale of the network etc...

ATM S.p.A. provides PT services in the metropolitan area of *Torino*. The services are given to ATM directly, without following rules of tender, through a service contract. The revenue as well as main parts of the industrial risk is taken by the OA and therefore the contract be considered as a management contract. It is stipulated by Law that revenues must cover at least 35 % of the costs. As remuneration ATM gets an annual sum of 132,6 million Euro according to Regional Law of the Piemonte Region. If necessary, remaining costs are covered by the City of Torino.

In **gross cost contracts** the remuneration consists of the contribution based on annual kilometres provided. This enables the OA to know in advance the fixed sum, which can be updated during the operating year. The contribution is calculated from the contractual fixed kilometric price, multiplied by the number of kilometres actually run by the OP. The contribution can be annually updated in relation to the evolution of the costs (diesel oil, salaries, sales price of buses...) with the use of updating mechanism.

In *Paris and the region Ile-de-France*, in exchange for offering the service, the authority STIF commits itself on remuneration of the traffic. The contract sets out for each transport ticket sold, whatever the selling company or body, a unit compensation based on the cost of the transport service provided by the company to the bearer of the ticket in question. In addition the contract provides for the payment by the STIF of an annual lump-sum contribution to take into account of specific constraints of RATP, such as safety, jobs for

young people, debt burden, pension system, which are not among the charges of other operators.

To these two main resources paid by the authority is added a compensation of the activity of sale of transport ticket exercised by the RATP for the account of the STIF. (6% of the sales).

With this system of remuneration, the contract sets out also incentive and penalty systems composed of:

- financial penalty for failure to achieve the production objective
- bonus/malus scheme related to the service quality indicators

In 1999 Västtrafik was formed as a new PT authority for Västra Götaland. Due to the great area it covers, four subsidiaries were formed, one is Västtrafik Göteborgsområdet (VTG), which is located in [Göteborg](#). The city of Göteborg is not responsible for PT any more.

In Göteborg and the Greater Göteborg Area, 1/3 of the bus production has been out for tender at a time. The tendered contracts are gross cost contracts.

The OP are paid by vehicle-kilometres operated/time table km. The remuneration is paid monthly and yearly updated. Changes of  $\pm 20\%$  may be neglected.

The LVB GmbH is the public operator of PT of the City of [Leipzig](#), a agglomeration with 500.000 inhabitants in central Germany. LVB is owned at 95% by the LVV (Leipziger Versorgungs- und Verkehrsgesellschaft), which is 100% owned by the city of Leipzig. Five per cent of the shares of LVB are owned by the county Leipziger Land.

A very interesting point of this case is that there are three different components that create together the remuneration of the OP. The contracts are hybrid contracts, implying components of a gross cost contract as well as of a management contract. The fixed components in the field of remuneration are typical for a management contract. This fixed component provides an agreed amount for infrastructural costs. The second component is paid to the OP for the reason of rationalisation of the costs of the OP themselves. It is a ceasing sum, which is reduced every year. The third part of the remuneration is variable. The payment depends on the passengers per kilometre done. Therefore the contract can be considered as a hybrid contract for a transitional period with a stronger tendency to a gross cost contract than to a management contract.

In **net cost contracts** the OP is remunerated by the revenues and a compensation is paid by the OA. This compensation is usually a fixed sum, which may be adjusted in relation to the annual financial results based on actual revenues. According to actual results, the OA may receive some part of the benefits or share the deficit. The commercial risk exists for the OP but the OA has an active involvement since its complementary contribution may be subjected to adjustment during the contract. The OA bears a part of the commercial risk in this case.

When there is no adjustment provision, the compensation is fully dissociated from changes in the revenues received by the OP. The OP alone assumes any benefit or deficit. However, this does not exclude any complementary compensation due to changes in tariff structures or levels during the contract period. This is all the more true when the OA determines the tariffs, which is almost always the case. The OP is fully responsible, given a stable set of specifications, of the management of the public service.

The compensation of the OA can be annually updated taking into account the evolution of the costs (diesel oil, salaries, sales price of buses...) while the revision of the remuneration can be stipulated depending on the evolution of the operating conditions such as fares, offer, productivity, materiel and human resources, legal and economic evolutions.

In the deregulated market in UK, outside London, under the Transport Act of 1985, any public or private OP can freely operate commercial services without contract. There are only contracts between Transport Authorities and the OP for socially necessary services, which are not economically profitable. Only in this case, the OA makes use of call for tenders to select the OP. In the contract between GMPTE and the OP, *Manchester*, cost and revenue risks are allocated to the OP, besides school service contracts, where the OP takes the cost and GMPTE, the OA, the revenue risk. Therefore most of the contracts are net cost contracts. The operator bids a fixed price for the contract and is paid this on a monthly basis. In addition to the fares gained from the service operated this sum makes up the remuneration of the operators.

#### **Sub-section 4: Incentives schemes**

The overall aim of incentives as stated in UITP Incentives study<sup>11</sup> is to ensure the achievement of the overall objectives of public transport, that is in the long term the increase of patronage by increasing the focus on customer satisfaction and at the same time giving operators more freedom and responsibility to improve cost-effectiveness and revenue. An incentive is an efficient tool that makes the operator contribute to the fulfilment of the objectives of the OA and make the OA respect the role of the operator. Necessarily to have a real impact on the management of public transport, bonus /penalty amounts need to be sufficient to constitute real stakes for the parties. Positive incentives are financial agreements where the operator gets a financial benefit if some specific goals are achieved. Negative incentives imply that the operator pays a penalty if the aims are not fulfilled.

The type of incentive varies, depending on the type of contract used and the objectives to be met; increase of customer satisfaction patronage/quality, increase of patronage/revenue, reduction of production costs, environmental issues.

Quality incentives imply that the OA pays the operator a bonus if the level of quality exceeds a certain level. A negative incentive implies a penalty if the quality falls below a certain level. This can also be linked to total quality management<sup>12</sup> as to provide a level of quality defined according to the expectations of the clients and the objectives of the organisation.

Revenue or patronage incentives means that the operator benefits from increasing patronage or revenue e.g., the operator gets a certain percentage of the revenue above a certain level.

In **management contracts**, financial incentives schemes can be provided in relation to productivity and quality of service. The aim is usually to obtain a greater degree of autonomy from the operator and to provide them with rewards from his efforts.

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<sup>11</sup> In *UITP Incentive Agreements in Public Bus Transport*, 4<sup>th</sup> Edition, 2000.

<sup>12</sup> *UITP Focus Paper and Vademecum on Quality*, available in May 2003.



In the region *Clermont-Ferrand* S.M.T.C is the competent OA for the Urban Public Transport. The territory comprises 19 local Authorities with more than 260.000 inhabitants.

Clermont-Ferrand can be considered as a classical management contract, for all risks are allocated at the OA's side. Incentives have been set up in regard to the number of passengers, the quality and the cost efficiency of the services.

In **gross cost contracts**, quality or revenue incentives will make the operator focus not only on the production/costs but also revenue and passenger satisfaction. Indeed the largest disadvantage of gross cost contract is that it removes the operator's awareness of the market, and concentrates his interest on optimising his own business and maximising production.

Most important is that incentives enable the authority to share the commercial risk with the operator. The operator through its commercial management modifies the level of this risk for the authority. As previously mentioned to have the responsibility to modify the level of risk is different than to bear the risk, and therefore does not change the type of the contract into a net cost contract.

The edict of November 22, 1990 created STIB, a PT OP, as an association of public law. STIB operates on the territory of *Brussels* Capital Region, constituted of 19 local Authorities (161 km<sup>2</sup> and 965.000 inhabitants) and in 9 other local Authorities. In total STIB covers a territory of 241 km<sup>2</sup> for the benefit of 1.160.000 people.

The contract between the STIB and the OA can be considered as a gross cost contract with some components of a management contract. The remuneration, which is paid monthly in advance, is linked to a minimum service offer.

There is an evaluation system of the OP commitments, which leads to the application of a bonus-malus scheme for km production, quality certification and financial transparency.

Public bus operations in the *Greater Copenhagen* Region are tendered competitively since the introduction of the Copenhagen Transport Act in 1990. Tenders are made by the Greater Copenhagen Authority (HUR). The Copenhagen Metro, started in October 2002, is administrated by the Ørestad Development Corporation (Ørestadsselskabet). Operations are contracted out to Ansaldo, who delivers the rolling stock.

The contracts are gross cost contracts. The revenue risk is taken by the OA and the industrial risk (metro: partly) by the OP. Quality incentives are included in the bus contracts. In the metro contracts some patronage and quality incentives are also included.

If the number of passengers exceeds a certain number, Copenhagen metro and the OP will split the revenue equally. For bus services as well as for the metro a bonus is set out for services of good quality and penalties for bad performances.

The contract between RATP and STIF in *Paris and the region Ile-de-France*<sup>13</sup> offers a good illustration of incentives and penalty systems. Three mechanisms for profit-participation and penalties have been introduced:

- Financial penalty for failure to achieve the production objective

If the production is less than the annual objective minus the allowance (allowance between 3 and 4% to take account of the normal deviations which can occur between the theoretical service of the contract and the offer realised), the RATP incurs a penalty which is maximal when the production not achieved beyond the allowance attains 2%.

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<sup>13</sup> Case study to be completed by the article Balladur, Jean-Pierre, *The contract between the STIF and RATP*, PTI, 3/2002.

- Bonus/malus scheme in relation to quality indicators

For each of the twenty two service quality indicators, the contract sets, which can be raised overtime to foster progress, an annual objective bracketed by a lower value and a higher value. When the annual result is equal to the objective, there is neither a bonus nor a malus. RATP receives a bonus when the result is higher than the objective and pays a malus when it is lower than the objective.

- Traffic revenues sharing scheme

The contract sets an annual objective of total traffic revenues. Within a sliding band of 2%, the surplus or deficit is shared 40% for RATP, 60% for STIF. Beyond the limits of the sliding band, the residual surplus or deficit is shared 10% for RATP, 90% for STIF.

In **net cost contracts**, quality incentives either by stating minimum demands or by using customer surveys as positive or negative incentives, will ensure that the desired social demands are met.

As previously said, in the deregulated market in UK, outside London, under the Transport Act of 1985, any public or private OP can freely operate commercial services without contract. There are only contracts between Transport Authorities and the OP for socially necessary services, which are not economically profitable. Only in this case, the OA makes use of call for tenders to select the OP. In the contract between GMPTE and the OP, in *Manchester*, cost and revenue risks are allocated to the OP, besides school service contracts, where the operator takes the cost and GMPTE, the OA, the revenue risk. Therefore most of the contracts are net cost contracts.

There is no specific incentive scheme in the contract, but there are penalties for non-performance. This works by allocating to a contract a number of penalty points for each breach of the contract. When an operator gets to 100 points they are called into a meeting with GMPTE and, if there is a persistent breach of the contract, the contract can be taken away from them.

Quality incentives can be part of a total quality approach developed by the OA and the OP, facing the necessity to be customer oriented in the new context of mobility. To implement the quality management scheme, the contract defines the allocation of responsibilities and the determination of the quality management tools to define, target and measure quality of service. The contract is a key instrument in the quality approach as it defines the quality system and the management of the interfaces OA and OP<sup>14</sup>. The contract establishes for each function the level of quality to be achieved including a list of quality criteria<sup>15</sup>, the responsibility of each partner, the deadlines and eventually the incentives to motivate the partners to continuously enhance quality.

As far as quality incentives and bonus/penalty schemes are concerned, it is of the utmost importance that the contract contains a mutual responsibility for both the operator and the authority. This implies that the authority commits itself to carry out all necessary measures ensuring appropriate conditions for public transport in order to achieve the jointly defined objectives. This calls for operational solutions, which modulate the remuneration of the OP in relation to the degree of achievement of the objectives incumbent upon the OA.

<sup>14</sup> UITP *Focus Paper and Vademecum on Quality*, available in May 2003.

<sup>15</sup> CEN prEN 13816, *The overall quality of public passenger transport contains a large number of criteria. The criteria represent the customer view of the service provided, the draft CEN has divided them into 8 categories: availability, accessibility, information time, customer care, comfort, security and environmental impact.*

## **Sub-section 5: Monitoring**

Customarily, in **management contracts**, the OA monitors the respect by the OP of its policy and budget, while in gross cost and net cost contracts, the OA monitors the respect of the set of specifications and the good execution of the service through qualitative and quantitative assessments.

Since 1965 the Hamburger Verkehrsverbund (HVV) has been working as a public transport planning agency. Its function has been to provide integration of all public transport services in the *Hamburg* metropolitan region. The area of HVV covers around 3.000 km<sup>2</sup> with 2,6 million inhabitants (2002). Founded as a subsidiary of the publicly owned operator companies, HVV since 1996 is the public transport planning and tendering agency of the 8 PT Authorities of the HVV area.

The contracts in the outer districts for bus services are gross cost contracts.

As OA, HVV monitors and controls the performed services within this Region.

## Section 4: Provisions related to the services

This section focuses on the design of the services including the personnel and employment conditions. Whatever the share of responsibility, it is crucial that the role of each party is clearly set out in the contract. It is also essential for both the authority and the operator to define the services according to the expectations of the customers and their strategic choices. In relation to a quality approach, the level of quality has to be finely defined and the must be expressed in terms of results for the clients.

### Sub-section 1: Definition of the services

The definition of the services covers the routes, travel time, schedule, special services etc. Regardless of the type of contract, this is mainly the responsibility of the authority who is also responsible for co-ordinating the services between the different operators and modes. In **management contract** and **gross cost contract**, the services are mainly decided by the OA. In **net cost contracts**, this responsibility is shared by the OA and the OP, allowing significant autonomy for the operator.

Nevertheless if the definition of services comes under the decision of the OA, the OP plays a crucial role for making use of his extensive expertise to suggest and bring adapted solutions to the local mobility problems.

Also responsibilities related to stop management, stations, intermodal points, including Park and Ride, are shared by the OP and the OA. This is to be linked with the type of ownership with the possibility of quality criteria and bonus/penalty schemes.

A successful integration of services requires co-ordination amongst the different authorities of different geographical competencies or of the different levels of decentralisation.

Since 1991 the Flemish Government has granted a Legal Monopoly for Public Transport to the publicly owned company Vlaamse Vervoermaatschappij (VVM-De Lijn). Within the boundaries of the *Flanders* region, De Lijn has been entrusted with the entire responsibility for organising, promoting and coordinating all local and regional PT activities on its territory (except PT by rail). The contract between De Lijn and the Flemish Government is a management contract with some elements of a gross cost contract, because the industrial risk is partly taken by the OP.

Interesting is, that though all in all the contract can be considered as a management contract, the responsibility for service planning is in the hand of De Lijn and does not belong to the agenda of the OA.

In 1999 *Gelderland* developed the Gelderland East Integrated PT project (IGO plus) in the Achterhoek franchise area, one of the five franchise areas in the province of Gelderland. The main feature of this project is that the train (the Zutphen-Winterswijk and Winterswijk-Doetinchem-Arnhem lines) has become the backbone of PT in this regional area and that the bus supplements the train service with rapid connecting services, convenient local services.

Gelderland is a net cost contract. The revenue risk is taken partly by the OP and partly by the OA. Therefore the Gelderland-case can not be considered as a pure net cost contract.

The main standards for service planning are set up by the OA, but within this framework the OP is free to set up detailed standards.

## Sub-Section 2: Quality

Quality is a shared responsibility of the authority and the operator: to the authority, the strategic responsibility to define the level of quality, to the operator, the managerial and operational responsibilities to obtain that the agents successfully deliver the defined quality service. In this respect, an integrated action involving authorities and operators is a key factor to provide a service quality that meets the expectations of the customers. This involves the definition of convergent aims, the adoption of common tools, continuous communication and a definition of the roles of everyone. More specifically, it is fundamental that the authorities and the operators define in a very close co-operation the level of quality they want to provide according to the expectations of the customers. In the cycle of the 4 qualities<sup>16</sup>, this is the desired quality, which expresses the ambitions of the authorities and operators in terms of service. This represents the commitment made by the actors with regard to the service to be provided. Towards this objective, the contract appears as a performing tool to quality in the necessary integrated approach and to manage the interface operator/authorities. The contract is a key instrument to clarify the responsibilities of each party, while enabling all parties to express their expertise in their own field of competence. The respect for the mutual commitments is all the more respected as the contract lays down a reciprocal mechanism of bonus/malus scheme, as mentioned above in the section related to financial provisions<sup>17</sup>. The reciprocal character is particularly important since the operational role of the authority should not be neglected in the field of safety, fraud, antisocial behaviour, car traffic, parking policy which have a direct impact on the public transport system and the performance of the company.

Over 1.1 million people live within the approximately 2300 km<sup>2</sup> of the Region *Hannover*. With approximately 515.000 inhabitants, the Hannover is the capital of Lower Saxony. Region Hannover is the responsible OA in this Region. The Region Hannover and the OP have agreed a gross cost contract.

A quality management is the core of the contracts of carriage. These contracts have the purpose of guaranteeing high quality local PT. Therefore quality specifications are set up in the contracts. Poor fulfilment of quality standards lead to the application of a penalty system.

## Sub-section 3: Tariffs and fares

All issues related to the tariffs, to the structure, level, reduction of fares and ticketing are under the competence of the OA in **management** and **gross cost contracts**. In **net cost contracts** the general policy is defined by the OA, leaving room for autonomy for the OP for commercial fares such as discounts, fare sections. Initial prices can be laid down in the set of specifications. The OP may be free to adjust and revise them as part of current regulations, with the condition to inform the OA in advance of all planned modifications. The OA may require the OP to grant reductions to certain categories of users. In this case, it shall compensate the operator for the resulting loss of revenues.

The Ile-de-France region has 11 million inhabitants and contains 5 million jobs spread across a territory of 1200 km<sup>2</sup>. PT is provided by RATP (metro, bus, tramway, commuter trains), SNCF (commuter trains) and OPTILE (private busses).

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<sup>16</sup> UITP vademecum on quality and focus paper, to be published in May2003.

<sup>17</sup> Incentive schemes in sub-section 4 of section 3.



The contract between STIF, the Greater *Paris* Transport Authority, and RATP is a gross cost contract. The industrial risk is borne by the OP and the revenue risk by the OA. In regard to fare setting it is to be stressed, that the *Ile-de-France region* has an integrated fare system. STIF defines the structures (tickets, seasonal tickets, etc.) and sets the retail price ('public price') while having to adhere to directives from the French Ministry of Finances.

Since 1989 the PT system in Sweden follows rules of tender. *Sundsvall* belongs to Vaesternorrland County, it is located about 420 kilometres north of Stockholm and has about 60.000 inhabitants, all served by buses. In 1981 Laenstrafiken Vaesternorrland was established, which is the administrative/planning and co-ordinating authority.

The responsibility for fare setting is shared between the OA and the OP.

The OP must not charge more than the price set by Laenstrafiken for single tickets. For discount tickets, mainly refillable smart-card tickets, the OP can use a different discount rate compared to Laenstrafiken.

#### **Sub-section 4: Information and promotion**

All activities related to marketing such as information to the passenger at home, in the network, disturbance information, travel guarantee, communication, public relations and promotion are shared responsibility in the 3 different types of contract. The OA plays a central role in taking the strategic decisions, as guarantor of co-ordination and continuity of the services while the OP has the operational/customer responsibility. The crucial aspect of these responsibilities is to focus on the needs of the customers and to go from a production-oriented organisation to a customer-oriented way of working. For that reason these issues require co-operation between the OA and OP in a true partnership.

The area of the VOR (Verkehrsverbund Ostregion) comprises the capital *Vienna* and the surrounding provinces Lower Austria and Burgenland. The VOR management is an OA for PT in the eastern Region. Within the VOR there are various contracts in regard to development and service definition. The industrial risk generally rests with the OP, while the revenue risk is taken by the VOR. Therefore the contracts are gross cost contracts.

Concerning promotion and marketing activities it is stipulated by Austrian Federal Law (ÖPNRV- G 1999) that promotion and information in regard to specific VV (Verkehrsverbund- integrated networks) activities, like integration and single fares, are part of the responsibility of the VV (§ 18 Abs 1 Z 5 and 5 ÖPNRV-G) and specific promotion in regard to the OP themselves are taken by the co-operation of the OP within the VV (§ 18 Abs 1 Z 5 ÖPNRV-G.)

#### **Sub-section 5: Personnel and employment conditions**

Although OA and OP have no control over labour regulations, contractual provisions may specify conditions e.g. wages, flexibility in working hours, and the consequences for the staff in case of expiry, cancellation or forfeiture of the contract. This is a responsibility shared by the OP and the OA for the three different types of contracts while participation schemes of employees in quality can be stipulated. In gross cost and net cost contracts, there can be provisions dealing with the change of operator. It is to be mentioned that in

total quality approach, contracts may set out quality provisions related to the working conditions of the staff.

In **management contracts**, it is often stipulated that the OA is subrogated to the OP for all his rights and obligations in case of expiry of the contract, which may implicitly include the responsibility towards the staff.

Regardless the type of contract, there are three different methods as follow:

First, the OA may undertake to take over the staff in case of expiration, of cancellation and also, but more rarely, in case of forfeiture.

Secondly the OA may undertake to make new operator take over the staff in case of expiry or cancellation of the contract.

Eventually the OA may undertake to cover the costs when the staff are not taken over, in relation to the breach of the work contracts.

Differently provisions may stipulate that the OA or the new OP is not obliged to take over the staff and makes provision for an indemnity for the outgoing contracting party.

ATM S.p.A. provides PT services in the metropolitan area of [Torino](#). The services are given to ATM directly, without following rules of tender, through a service contract. The revenue as well as main parts of the industrial risk are taken by the OA and therefore the contract can be considered as a management contract.

In regard to personnel and employment conditions, it can be said, that ATM is obliged to observe the dispositions of collective agreements. At the expiry of the contract, if a different company takes the place of A.T.M., Regional Law establishes the preservation of all the previous personnel rights of the employees.

The [Helsinki](#) intra-region PT system consists of YTV, the OA, which comprises of the four Cities Helsinki, Vantaa, Espoo and Kauniainen, three rail operators with a modal monopoly and four major and several smaller bus operators. In regard to bus services about 99% of the lines are out for tender. The tendered contract model transfers most of the risks to the organising Authority. The contracts are gross cost contracts; care of personnel and employment conditions is basically left to legislation and the general Terms of Employment Agreements, which apply to all operating companies and all their personnel. However, to reduce labour disputes the OA are instructed to comply with an additional agreement (Lonka 1998), which protects employees' earned benefits when transferring to another OP.

## Conclusion

The case studies show that there is a wide range of options to contractually organise public transport systems, in relation to the missions given to the authority and the role attributed to the operator. The diversity of the local circumstances and stakes emphasises that the benefits of a certain types of contract can only be judged through the performance of the public transport system in terms of modal share, patronage, clients' satisfaction and revenues.

The public transport sector is the perfect example to show that missions of public service, although defined by the authority, are not necessarily linked to public companies. Private companies are also entrusted to carry out public services, whose requirements are clearly defined in the contractual agreements with a clear set of specifications. This logically gives a strong responsibility to the authority to define the services according to its political and strategic choices.

In parallel, the operator must be given a certain degree of autonomy in defining the services in the extent that he benefits from an excellent knowledge of the market, of the needs of the customers and that he has a strong expertise in running public transport systems. In addition, if operators are normally blamed for the service quality, it is legitimate that they enjoy a certain degree of entrepreneurship, of level of initiative to decide upon the design of the network and product specification.

One of the most important aspects is thus that the contract enables the parties to express their expertise in their own field of competence when setting out the responsibilities of the authority and the operators, their mutual commitments and the management of the interfaces operators/authorities. It is to be stressed that beyond the contractual relationships, there is a need for a strong partnership between the parties with respect for the roles and the skills of everyone. Getting the most out of each actor and getting shared successes are only possible if the parties are in the position to express their expertise in their own field of competence.

At the present time, beyond political discrepancies and the clear-cut opposition "public versus private management" or "public versus private companies", a new challenge is emerging for the actors of public transport: to ensure that this distinction does not have any impact on the performance and the efficiency of public transport systems. In consequence the financing approach – one of the most sensitive spots given the high price of public transport – must be reconsidered because the contractual relationships demonstrate that the operator appears as the supplier, which sells its services to the organising authority. It is therefore up to the authority as a client, to define the services and the level of quality that it can afford according to its political and strategic objectives of mobility and sustainable development. In these conditions, public money are not any longer subsidies but payment for the services ordered by the authority to meet its objectives of mobility policy.

Besides the financing developments, the current stake is, regardless of the type of contract and the nature of the operator, to create a more balanced contractual mode recognising both the singularity and the complementarity of the role of the actors in the performance of the public transport system in terms of client satisfaction and costs efficiency. To achieve this objective, a managerial approach aimed at constantly improving the services and the

processes of realisation of these services is imperative. This is through the development of a total quality approach, that all the concerned actors succeed to conciliate and integrate their different objectives and responsibilities in a contract. Quality is a tool that allows each partner to position himself as part of the same action and guarantees the necessary integrated approach. For these reasons a total quality approach is the warrant of fruitful contractual relationships and efficient public transport.

## 2. CASE STUDIES

### 2.1. **Summary table of the case studies**

### 2.2. **Compilation of the 20 case studies**

Brussels (Organising Authority), Belgium

Brussels (Operator), Belgium

Clermont-Ferrand, France

Copenhagen, Denmark

Flanders region, Belgium

Frankfurt, Germany

Provincie Gelderland Oost, The Netherlands

Gothenburg, Sweden

Hamburg, Germany

Hannover, Germany

Helsinki, Finland

Leipzig, Germany

Manchester, UK

München, Germany

Oslo (city), Norway

Oslo (region), Norway

Paris, France

Sundsvall, Sweden

Torino, Italy

Wien, Austria

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***TUESDAY, 25 - SESSION 1***

**"THE ROLE OF THE ACTORS AND THE REGULATORY  
FRAMEWORK IN THE U.S."**

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**1. BIOGRAPHICAL NOTE**

Mr. Durkee is Chief of the General Law Division, Office of Chief Counsel, for the Federal Transit Administration; a Federal agency responsible for administering \$6 billion in annual financial assistance to state and local mass transportation providers in the United States.

A graduate of Columbus School of Law at Catholic University, Mr. Durkee entered law practice in Washington, D.C. in 1981, with the Urban Mass Transportation Administration, concentrating in Federal grant law, with emphases in government contracting, minority business enterprise participation, and ethics. Mr. Durkee brings to this position over 38 years of Federal service.

Mr. Durkee directs the day-to-day activities of Division attorneys and other professionals responsible for providing legal advice and assistance on all aspects of Federal transit law and related rules and regulations, as well as internal agency administrative matters.

**2. ABSTRACT**

Setting the stage with a brief review of the U.S. Constitution as the foundation for the regulatory framework, the speaker examines the differing roles played by government authorities in public transit in the United States. When acting as promoter, regulator, purchaser, or provider of public transit service, the proper role of government is determined by whether the function is inherently-governmental or commercial in nature. Inherently-governmental functions must be performed by government employees where commercial functions can be performed by either government employees or the private sector. In deciding whether government authorities or the private sector should perform a commercial function the speaker recommends that a process similar to competitive contracting called "competitive sourcing" be considered.



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### **3. FULL TEXT**

I have been asked to explore the following questions: What is the proper role of the government in public transit? How much can government leave to pure market forces? What are the proper roles of the organizing authorities and operators? In seeking answers to these questions, I will begin by examining the legal framework in which public transit is carried on in the United States and the various functions, both governmental and non-governmental, that comprise "public transit." I will conclude by looking at one model for promoting and procuring public transit service through what we in the United States call "competitive sourcing."<sup>1</sup>

First, let me define what I mean by public transit. For the purpose of this presentation I paraphrase the definitions found in U.S. Federal transit law. "Public transit" means transportation by bus or rail, either publicly or privately owned, which provides to the public service on a regular and continuing basis.<sup>2</sup> This definition does not include intercity bus and intercity passenger rail operations except to the extent local bus and commuter rail operations serve cities in close proximity to one another.

### **Constitutional Framework**

In the United States, the role of the governmental actors and the regulatory framework begin with our national Constitution. Our Constitution establishes a central government of limited powers. In this structure, authority originates in the people and flows to the Government, both State and Federal.<sup>3</sup> Three areas of the Constitution are especially relevant -- the Commerce Clause,<sup>4</sup> the 10<sup>th</sup> Amendment,<sup>5</sup> and the Spending Clause.<sup>6</sup> The Commerce Clause recognizes the fundamental role of commerce between and among the different States to the economic vitality of the nation as a whole. Thus, the Federal Government has a dominant role in regulation of interstate transportation of persons and goods, including intercity bus and intercity passenger rail, along with all other modes of transportation operating between States and foreign countries. The 10<sup>th</sup> Amendment,

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<sup>1</sup> The opinions expressed in this paper are those of the author; they do not necessarily represent the views of the Federal Transit Administration or any other governmental agency.

<sup>2</sup> Title 49, United States Code, Section 5302.

<sup>3</sup> "We the people of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America."

<sup>4</sup> Article 1, Section 8 (3) provides that the federal government shall have the power "to regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes. "

<sup>5</sup> Amendment X (1791) "The powers not delegated to the United States by the Constitution nor prohibited by it to the States, are reserved to the States respectively, or to the people. "

<sup>6</sup> Article 1, Section 8(1) provides that "Congress shall have Power to ... to pay the Debts and provide for the common Defense and general Welfare of the United States...."



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however, provides that all powers not expressly delegated to the Federal Government are reserved to the States or the people. Thus, we would expect to find public transit, at least that which is exclusively intrastate, to be regulated, if at all, by state or local government authorities. And, in fact, regulation of public transit has, until recently, been provided by the individual states and local governments.<sup>7</sup>

### **Conditional Appropriations**

Unlike other modes of transportation, such as interstate railroads and airlines, the Federal role in public transit has evolved under authority of the Spending or General Welfare Clause of the Constitution, rather than the Commerce Clause. Use of this authority results in a framework different from that which applies to other forms of transportation. State and local governments can regulate public transit under the 10<sup>th</sup> Amendment irrespective of any financial assistance that may be provided. Likewise, the Commerce Clause authorizes interstate regulation without regard to financial assistance. Federal regulation of public transit, however, is almost entirely based on the Spending Clause, that is, upon grants of financial assistance with attendant terms and conditions like a commercial contract. "Through the use of conditional appropriations, the power to spend becomes a power to regulate."<sup>8</sup> Courts in the U.S. have rejected 10th Amendment arguments by States claiming that the Federal Government is intruding on their exclusive jurisdiction over different aspects of public transit, such as labor relations, on the basis that States have a choice whether or not to accept the terms and conditions attaching to Federal grants. They can choose not to accept the money and thereby avoid the conditions.<sup>9</sup> Although Federal transit law makes clear that authority to award Federal financial assistance conveys no authority to regulate the operation of a mass transportation system including fares charged by a transit system receiving a grant, the Secretary of Transportation may require the local governmental authority to comply with the terms and conditions of its grant agreement.<sup>10</sup> This limitation is fully consistent with the limitations imposed by the 10th Amendment.

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<sup>7</sup> For more information on the history of regulation and contracting for public transit service in the United States, see Contracting for Bus and Demand-Responsive Transit Services, A Survey of U.S. Practice and Experience, Special Report 258, Transportation Research Board, National Research Counsel, National Academy of Sciences, National Academy Press, Washington, D.C. 2001. \_

<sup>8</sup> American Constitutional Law, 2d Ed., Laurence H. Tribe, p. 321.

<sup>9</sup> *City of Macon v. Marshall*, 439 F.Supp. 1209 (M.D. Ga. 1977)(the court declined to review the Secretary of Labor's decision not to certify a plan in which the transit authority refused to bargain with or recognize the workers). *Garcia v. San Antonio Metropolitan Transportation Authority*, 469 U.S. 538 (1985) (Appellee, a public mass transit authority that received substantial federal funding, brought action for declaratory judgment to determine whether it was entitled to 10th Amendment immunity from the minimum wage and overtime provisions of the Fair Labor Standards Act (FLSA), 52 Stat. 1060, 1067 (1938)).

<sup>10</sup> 49 U.S.C. Chapter 53, Section 5324 (c) (c) Prohibitions Against Regulating Operations and Charges.--The Secretary of Transportation may not regulate the operation of a mass transportation system for which a grant is made under section 5309 of this title and, after a grant is made, may not regulate any charge for the system. Pub. L. 103-272, Sec. 1(d), July 5, 1994, 108 Stat. 824.



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### **Inherently Governmental Functions**

To define the proper role of government in public transit, it is useful to begin by dividing the various functions into those which are "inherently governmental" and those which are "commercial" in nature. Inherently governmental functions include activities that require (a) the exercise of discretion in applying government policy and authority or (b) the use of value judgments in decision-making on behalf of the government. All other functions are commercial. The definition of transit in U.S. Federal transit law -- transportation by bus or rail, or other conveyance, either publicly or privately owned -- implies that neither ownership of transit assets nor provision of transit service is an inherently governmental function. Rather, they are both commercial functions, even if of vital importance to the social and economic well being of the nation. Nevertheless, government sometimes owns transit assets and/or provide transit service. When government does either of these things, its role is something other than governance, i.e., it is not performing an inherently governmental function.

So there may be several proper roles for government in public transit. I will focus on four of these: government as promoter, government as regulator, government as purchaser of transit service, and government as provider of transit service.

### **Government as Promoter**

Mass transit has been shown to be an effective and efficient means of providing basic mobility, especially when combined with sound land use planning, while reducing undesirable environmental and social impacts such as congestion and environmental degradation caused by over reliance on private automobiles. Promoting the use of public transit as preferable to the private automobile or other available modes is sound public policy in appropriate settings. Establishment of public policy is an inherently governmental function. Exercising government authority to create incentives and disincentives in advancing that policy is also inherently governmental. For example, through use of tax credits employers can be encouraged to promote use of public transit by employees. Advertising the benefits of public transit is another means of advancing this policy. But advertising is not an inherently governmental function and is quite suitable for performance by the private sector on behalf of the government as a consumer or in cooperation with government as a partner. In the U.S., the American Public Transportation Association has initiated a nationwide program called PT<sup>2</sup>, a national education and outreach initiative about the many benefits of public transportation, including a web site, [www.publictransportation.org](http://www.publictransportation.org). PT<sup>2</sup> is an excellent example of how the role of government can be coupled with the role of the private sector to promote public transit.

Similarly, provision of financial assistance for planning, capital, operating, and research is a valid exercise in promotion of public policy. The Federal Government does not own or operate mass transit systems in the United States to any significant extent. It does, however, provide approximately \$7 billion in annual Federal financial assistance to state and local governments and the private sector for purposes of transit planning, as well as capital, operating and research costs. As I noted earlier, "through the use of conditional





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appropriations, the power to spend becomes a power to regulate.”<sup>11</sup> We call this the Golden Rule. He or she who has the gold rules. The role of the U.S. Federal Government in public transit is relatively new. It has been one of promotion, financial and technical assistance, education and leadership, but not regulation. As discussed more fully below, the Federal Government has a dominant role in regulation of interstate transportation under the Commerce Clause, not intrastate public transit. It has been said that among the great benefits of our form of government is that the States can act as great laboratories for change and innovation. This is as true in public transit as in other areas.

#### **Government as Regulator**

It is not my intent to review in any detail the various ways in which government injects itself into the provision of public transit in the marketplace. However, it can be said that the proper role of government as regulator is to act in those areas where market forces alone are deemed inadequate to provide for the common well being of society. Examples include vehicle safety, driver licensing, accessibility for persons with disabilities, alcohol and drug abuse, environmental protection, crime, and anti-trust. Regulation is an inherently governmental function. Government policy regarding such things as appropriate levels of vehicle, driver, and passenger safety are established by government officials and put into place through appropriate regulatory schemes. Having determined that public transit has an effect on national and local economies, establishment of a healthy competitive environment in which desired levels of public transit can be sustained efficiently is also an appropriate government role.

#### **Government as Purchaser or Provider**

On the other hand, where government is acting as a buyer or provider of public transit service, I would argue that its proper role in the marketplace is not fundamentally different from that of any other buyer or provider, albeit, as representative of all the people, it has higher ethical obligations in how it conducts its commercial activities than perhaps other participants. U.S. Courts have held that when a government acts as a commercial party, rather than as regulator of private activity, it loses much (though not all) of its sovereign immunity and is to be treated much like any other market participant. But given the sheer size of government and its regulatory powers, unless particular care is taken to maintain a clear separation between its governance role and non-government roles, conflicts of interest can arise which lead to anti-competitive, monopolistic practices with the same negative ramifications as might occur in commercial activities of the private sector.

Although much can be gained through emulation of private enterprise in the way in which government performs its various functions involving public transit, as representative of all the people, government is not like just any other participant. For one thing, as a buyer, government is spending taxpayer funds, which gives rise to a series of obligations not necessarily binding on other players. One of the most fundamental is full and open

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<sup>11</sup> American Constitutional Law, 2d Ed., Laurence H. Tribe, p. 321.



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competition. Business opportunities created through the expenditure of public funds should be available to everyone desiring to compete for those opportunities. Competition promotes innovation, efficiency and greater effectiveness. For many activities, including public transit, citizens do not care whether the private or public sector provides the service or administers the program. The process of competition provides an impetus for the public sector to focus on continuous improvement and removing roadblocks to greater efficiency.

#### **Competitive Sourcing v. Outsourcing or Privatization**

Within the U.S. Federal Government we have a process called "Competitive Sourcing."<sup>12</sup> Competitive sourcing provides an opportunity to compete a commercial function between the Government and private entities, enabling the Government to compete and, if successful, to perform or continue to perform the commercial functions in house. This technique has a preference for competitive choice, not for public or private operation. Outsourcing, the contracting out of a commercial activity to the private sector, assumes a preference for private sector operation. Under privatization, the Government divests itself of ownership and control of the activity. Under competitive sourcing, the Government retains ownership and control over the commercial activity regardless of whether the activity is performed by a Government or non-government entity.

But how does one inject full and open competition into public transit where government authorities are already operating the systems? One approach to this difficulty is for government, as regulator, to limit public authorities to the role of purchasers of public transit service, allowing them neither to own transit infrastructure nor to operate service. This is one way to vitiate government's tendency to protect itself from competition. But this approach leaves authorities at the mercy of a marketplace that may not be particularly merciful or helpful to the community. Another approach is to allow full and open competition between public and private operators under controlled conditions that establish clear standards of performance, quality assurance, and costing, against which to compare different offers, i.e., competitive sourcing. Competitive sourcing, done fairly and openly, avoids much of the acrimonious debate that accompanied attempts at privatization in the 1980s that continues to this day.<sup>13</sup>

To be effective, the process must be sufficiently transparent that all participants have confidence in its fairness. Private sector offers and government tenders must be based on the same performance standards. Cost proposals must take into account full costs to the government. For example, differences in cost to the government resulting from performance by tax exempt entities and taxable entities must be taken into account. Government tenders must be subject to the same level of price realism as private sector offers, and total cost must be calculated. Those responsible for preparation of the government's statement of

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<sup>12</sup> Circular No. A-76 (Revised), Performance of Commercial Activities, Executive Office of the President, Office of Management and Budget, Washington, DC 20503, November 14, 2002.

<sup>13</sup> See Supra, note 7 and accompanying text.



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work, cost estimate, and evaluation of offers must be kept strictly separate from those responsible for preparing the government tender. There must be an independent forum for appeal by all offerors. As I mentioned earlier, in the United States the Federal Government does not own nor operate public transit to any significant extent. However, a system like the one I describe has been in place for determining who should perform commercial functions on behalf of the Federal government for almost fifty years. It has not worked well for several reasons, including lack of controls over conflicts of interest that have led to a lack of trust in the integrity of the process on all sides. That system has been substantially revised to address these deficiencies and is a cornerstone of President Bush's Management Agenda. I think it provides a solid model for consideration and possible adoption, in whole or in part, by authorities and operators of public transit in the United States and elsewhere.

### **Conclusion**

What is the proper role of the government in public transit; how much can government leave to pure market forces; and what is the proper role of the organizing authorities and operators? These remain open questions subject to ongoing debate. But I do believe that competitive sourcing is one of the better tools currently available to find out.



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**TUESDAY, 25 - SESSION 1**

**THE ROLE OF THE ACTORS AND THE REGULATORY  
FRAMEWORK**

**"A EUROPEAN OVERVIEW"**

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**1. BIOGRAPHICAL NOTE**

Employed by the Scottish Government: seconded to the European Commission Directorate General for Energy and Transport since February 2001

*Working on 2 Commission proposals:*

- (1) Regulation of public service requirements and public service contracts in public passenger transport
- (2) Directive on the promotion of biofuels in transport

Public administration experience in the development and delivery of policy in the fields of employment, welfare and education as well as transport and energy.

**2. ABSTRACT**

The current European regulatory framework is provided by Regulation 1191/69. This regulation requires the use of public service contracts between operators and authorities for the fulfilment of public service obligations, though with wide exceptions, particularly for companies providing only local and regional transport.

The last 2 decades have seen a growing use of contracts for public transport services and a parallel increase in the number of contracts awarded following a competitive exercise. Experience of contracting, with or without competition, tends to be of benefits for both the authority and operator, as well as for passengers and the wider community. However, no single model of contracting has emerged: much depends on the allocation of risks and



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responsibilities between the contracting parties. To be judged successful, any contracted service should deliver attractive and efficient services for passengers, and value for money for taxpayers.

The European Commission has proposed a new regulation to replace 1191/69. If adopted in its current form, this will extend the principle of contracting to all awards of exclusive operating rights or exclusive financial compensation, and, in order to guarantee the legality of these awards, require that in most cases contracts are awarded following a competitive procedure.

### **3. FULL TEXT not submitted**



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**TUESDAY, 25 - SESSION 1**

**THE ROLE OF THE ACTORS AND THE REGULATORY  
FRAMEWORK**

**"MISSIONS AND ORGANISATION OF PUBLIC TRANSPORT  
AUTHORITIES IN THE EUROPEAN METROPOLITAN"**

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**1. BIOGRAPHICAL NOTE**

Stéphane Lecler graduated from a French leading business school (HEC) in 1996. After post-graduate studies in land-use planning and transport, he joined Syndicat des Transports d'Ile-de-France (STIF), the public transport authority for the Paris-Ile-de-France region, where he is responsible for budget and international issues. At the same time, he became secretary general of the newly created association of European Metropolitan Transport Authorities (EMTA), which now brings together 28 public transport authorities.

**2. ABSTRACT**

More than ¾ of the European population now lives in urban areas, and among them a growing part in metropolitan areas which are not viable without efficient public transport systems. Organising public transport systems in such complex territories is not an easy task (multi-modal networks operated by several companies, multiplicity of public authorities concerned).

In spite of the great differences between the European cities, some common characteristics can be identified as far as their public transport systems are organised : clear separation of responsibilities between organising authorities and operators, decisions taken at the local level, co-operation between the public authorities involved through *ad hoc* public bodies, and, lastly, generalisation of public service contracts between authorities and operators, increasingly awarded through tendering procedures.





# **UITP CONFERENCE**

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### **3. FULL TEXT in French**

#### **MISSION ET ORGANISATION DES AUTORITES CHARGEES DES TRANSPORTS PUBLICS DANS LES METROPOLES EUROPEENNES**

##### **1. CONTEXTE DE L'ORGANISATION DES TRANSPORTS PUBLICS DANS LES METROPOLES EUROPEENNES**

###### *1.1 Les transports publics jouent un rôle vital dans les métropoles*

- Les grandes villes ne sont pas viables sans réseaux de transport public. La densité élevée d'habitants et d'emplois fait de l'espace un bien rare. Aussi, le transport public, qui offre le meilleur ratio de consommation d'espace par voyageur, est la meilleure réponse aux besoins de mobilité dans les zones densément peuplées.
- Les grandes agglomérations souffrent de manière importante de la congestion et des nuisances causées par l'usage excessif de l'automobile (pollution, bruit, accidents, qui affectent la vie de milliers de personnes).

###### *1.2 Mais leur organisation est également très complexe dans de tels contextes*

Les réseaux de transport public des grandes villes sont le plus souvent multimodaux, avec des réseaux ferrés lourds jouant un rôle de desserte intra-urbaine. Il existe donc un fort besoin d'intégration des différents modes, au plan technique (organisation des correspondances), logique (existe-t-il une hiérarchie entre les modes, l'un est-il conçu pour rabattre les voyageurs vers un autre, etc.) et tarifaire (un même titre de transport valide sur différents modes).

Les services sont généralement exploités par plusieurs opérateurs, d'où, là aussi, un fort besoin d'intégration (horaires, tarifs, correspondances, information, marketing, etc.). La complexité est accrue par le fait que, dans certaines villes, il peut y avoir coexistence entre des opérateurs privés et d'autres publics, tandis qu'ailleurs, des opérateurs en situation de monopole peuvent cohabiter avec des sociétés exploitant des lignes sur la base de contrats à durée limitée.

Les responsabilités pour l'organisation des transports publics sont généralement partagées entre différents niveaux d'autorités chargées de la planification urbaine et des politiques de mobilité (municipalités, aire métropolitaine, région et parfois en plus les gouvernements nationaux), dont il importe de coordonner les actions.



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### *1.3 Les modèles théoriques d'organisation des transports publics*

L'organisation et la gestion du transport public comportent un niveau stratégique, en charge de la définition des objectifs généraux de la politique, un niveau tactique, responsable de la définition de l'offre conformément aux objectifs fixés par le niveau stratégique (quantité et qualité des services offerts) et enfin un niveau opérationnel, responsable de la production des services. Si le niveau stratégique est généralement entre les mains des autorités publiques et le niveau opérationnel dans celles des entreprises de transport, appelées de ce fait opérateurs, la situation est plus délicate pour le niveau tactique, comme nous le verrons plus loin.

Une deuxième classification possible s'appuie sur l'organisme qui a le droit d'initiative pour apporter des modifications à l'offre de services. Selon qu'il s'agit plutôt de l'autorité ou de l'opérateur, on obtient les schémas suivants :

- la production directe des services par l'autorité (régie), lorsque l'autorité est responsable à la fois de la définition et de la fourniture des services
- la gestion déléguée lorsque l'autorité demande aux opérateurs de fournir des services qu'elle a elle-même définis
- les systèmes d'initiative au marché, mais régulés, lorsque les opérateurs ont le pouvoir d'initiative mais doivent au préalable obtenir une autorisation de l'autorité
- et la libre concurrence lorsque les autorités ne peuvent pas interférer dans les services librement produits par des opérateurs

Une dernière typologie s'appuie sur la mise en œuvre de la concurrence, c'est à dire au fait que les opérateurs disposent ou non de droits exclusifs, permettant de distinguer entre les marchés fermés, qui peuvent être publics ou privés (services de bus dans la grande banlieue parisienne), la concurrence régulée, dans laquelle des droits exclusifs sont accordés pour une durée limitée après mise en concurrence (appels d'offres) et enfin les marchés ouverts, dans lesquels les opérateurs peuvent exploiter librement des services sans être protégés par des droits exclusifs sur ces lignes.

Il est à noter que l'existence dans un pays de tel ou tel modèle dépend du cadre institutionnel et des traditions administratives du pays concerné, de ses traditions dans le domaine de la gestion des services publics, du niveau des concours publics qui peuvent être consacrés aux transports collectifs par les autorités, et enfin de la compétence et du pouvoir des opérateurs de transport.

## **2. PORTRAIT DES AUTORITES RESPONSABLES DES TRANSPORTS DANS LES METROPOLES EUROPEENNES**

### *2.1 Responsabilité de l'organisation des réseaux de transport public*

Trois principaux cas de figures peuvent être distingués dans les villes européennes :



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- les aires métropolitaines dans lesquelles la responsabilité de l'organisation des transports publics est une compétence des autorités locales de droit commun (communes principalement). Une telle situation s'observe dans les aires métropolitaines dont les réseaux de transport ne sont pas intégrés (chaque municipalité est responsable des services de transport au niveau communal et l'autorité régionale est responsable des liaisons régionales – ex: Varsovie) et dans les agglomérations gérées par une autorité métropolitaine unique (ex : Bruxelles, où le transport public est une compétence du gouvernement régional).
- les aires métropolitaines dans lesquelles les opérateurs ont la responsabilité de l'organisation des réseaux de transport public. Cette situation est fréquente dans les villes disposant de puissants opérateurs publics en monopole. Ainsi, à Milan, la Municipalité a signé un contrat de service avec la compagnie municipale ATM prévoyant que c'est à l'opérateur qu'incombe la responsabilité de l'organisation, de la gestion et du développement des réseaux de transport public.
- les aires métropolitaines disposant d'une structure spécialement chargée de l'organisation des réseaux de transport public (UK, D, F et E)

Au Royaume-Uni, il existe une séparation formelle entre le niveau stratégique (Passenger Transport Authority, composé de représentants des communes) et le niveau tactique (Passenger Transport Executive – PTE, responsable de la mise en œuvre des politiques). Ces structures, créées en 1968 pour les principales agglomérations du pays (Manchester, Birmingham, etc), ont vu leur rôle évoluer de manière significative avec la déréglementation du secteur du transport en 1986. Auparavant, les PTEs exploitaient les réseaux eux-mêmes, mais cette compétence a été transférée aux opérateurs privés. Les autorités ont toutefois conservé des compétences importantes (planification des services, propriété des arrêts de bus, financement des tarifs sociaux, information des voyageurs).

En Allemagne, les opérateurs publics ont été, dans les années 80, à l'initiative de la création de structures de coordination ("Verkehrsverbund"), qui ont ensuite évolué afin de devenir de réelles autorités, indépendantes des opérateurs. Ainsi, à Francfort, le Frankfurter Verkehrsverbund, association des opérateurs de transport de l'agglomération, a été remplacé en 1994 par le Verkehrsverbund Rhein-Main, qui rassemble les autorités locales (communes et Land) et achète des services aux opérateurs.

En France, le concept d'autorité organisatrice, défini par la Loi d'Organisation des Transports Intérieurs (LOTI) de 1982, peut s'appliquer aussi bien aux autorités locales de droit commun qu'à des structures spécifiques de coordination, comme c'est le cas à Lille (Syndicat mixte), Lyon (SYTRAL) et Paris (STIF). La LOTI prévoit que les autorités organisatrices peuvent choisir d'exploiter elles-mêmes les réseaux (régie), ou bien d'en déléguer la gestion à des

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entreprises au moyen de procédures de mise en concurrence, ce qui est fait dans 90% des cas, avec l'exception notable de Marseille.

Enfin, un modèle espagnol est en train d'émerger avec la création récente d'autorités de coordination à Madrid (CTM), Barcelone (ATM), Valence (ETM).

### 2.2 Caractéristiques des autorités organisatrices des transports publics

#### 2.2.1 Des structures récentes, et présentant de grandes disparités

Les autorités organisatrices des aires métropolitaines européennes sont des structures récentes. Deux tiers des autorités étudiées ont en effet été créées après 1980.

Fig. 1 : Date de création des autorités organisatrices des transports publics dans les métropoles européennes

Ville (nom de l'autorité)	Date de création	Ville (nom de l'autorité)	Date de création
Amsterdam (ROA)	1993*	Londres (TfL)	2000
Athènes (OASA)	1977	Lyon (SYTRAL)	1983
Barcelone (ATM)	1997	Madrid (CTM)	1985
Berlin (VBB)	1996	Manchester (GMPTE)	1968
Bilbao (CTB)	1975**	Munich (MVG)	1975
Brême (VBN)	1989	Newcastle (Nexus)	1968
Cologne (VRS)	1987	Paris (STIF)	1959
Copenhague (HUR)	2000*	Prague (ROPID)	1993
Dublin (DTO)	1995	Rhin-Ruhr (VRR)	1990*
Francfort (RMV)	1994	Sheffield (SYPTE)	1968
Glasgow (SPT)	1973	Stuttgart (VVS)	1978
Hambourg (HVV)	1996*	Valencia (ETM)	2000
Helsinki (YTV)	1996*	Vienne (VOR)	1984
Leeds (Metro)	1985	Zurich (ZVV)	1990
Liverpool (Merseytravel)	1968		

\* date de création de l'autorité sous sa forme et avec ses responsabilités actuelles

\*\* sa mission initiale était la construction du métro. L'intégration des services et des tarifs a débuté en 2000



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A noter que Milan, Rome et Bruxelles ne figurent pas dans ce tableau car les exploitants "historiques" des réseaux de transport de ces villes (ATM, ATAC et STIB) sont actuellement transformés progressivement en autorités organisatrices.

Les aires géographiques et les populations couvertes par les autorités organisatrices peuvent différer sensiblement, avec deux autorités géantes se détachant de l'ensemble :

- le Verkehrsverbund Berlin Brandenburg (Berlin), qui couvre 30,000 km<sup>2</sup> (pour 6 millions d'habitants)
- le Syndicat des Transports d'Ile-de-France (Paris), qui organise des réseaux de transport public desservant plus de 11 millions d'habitants (sur 12.000 km<sup>2</sup>).

Le nombre d'entreprises que les autorités sont chargées de coordonner varie de quelques unes (Amsterdam, Bruxelles, Rome) à 100 et plus (Paris et Francfort).

Les ressources humaines des autorités varient également énormément et ne reflètent pas toujours la compétence territoriale ou modale de l'autorité (de moins de 30 employés à Barcelone et Zurich jusqu'à plusieurs centaines à Stockholm et en Grande-Bretagne). De même, au plan financier, les budgets des autorités varient de quelques millions d'euros jusqu'à plus de 3 milliards d'euros dans le cas de Paris. Ces disparités s'expliquent par les différences dans l'organisation des flux financiers, par le fait que toutes les autorités n'ont pas les mêmes compétences, et enfin par les niveaux différents de couverture des charges d'exploitation par les recettes des voyageurs selon les villes.

#### ***2.2.2 Implication des gouvernements nationaux et des usagers***

Dans la plupart des pays d'Europe, l'organisation des réseaux de transport public urbain est une compétence locale, dans laquelle n'interfèrent absolument pas les gouvernements nationaux (D, I, UK). On trouve toutefois des exceptions à ce principe, surtout dans certaines villes capitales (Madrid, Paris), dans les Etats centralisés ou possédant une seule grande ville (Athènes, Dublin) et dans les villes où les réseaux de transport public sont exploités par des entreprises nationales (Athènes, Paris).

Cependant, la tendance actuelle va dans le sens d'une plus grande décentralisation des responsabilités dans le transport public, comme l'illustre la création en 2000 de Transport for London, autorité présidée par le Maire de Londres et ayant hérité des compétences de London Transport, organisme relevant auparavant du ministre britannique du transport. De même, à Paris, le Syndicat des Transport Parisiens est devenu le Syndicat des Transports d'Ile-de-France (STIF) à la fin 2000 avec l'entrée du Conseil Régional élu dans son conseil d'administration.

Par ailleurs, les progrès de la démocratie et la nécessité d'améliorer la gestion des services publics conduisent actuellement à une plus grande implication de l'ensemble des parties prenantes du transport public (entreprises exploitantes, associations d'usagers,



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organisations syndicales, employeurs et acteurs économiques, etc. ). Ainsi, à Paris, la réforme du STIF en 2000 a permis la création d'un "comité des partenaires du transport public" qui est consulté par le STIF sur les questions d'investissements, de tarification et de qualité des services. A noter qu'à Liverpool, l'autorité (Merseytravel) est conseillée par un "Women's Forum", qui veille à la prise en compte des besoins spécifiques des femmes concernant le transport public.

#### *2.3 Quelles compétences pour les autorités organisatrices ?*

##### **2.3.1 Compétence territoriale**

On retrouve dans l'organisation des transports publics des aires métropolitaines l'opposition classique entre les pays centralisateurs (une seule autorité responsable de l'ensemble des transports publics de l'agglomération, comme à Londres, Paris et Stockholm) et ceux davantage habitués au partage des compétences entre différents niveaux d'autorités publiques (communes responsables des services intra-communaux et régions des liaisons régionales, comme c'est le cas en Allemagne ou à Amsterdam).

##### **2.3.2 Compétence modale**

Bien que l'intégration complète soit souhaitable, certaines autorités organisatrices n'ont pas de compétence sur l'ensemble des modes de transport public desservant leur territoire. Le problème le plus fréquent concerne les services ferroviaires, qui jouent pourtant un rôle fondamental dans le transport de voyageurs dans les aires métropolitaines. Ainsi, bien que possédant une compétence très étendue (taxis, péage urbain, réseau routier métropolitain), Transport for London n'a pas de réel pouvoir sur les compagnies ferroviaires desservant Londres dans le cadre de franchises accordées par le régulateur national SRA. A l'inverse, les autorités de Madrid, Paris, Prague, Francfort ou Stockholm ont une compétence embrassant tous les modes, permettant une bonne coordination avec le ferroviaire.

##### **2.3.3 Compétence pour les services de transport spécifiques**

En plus des services réguliers, certaines autorités ont également la responsabilité de services destinés à des clientèles spécifiques (handicapés, touristes, écoliers, etc.). Ainsi à Paris, le STIF autorise des services de bus réguliers conçus spécialement pour les touristes (Open Tour), tandis qu'à Londres, Transport for London organise l'offre de transport pour les personnes à mobilité réduite.

Dans certaines villes, les autorités organisatrices des transports publics sont responsables du développement des services de transport à la demande ("demand responsive transport"), qui constituent une alternative intéressante à la voiture individuelle dans les aires de faible densité, et sont particulièrement adaptés aux personnes à mobilité réduite (Dial-a-Ride à Londres, Optibus à Lyon, Allobus Roissy à Paris).



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## **2.3.4 Compétence pour d'autres composantes de la mobilité urbaine et pour la planification de l'usage des sols**

Le programme de recherche européen ISOTOPE (1997) recommandait que les autorités des transports publics soient responsables de l'ensemble des composantes de la mobilité urbaine et puissent être, au minimum, associées à la planification de l'usage des sols. On trouve malheureusement encore peu d'exemples de ce type, à l'exception de:

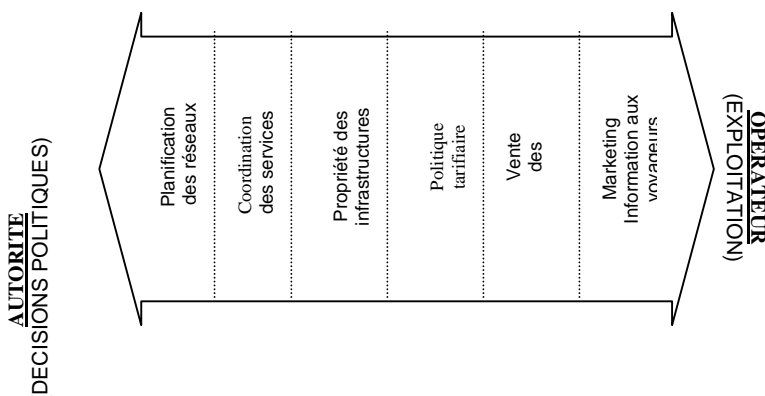
- Transport for London, responsable, outre l'organisation des réseaux de transport public du Grand Londres, des taxis, des routes métropolitaines, du péage urbain, et du développement de la marche et du vélo.
- Dublin, où les pouvoirs publics réfléchissent à la création d'une agence stratégique des transports et de l'usage des sols, qui serait responsable de la planification pour ces deux domaines connexes, ainsi que de la gestion des contrats avec les exploitants

Enfin, le développement de l'intermodalité entre les transports publics et la voiture individuelle peut être du ressort de l'autorité organisatrice, comme c'est le cas à Paris avec la politique des parcs relais, qui comptent 107.000 places de stationnement grâce à l'implication constante du STIF dans ce domaine depuis plusieurs années (subventions).

## *2.4 Quel partage des tâches avec les exploitants ?*

Certaines missions peuvent être attribuées assez logiquement soit à l'autorité organisatrice (tâches stratégiques) soit à l'exploitant (fourniture des services). En revanche, celles qui relèvent du niveau tactique peuvent être allouées de manière distincte selon les villes

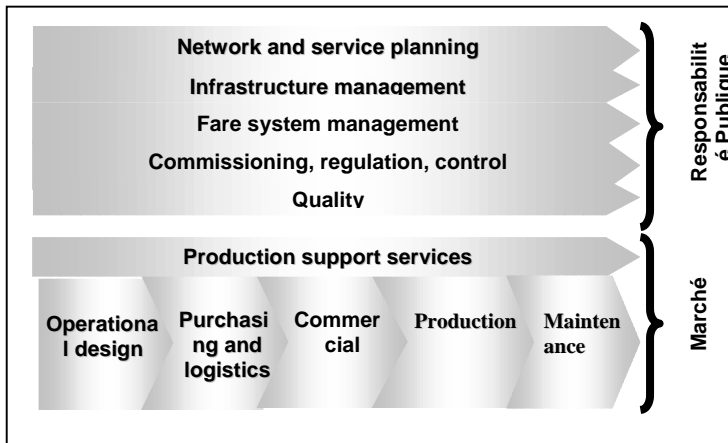
Fig. 2 Répartition des tâches du niveau tactique



La signature de contrats entre l'autorité et les exploitants est un moyen de déterminer précisément quelles seront les tâches de chacun. Le schéma suivant illustre les choix qui ont été faits dans le cas de Rome:

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Fig. 3 : Organisation du transport public à Rome



## *2.5 Quelles relations entre les autorités organisatrices et les opérateurs ?*

Le principal fait marquant des évolutions actuelles est la généralisation rapide des contrats entre les autorités organisatrices et les entreprises exploitantes, concernant plus de 80% des villes étudiées contre à peine la moitié il y a dix ans. Même le Royaume-Uni, dont la déréglementation de 1986 a rendu les contrats superflus, y a de plus en plus recours, notamment pour améliorer la qualité des services fournis par les opérateurs privés.

Les contrats sont de deux types :

- contrats d'exploitation, par lesquels des autorités demandent à des opérateurs d'exploiter des réseaux dont elles ont la responsabilité. Ces contrats sont généralement accordés après mise en concurrence (Lyon, Londres).
- contrats conclus entre une autorité organisatrice et un exploitant en situation de monopole afin de clarifier des responsabilités de chacun et, pour l'autorité, d'obtenir le meilleur service au meilleur coût de la part de l'opérateur que l'autorité ne peut pas, ou ne souhaite pas, mettre en concurrence avec d'autres (Bruxelles, Genève, Paris).

Ces deux catégories comprennent généralement des mécanismes incitatifs de type bonus-malus assis sur la qualité des services fournis par l'exploitant.



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### **CONCLUSION**

En dépit des nombreuses disparités mises en lumière concernant l'organisation des transports publics dans les métropoles européennes, un certain nombre de points communs ont pu être identifiés, qui gardent de leur pertinence même dans d'autres contextes géographiques et culturels :

- une distinction claire des responsabilités entre les autorités organisatrices et les sociétés exploitantes est fondamentale
- la responsabilité de l'organisation des réseaux de transport public doit être une compétence locale
- l'intégration des réseaux de transport public est un facteur clé de succès incontournable, et doit être au cœur des missions des autorités organisatrices
- une tendance à la généralisation des contrats entre les autorités organisatrices et les opérateurs est en cours, de manière à obtenir une implication plus forte des exploitants, notamment sur la qualité de service
- et enfin un recours de plus en plus fréquent à la concurrence pour l'octroi des contrats, tendance qui devrait devenir la règle avec la prochaine adoption d'un projet de règlement européen visant à supprimer les monopoles dans le domaine du transport public.

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# Missions and organisation of public transport authorities in the European metropolitan areas



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# Context of the organisation of public transport in the European large cities



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# Public transport networks are very complex to organise in large urban areas

- **Multi-modal networks, including railways**
- **services often operated by several operators**
  - coexistence public/private operators
  - coexistence monopolies/limited duration contract
- **shared responsibilities for the organisation of public transport (complex institutional frameworks)**
- **special patterns of trips (polycentrical areas, need of a new typology for urban, suburban and regional services)**



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## Factors explaining the different models of organisation of public transport

- Administrative framework and tradition of the concerned country
- traditions of the country in the field of public service management
- amounts of public money allocated to public transport
- history, organisation, know-how and clout of operating companies



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# Presentation of the authorities in charge of organising public transport networks in the European large cities



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# Type of structure responsible for organising public transport services

- **3 main cases can be identified in the cities surveyed :**
  - metropolitan areas where the responsibility for organising public transport networks lies in the hands of ordinary public local authorities
  - metropolitan areas where operators have the responsibility organising public transport networks
  - metropolitan areas with specific bodies in charge of organising public transport (PTAs) : UK (« PTA/PTE »), Germany (« Verkehrsverbund »), France (« AO »), Spain (« Consorcio de Transportes »)



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# The main European models (1)

- **British PTAs/PTEs**

- created by the transport Act 1968, used to operate services
- focused on organisation after deregulation in 1986
- bring together representatives of local councils
- main missions : integration of services, information and social concessionary services
- new powers since the transport Act 2000 (quality contracts)
- Greater Manchester, West Midlands (Birmingham), west Yorkshire (Leeds Bradford), Merseyside (Liverpool), Tine & Wear (Newcastle), south Yorkshire (Sheffield), Strathclyde (Glasgow)



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## The main European models (2)

- **German “Verkehrsverbund”**
  - created at the initiative of public operators in the 1980’s to co-ordinate the supply of services and fare policies
  - evolved progressively towards more real tactical PTAs covering larger territories. Split between political level (“Zweckverband”), tactical level (“Regie”), and undertakings
  - Verkehrsverbund act in the name of their member authorities (Länder, cities and rural districts). Responsible for ordering regional services, and sometimes for local services as well
  - FVV (Frankfurt) became RMV in 1994, HVV (Hamburg) reorganised in 1996, VRR (Ruhr) reorganised in 1990, VBB (Berlin) created in 1998 as a real PTA



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## The main European models (3)

- **French “AO”**
  - municipalities or groups of municipalities are responsible for local transport, departements for school and inter-urban trips, and regions for regional transport. Possibility to create structures of co-ordination (“Syndicats”)
  - ex. SYTRAL (Lyon), SMTc (Lille)
- **Spanish “Consortio de Transportes”**
  - Madrid paved the way for the other Spanish metropolitan areas with the creation of CRTM in 1985.
  - Barcelona, Bilbao, Sevilla and Valencia also have PTAs



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# Characteristics of PTAs

- 2/3 of European metropolitan PTAs were created after 1980
- Territory and population under the responsibility of the PTA differ greatly, with some “giant” PTAs:
  - Verkehrsverbund Berlin Brandenburg (VBB): 30,400 km<sup>2</sup>, 6 m people
  - Syndicat des Transports d’Ile-de-France (STIF, Paris): 11 m people on 12,000 km<sup>2</sup>
- Number of operators which PTAs co-ordinate ranges from less than 5 (Amsterdam, Athens) to 100 or more (Paris, Frankfurt)
- Staff ranges from less than 30 (Barcelona, Zurich) to several hundred and more (Stockholm, British PTAs - 2,500 in Transport for London)



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# Some recent structures

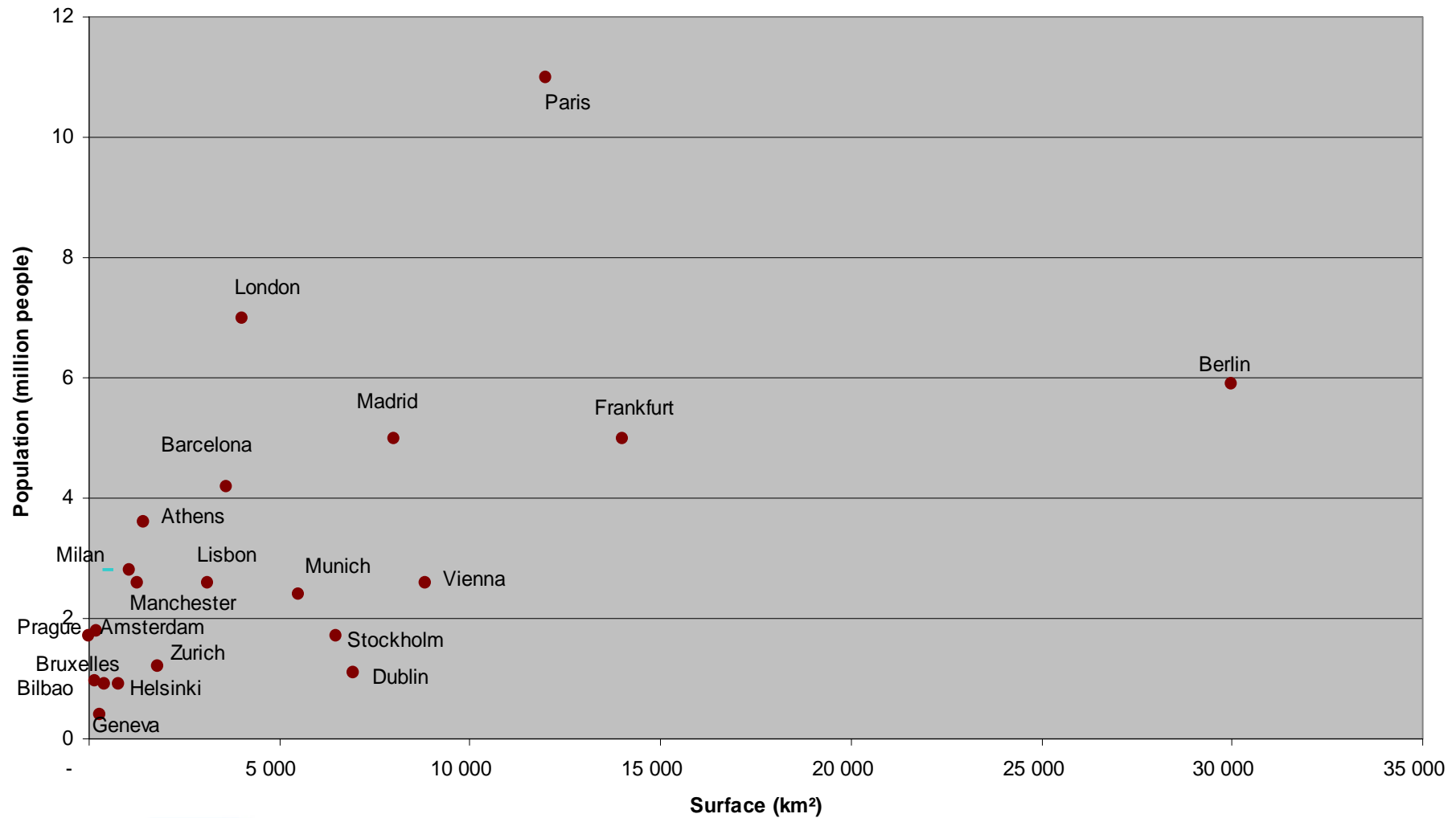
<b>PTA</b>	<b>Date of creation</b>	<b>PTA</b>	<b>Date of creation</b>
Amsterdam (ROA)	1993*	London (TfL)	2000
Athens (OASA)	1977	Lyons (SYTRAL)	1983
Barcelona (ATM)	1997	Madrid (CTM)	1985
Berlin (VBB)	1999*	Manchester (GMPTE)	1968
Bilbao (CTB)	1975**	Munich (MVV)	1975
Bremen (VBN)	1989	Newcastle (Nexus)	1968
Cologne (VRS)	1987	Paris (STIF)	1959
Copenhagen (HUR)	2000*	Prague (ROPID)	1993
Dublin (DTO)	1995	Rhine-Ruhr (VRR)	1990*
Frankfurt (RMV)	1994	Sevilla (CTS)	2001
Glasgow (SPT)	1973	Sheffield (SYPTE)	1968
Hamburg (HVV)	1996*	Stuttgart (VVS)	1978
Helsinki (YTV)	1996*	Valencia (ETM)	2000
Leeds (Metro)	1985	Vienna (VOR)	1984
Liverpool (Merseytravel)	1968	Zurich (ZVV)	1990



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## Description of European metropolitan PTAs



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# Who makes up the PTA ?

- **PTAs usually bring together local authorities (municipalities, counties, regions)**
  - in most cases (Germany, Italy and the UK), national governments don't interfere in the organisation of local public transport
  - some exceptions (Dublin, Athens, Paris, Madrid, Zurich, Barcelona): capital cities, cities where transport operators are state-owned companies or small countries
  - current trend is towards less involvement of national governments (London in 2000, Vienna in 2002, and soon Paris)
- **Involvement of other stakeholders (operating companies, user groups, trade unions, employers)**
  - advisory committees (London Transport Users Committee, Comité des Partenaires du Transport Public, Fahrgastbeirat, Women's Forum)
  - members of the board of directors (Madrid)



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## Some strong differences in the financial resources of PTAs

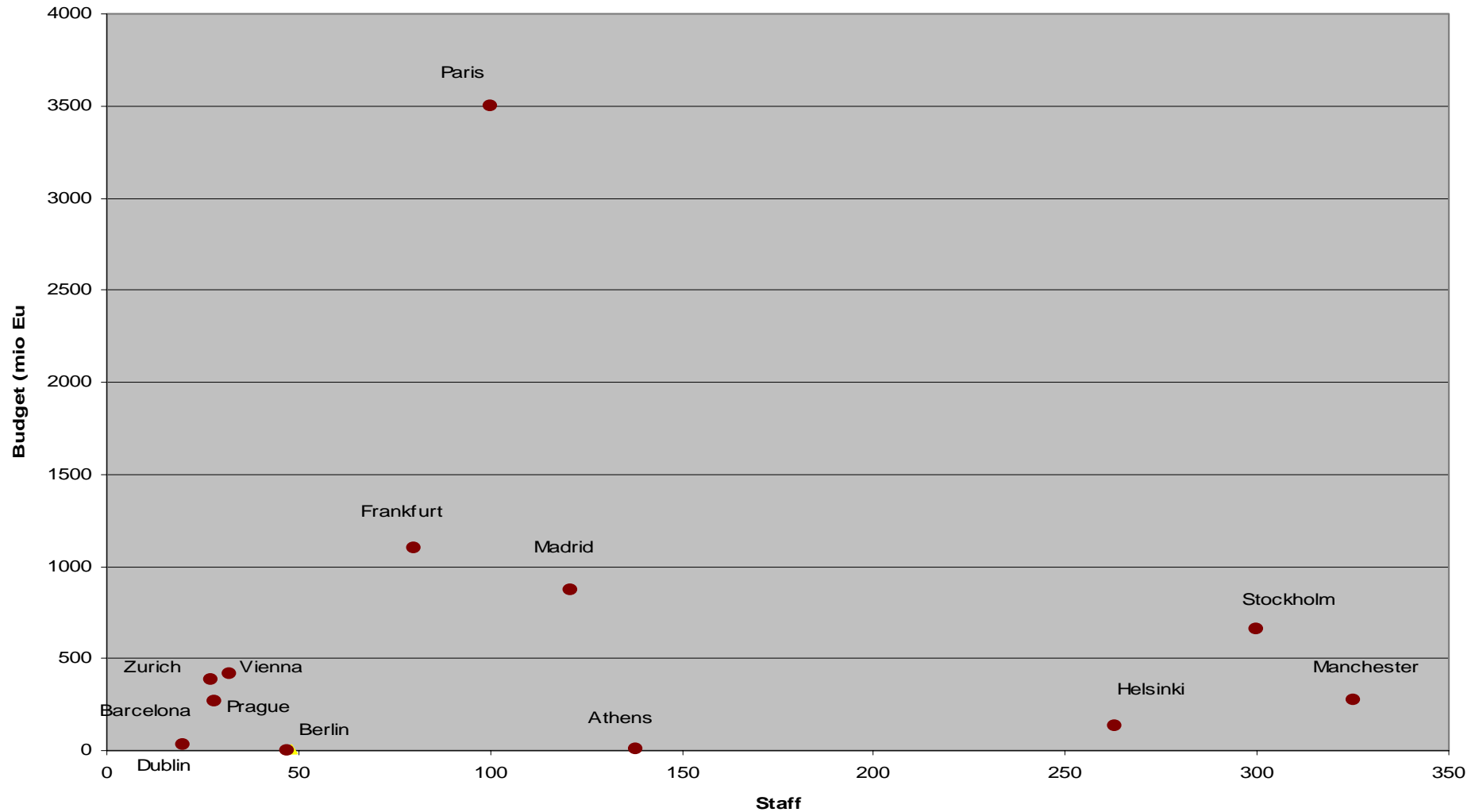
- **Budgets of PTAs depend on the their missions and on the different levels of coverage of costs of operations by commercial revenues in the cities.**
- **Budgets vary from a few million Euros to more than 3.5 billion Euros (Paris)**
- **Main resources of PTAs:**
  - grants of their public “shareholders”
  - some PTAs collect all or part of the fares sold (Madrid, Munich)
  - specific resources such as the Transport Tax dedicated to French PTAs, taxes on petrol for German regional PTAs, part of road traffic fines in Paris



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## Human and financial resources of European metropolitan PTAs



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# Competences of PTAs (1)

- Organisation vs co-ordination of public transport systems
- Operations / Investment
- Initiative in the hands of authorities or operators (organising authority / licensing authority)
- Regulated / deregulated systems



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# Competences of PTAs (2)

- **Territorial competence:**
  - in some metropolitan areas, the PTA has got an overall competence for all public transport networks (urban / suburban / regional): Paris, Stockholm
  - in other cases, several PTAs (municipal, metropolitan, regional) coexist on a same territory for organising trips in their field of competence: Frankfurt, Amsterdam
- **Modal competence:**
  - integration is best achieved when PTAs are responsible for all modes of transport (Germany, Paris, Stockholm)
  - problems often arise with rail services (UK, Italy)



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# Competences of PTAs (3)

- **Competence for specific transport services:**
  - services for tourists
  - services to airports
  - services for employees / pupils / students
  - demand responsive transport and services for people with reduced mobility
- **Competence for other aspects of urban mobility (London)**
  - taxi regulation
  - traffic lights
  - parking management
  - road charging schemes
  - car-sharing and car-pooling
- **Co-ordination with land use planning (Dublin)**



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# What share of tasks with operators?

- **When most operators were public monopolies, authorities used to rely a lot on them for tactical tasks**
- **The current trend is towards stronger and more involved authorities because of:**
  - introduction of competition
  - need to better integrate and co-ordinate services provided by various operators (information, interchange stations, electronic ticketing)
  - wish to be more involved in the definition of services and the fare policy
  - difficulties to reach financial balance
- **Operators don't always feel comfortable with this evolution (don't want to be regarded only as providers of vehicle-km)**

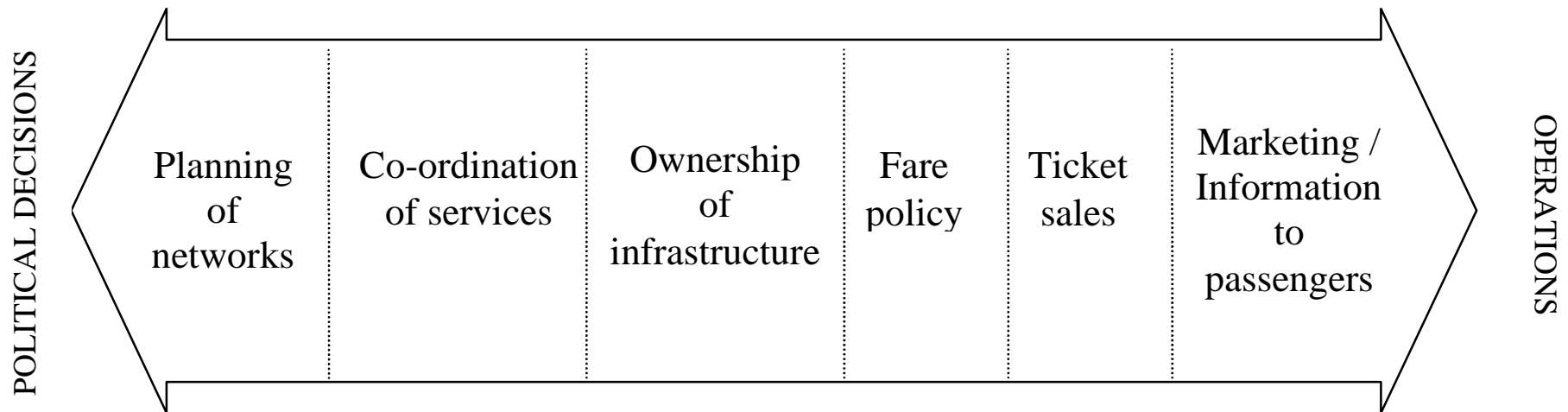


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# What share of tasks with operators?



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# The issue of infrastructures

- **When most operators were public monopolies, infrastructure could belong either to authorities or to companies without real consequences ;**
- **The introduction of competition implies a new definition of tasks :**
  - the ownership of infrastructures can, in some cases, be a barrier to fair competition
  - some authorities choose to let the infrastructure and the rolling stock to operators (Helsinki, London)
  - some prefer to keep all strategic assets in the public hands (France)
  - specificities of the British system (ROSCOs, INFRACOs, leasing)



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# Relationships between PTAs and operators

- in 80% of the cities surveyed, relationships between PTAs and operating companies take the form of contracts, most of which were introduced in the 1990's
- even cities which have operators in situation of monopoly now use contracts (Brussels, Paris)
- no single model of contract. The content depends on the regulatory framework, on the expertise of PTAs, on the financial balance of operations
- quality of service plays an increasing role (incentives)
- fast generalisation of competitive tenderings for the award of contracts to operators (project of new European Regulation)



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What role for PTAs in the future ?



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# Current factors of evolution

- **reduction of public money available and need of greater efficiency of services**
- **need to upgrade the quality of public transport services so as to provide an attractive alternative to the excessive use of private cars**
- **need of stronger integration (of modes, schedule, fares, information) to increase the attractiveness of public transport**
- **fast evolution of operators (internationalisation and concentration)**
- **introduction of competition, so as to get the best value for money from operators**



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# Who will be in charge of organising public transport services in the future ?

- PTAs created *ab nihilo* by public authorities, in charge of the strategic and tactical levels (Spain)
- historic public operators progressively turned into PTAs in charge of the tactical tasks (Stockholm, Rome)
- public authorities in charge of several metropolitan matters with, in the first place, public transport (Helsinki, Copenhagen)



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# Project of new European Regulation on the organisation of public transport

- **project of Regulation on « action by Member States concerning public service requirements and the award of public service contracts in passenger transport by rail, road and inland waterway » released in 2000 by the Commission**
- **objectives :**
  - revision of the regulatory framework of public transport services (R 1191/69) so as to introduce progressively competition (international operators and current legal uncertainties)
  - improvement of the quality of public transport so as to meet the European goals of reduction of greenhouse gas



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# Consequences of the Project of European Regulation

- **The project of Regulation embraces the trends currently witnessed in most European countries. However, some problems would arise mostly with:**
  - public operators in situation of monopoly (STIB, TMB, RATP, Wiener Linien, BVG, GVB), more especially for those competing outside of their core market
  - PTAs operating services themselves (“régies”) (Marseille, some Spanish and German cities)
  - German “Stadtwerke” (crossed-subsidies)



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## Conclusion: some common trends

- **clearer division of responsibilities between PTAs and operating companies**
- **the competence of organising public transport is a local one, which can be co-ordinated in a single PTA when different local authorities are concerned**
- **integration of public transport networks (all modes including railways, fares, services, schedule, information, marketing) is necessary so as to offer passengers a reliable, easy to use and efficient alternative to private car**
- **generalisation of contracts between public authorities and operators, leading to a better definition of their respective roles and to a stronger commitment of operating companies**
- **generalisation of competition for the award of contracts**



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**Johannes SLOTH,**  
Managing Director of Transport, Greater Copenhagen Authority - HUR, Copenhagen  
(DK)  
E-mail : [jos@hur.dk](mailto:jos@hur.dk)

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**TUESDAY, 25 - SESSION 2**

**THE TRANSITION PROCESS : FIRST TIME AROUND AND RE-  
TENDERING FROM THE AUTHORITIES PERSPECTIVE**

**"COMPETITION IN COPENHAGEN"**

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**1. BIOGRAPHICAL NOTE : not submitted**

Name: Johannes Sloth, born 1942  
Vice President, UITP (1996-)  
Chairman of the UITP, Authorities Assembly (2001-)  
Member of the Policy Board and the Executive , UITP (1993-)

Position: Managing Director of Transport

Education: Civil Engineer 1968, B. Com. in 1974

2000 - Managing Director of Transport, Greater Copenhagen Authority, HUR

1993 - 2000: Director General, Copenhagen Transport, HT

1987 - 1992: Deputy managing director, Danish Road Directorate

1977 - 1987: Director, Road Data Laboratory

1972 - 1977: Director, Development department of the Danish Road Directory, Road Laboratory

1969 - 1972: Consultant, IBM

1968 - 1969: Civil Engineer, the State Road Laboratory

**2. ABSTRACT**

Having been exposed to tendering for 12 years, Greater Copenhagen Authority, is presenting its experience with the tendering system as well as how to maintain competition in a tendered bus market. Tendering is successful in Copenhagen. Greater Copenhagen Authority has saved the taxpayers approximately 400 Mio. € and has increased quality



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remarkably on the buses. Tendering has enabled each partner to focus on his part of the production. The important issues are now how to develop the tendering model and how to ensure that the market remains as competitive as possible.

However, it is important to stress that tendering is NOT the goal, but a possible tool to reach a better situation. It proved to be a good solution in Copenhagen – but in other cities in-house production may prove to be just as efficient as tendering. Three essential aspects should always be fulfilled:

1. More satisfied customers
2. High efficiency – low production costs
3. Continuous product development – motivation in the industry

### **3. FULL TEXT**

Today public transport in Copenhagen is provided by three different organisations, one organisation responsible for each public transport mode. DSB is responsible for the S-trains and the regional trains (commuter trains), Ørestad Development Corporation is responsible for the Metro, inaugurated late 2002, and Greater Copenhagen Authority - HUR (until 2000: Copenhagen Transport, HT) is responsible for the procurement of buses. Metro and bus services are tendered, and operations are carried out by private operators. All three modes operate under one common fare system.

To fully understand the Copenhagen tendering model in the public bus market, one has to take a glimpse at the history of the company. Copenhagen Transport, HT was established by law in 1974. Until 1990, 80% of the operation in the area was carried out by Copenhagen Transport as in-house production, whereas the remaining 20% was produced by small individual private operators on gross-cost contractual basis.

During the early 80s, Copenhagen Transport faced increasing problems. The level of quality as well as patronage decreased, strong unions initiated strikes, and fares increased despite falling fuel prices. All as results of weak political and company management. At the same time, private operators began claiming that they were able to operate routes cheaper than those of Copenhagen Transport. In this spirit, Parliament - under the leadership of the liberal-conservative government then in power - considered tendering the bus services of Copenhagen Transport. This would reduce costs, but it remained obvious that regional and urban public transport still needed to be managed and co-ordinated centrally.

Customers were to benefit from one, seamless system, and not from a patchwork of several overlapping ones. The solution was to allow Copenhagen Transport to remain as the central planner and manager of bus operations in the Greater Copenhagen Region, introduce competition but without operating buses itself. In 1990, the Copenhagen Transport Act was passed in Parliament stating that at least 45% of all operations was to be subject to tender



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within the next five years. Public companies and Copenhagen Transport were not permitted to make bids.

In 1990, Copenhagen Transport was divided into two separate divisions: An administrative division and one which was in charge of operations, the so-called "Busdivisionen". The private operators remained, but their lines had to be tendered. Results came quickly. Operational costs decreased by 20-30% in the period from 1990-1994. The bus fleet was renewed and quality output improved. At the same time, a clear business strategy - "Vision 2005" - was established. Patronage increased and the financial situation of Copenhagen Transport was improved remarkably.

In 1995, a revised Copenhagen Transport Act was passed. All bus operations were to be tendered by 2002 and public operators were permitted to bid on routes on an equal footing with private operators. Busdivisionen became an independent limited company, although it was still owned by the five public owners of Copenhagen Transport. Simultaneously, it changed its name to "BusDanmark A/S". Since then a clear allocation of responsibilities has been put in place. Since 1995, BusDanmark A/S has won several tenders. In 1999, BusDanmark A/S was sold to the British operating company "Arriva Ltd".

Considerable gains from tendering of the bus operations were made. This is both in terms of an increasing number of patronage, due to the improved quality, and due to considerable lower operational costs. The subsidy levels decreased dramatically. The financial gains were divided into two parts: 50% of the gains were spent on improvement of the bus service - service for the disabled and general investments; 50% was returned to the tax payers by lowering the subsidy level.

#### *New structure of the industry*

The opening of the markets gave new-coming operators the opportunity to enter the market. In Copenhagen, 15 small private companies existed when the tendering process was initiated in 1990. Twelve years later there were only seven left of which the three largest operating companies, all internationally owned, operated more than 90% of the total bus volume. The remaining companies were either bought by the large operating companies or ceased operation. However, one remarkable merger was made when a number of local operators faced the fact that they were not able to survive alone, and therefore decided to merge their companies into one new company called City-Trafik AS. This company still exists but with a new major share-holder, French VIA-GTI (49%). Some small operators still exist but they tend to operate in the outskirts of the region where they have specific knowledge of the market. At the latest tendering round, the small operators increased their market shares slightly in the periphery of the Greater Copenhagen Region. This is, however, not to be conceived of as a tendency towards more pluralist conditions, but instead as a consolidation of the position of the small operators outside the city centre.



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10-15 years after tendering was introduced, the structure of the industry is quite different from what it used to be: fewer, larger and more internationalised companies dominate the market.

#### *Characteristics of the present situation*

Even though the number of operators has diminished, there is no evidence of excessive profit making which would indicate the use of monopoly power. Operators – still- make almost no profit according to the results of the latest years. Nonetheless, the concentration of the industry has tended to diminish competition for the supply of tendered services:

- the incumbent operator often has unique access to strategic resources such as bus garages or specialised vehicles – especially in the city centre where bus depots are scarce
- the number of bids per tender is relatively small
- the choice of operators at a network level is limited.

Competition exists in the Greater Copenhagen Region, but there is a risk that the level of competition could fall with only three large operating companies. However, it is important to stress that there is absolutely no reasons to believe that price cartels are being formed.

#### *Ensuring competition*

Measures to promote a competitive environment for service tendering nonetheless exist even though the number of potential operators is tending to decrease. These measures can be split up into the following two aspects; 1) supply of services, 2) quality.

##### **(1) the supply of services**

Experience shows that tendering authorities need to arrange tenders and contracts in such a way that they promote competition and encourage new entrants into the local supply market. Possible options to be considered relate to:

- the scale of the service contracts that are tendered: smaller contracts may well appeal to smaller, local operators. In Copenhagen all tenders are made on the basis of individual routes or small packages of routes.
- contract length: a balance needs to be struck between long contracts which may ease the competitive pressure and short contracts which may give rise to insecurity and lack of commitment. Contracts in Copenhagen endure for 6 years plus an option of 2 additional years.
- the ownership of strategic assets: if the ownership of assets such as garages or special vehicles is transferred as a result of privatisation, a barrier to enter the local market is created. Experience shows that retaining some bus depots in the public sector may be a good way to ensure the entrance of potential new-comers.



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- vehicle procurement: A "buy-back guarantee" can be established by the authority in case the operator loses the tender. Greater Copenhagen Authority decided to offer such a guarantee when double-decker buses were procured for the first time in the beginning of 2001. A "buy-back guarantee" may lead to lower contract prices, since part of the insecurity for the operator is removed.

#### **(2) the quality of service**

Before a contract is awarded, a public transport authority can set up certain measures favouring companies who perform well. Good performance has traditionally been one of the strengths of the smaller operators.

Since 1993, Greater Copenhagen Authority has made use of a so-called "value analysis model" before selecting its operators. Price constitutes 45%, quality 35% and rolling stock is 20%. By applying this model it becomes possible to supplement the basic financial offer with a number of soft parameters before entering a contract. It allows the operators to get a higher price for a contract, e.g., if they have a modern bus fleet, or if they have many elderly employees. This last parameter is included in the contracts to neutralise differences in wage levels. Social dumping does not exist since operators cannot compete on wage levels. In 1999, the previous quality performance of the operator was added as a parameter in the model.

When evaluating the bids, these soft parameters are assigned a monetary value, which goes into the final analysis of the bid. These are all measures to encourage competition on other aspects than pure price competition.

Once operations start being executed, the best possible service quality to the passengers must be delivered. In both places, actual number of bus kilometres operated, service reliability and various measures of service "ambience" are monitored.

Quality is in focus, both before the selection of operator, but also in daily operation (bonus system). The consequence is that an operator can only remain in the market if he delivers high quality.

Contracts embodying performance incentives are the norm in Copenhagen. Operators are measured by customer surveys on a number of parameters (cleaning, staff behaviour, temperature, etc.) – a penalty (max 1.5% of total contract sum) applies if they do not fulfil certain criteria – a bonus is added if they perform better than prescribed (max. 1.5% of total contract sum). The level of bonus may change if the level of performed services (number of cancelled trips) is above/below a certain level. Each operator can maximally obtain 5% of the total contract sum. These quality surveys ensure a constant focus on quality.





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### *Further steps?*

Public transport authorities must work continuously to make service tenders as attractive as possible for new entrants. Tendering material should be promoted and procedures made as accessible as possible. Public transport authorities need to bear in mind that bidding is very resource intensive for the operators— especially when they do not win!

Common rolling stock standards – at a national if not international level – is an element that could extend the group of potential bidders.

Authorities may consider introducing a maximum limit on the market share. It would create the opportunity for potential new measures to be taken by the authorities to avoid future monopolies. However, this would not solve the problem of high contract prices, if there were no available operators willing to bid. Where only two operators remain and one exceeds the maximum level, the other may benefit.

In such a situation, as a last resort, public transport authorities could consider re-establishing an in-house operating division, which could then bid competitively for route contracts, as has been done in London and Stockholm. This would, however, not be allowed in Copenhagen under present legislation.

In Copenhagen, it is currently being discussed with the operators how to develop our contract model further. A partnership must be created, where some of the traditional competences of the authority could be considered handed over to the operators, e.g. the right to adjust the time tables. The partnership model focuses on less control and more development made by the operators themselves. These aspects could lead to a better performance for the customers.

### *Conclusion*

Tendering has been a success in Copenhagen. Tax payers have saved money, investments have been initiated, and quality on-board the buses have increased over the years.

Experience from Copenhagen shows that authorities can promote competition for service contracts and create performance incentives, even though the structure of the bus industry has changed remarkably during the last 10-15 years. Key lessons appear to be that:

- Tendering is a tool – not the goal – to improve quality and efficiency in public transport
- If tendering is applied, a learning process must be initiated to ensure that the tendering conditions are changed and improved on the basis of experience ALL THE TIME
- Choice of operator is not only a question of price, but also a question of high quality. Previous performance etc. must form a large part of the selection criteria.
- Quality of the performed bus service should be measured all the time. High quality gives extra payment. Likewise the operator is encouraged to invest in rolling stock and in the education of the drivers. Only motivated drivers can deliver high quality.





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- Tenders must be made in small packages of bus lines. This enables new and small operators to make bids and enter the market.
- Length of contract must be balanced carefully. They must give the operators enough time to depreciate rolling stock and education of the drivers. But they must also be short enough to make the operators constantly alert.
- Particularly when many operators are operating in one network, gross-cost contracts with performance incentives seem to be most appropriate. Net-cost contracts look attractive, but are difficult to practice. There is no evidence of a better product or economy when net-cost contracts are applied.

Specific policies for maintaining competition which appear worth considering include:

- Marketing offensives towards potential operators by the transport authority
- Standardization of rolling stock requirements
- Maximum market share thresholds
- Reestablishment of in-house operating companies if supply competition falls too much

Promoting competition is a difficult issue. The potential options are relatively few. However, maintaining a competitive environment is critical if tendering is to continue to be successful in delivering cost effective operations and high quality customer services. Public monopoly proved to be bad in the 80s, but getting a private one could end up being even worse!

So far we have succeeded in fulfilling the three main objectives: More satisfied customers, high efficiency (low production costs) and continuous product development. If a public authority decides not to tender bus services, it must ALWAYS test and benchmark its results and out-puts with other partners and colleagues. The system should not become a routine. We are – ALWAYS – in competition and we have to perform our very best – ALWAYS!



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1<sup>st</sup> Vice-President, Communauté Urbaine de Nantes, Nantes (FR)  
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**TUESDAY, 25 - SESSION 2**

**THE TRANSITION PROCESS : FIRST TIME AROUND AND RE-  
TENDERING FROM THE AUTHORITIES PERSPECTIVE**

**"TOWARDS THE VIRTUAL CIRCLE OF A WIN-WIN CONTRACTUAL  
RELATIONSHIP"**

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**1. BIOGRAPHICAL NOTE in English and in French**

**Camille Durand** was born on the first January 1943 in Cholet  
He is the first vice-president of the urban community of Nantes,  
in charge of finances and urban transport organisation  
He is also the president of Amorce, (local communities association for a good west and  
energy management) since 1995  
Major of Saint-Jean-de-Boiseau since 1977

\*\*\*\*\*

**Camille Durand** est né le 1<sup>er</sup> janvier 1943 à Cholet (Maine-et-loire).  
Il est premier vice-président de la communauté urbaine de Nantes, délégué aux finances et  
aux transports urbains.  
Il est depuis 1995 Président de l'association AMORCE, association des collectivités  
territoriales et des professionnels pour les réseaux de chaleur et la valorisation des déchets.

Maire de Saint-Jean-de-Boiseau depuis 1977. Il a été conseiller régional entre 1986 et 1998  
et membre du Comité des finances locales entre 1980 et 2001.

**2. ABSTRACT in English and in French**

The contract which links the authority and the operator must clearly and precisely set the  
responsibilities and taking risks for each one.



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The authority defines the offer of services and the fares, makes choice for investments, pays a financial compensation and have control on the operator activity.

The operator implements the means placed at his disposal by the authority in order to provide a service of good quality and reasonably priced.

The involvement of the operator in search for good quality and a service use increase is accompanied by a large independence regarding about management and commercial policy.

The contract must be a mutual qualitative as quantitative improvement incentive.

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Le contrat qui lie l'autorité organisatrice et l'exploitant doit clairement et précisément établir les responsabilités et prises de risque de chacun.

L'autorité organisatrice définit l'offre de service et les tarifs, fait le choix des investissements, verse une compensation financière et contrôle l'activité du délégataire.

L'exploitant met en œuvre les moyens mis à sa disposition par l'autorité organisatrice dans le souci de fournir un service de qualité à un prix raisonnable.

L'implication de l'exploitant dans la recherche de la qualité et de la hausse de fréquentation du service en même temps que dans la maîtrise des dépenses s'accompagne d'une grande autonomie en matière de gestion et de politique commerciale.

Le contrat doit être une incitation réciproque au progrès tant qualitatif que quantitatif.

### **3. FULL TEXT**

#### **RELATIONS AUTORITE ORGANISATRICE / EXPLOITANT : VERS LE CERCLE VERTUEUX D'UN CONTRAT GAGNANT- GAGNANT**

#### **L'EXEMPLE DE L'AGGLOMÉRATION NANTAISE**

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Il est tout d'abord utile de rappeler le contexte de l'agglomération nantaise.

**L'agglomération nantaise** est la 8ème agglomération française avec 560 000 habitants. Elle est située à 400 kilomètres à l'ouest de Paris, à proximité immédiate de la côte atlantique.



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Ce territoire a été marqué par une croissance démographique soutenue au cours de la dernière décennie (+ 10 %), et les perspectives restent équivalentes pour la décennie à venir, marquant ainsi l'attractivité croissante de l'agglomération au sein du territoire français.

**La Communauté urbaine** est constituée de 24 communes. Cette structure est la forme la plus intégrée de coopération intercommunale et assume de nombreuses compétences telles que la voirie, la gestion des grands services urbains (transports, déchets, eau, assainissement...), les grands équipements d'agglomération, la politique de la ville, l'habitat et les compétences liées à l'urbanisme.

**Les transports et les déplacements** ont constitué un élément moteur dans le développement de cette intercommunalité depuis plus de 20 ans.

Nantes a été à l'origine du renouveau du tramway en France en construisant la 1<sup>ère</sup> ligne de tramway moderne dans les années 80.

Aujourd'hui, l'agglomération dispose de 3 lignes de tramway (36 kms d'infrastructure), de plus de 50 lignes de bus, et produit près de 22 millions de kilomètres par an pour transporter près de 85 millions de voyageurs.

Le développement des infrastructures de transport et la restriction des espaces dédiés à la voiture ont permis de faire baisser de 2 % la part de marché de la voiture.

Dans le cadre d'un Plan de Déplacements Urbains couvrant la période 2000-2010, de nombreux projets de développement des infrastructures de transport collectif sont en cours de réalisation ou programmés pour un budget de près de 500 millions d'euros.

**Les relations contractuelles** entre autorité organisatrice et exploitant sont un vieux sujet de réflexion à Nantes.

En 1979 l'agglomération a décidé la création d'une société d'économie mixte (c'est à dire à capitaux publics et privés), la SEMITAN, à laquelle elle a confié l'exploitation du réseau par l'intermédiaire d'un contrat de délégation de service public.

Depuis, plusieurs contrats se sont succédés, et au fur et à mesure, l'agglomération a cherché à clarifier les rôles respectifs de la communauté urbaine et de l'exploitant, et à élaborer un contrat qui assure l'efficacité du réseau, la qualité des prestations pour la population et la maîtrise de l'évolution du coût d'exploitation.

Aussi, en perspective de la fin du précédent contrat (décembre 2002), et de l'élaboration du nouveau à compter du 1<sup>er</sup> janvier de cette année, nous avons fait le diagnostic des points forts et surtout des points faibles du contrat qui s'achevait.

En fait, autant nous étions satisfaits du professionnalisme de notre exploitant, de sa maîtrise des métiers d'exploitation et de son engagement à l'amélioration de la qualité des prestations, autant nous étions insatisfaits de sa politique commerciale et des chiffres de fréquentation, mais aussi de la croissance du déficit budgétaire.



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Mais notre exploitant avait aussi des raisons d'insatisfaction, notamment sur la dégradation régulière de la vitesse commerciale et de la régularité du réseau bus, liée à la croissance des circulations due au développement de l'agglomération.

Nous avons alors recherché à construire les bases d'un nouveau contrat à même de servir notre ambition, mais aussi et surtout visant à engager notre exploitant et nous-même, chacun selon son rôle et ses compétences, vers un plan de progrès et des relations gagnant-gagnant.

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Je vais donc détailler maintenant nos attentes par rapport à ce nouveau contrat, qui nous ont servi à définir le contenu du dossier de consultation dans l'appel d'offre lancé l'an passé.

Dans un 1<sup>er</sup> temps j'évoquerai nos volontés en matière de **répartition des rôles** entre la communauté urbaine en tant qu'autorité organisatrice, et l'exploitant.

Les transports étant une dimension forte de notre politique, nous avons souhaité que **la Communauté urbaine** conserve toute sa liberté pour définir l'offre de transport, le niveau de service, les tarifs, ainsi que le choix des investissements liés directement au service de transport (matériel roulant, infrastructures de transport, équipement des arrêts).

Les mécanismes contractuels, comme nous le verrons, tiennent compte du possible aspect unilatéral de ces décisions.

Quant à **l'exploitant**, nous avons souhaité lui accorder une plus grande autonomie dans les domaines qui relèvent de son expertise, à savoir :

- la production du service et la maintenance des matériels et équipements ;
- l'action commerciale et marketing ;
- la qualité des prestations ;
- la gestion budgétaire du réseau.

Cette plus grande autonomie consiste à lui accorder davantage de marge de manœuvre, et a pour objectif d'accroître son implication et développer sa motivation.

En contrepartie, cette autonomie doit s'accompagner d'une plus grande capacité de contrôle des résultats par l'autorité organisatrice.

Cette **répartition des rôles doit servir 3 objectifs** principaux :

- *L'augmentation de la fréquentation du réseau* : la communauté urbaine de Nantes s'est fixée l'objectif de faire passer la part de marché des TC de 15 à 18% des déplacements d'ici 2010.
- *L'amélioration de la qualité des prestations perçue par la clientèle* : le développement de la qualité est un objectif essentiel devant accompagner les mesures de restrictions à l'usage de la voiture.



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- *La maîtrise de l'évolution du déficit d'exploitation du réseau*: après la dégradation constatée ces dernières années du ratio recettes sur dépenses, liée à une forte augmentation des charges, mais aussi à une forte augmentation de la fraude, l'objectif est de stabiliser ce ratio à 45% dans un contexte de développement de l'offre de transport.

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Nous venons de voir les objectifs escomptés et la répartition des rôles. Je vais maintenant vous décrire les mécanismes contractuels que nous avons définis et négociés durant la phase de consultation de notre appel d'offre.

J'aborderai ces mécanismes sous 2 aspects :

- celui des mécanismes financiers du contrat,
- celui des mécanismes d'incitation au progrès et à la performance du réseau.

### **Les mécanismes financiers**

Le contrat est basé sur un principe général de versement à l'exploitant d'une contribution financière forfaitaire permettant de couvrir le déficit entre les dépenses et les recettes.

En réalité, pour tenir compte de l'évolution de l'offre et des tarifs décidée chaque année par la Communauté urbaine, l'exploitant s'engage et prend un risque sur des prix unitaires pour les postes de dépenses, et sur un plan de progrès de la fréquentation, c'est à dire sur l'évolution des déplacements.

Ainsi, chaque année, la contribution forfaitaire est recalculée en fonction de 2 éléments :

- les postes de dépenses sont réévalués en fonction de la variation des indices de prix et des quantités à produire par l'exploitant ;
- les recettes sont réévaluées en fonction de l'évolution de l'offre et de l'inflation.

Néanmoins, dans la mesure où la Communauté urbaine définit les tarifs, elle garantit à l'exploitant une recette moyenne par déplacement, permettant à ce dernier de ne pas subir d'influence dans l'économie du contrat du fait de ces décisions.

Dans le même cadre, la Communauté urbaine compense la gratuité des tarifs liée à sa politique sociale (gratuité aux demandeurs d'emploi et aux personnes à faibles ressources).

### **Les mécanismes d'incitation au progrès et à la performance du réseau**

Nous avons intégré au contrat plusieurs mécanismes d'incitation réciproque :

- **Le premier mécanisme est lié à la nature de l'évolution annuelle de l'offre.**

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Les décisions de la Communauté urbaine se prennent après consultation de l'exploitant. À chaque évolution de l'offre contractuelle, l'exploitant s'engage à une augmentation du niveau de fréquentation contractuel selon un ratio *voyageurs/kilomètres*. Mais attention, selon la nature du kilomètre supplémentaire, le V/K n'est pas le même. Ainsi, pour 1 kilomètre sur ligne structurante et performante l'exploitant est engagé à augmenter beaucoup plus fortement la fréquentation que s'il s'agit d'une offre sur ligne de faible importance.

- **Le 2<sup>ème</sup> mécanisme est lié à l'amélioration de la performance du réseau.**

Une grande part de l'efficacité d'un réseau de transport tient dans la rapidité et la régularité des bus et des tramways. Dans le cadre de notre nouveau contrat, la communauté urbaine de Nantes s'est engagée à réaliser de multiples infrastructures en faveur des bus : sites propres, priorités aux feux, aménagements des carrefours et des arrêts.

Chaque année nous mesurerons l'évolution de la vitesse commerciale des lignes. Si la vitesse commerciale s'améliore du fait de ces investissements, l'exploitant s'engage alors contractuellement à une augmentation significative de la fréquentation et à une baisse de ses charges du fait des gains de productivité externe permis. À titre d'exemple, pour une amélioration de 1 KM/H de vitesse commerciale sur les lignes de bus, la fréquentation contractuelle sur ces lignes augmente de 5 à 7,5% et la masse salariale contractuelle de l'exploitant sur ces lignes baisse de 2%.

Mais ce mécanisme marche dans les 2 sens : si la vitesse commerciale se détériore nous devons augmenter la contribution versée à notre exploitant pour compenser l'augmentation des coûts et la moindre fréquentation.

Nous sommes bien dans un jeu gagnant-gagnant où l'intérêt des deux parties est d'améliorer la performance du réseau. Et les investissements supportés par la Communauté urbaine peuvent se voir amortir par la baisse du déficit d'exploitation du réseau.

- **Le 3<sup>ème</sup> mécanisme est lié à la négociation des engagements de l'exploitant sur la hausse de la fréquentation.**

Sur la durée du contrat (6 ans), l'exploitant s'engage à une augmentation de plus de 13% de la fréquentation, à offre constante et conditions équivalentes.

Si une partie de cette augmentation est liée à sa politique de lutte contre la fraude et à son action commerciale, le tiers de l'augmentation est lié à la prise en compte des politiques que la communauté urbaine de Nantes compte mettre en œuvre en matière de restriction d'accès à la voiture dans le centre et en matière de politique de stationnement en centre ville.

Il s'agit donc d'un objectif partagé qui suppose une confiance réciproque. Cela dit, à mi-vie du contrat, il est prévu contractuellement d'analyser les conditions de l'équilibre économique du contrat. Si cet équilibre ne devait pas être atteint, notamment du fait de la non mise en œuvre par la collectivité des politiques annoncées, cette dernière devrait alors augmenter sa contribution financière.





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▪ **Le 4<sup>ème</sup> mécanisme est lié à la qualité.**

Nous avons défini 10 familles de critères de qualité eux-mêmes composés de nombreux items. À chaque critère est associé une méthode de détermination d'un taux de conformité minimum à atteindre, taux qui augmente sur la durée du contrat. Pour chacun de ces critères, si le résultat obtenu est supérieur à ce taux minimum, l'exploitant perçoit une prime d'un montant pouvant aller jusqu'à 40 000 € par an. En cas inverse, il subit une pénalité d'un montant équivalent.

Avec 10 critères, l'exploitant peut chaque année percevoir un montant maximal de 400 000 € ou devoir verser une pénalité maximale de 400 000 €. Et nous appliquons réellement la prime comme la pénalité. En contrepartie, la communauté urbaine de Nantes s'engage à financer les investissements nécessaires au progrès des indicateurs de qualité.

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Comme vous le voyez, nous avons recherché dans ce nouveau contrat à rendre les 2 parties solidaires du même objectif ; mais chacun assumant les responsabilités qui sont les siennes :

à la Communauté Urbaine de Nantes de tirer bénéfice des investissements qu'elle consacre au développement des transports, ou d'être pénalisée par la non mise en œuvre des moyens nécessaires à la performance du réseau ;

à l'exploitant, la SEMITAN, de par l'autonomie de gestion dont elle dispose, de faire fructifier les moyens mis en œuvre par la collectivité, et d'en tirer bénéfice, ou de perdre de l'argent si son action commerciale, la qualité de ses prestations ou sa rigueur de gestion n'étaient pas au rendez-vous.

En conclusion, je voudrais insister sur deux points :

- La structure intercommunale qui est la notre à Nantes a permis d'envisager ces mécanismes parce que nous intégrons les compétences nécessaires : la gestion de la voirie, le stationnement, l'urbanisme... Cela n'aurait pas pu être le cas il y a quelques années.
- Le fait d'avoir pour exploitant une société d'économie mixte, même si nous la mettons en concurrence à chaque appel d'offre, nous a permis à la fois de mieux comprendre les besoins et les possibilités d'un exploitant. Cela nous permet aussi de disposer d'un partenaire prêt à s'engager sur la base des orientations politiques définies par notre collectivité.

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**Je vous remercie de votre attention**





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***TUESDAY, 25 - SESSION 2***

**"THE TRANSITION PROCESS: FIRST TIME AROUND AND RE-  
TENDERING FROM THE AUTHORITIES PERSPECTIVE"**

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**1. BIOGRAPHICAL NOTE**

Malcolm Reed is currently Director General of Strathclyde Passenger Transport Executive, a position he has held since 1997. In addition, he has since June 2002 been acting as a Special Advisor to the Scottish Executive on the refranchising of passenger rail services for the PTA area. Beforehand, he spent 17 years with Strathclyde Regional Council as Chief Policy Planner, Senior Executive Officer and finally Assistant Chief Executive. He has lectured at the University of Glasgow, was a research officer at the Planning Exchange, Glasgow, and was Senior Planner at Greater Glasgow Passenger Transport before becoming Chief Public Transport Co-ordinator. He is a graduate and postgraduate of Oxford University and a Fellow of the Chartered Institute of Transport.

**2. ABSTRACT not submitted**

**3. FULL TEXT**

**Introduction**

Strathclyde Passenger Transport is responsible for planning and procuring public transport in Glasgow and its region in the west of Scotland. Our area includes eleven local government administrations in addition to the City of Glasgow itself, and has a population of almost 2.2 million – 42% of the total population of Scotland. It is an area of relatively low car ownership and high dependence on public transport, but in common with so many other parts of Europe the car has become the main means of travel to work.

Within Britain there are seven such regional public transport organisations, comprising a political Passenger Transport Authority, responsible for policy-making and budget setting,



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and a professional Passenger Transport Executive, responsible for implementing the Authority's policies and providing the technical and planning input to those policies. The seven PTAs and PTEs were established under legislation passed in 1968, and cover the largest conurbations outside London. There are of course also special arrangements for transport in Greater London, but elsewhere in Britain public transport is dealt with at the local authority, rather than the regional, level.

Later in my paper I will summarise more specifically how the organisation of public transport is affected by these jurisdictional differences, but the main point I want to stress at the outset is that most public transport in Britain is now supplied by the private sector, and that (except in London) the provision of bus services has been deregulated since 1986. The provision of passenger train services on the national rail network has also been privatised since the mid-1990s. Authorities such as my own have therefore to work closely with the private sector in delivering their statutory responsibilities for public transport, and as a consequence we have built up considerable experience of working within a contractual framework.

Most of my paper will concentrate on describing SPT's experience in contractual working with the private sector bus industry, but I will touch briefly on the current position with the provision of railway services. At the outset, however, it will probably be helpful to emphasise some key differences between the bus and railway industries in Great Britain, and in particular one fundamental difference of approach.

Outside London, there is a free market for the supply of bus services, and operators are only required to satisfy safety and suitability requirements in order to operate on any route. Although there is substantial central government financial support to the bus industry, in the form of a rebate on diesel fuel taxation, most bus services are provided on a purely commercial basis, with no direct involvement by the local public transport authority. The authority's role is limited to specifying and funding the non-commercial services which are required for wider social reasons or to meet specific requirements such as the transporting of school pupils, and to financing reduced-fare or free bus travel for the elderly and other special needs groups.

By contrast, the model that was adopted for rail privatisation in Britain – a franchise approach – effectively confers exclusive operating rights within the area served. This is not absolute – rights can be shared on certain sections of railway route, or between stations that are linked by more than one route. The original privatisation legislation also envisaged "open access" competition, under which new operators could compete for business with franchise holders. But in practice the effectiveness of this provision has been limited, firstly by regulatory processes that were put in place to protect the commercial interests of franchisees, but secondly by emerging problems with track capacity and, more fundamentally, with the economic viability of the railway industry in Britain. With very few exceptions, passenger railway services in Britain continue to require considerable public subsidy, and clearly a "free market" approach is inappropriate in circumstances of underlying market failure.

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### The organisation of public transport responsibilities in Britain

These differences between transport **mode** – rail and bus – also interact with the differing types of organisational jurisdiction I mentioned earlier, and the table below summarises the key differences. I should however add two further points at this stage. Firstly, I have excluded metro-type rail operations and also trams, because these are still restricted to a few cities in Britain and tend to have customised arrangements where they do occur. The same is true of waterborne transport!

Secondly, I use the term "Britain" deliberately, rather than "United Kingdom". The ownership, organisation and regulation of public transport in Northern Ireland remains significantly different from the rest of the UK, and although Strathclyde and Northern Ireland are near neighbours it would be wrong of me to attempt to speak on behalf of authorities across the water.

	<b>London</b>	<b>Other main conurbations</b> (areas round Birmingham, Glasgow, Leeds, Liverpool, Manchester, Newcastle, and Sheffield)	<b>Outside conurbation areas</b>
<b>Organising authority</b>	<b>Transport for London</b> <ul style="list-style-type: none"> <li>Conurbation-wide transport authority (successor to London Transport)</li> </ul>	<b>Passenger Transport Authority</b> (political) and <b>Passenger Transport Executive</b> (professional) <ul style="list-style-type: none"> <li>Conurbation-wide public transport responsibilities</li> </ul>	<b>Top-tier</b> (county) or <b>unitary council</b> <ul style="list-style-type: none"> <li>All transport responsibilities within council area</li> </ul>
<b>Bus services</b>	<ul style="list-style-type: none"> <li>Specifies network, service levels and fares</li> <li>Procures service operation through tenders</li> <li>Able to operate on own account</li> </ul>	<ul style="list-style-type: none"> <li>Specifies and procures <b>non-commercial</b> services</li> <li>Because of 1985 Transport Act, no longer permitted to operate buses on own account</li> </ul>	<ul style="list-style-type: none"> <li>Specifies and procures <b>non-commercial</b> services</li> <li>Small number of councils have retained ownership of bus operating companies, but without exclusive rights</li> </ul>
<b>School transport</b>	<ul style="list-style-type: none"> <li>Local borough (council) responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Procures school transport on behalf of local councils</li> </ul>	<ul style="list-style-type: none"> <li>Part of council responsibilities</li> <li>Councils can provide school transport directly if wished</li> </ul>
<b>Passenger rail services on national network</b>	<ul style="list-style-type: none"> <li>Can influence Strategic Rail Authority, but no direct procurement responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>Specifies and subsidises local rail services – co-signatory (jointly with Strategic Rail Authority) of contract with operator</li> <li>Able to procure additional railway infrastructure and rolling stock directly</li> </ul>	<ul style="list-style-type: none"> <li>No general powers to specify local rail services, but some councils have purchased additional local services and/or funded new stations</li> </ul>



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Conference participants from member states which have adopted a perhaps more straightforward and uniform approach to the organisation of local public transport responsibilities may consider that the picture presented by this matrix is unduly complex. However, despite the many permutations it includes, this matrix also reflects a basic point I made at the outset. In Britain, public sector intervention in the provision of bus services is now based mainly on contractual arrangements with private sector operators.

In addition, passenger rail services on the national rail network are also now provided under contract.

As a consequence of what has now become a standard operator-authority relationship, the relevant public transport authorities in Britain have therefore built up considerable experience of operating a tendered procurement system and of managing service contracts.

For the remainder of my paper I will draw mainly on SPT's experience in this field, which covers both bus and rail services.

### THE PTE ROLE – Buses

#### *Experience before the 1985 Transport Act*

In complete contrast to the post-deregulation situation, before October 1986 every public bus service in Britain required a Road Service Licence. Effectively this gave exclusive operating rights on particular routes. The consequence of this was that an authority that wished to intervene in the supply of local bus services generally had to negotiate with an incumbent operator, and there was little competition for this market. In many urban areas – and my own PTE was not an exception – the authority itself supplied at least some of the services directly.

However, there were some exceptions to this picture of local monopoly and a considerable proportion of direct production of urban services. Firstly, most **dedicated school services** (that is, those services which were not available to other passengers) were provided by contractors. Secondly, some **loss-making rural bus services** which were dependent on public subsidy were also provided under contract (sometimes as a combination of school and public bus services). Situations could therefore arise where an existing operator would surrender its licence for a particular route and a replacement contractual service would be licensed in its place. So, despite the very different structure of the bus industry before 1985, PTEs and other local transport authorities had some experience and expertise in service tendering and contract management, although this was marginal in relation to the total supply of bus services.

Our main influence came through direct commercial negotiation with operators, and subsidy was generally provided to operators on a network rather than a route basis. There is plenty of contemporary analysis as well as subsequent experience to demonstrate that this was not



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a particularly efficient way of directing public financial support into the provision of bus services. Even before the deregulation legislation – which was driven primarily by political ideology rather than a desire to improve public transport – there were voices in the authority sector arguing that a contract-based approach would be a more cost-effective means of ensuring that local transport needs were met. Unfortunately – and I speak from personal experience in this area – the independent role of the Traffic Commissioners in licensing bus routes, and the monopoly powers of some operators (including government-owned bus companies), could delay or even prevent progress towards this objective.

#### ***Changes because of the 1985 Transport Act***

The title of this session and of my paper uses the word “transition.” In reality, the experience in Britain in 1985 and 1986 was of a radical and complete transformation within an extremely short period of time, largely for political reasons. Indeed, the only part of Britain where there was provision for a relatively orderly transition was London, and it is arguable that it was partly the political reaction to the extent of the upheaval elsewhere in Britain that the longer transition there led ultimately to the abandonment of proposals for the deregulation of London bus services – the privatisation agenda was delivered on an extended timescale, but the London network was left on a regulated and planned basis.

To describe briefly what happened outside London, from October 1986 operators were able to register and operate any bus routes they wished, regardless of whether other companies ran on those routes, or indeed whether they were already served by other modes of public transport. Effectively, operators drew a new route map in each area, based solely on the profit motive. Authorities such as SPT then had to assess what local transport needs would be left unserved as a consequence of the operators’ commercial decisions, and set about the process of advertising for tenders to fill these gaps.

The speed of this transition placed enormous pressure on public transport authorities, and indeed on bus operators. In the case of the PTEs and local councils which owned and operated their own bus fleets, this pressure was increased by the parallel requirement to split their existing organisations to create separate bus operating companies as a first step towards privatisation. The only transitional concession that was made by the government was an eight-month notice period for new registrations to come into effect in October 1986, and a requirement for these services to operate unchanged for a minimum of three months. This enabled transport authorities to take an overview of the scale of service changes that the operators planned and introduced, and to react accordingly. In the changeover period SPT processed 2,044 tenders for 866 contracted services.

Once that transition period was over, however, market forces were allowed to operate freely, and bus companies were legally entitled to introduce, change, or withdraw services at extremely short notice. In the first full year after deregulation SPT had to consider 2,419 service changes, an average of more than ten each working day.



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Authorities were allowed some slight derogation from the requirement to tender for substitute services – they were and are still entitled to negotiate directly for short-term replacement contracts to prevent gaps in services if a commercial route ceased at short notice, and there is also a “de minimis” financial level below which formal contract processes are not required. In practice, however, SPT has generally chosen not to take advantage of this “de minimis” allowance, and considers that it is better to test the market in such situations.

In the short term, therefore, the transition to a tendered regime for supported bus services placed a very heavy workload peak on authorities such as SPT. In the longer term, it resulted in a permanent change to organisational structures, to reflect the increased requirement for legal and procurement staff to support the tendering process. But while in formal terms the new legislative approach to the provision of bus services was intended to leave authorities with the largely residual role of plugging gaps in the commercial network, and hence took away their role in comprehensive network planning, in practice this new situation did not reduce the need for qualified and experienced transport planners – if anything, the workload increased because of the inability to programme ahead. Instead, resources had to be retained in order to react quickly to unexpected changes in route and service patterns as a consequence of market forces. The only benefit – and in terms of the then Government’s policy objectives this was a huge success – was the massive reduction in the total subsidy requirement facing public transport authorities. In the year ending March 1985 SPT spent about £15 million in supporting bus services in its region, including directly-operated services; three years later the total requirement was under £5 million

#### ***Progress since deregulation***

At both professional and political levels SPT had strong reservations about the new bus policy introduced by the government in 1985. Nevertheless, PTEs have to use their statutory powers of intervention in the supply of bus transport within the external framework that has been created by national government policy and by bus industry trends, and also have to operate within financial constraints.

In Britain, the view of central government appears to have remained fundamentally unaltered despite the change of political administration in 1997. This view, which is strongly supported by the bus industry, is that, outside London, unregulated on-road competition is the most effective way of meeting public needs for bus transport. Consequently, the prevailing legislation is still largely based on free market principles – no exclusive rights are currently available outside London, although recent changes in the law have introduced the possibility of exclusivity on the London model, but subject to government approval on a case-by-case basis.

Since deregulation, the market trend has been towards the concentration of supply in the hands of a small number of major operating groups, so that there has been a polarisation between the big multi-national companies and single-depot local operators. Few medium-





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sized firms have been able to survive in this environment, and this in turn has restricted the field from which authorities have been able to seek tendered services.

The main controls on the operation of this market rest with national government agencies – the Traffic Commissioners and Vehicle Inspectorate who regulate the safety and fitness of operators and their vehicles, and the Office of Fair Trading which seeks to maintain competition and prevent abuse of market dominance. Unfortunately, one by-product of the insistence of the competition authorities on maintaining an open market has been to make it extremely difficult for operators and local transport authorities to promote coordinated timetables and multi-operator fares. The public in Britain finds it hard to understand why integrated ticketing of the type that is commonplace in most neighbouring European states is mainly confined to London, but the fact that London has been able to maintain and expand the coverage of such tickets provides the real clue to the difficulties the rest of us face. London maintains a regulated bus network, with exclusive operating rights – in contrast, there is a fundamental problem in delivering integrated ticketing through the commercial and legal structures within which the rest of the British bus industry has to operate. Although the Office of Fair Trading has recently consulted on an exemption procedure that is intended to simplify the process of integrated ticketing, the very fact that the word “exemption” is used in this context reflects the nature of the legal and regulatory obstacles to be overcome.

I have mentioned these aspects of the post-1986 framework for the British bus industry to emphasise the relatively limited means available to PTEs and other local transport authorities if they wish to influence local bus service delivery. Government policy puts considerable trust in voluntary cooperation between bus operators and local transport and highway authorities to improve bus services and their operating environment, and it is true that there has been some progress in this field. But in many respects this is a limited tool, which is liable to become blunted in its usefulness by the financial pressures now facing both operators and local authorities, the relentless growth in road congestion, and in most areas the lack of effective on-road enforcement of bus priorities and parking restrictions.

As a consequence, contract management remains one of the few direct methods currently available to local transport authorities in Britain in improving bus service delivery. While it has to be acknowledged that its immediate usefulness is still restricted to the margins of the total supply of bus transport – in Strathclyde contracted services carry only 4.75 million out of an annual total of around 200 million passenger journeys on public bus services – such services nevertheless play an important role in guaranteeing public transport to areas which would otherwise be cut off from the network, and also have a wider influence on the total market.

SPT currently has around 140 public service bus contracts, 12 contracts for demand-responsive services for elderly and disabled passengers, and 1,430 school transport contracts, the latter catering for more than 17.9 million pupil journeys annually. After the initial “big bang” in 1986, the tendering and contract management process has been refined as a result of experience and to reflect policy changes. Although alterations have been



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incremental rather than fundamental, they have allowed us to develop documentation and processes which are effective for their purpose, and as staff experience has developed in parallel the organisation has become more skilled in applying and fine-tuning contract provisions.

Current SPT practice is generally to let contracts for around four years, to retain flexibility within the context of a commercial network which is still in considerable flux. We have used changes in contract terms to achieve particular objectives and to strengthen our ability to manage the network of contracted services. For example, SPT has used contract conditions to:

- Progressively strengthen default conditions, so that an operator who fails to provide satisfactory services can be removed and in extreme cases can be liable for the cost of providing replacement services;
- Require contracted operators to accept engineering and service quality inspections by SPT staff;
- Require participation by operators in SPT ticketing promotions;
- Accelerate the introduction of accessible vehicles.

In addition, we have as a matter of practice:

- Negotiated informally with commercial operators to achieve service changes which minimise the requirement for additional subsidised services;
- Developed some supported routes to the point where they can be operated commercially without subsidy;
- "Nursed" small operators to maintain the market for tenders and encourage them to increase the scope of their operations;
- Coordinated contract expiry dates to enable a network approach to tendered services to be developed, especially in rural areas;
- Integrated school and public service tenders whenever practicable; and
- Liaised with the Traffic Commissioner in his enforcement role to deal with "unfit" operators and to respond to public complaints about the quality of commercially-operated bus services.

I have emphasised in earlier sections of my paper the limitations which national policy places on the ability of PTEs and other local transport authorities to influence the total market for the supply of bus services in most of Britain. We are also now facing an increasing problem as a result of cost inflation in the bus industry which is well in excess of general inflation – with limited funding available to local government to support bus services this trend is placing a double strain on budgets, by restricting the ability to fund existing contract services when they are due for renewal and also because of the impact on the viability of some services which are presently provided commercially.

Nevertheless, within these limitations we have been able to develop the service tendering process as a flexible and effective policy tool. Whatever changes take place in the wider





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structure of the bus industry in Britain, contracts will continue to play a key role in the interaction of PTEs and other local transport authorities with the private sector's provision of bus services, and it is now difficult to envisage any alternative delivery mechanism which would fit British circumstances.

#### **THE PTE ROLE – train services**

The final section of my paper will deal with rail service contracts. This section will be brief, for three reasons:

- GB-wide experience of procuring passenger rail services contractually is shorter than that with buses, and as many of the first round of franchises are only now in the process of replacement not all of this experience has yet been digested.
- The Strategic Rail Authority (SRA) has recently announced high-level policy changes in its approach to refranchising, but some of the details of the application of this policy are still to be clarified.
- I am personally involved in these processes and in the reletting of one of the franchises, so I necessarily am limited in what I can say at the present stage.

Despite these caveats, however, it is important to emphasise that PTEs have a unique experience within the British railway sector: they have procured and managed rail services on a contractual basis for more than 25 years. Initially this was achieved through "Section 20" agreements with the British Railways Board (the state monopoly provider of railway services). These agreements governed the specification, financing and delivery of local rail services in PTE areas, and on the basis of this contract my own authority invested many hundreds of million pounds in the Strathclyde network. SPT financed the opening of new railway routes, the building of new stations, the purchase of new rolling stock, interchange facilities, and the provision of improved passenger amenities such as closed circuit television monitoring of stations and park-and-ride car parks.

Because of their position as significant stakeholders in the network, the railway privatisation legislation carried forward many of the PTEs' basic statutory powers into the new franchising arrangements. With one exception, which I shall mention later, the area covered by each franchise was larger than that of the relevant PTE, and the main procurement responsibility for letting the franchises rested with the Office of Passenger Rail Franchising (now the SRA), which is a government agency. However, each PTE is the co-signatory of the franchise agreement(s) covering rail services in its area, and has the right to specify service levels and qualities, and fares.

There are however significant differences between the old "Section 20" arrangements and the new franchise system. The charging structure for "Section 20" services was based on **inputs**: PTEs bore the cost and revenue risks, but in return were in a position to negotiate in detail with the British Railways Board about the nature and timing of expenditure.



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In contrast, franchise agreements are based on **outputs**: the cost risk lies with operators (at least in theory!), but most PTEs retained revenue risk. In addition, however, the separation of infrastructure provision from train operation transferred a major element of the cost structure of train service provision to Railtrack. The costs of infrastructure are recharged to operators via their separate Track Access Agreements, and while these charges are regulated the PTEs can no longer directly influence this element of the cost base.

The privatisation agenda between 1993, when the legislation was passed, and 1997 when franchising was completed, created a clear tension between the OPRAF/SRA's view of franchises – they were seen as a “genuine business opportunity to be exploited” – and the public service based approach of PTEs. PTEs, with the political support of their PTAs, insisted on close monitoring of outputs and service performance. However, most enforcement powers arising out of the initial round of franchising rest with the SRA.

As the SRA acknowledged in its Franchising Policy Statement published in November 2002, the original model of rail franchising in Britain has collapsed over last two years. There are a number of contributory factors:

- The Hatfield accident, which amplified public and political concern about railway safety and which was followed by a significant drop in performance and reliability because of precautionary speed restrictions
- The ending of train service revenue growth, partly as a consequence of poorer network reliability
- Significant cost escalation in both the infrastructure and train operation sectors of the industry.

As a consequence, the SRA has been forced to “reprofile” the financial terms of most franchises, and Railtrack itself was placed in Railway Administration – the equivalent of commercial bankruptcy. The system has now been taken over by Network Rail, a non-profit organisation.

There is now general acceptance that the railway network in Britain will continue to depend on public subsidy, and with the initial wave of franchises now close to termination it is clear that future franchise contracts will be written on very different terms. Last autumn's Franchising Policy Statement outlined the general approach, which will focus on a much more tightly specified level of service provision, coupled with closer monitoring of service quality and a more proportionate enforcement policy. There will also be limits on the franchisee's exposure to cost and revenue risk. Instead of the previous aspiration for longer franchises – of up to 15 or even 20 years in order to encourage investment – the new model reverts back to the post-privatisation norm of franchises of about 7 years, with investment, particularly in infrastructure, delivered by other mechanisms and agencies.

The retendering model now proposed by the SRA is clearly much closer to the PTE approach. However, there are real concerns in the PTEs and PTAs that the benefits of this fresh look at the purpose and basis of rail franchise contracts may be offset by a more



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centralist attitude by the SRA. Recent legislation gave the SRA the powers to override PTE service specifications, and the current cost crisis which is enveloping the SRA as well as industry providers is creating strong fears that regional networks may be given lower priority.

One of the strengths of the PTE model in Britain is that, by providing regional control and accountability for the railway networks serving the main population centres outside London, it has enabled significant growth in ridership on these networks and thus contributed both to local economic growth and to sustainable conurbation transport. Our experience is similar to that of those other European countries which have also allowed significant devolution of regional railway networks from national to local control. It would be a major blow to the achievement of integrated transport policy in these areas of Britain if the current problems experienced by the railway industry in Britain allowed the principles of local specification and accountability to be eroded.

There is however one positive development. One of the most self-contained and localised franchises in Britain, the Merseyrail electric network serving the area round Liverpool, is to be wholly devolved by the SRA to the local PTE. If, as I confidently expect, the resultant closer customisation of contract conditions and more focused monitoring of service performance leads to a franchised rail service which is more directly aligned to regional requirements and circumstances, once again it will be a demonstration that sensitive local management of a public service contract is the most effective way of improving passenger transport service delivery in the British privatised environment.



# **The Transition Process - First Time Around and Retendering from the Authority's Perspective**

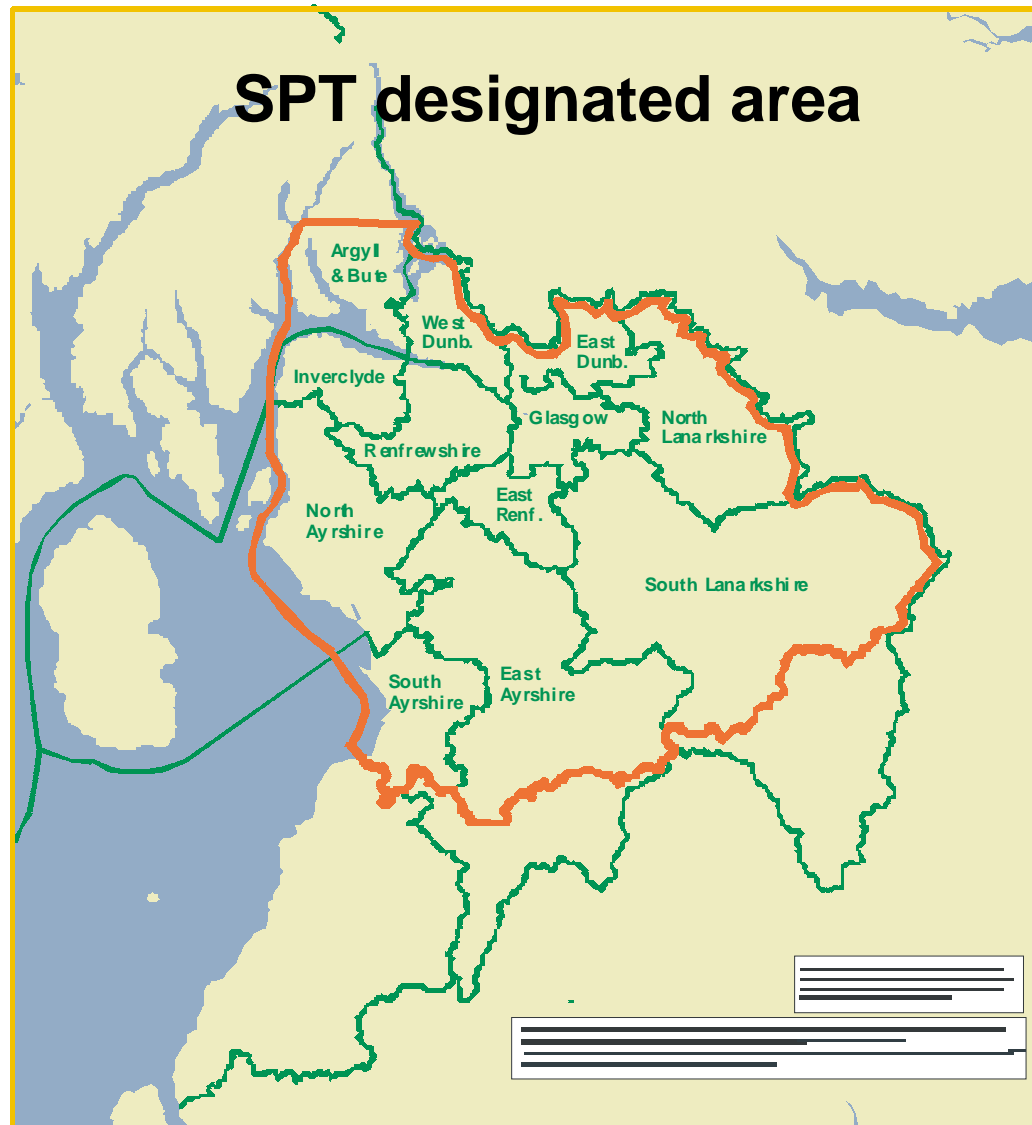
**Malcolm Reed**

**Director General  
SPT**



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# THE BACKGROUND IN BRITAIN



- **Bus services** outside London deregulated since October 1986
- All state-owned, and most municipally-owned bus undertakings **privatised** from 1986 onwards
- Passenger **rail** services **privatised** (through franchises) in 1996 and 1997



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## DIFFERENCES BETWEEN BUS AND RAIL

### Buses:

- Free market for the supply of bus services (subject only to meeting safety and operator suitability criteria)
- Most bus services provided on a **purely commercial** basis (though with substantial state aid in the form of a rebate for diesel fuel taxation)



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# RAIL:



- Franchise effectively confers exclusive operating rights within the area served
  - however, rights may be shared on certain sections of route, or between stations served by different routes
  - Railways Act 1993 permitted “open access” competition,



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## RAIL (2)



- but in practice this is limited by:
  - Regulatory processes
  - Lack of track capacity
  - Economic circumstances of rail industry in Britain
- with very few exceptions, passenger rail services require considerable public subsidy



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# Organisation of Public Transport Responsibilities in Britain



	London	Other main conurbations (areas round Birmingham, Glasgow, Leeds, Liverpool, Manchester, Newcastle, and Sheffield)	Outside conurbation areas
<b>Organising authority</b>	<b>Transport for London</b> <ul style="list-style-type: none"> <li>Conurbation-wide transport authority (successor to London Transport)</li> </ul>	<b>Passenger Transport Authority</b> (political) and <b>Passenger Transport Executive</b> (professional) <ul style="list-style-type: none"> <li>Conurbation-wide public transport responsibilities</li> </ul>	<b>Top-tier (county) or unitary council</b> <ul style="list-style-type: none"> <li>All transport responsibilities within council area</li> </ul>
<b>Bus services</b>	<ul style="list-style-type: none"> <li>Specifies network, service levels and fares</li> <li>Procures service operation through tenders</li> <li>Able to operate on own account</li> </ul>	<ul style="list-style-type: none"> <li>Specifies and procures <b>non-commercial</b> services</li> <li>Because of 1985 Transport Act, no longer permitted to operate buses on own account</li> </ul>	<ul style="list-style-type: none"> <li>Specifies and procures <b>non-commercial</b> services</li> <li>Small number of councils have retained ownership of bus operating companies, but without exclusive rights</li> </ul>
<b>School transport</b>	<ul style="list-style-type: none"> <li>Local borough (council) responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Procures school transport on behalf of local councils</li> </ul>	<ul style="list-style-type: none"> <li>Part of council responsibilities</li> <li>Councils can provide school transport directly if wished</li> </ul>
<b>Passenger rail services on national network</b>	<ul style="list-style-type: none"> <li>Can influence Strategic Rail Authority, but no direct procurement responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>Specifies and subsidises local rail services – procurement jointly with Strategic Rail Authority</li> <li>Able to procure additional railway infrastructure and rolling stock directly</li> </ul>	<ul style="list-style-type: none"> <li>No general powers to specify local rail services, but some councils have purchased additional local services and/or funded new stations</li> </ul>



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# ORGANISATION OF LOCAL PUBLIC TRANSPORT RESPONSIBILITIES IN BRITAIN



- Responsibilities for local public transport in Britain vary by type of **administrative area** and by **mode of transport** (bus or rail)
- However, public sector intervention in the provision of bus services is now based mainly on contractual arrangements with private sector operators



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# ORGANISATION OF LOCAL PUBLIC TRANSPORT RESPONSIBILITIES IN BRITAIN (2)



- Passenger rail services on the national network are also now all provided under contract
- Local public transport authorities in Britain consequently have considerable experience of operating a tendered procurement system and of managing service contracts



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# THE PTE ROLE - BUSES

## Before the 1985 Transport Act



- Before October 1985 every public bus service required a Road Service Licence. Effectively, this gave exclusive operating rights on particular routes.
- In order to provide financial support to particular routes or networks, local transport authorities therefore generally had to negotiate with incumbent operators - little competition for the market.



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# THE PTE ROLE - BUSES

## Before the 1985 Transport Act (2)



- However, there were some **exceptions**:
  - most dedicated school transport services (that is, services not available to other passengers) were provided by contractors
  - Some rural services which were entirely dependent on public subsidy were also provided under contract (sometimes as a mixture of school and public services)



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# THE PTE ROLE - BUSES

## Before the Transport Act (3)



- The award of a contract could therefore lead to an existing operator surrendering its Road Service Licence and the licensing of the replacement contractual service.
- Even before the deregulation of the bus industry, therefore, PTEs (and other transport authorities in Britain) had some experience and expertise in service tendering and contract management.



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# CHANGES BECAUSE OF THE 1985 TRANSPORT ACT



- From October 1986 operators were able to register and operate any routes they wished
- Effectively, existing network split into “commercial” and “non-commercial” sectors
- PTA and PTE had to assess what public transport needs were left unserved by commercial routes.
- PTE had then to advertise for tenders for the non-commercial services which the PTA required.
  - Transition period less than a year



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## CHANGES BECAUSE OF THE 1985 TRANSPORT ACT (2)



- Legislation resulted in:-
  - short term workload peak for PTE (and operators) in adjusting to extensive tendering requirements
  - increased requirement for legal and procurement professional staff resources to support tendering regime
  - significant savings in total bus support costs



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# EXPERIENCE SINCE 1986



- **PTEs have to use their powers of intervention in the supply of bus transport within the framework created by national Government policy and industry trends.**
  - **Government's view (supported by the bus industry) is still that unregulated on-road competition is the most effective way of meeting public needs for bus transport.**
  - **Bus service legislation still based mainly on free market principles - no exclusive rights currently available outside London (but possibility of change).**



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## EXPERIENCE SINCE 1986 (2)



- Market trend towards concentration of supply in the hands of a small number of major operating groups - polarisation between big multi-nationals and single-depot small operators. Few medium sized firms have been able to survive.
- Main enforcement powers rest with national Government agencies - the Traffic Commissioners and the Vehicle Inspectorate.
- Competition legislation makes it extremely difficult for operators and local transport authorities to promote co-ordinated timetables and multi-operator fares.



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## EXPERIENCE SINCE 1986 (3)



- **Contract Management is the main tool available to local transport authorities in Britain to improve bus service delivery.**
- **SPTE currently has 140 public service bus contracts, 12 contracts for demand - responsive services for elderly and disabled passengers, and 1,430 school transport contracts.**
- **After initial “big bang” in 1986, tendering and contract management process has been refined - alterations have been incremental rather than fundamental**



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## EXPERIENCE SINCE 1986 (4)



- **Documentation and processes now relatively mature, and staff skilled in their application.**
- **Current SPT practice is to let bus contracts generally for four years**
- **SPTE has used changes in contract conditions to:**
  - progressively strengthen default provisions
  - require contracted operators to accept engineering and service quality inspections
  - require participation in multi-modal ticket schemes
  - accelerate the introduction of accessible vehicles



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## EXPERIENCE SINCE 1986 (5)



- **We have also, as a matter of practice:**
  - negotiated informally with commercial operators to achieve service changes which minimise the requirements for subsidised services
  - Developed some subsidised routes to the point where they can be operated on a commercial basis
  - “Nursed” small operators to maintain the market for tenders



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## EXPERIENCE SINCE 1986 (6)



- Co-ordinated contracted expiry dates to develop a network approach to tendering services, especially in rural areas
- Integrated school and public service tender requirements whenever possible
- Liaised with the Traffic Commissioner in his enforcement role to deal with “unfit” operators and to respond to public complaints about commercially-operated bus services



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## BUSES: SUMMARY



- Britain now has a mature tendering regime for the provision of supported bus services, and the relevant professional skills have developed in parallel.
- Experience gained through successive contracting rounds has been fed in at the re-tendering stage to provide additional passenger benefits.



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## BUSES: SUMMARY (2)



- **Consequently, authorities such as SPTE have been able to develop bus contracts as a sophisticated tool for the procurement of cost-effective services**
- **Despite limitations of wider policy environment, tendering process and contract management play an essential role in delivering local public transport policy.**



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# THE PTE ROLE – TRAIN SERVICES

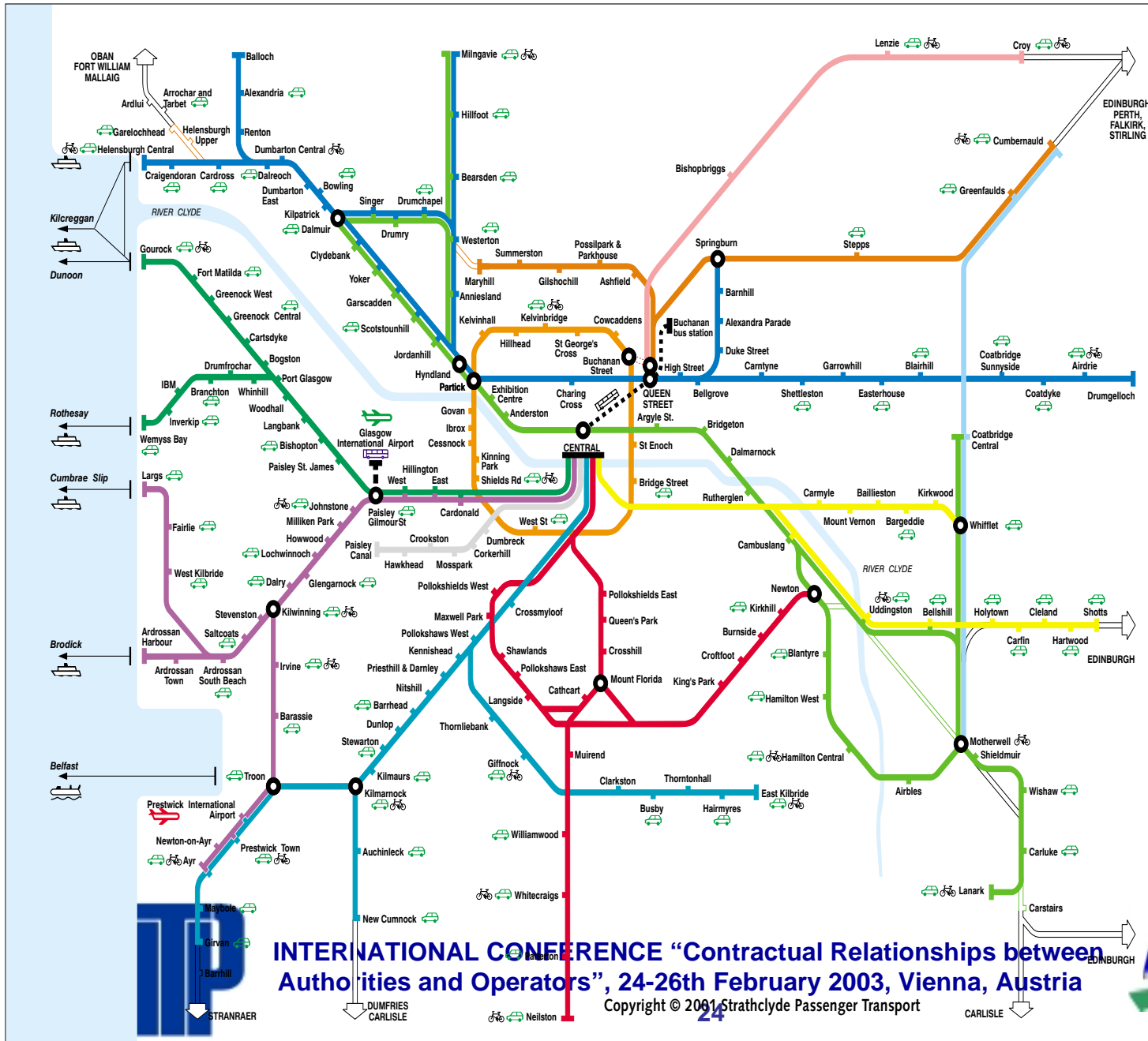



- Network-wide experience of contractual procurement of passenger rail services is more recent – privatisation legislation 1993, franchising completed 1997
- However, PTEs have more than 25 years experience of contractual provision of regional railway services in the major conurbations – “Section 20” agreements with British Railways Board
- Section 20 agreements based on input specification – PTEs bore cost and revenue risk, but able to influence cost base directly




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 SPT Underground


Travelator link between  
Buchanan Street and  
Queen Street

 Airlink bus between  
Paisley Gilmour Street and  
Glasgow International Airport

 Inter-terminal bus link

 Interchange with ferries

 Catamaran  
Troon to Belfast

 Park-and-Ride station  
car parks

 Cycle lockers for hire

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# EFFECTS OF RAIL PRIVATISATION



- Franchising legislation tendered entire rail passenger network in area-based franchises
- Areas generally larger than PTE areas, but PTE rights to specify services and fares retained in legislation
- PTEs co-signatories with OPRAF (now SRA) of franchise agreements
- Tension between OPRAF market-based approach and PTE public service emphasis



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# EFFECTS OF RAIL PRIVATISATION



- Resolved by customised drafting of franchise agreements and performance risk, and in most cases retention of revenue risk by PTEs
- However, PTEs lost ability to influence costs, both because of output-based contract model and separation of infrastructure responsibilities



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# RECENT CHANGES



- 1993 model of rail franchising in Britain has collapsed over last two years:
  - Hatfield accident
  - Ending of revenue growth
  - Cost escalation
- Most franchises “reprofiled”
- Railtrack in Railway Administration – taken over by Network Rail (non-profit organisation)
- Acceptance that railway network in Britain will continue to depend on public subsidy
- Initial wave of franchises now close to termination



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# REVIEW OF FRANCHISING POLICY



- SRA franchising policy statement, November 2002
- “Service provision” model – now closer to PTE approach
  - Limitations on cost and revenue risk
  - Closer specification and monitoring of service quality
  - More proportionate enforcement regime
- Details of new policy not yet clear
- Benefits may be offset by more centralist approach of SRA
- Powers to override PTE specifications
- Concern that regional networks may be given lower priority



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## FIRST DEVOLVED PTE FRANCHISE



- Self-contained Merseyrail electric franchise, serving Liverpool area, will be devolved to local PTE
- Offers opportunity to confirm value of locally specified, managed and accountable operation of franchised rail passenger services in contributing to regional integrated transport policy.



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**Frode LARSEN,**  
CEO, Concordia Bus, OSLO (NO)  
E-mail : [frode.larsen@concordiabus.com](mailto:frode.larsen@concordiabus.com)

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**TUESDAY, 25 - SESSION 3**

**PREPARING FOR CONTRACT FROM THE OPERATORS SIDE**

**"THE CASE OF CONCORDIA BUS"**

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**1. BIOGRAPHICAL NOTE**

*Frode Larsen* has been the Chief Executive Officer since he joined Concordia in 1997. Mr. Larsen joined Schøyen Gruppen (SG) in 1989 and served as Managing Director of Schøyens Bilcentraler (SBC) from 1989 to 1990. He also served as Deputy Chairman of SG from 1991 to 1992 and became president of SG in 1992. He is also the Chairman of the Board of Directors of SBC, Finans Forvaltning AS, Schøyen Finans Förvaltning AB, SG International Ltd., and is a member of the Board of AS Anlegg. Mr. Larsen was born in 1952 and graduated from the Norwegian School of Economics and Business Administration in 1976 with a degree in business.

**2. ABSTRACT**

The Nordic bus tendering market is the most competitive throughout Europe. (Tendering: Sweden 98%, Denmark 80%, Finland 21% and Norway 20%).

The Nordic tendering model is quite different from the free competition in the British market (except London).

The Nordic operators compete on both quality and price.

The Nordic market is not yet mature, although it has been developed for almost 10 years.

The situation is different within the four countries. Sweden has been the pioneer in modernizing the tendering system. The operators in the regions do all have great problems in making solid profit on their production.



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### **3. FULL TEXT**

Concordia Bus is the main operator within Public Transport in the Nordic countries with altogether 11 000 employees, 4100 buses and a revenue of MEUR 525.

The Concordia Concept is developed on some main principles.

- Standardisation of the bus fleet and organisation model
- Become an asset-free bus operator which buys transportation capacity by the kilometre and focuses on providing the most efficient bus services

These should give the company the ability for operational excellence and scale in sourcing and efficient fleet management. These give advantages for both operator – being more compatible with lower costs and lower needs for margin – and for the CPTA with more cost effective tenders.

As you probably know, the Nordic countries have implemented tendered contracts from the early nineties. This is done in different manners, with different volumes and lots of interesting – positive and negative – experiences. I will like to share with you some experiences from the Nordic contractual tendering market.

The percentage rates for tendered contracts /negotiated contracts in the countries are as follows: Sweden 98/2, Denmark 78/22, Finland 21/79 and Norway 14/86. Some of these numbers are changing as the politicians and the bureaucracy make new decisions as to implement more tendering.

Within the tendering regime, price is still the basic criteria for evaluation. As long as the operator complies with terms and conditions in the agreement, price is the leading and in most cases the only selection criteria.

There are some more criteria for the tendering system. These are included with different attention in the contracts.

- Operational quality measured by public opinion poll measurements
- Staff quality improvement initiatives made by the operator
- Vehicles – age profile and technical standards
- Previous operational experience
- Environmental issues – mainly pollution

In the last years much more attention has been drawn to the different models for cooperation between the operator and the CPTA. Instead of making the counterpart responsible for most duties, both parts involve each other with equality of rights and in such a manner make a better public product together. The tradition and practise, however, is to start this work after the operator is finally selected. This means that a positive, professional and cooperative operator candidate might be excluded before the final decisions are made by the CPTA.



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A future outlook for the tendering systems in the Nordic countries present two main objectives for the partners involved.

- On what basis should net contracts replace gross contracts
- How should incitement elements give revenue upside opportunities for the operator – and give better transport product for the CPTA

It seems obvious that no net contract should be implemented in district areas. It has to be upside possibilities by new market shares and new customers of solid volume. If net contracts are to be put into practise the authorities have to let go their exclusive right to decide level of fares, frequency and routes. Otherwise the operator does only make illusory decisions – without the right to control the financial bottom line. Instead of net contracts, incitement elements might share risk/opportunities in a better model in the contractual relation.

A future outlook should include different kind of experiences from the Nordic market. First some negative ones:

The CPTAs are still – to a certain extent – specifying all kind of details which increase the cost of the tenders. These details refer mainly to buses but there might be many other specifications as well.

Service and quality throughout the operations are still given less influence in the total decisions.

The risks of the operations are still mostly put on the operator – which increase the cost of the tender.

There is no satisfying national index-system for compensation for cost increase. This is normally decided regionally with different models and principles.

Some positive experiences:

The operator's possibilities to coordinate different buses/routes within the tender – or other tenders by the operator in the same region – give higher efficiency and lower cost.

An increasing and improving corporation between CPTA and operator give better products for the customers and lower cost.

# Concordia Bus

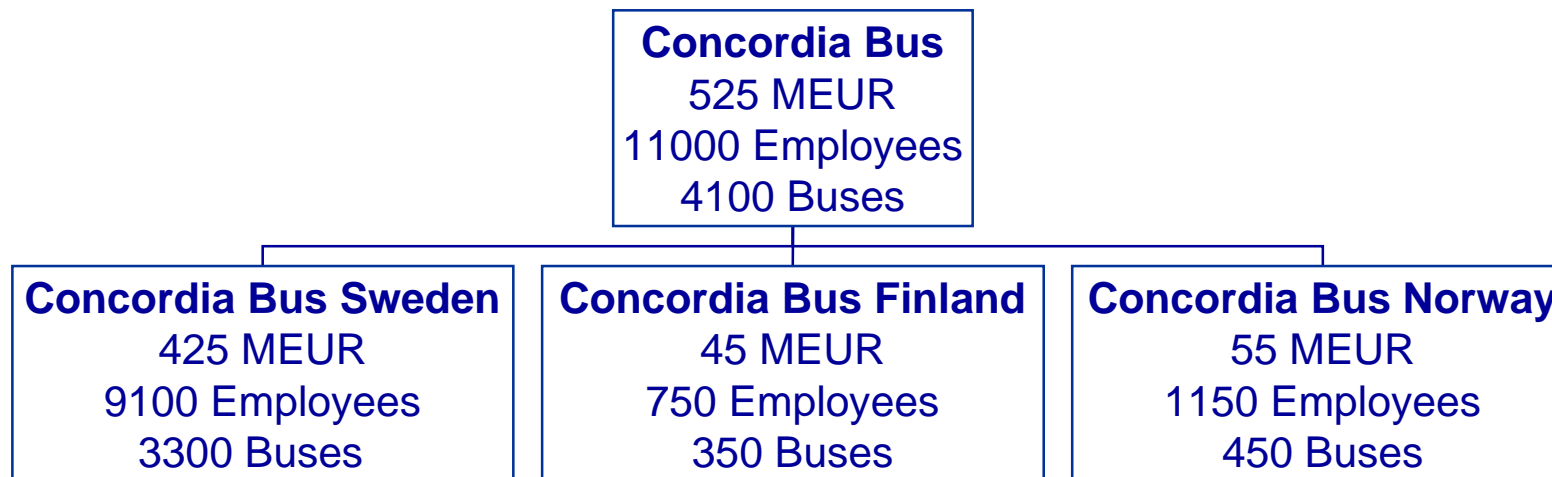
*by CEO Frode Larsen*



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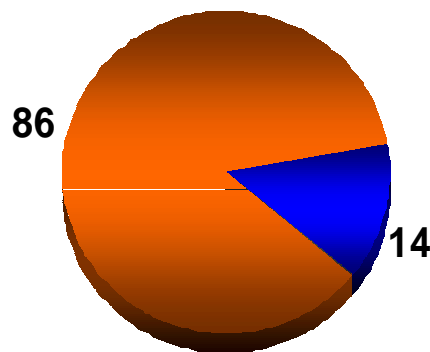


# Concordia Bus – the largest Nordic bus operator

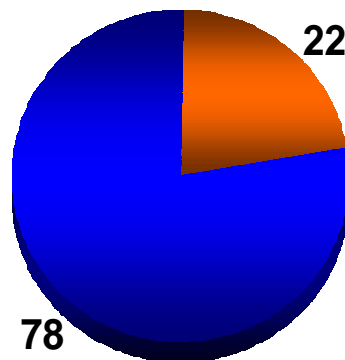


# Contractual system within the Nordic countries

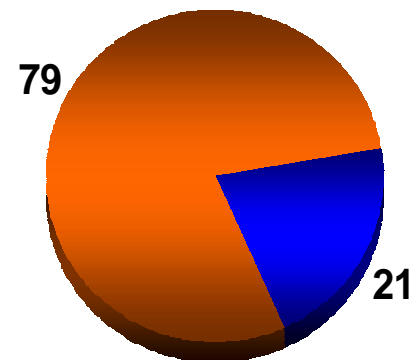
*Norway*



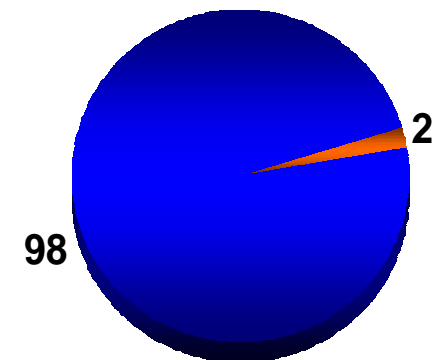
*Denmark*



*Finland*



*Sweden*



**Negotiated contracts**

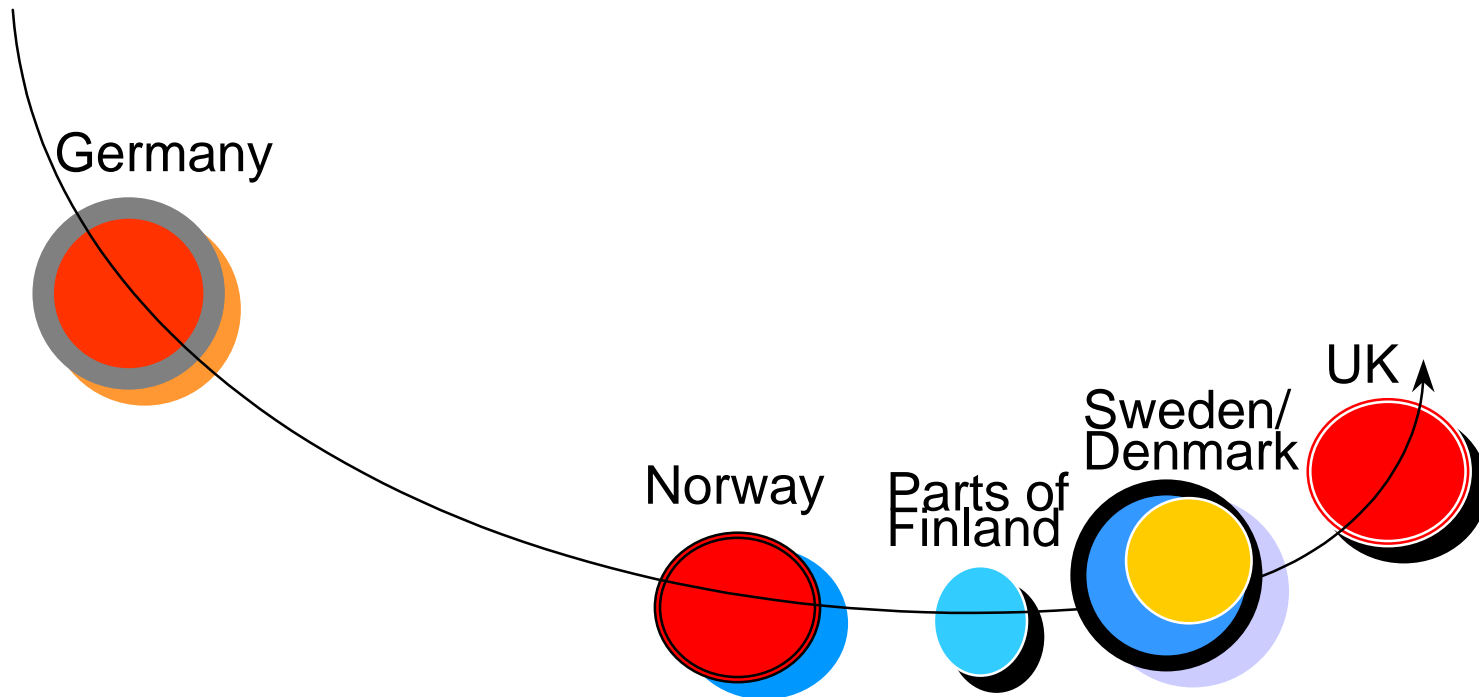
**Tendered contracts**



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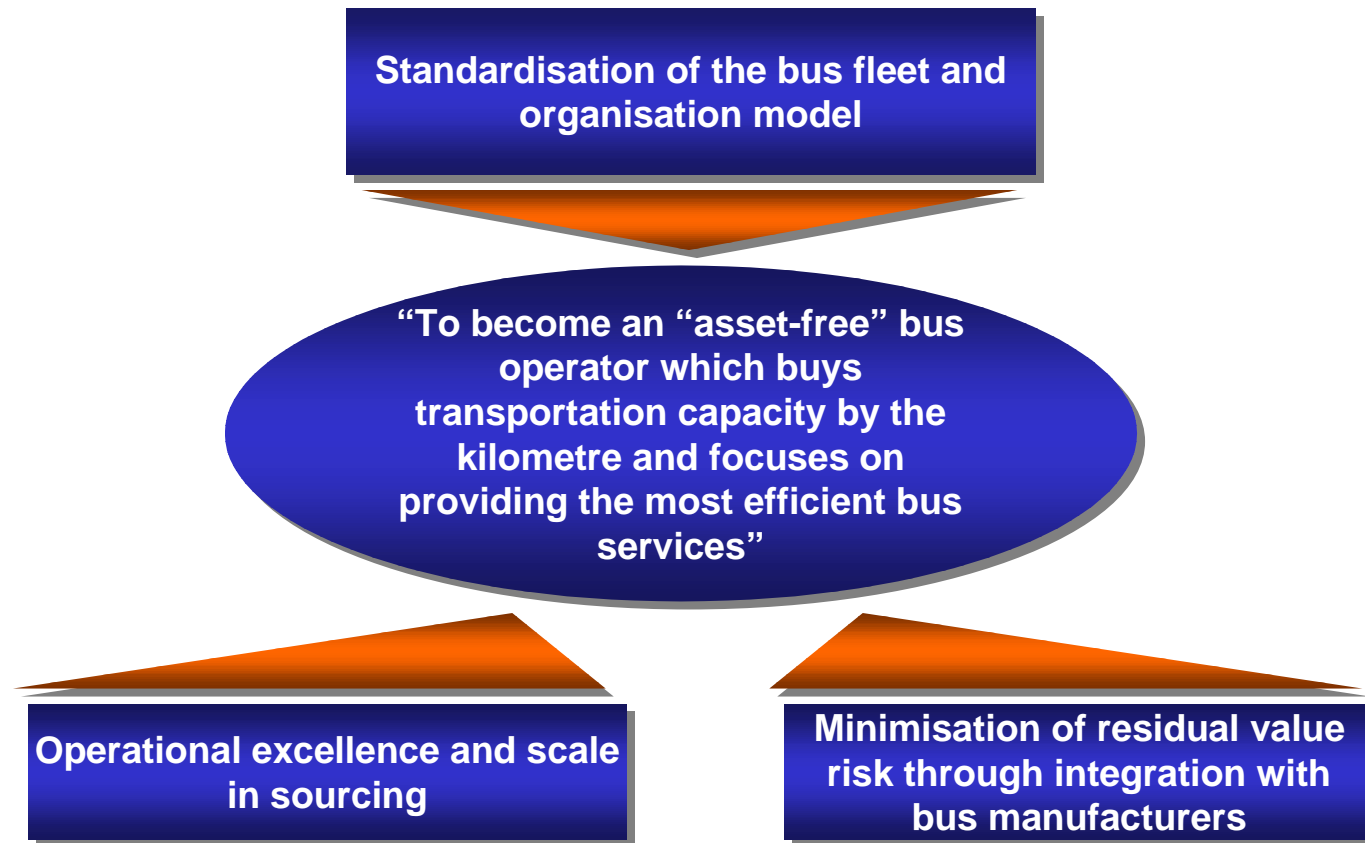
# Still fierce competition - especially in Norway and Finland



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# The Concordia Concept





# **Within the tendering regime, price is still the basic criteria for evaluation**

- As long as the operator complies with terms and conditions in the agreement, price is the leading and in most cases the only selection criteria



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## OTHERS:

- Operational quality
- Staff quality improvement initiatives
- Vehicles – age profile and technical standards
- Previous operational experience
- Environmental issues – mainly pollution



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# Cooperation between operator and CPTA

- Climate for positive and qualitative cooperation between operator and CPTA cannot be established before the operator is finally selected



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# Future outlook

- Net contracts versus gross contracts
- Incitament elements – revenue upside opportunities



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**Aldo DE ROBERTIS,**  
General Manager, Trieste Trasporti, Trieste (IT)  
E-mail : [aldo.derobertis@triestetrasporti.it](mailto:aldo.derobertis@triestetrasporti.it)

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**TUESDAY, 25 - SESSION 3:**

**PREPARING FOR CONTRACT FROM THE OPERATORS SIDE**

**"THE CASE OF TRIESTE : FROM THE MONOPOLE TO A SEMI-  
PUBLIC COMPANY"**

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**1. BIOGRAPHICAL NOTE**

Born in Bari (Italy) on 22<sup>nd</sup> of April, 1947.

**LANGUAGES** : Italian, English.

**EDUCATION :**

- Degree in Civil Engineering – Transportation, at Trieste University in 1975;
- Graduated in Transport Economic and Politic at the High School of Rome University in 1985, with a thesis on "Analysis methodologies using transport system modelling in urban area";
- Master in "Traffic control and management" at Nottingham University in 1989;
- Master in Business Administration at Bologna CISPEL School in 1990.

**EXPERIENCES:**

- From 1978 to 1982, engineer at the Municipality of Trieste;
- From 1982 to 1995, general manager of the transit company of Monfalcone (Italy);
- From 1995 to 2000, general manager of *Azienda Consorziale Trasporti (A.C.T.)*, the public transit company of Trieste (Italy);
- From 2001, general manager of *Trieste Trasporti S.p.A. (T.T. S.p.A.)*, the new public transit company of Trieste (Italy).



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### **2. ABSTRACT**

Trieste Trasporti S.p.A. is the company that won (in 2001) the tender for the supply of local public transportation services under the "Unità di Gestione Triestina" (Trieste area services) in compliance with Regional Law No.20 dd. 7.5.1997. This brought urban and interurban service companies to face a radically new scenario, permeated by a liberalized market and the presence of public and private competitors at the European level.

Up until December 2000 the service was carried out by Azienda Consorziale Trasporti (A.C.T.), a unique public corporation already enjoying national as well as international recognition. A strategy was needed to secure our winning the challenge of a market based on completely new rules; a winning strategy was, indeed, the pursuance of a policy of collaboration between public and private, national and international players, backed by their outstanding managerial and economic know-how.

### **3. FULL TEXT**

## **REGIONAL AND NATIONAL REGULATIONS**

Regione Autonoma Friuli-Venezia Giulia (hereinafter referred to as Regional Authorities or Regione), by virtue of its specific Statute, has been invested with the primary competence for local public transportation services.

In 1997, the Regional authorities issued Regional Law No. 20 representing a general reform in local public transportation, which also entailed the separation of scheduling tasks from the managerial responsibilities of the bodies involved.

Scheduling competences consist in setting out, in the Regional Plan of LPT (local public transportation), the aims to be achieved through our operations as well as the ways and means to meet these aims. The active and vital participation of the Province is envisaged for both the drafting of the Plan and the summary of requests of the municipalities involved, in particular, those that host urban transportation services.

It must be underlined that the Traffic Plan drafted by the municipalities must be adapted to the Regional Plan of local public transportation so as to privilege and facilitate urban services in the attempt to contain private transportation.

Law No. 20 was certainly a forerunner compared to the national regulation that has only recently been adapted and subsequently finalized. The objective to satisfy growing demand of mobility was set, to reach the utmost efficiency and, at the same time, pursue social and environmental goals, all without neglecting economic needs.

This latter issue is highlighted in both containment and scheduling efforts based on an exact regional budget for LPT, a budget planned to cover the whole ten years of the license according to the parameters of the year 2000 operation plan, which include both the markdown deriving from the public bid and the revenue then distributed through capital account for the acquisition of buses.

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The adoption of previous and current payment systems has highlighted that the license, as with all contracts, requires pre-set bilateral conditions of service and payment. No longer is there a need to find common ground between companies' economic requirements and the Regione's availability of funds (almost always deferred with respect to the service) but service contracts that clarify all of these issues in advance, putting (through bids) companies' organizational capabilities to the test.

By virtue of the bidding procedures established for the assignment of services, Law No.20 has placed operators of urban and interurban services in front of a completely new scenario; a scenario permeated by a liberalized market and the presence of public and private competitors at the European level.

#### **AZIENDA CONSORZIALE TRASPORTI - TRIESTE**

Azienda Consorziale Trasporti has been managing the LPT service as early as 1975 throughout the territory covering the municipalities of the Province of Trieste.

The proprietors of A.C.T. were the six municipalities forming the consortium and are listed below, with partnership shares calculated according to population density and the capital made available to the consortium:

<b>Trieste</b>	<b>87,400</b>
<b>Muggia</b>	<b>6,405</b>
<b>Duino-Aurisina</b>	<b>3,005</b>
<b>San Dorligo della Valle</b>	<b>2,160</b>
<b>Sgonico</b>	<b>0,735</b>
<b>Monrupino</b>	<b>0,295</b>
<b>Total</b>	<b>100,000</b>

A.C.T., a special public company, constituted a very solid system nationally while obtaining recognition internationally. 13 million kilometers; 90 million passengers transported yearly; a revenue already exceeding 35% (a target recently reached at the national level and in very many cases only a faint hope); a break-even balance sheet for many years; 840 employees; a service that may be one of Italy's vastest, were the components of a business card that in any bid tender would have made the company come out winning.

In the aims of adapting the company's organization to the new market trends, A.C.T. had already outlined its own Quality policy, making this choice the pillar of its development strategy and evolution into becoming a Mobility Unit capable of offering general, integrated services within the designated territories, obtaining, in 1999, the UNI EN ISO 9001:94 certification (with TÜV Italia as the certifying body).

In order to secure success in this challenge within a market whose rules, one must admit, were inexistent, the need was felt for a new strategy, which proved to be a truly winning one: pursue through a show of interest held in public evidence, a policy of alliance with public and private, national and international, operators endowed with considerable managerial and economic know-how.

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#### **PREPARATIONS FOR THE TENDER**

Between July and October 1998, an exam procedure was performed at the European level, made public through an "Invitation to make company buy-in offers and the subsequent presentation of a company idea/project".

The parties who were, of course, asked the necessary references, furnished a number of projects that were evaluated by an ad hoc commission according to a series of pre-set conditions.

A.C.T. thought to preemptively fix partnership shares for a potential founding of a corporation, with a maximum of 40 % assigned to the whole group of partners.

Building a rock-solid system that could face what appeared to be fierce competition, ready to accept the challenge of a clearly appealing tender, was, thus, a strategic choice that was transformed into concrete reality with the founding, in August of 1999, of the Associazione Temporanea d'Imprese (Temporary Consortium of Enterprises) comprising the following:

- **AZIENDA CONSORZIALE TRASPORTI (A.C.T.) - Trieste;**
- **S.A.B. AUTOSERVIZI S.r.l. - Bergamo;**
- **SOCIETA' ITALIANA AUTOSERVIZI S.p.A. (S.I.A.) - Brescia;**
- **SAIA BUS S.r.l. - Brescia;**
- **AZIENDA TRASPORTI VENETO ORIENTALE (A.T.V.O.) - S. Donà di Piave;**
- **S.I.T.A. S.p.A. - Florence;**
- **REGIE AUTONOME DES TRANSPORTS PARISIENS (R.A.T.P.) - Paris.**

At the same time, Trieste Trasporti S.p.A. was founded, with limited capital, by the same parties with the purpose of binding all partners to a strong alliance, and that once the tender was won (not taken for granted at the time A.T.I. and TTS.p.A. were set up) it would have been adequately capitalized.

An expert public operator, technically competent and efficient, and a private counterpart that is organizationally and economically strong have found the appropriate synergy in a motivated party, full of determination and entrepreneurial initiative – a prerequisite for guaranteeing an efficient service to the citizen/client and equally satisfactory to the regulating body.

The statute of T.T. S.p.A., a code regulating A.T.I. operations and clear and detailed para-social agreements have established the rules, posts and responsibilities with which all partners have bound their presence and operativeness within the new structure that was to manage – at the time only in the province of Trieste – local public transportation.

The administrative procedures, bid papers and their content were elaborated in a lapse of a few months, with a considerable effort on the part of both the partners and in particular, of a small but tight company pool, committed also to simulating possible situations and internal and external developments, as well as to foreseeing and evaluating potential adversaries and their strong points.

The application for participating in the bid for the Unità di Gestione- U.d.G. -Trieste area services (and, as has occurred for the other 3 areas of the region, i.e. Udine, Pordenone and



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Gorizia) was thus presented on October 11, 1999 and then integrated by the tender, comprising all of the information files required by the contract, at the end of November of the same year.

The starting price for the ten-year license of the U.d.G. of Trieste was set at approximately 32 million Euros.

In July 2000, the results were made public, showing how the work carried out and the efforts made by the entire team were rewarded.

### TRIESTE TRASPORTI S.p.A.

The share capital of Trieste Trasporti S.p.A. that replaced A.T.I. at that time, in order to manage LPT of the Trieste area service, as of January 1st 2001, was divided as follows:

<b>PARTNERS</b>	<b>SHARES</b>	<b>CAPITAL (%)</b>
A.C.T.	600	60.0 %
S.A.B. (*)	109	10.9 %
S.I.A. (*)	100	10.0 %
S.A.I.A. (*)	90	9.0 %
A.T.V.O.	50	5.0 %
S.I.T.A.	50	5.0 %
R.A.T.P.	1	0.1 %
<b>Total</b>	<b>1,000</b>	<b>100.0 %</b>

(\*) In Spring 2002, the British group ARRIVA, one of the main transport companies on the European market, acquired the Bergamo-based company S.A.B. Autoservizi (together with SIA and SAIA), one of the main road-transport operators in Italy. This operation also led the British group to acquire a 30% stake in Trieste Trasporti S.p.A..

It is thus clear that A.C.T. is now a majority stockholder in the company with 60% of the shares. This guarantees the maintenance of proportion in the respective partnership shares for the consortium municipalities and guarantees a 51% share in T.T. S.p.A. through the control of A.C. T. to the Municipality of Trieste, which holds a majority stake in A.C.T..

The unfailing commitment of Trieste Trasporti S.p.A. that has also been the driving force of the offer, has focused and will continue to focus on an improvement of the service to be provided to the inhabitants of the Trieste province.



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This is also shown by some of the most significant technical parameters that have certainly led the company to be awarded the contract:

- the renewed fleet of vehicles, with 33 new buses a year, so that the average bus age is planned to decrease from 5.47 years in 2002 to 4.50 years in 2010, at the expiry of the present contract;
- all recently purchased vehicles have level surface platforms and are equipped with a platform for persons with disabilities, air conditioning and more seats, in compliance with regulations and technical characteristics. The company has also committed itself to equip all the older vehicles with a platform for persons with disabilities provided that this is compatible with their building characteristics;
- 93 new ticket sales offices, of which 67 are ticket machines to be deployed by 2002
- timetables and routes provided for all stops and bus shelters;
- as a means of communication with customers, the company has equipped about 700 bus stops and 271 vehicles with boxes for complaints/suggestions and the distribution of leaflets providing information and news on the service and any variations of the service;
- a strengthened Public Relations Office (with certified complaint procedures), a toll-free number and a web-site customers can consult for information, remarks, questions and complaints about the service;
- the installation (yet to be completed) of 40 innovative information charts to provide customers with real-time information about the time buses will arrive to the bus stops.

## **AZIENDA CONSORZIALE TRASPORTI TODAY**

Azienda Consorziale Trasporti, besides holding a 60% stake in Trieste Trasporti S.p.A., continues to manage city parking and other activities that are contracted by the municipalities belonging to the consortium.

## **FINAL REMARKS**

### **1.**

In keeping with Law No. 20/97, the reform was to imply ..." no cuts but rather greater attention to costs by enhancing the entrepreneurial role of the companies, though within the boundaries of an effective control by the Public Administration; safeguarding the social role of this service when justified by obtaining circumstances rather than indiscriminately; solidarity by towns and, generally, richer areas towards mountain and less developed areas; protection of persons with disabilities without a generalized assistance programs; transfer of functions and operational responsibilities to the Province while preserving the role of the Regional authorities as the sole planning body; development of techniques and company functions based on efficiency and enhancement of this role, avoiding any monopolistic system of service management"...



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It, lastly, established the procedures for awarding the licenses through a negotiated European standard, highlighting the service contract as the suitable instrument to define bilateral conditions (agreements) for the provision of the service.

Any administrative acts following the application of the regulation would lead to fear a reduction in scope of the most innovative principle of the Law, i.e. the agreement document between the contractor and the managing company.

In this case, it seems that the entrepreneurial autonomy of the company is denied or highly limited, while in fact it is already a historical, structural and inalienable feature of any private company. Political and administrative policies over the past few years have, in fact, aimed at transforming it into the driving force of any company, whatever form it may take.

It is extremely difficult for a company to base its activity on entrepreneurial autonomy in order to achieve the goals of effectiveness, cost-effectiveness, and efficiency if the parameters of the service for which bilateral relations are established (based more on an agreement than on a license) are rigidly set in advance (thus acquiring more of a grant nature than that of a contract).

When the service contract defines both quantitative and qualitative levels of the service to be provided to citizens (routes, timetables, stops, kilometers), and factors typical of service management (number of employees, vehicles, infrastructures, tariffs, etc.), it decides both the subject of the agreement and the business plan for its management, thus denying any will, ability and right to the company that should be structured as a business with entrepreneurial autonomy, adopting the self-defined organization strategy that is deemed more appropriate in order to reach the aims of the contract.

At present, a possible remark is that, compared to the principles and the spirit of a new regulation that overall (at the national and regional levels) tends to enhance the private nature of the managing body (regulated) and its relations with the planning body (regulator), which in our case, has created a cutting-edge instrument, while, however, allowing for a distorted application of the spirit and objectives that have led to the regulation itself.

## **2.**

The regional reform drew its inspiration mostly on the principle of solidarity by the towns and, generally, by richer areas toward mountain and less developed areas. If it is, on the one hand, undoubtedly an understandable commitment, on the other, however, it does not reward the areas where the demand for transport is more urgent and important as, for example, urban areas, especially those with a high urban concentration of a metropolitan level like the province of Trieste - the only example of this kind in the Friuli-Venezia Giulia area.

## **CONCLUSION**

The Trieste Trasporti management policy aims at providing a service able to couple productivity and efficiency - the typical parameters of a private company - with the



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requirements of a public service whose purpose is to improve the quality of life of the community.

In other European countries, the local road transportation market started changing much earlier than in Italy.

Since the acquisition of S.A.B. Autoservizi in Bergamo by the British Group ARRIVA, which thus entered our Company, Trieste Trasporti is confronted with an entirely different system on a daily basis.

Between ARRIVA and Trieste Trasporti there is constant co-operation and exchange of their different, but successful experiences; this helps us to continue along the path of change, helping Italy to approach those standards of service which have already been reached by major European Companies.

*Trieste, 24<sup>th</sup> January 2003*



# ***The case of Trieste: from the monopole to a semi-public company***

***Aldo de Robertis - General Manager***

***Trieste Trasporti S.p.A.***

***Italy***



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# ***Regional and national regulations in Italy***

**Primary competence on local public transport  
= REGIONAL AUTHORITIES**



**Regional Law No. 20/1997 - introduction of a general reform (separating scheduling tasks from managerial responsibilities).**



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- > The **Regional Law No. 20** was certainly a **forerunner compared to the national regulation** that has only recently been adapted and subsequently finalized.
  
- > **Completely new scenario:**
  - liberalized market;
  - presence of public and private; competitors from all Europe.



# **1975 - 2000**

## ***Azienda Consorziale Trasporti***

A.C.T. was the public transport company of the Province of Trieste, covering six municipalities:

- **Trieste** (capital 87.400 %)
- **Muggia** (6.405 %)
- **Duino-Aurisina** (3.005 %)
- **San Dorligo della Valle** (2.160 %)
- **Sgonico** (0.735 %)
- **Monrupino** (0.295 %)



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# **1975 - 2000**



## ***Azienda Consorziale Trasporti***

A very solid company with a break even balance sheet for many years and:

- 13 million km/year;
- 90 million passengers/year;
- 840 employees;
- more than 35% revenue;
- from 1999 certified UNI EN ISO 9001:94 (by T.Ü.V.).



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# **1998 - 2000**

## ***The strategy for the bid***

Steps to secure success in the challenge within a new market:

- ▶ 1998 - pursue a policy of alliance with public / private national / international operators;
- ▶ 1998 - public invitation to make company buy-in offers and to present a company idea/project;
- ▶ 1999 - temporary consortium of enterprises.



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# ***Temporary consortium of enterprises (August 1999)***



- A.C.T. - Trieste
- S.A.B. Autoservizi Srl - Bergamo
- S.I.A. Spa - Brescia
- SAIA Bus Srl - Brescia
- A.T.V.O. - S. Donà di Piave
- SITA Spa - Florence
- R.A.T.P. - Paris



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**Appropriate synergy** between an expert, technically competent and efficient **public operator**, and a **private counterpart** that is organizationally and economically strong.

In **July 2000** the **results were made public**, showing how the work carried out and the efforts made by the entire team were rewarded:

***Trieste Trasporti wins and replaces the temporary consortium in the new contract (from 2001 to 2010).***



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# ***Trieste Trasporti S.p.A.***

***from 1<sup>st</sup> January 2001***



- A.C.T. - Trieste (60.0%)
- S.A.B. Autoservizi Srl - Bergamo (10.9%)
- S.I.A. Spa - Brescia (10.0%)
- SAIA Bus Srl - Brescia (9.0%)
- A.T.V.O. - S. Donà di Piave (5.0%)
- SITA Spa - Florence (5.0%)
- R.A.T.P. - Paris (0.1%)



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# ARRIVA



Spring 2002:

the British group **ARRIVA** acquired the Bergamo-based company SAB Autoservizi (together with SIA and SAIA), one of the main road-transport operators in Italy.

This operation also led the British group to acquire a **30% stake in Trieste Trasporti**.



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# ***Technical parameters for the new contract - 1***



- ▶ **renew the bus fleet** (33 new buses a year);
- ▶ new buses with **level surface platforms** and **special platforms for persons with disabilities**;
- ▶ more **ticket sales offices** and machines;
- ▶ **timetables and routes** for all stops and bus shelters;



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# ***Technical parameters for the new contract - 2***



- ▶ **971 boxes for complains** / suggestions at bus stops and on the vehicles;
- ▶ a strengthened **Public Relations Office** with a toll free number and a web-site for customers;
- ▶ **40 innovative bus stops** with **real-time information** about the bus arrivals.



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# ***A.C.T. today***

**The activities of A.C.T. (from 1<sup>st</sup> January 2001):**

- ▶ holding a **60% stake in Trieste Trasporti** (this means that 51% share is still under control of the Municipality of Trieste);
- ▶ managing the **city parking**;
- ▶ managing **other activities** (contracted by the municipalities belonging to the consortium).



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## ***Final remarks - 1***

It is **difficult** for a company to base its activity on entrepreneurial **autonomy** in order to achieve the goals of effectiveness, cost-effectiveness and efficiency **if the parameters of the service** for which bilateral relations are established (based more on an agreement than on a licence) **are rigidly set in advance** (thus acquiring more of a grant nature than that of a contract).

## ***Final remarks - 2***

The regional reform drew its inspiration mostly on the **principle of solidarity** by the towns and generally by richer areas toward mountain and less developed areas.

This principle **doesn't reward** the areas where the demand for transport is more urgent and important as urban areas with a high urban concentration (like **the province of Trieste**, the only example in Friuli-Venezia Giulia).

# ***Conclusion - 1***

**Our policy management aims at providing a service able to couple:**

- ✓ productivity and efficiency  $\Rightarrow$  parameters of a **private company**;
- ✓ improvement of the quality of life  $\Rightarrow$  purpose of a **public service**.

## ***Conclusion - 2***

**Since the British group ARRIVA entered in Trieste Trasporti (30%):**

⇒ constant co-operation and exchange of two different but successfull experiences;

⇒ help to continue along the path of change, to approach those standards of service which have already been reached by major European Companies.



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**Keith BASTOW,**  
Strategy & Development Executive, ARRIVA, Leicester (GB)  
E-mail : [bastowk@arriva.co.uk](mailto:bastowk@arriva.co.uk)

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***TUESDAY, 25 - SESSION 3***

**PREPARING FOR CONTRACT FROM THE OPERATORS SIDE**

**"TENDERING - DEVELOPING A WIN-WIN SOLUTION"**

\*\*\*\*\*

**1. BIOGRAPHICAL NOTE**

A fellow of the Chartered Institute of Transport and Logistics, Keith is a career public transport professional having joined the industry in 1966.

He spent the former part of his career in the municipal public transport sector and successfully restructured the company of Kingston upon Hull City Transport following the deregulation and privatisation of the UK bus industry in 1986.

Keith first became involved in Europe in 1990 and in 1994 became Development Director – International, Arriva Passenger Services. His multi-modal responsibilities include:

- Product development and diversification
- Grande Projet (including Transport related infra-structure)
- International Development and Acquisitions

He has been central to the positioning of ARRIVA within the mainland European public transport sector and has considerable experience of the business, cultural, social and regulatory regime differences that apply throughout Europe.

**2. ABSTRACT: not submitted**

**3. FULL TEXT: not submitted**



## Tendering- developing a WIN-WIN solution



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# Group profile



**Arriva Passenger Services providing services throughout the UK**



**Arriva Passenger Services a leading European operator present in 7 countries**



**Arriva operates rail services in Denmark, The Netherlands and UK**



**Arriva a provider of urban transit solutions**



**Arriva Motor Retailing & Vehicle Rental. 42 rental outlets in the UK**



**Arriva Bus and Coach Distributor of new and used buses and coaches in the UK**



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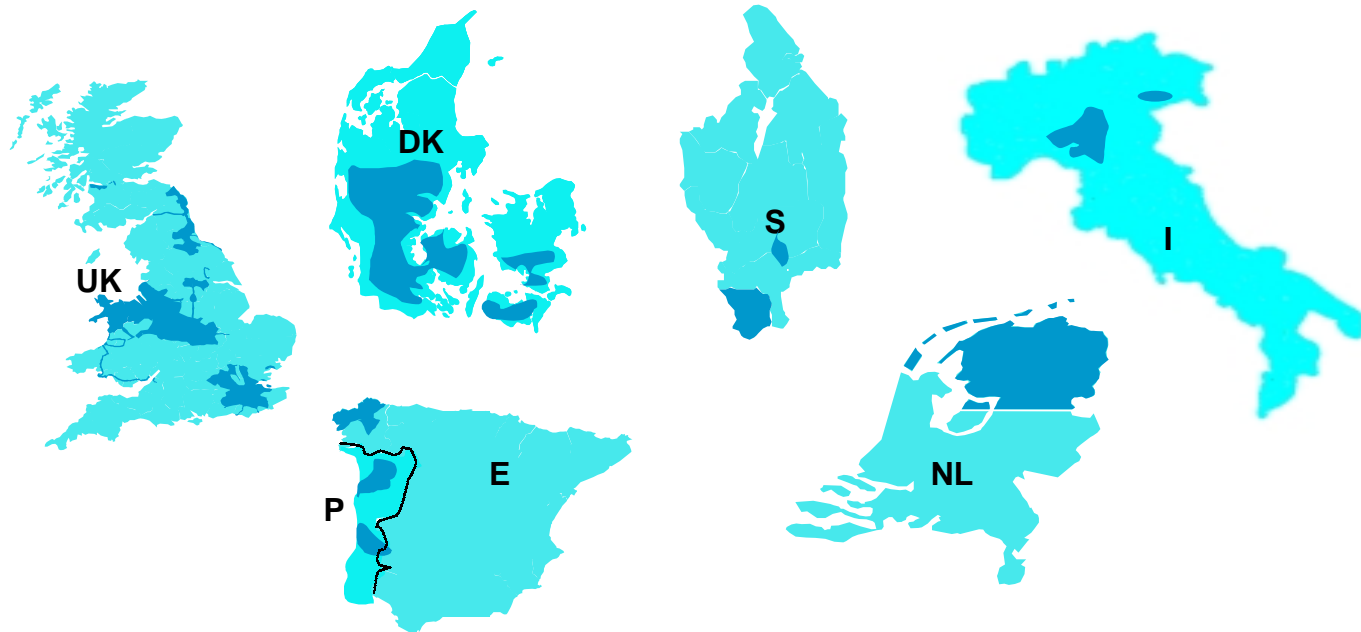
# Key Facts



Turnover €1.990m  
Vehicles 11,497  
Trains/metro 386  
Employees 32,019  
Turnover relates to 2001

23 Subsidiaries serving:

- Countries.....7
- Counties/regions.....66
- Towns and cities.....301
- Population ....37.7million



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# Product range

- Urban and inter-urban bus (All)
- Metropolitan, regional and inter-city rail (DK,NL,UK)
- Demand responsive transit (DK,NL,UK)
- Commuter/express coach services (NL,UK)
- Coach charter/sightseeing (E, I, NL, P,UK)
- Taxis (UK,NL)
- Cableway (I)
- Rapid Transit (DK)
- Water taxis/ferries (DK, NL)



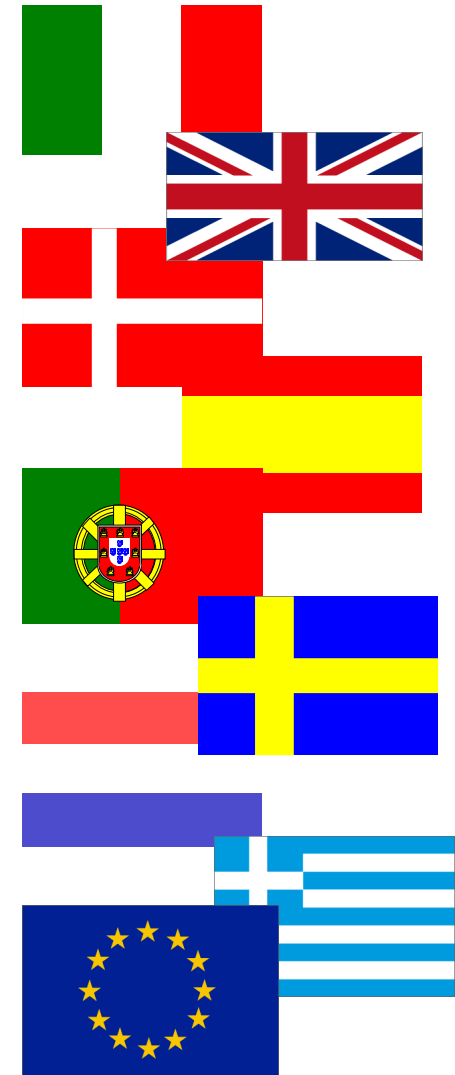
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# The European Bus Sector



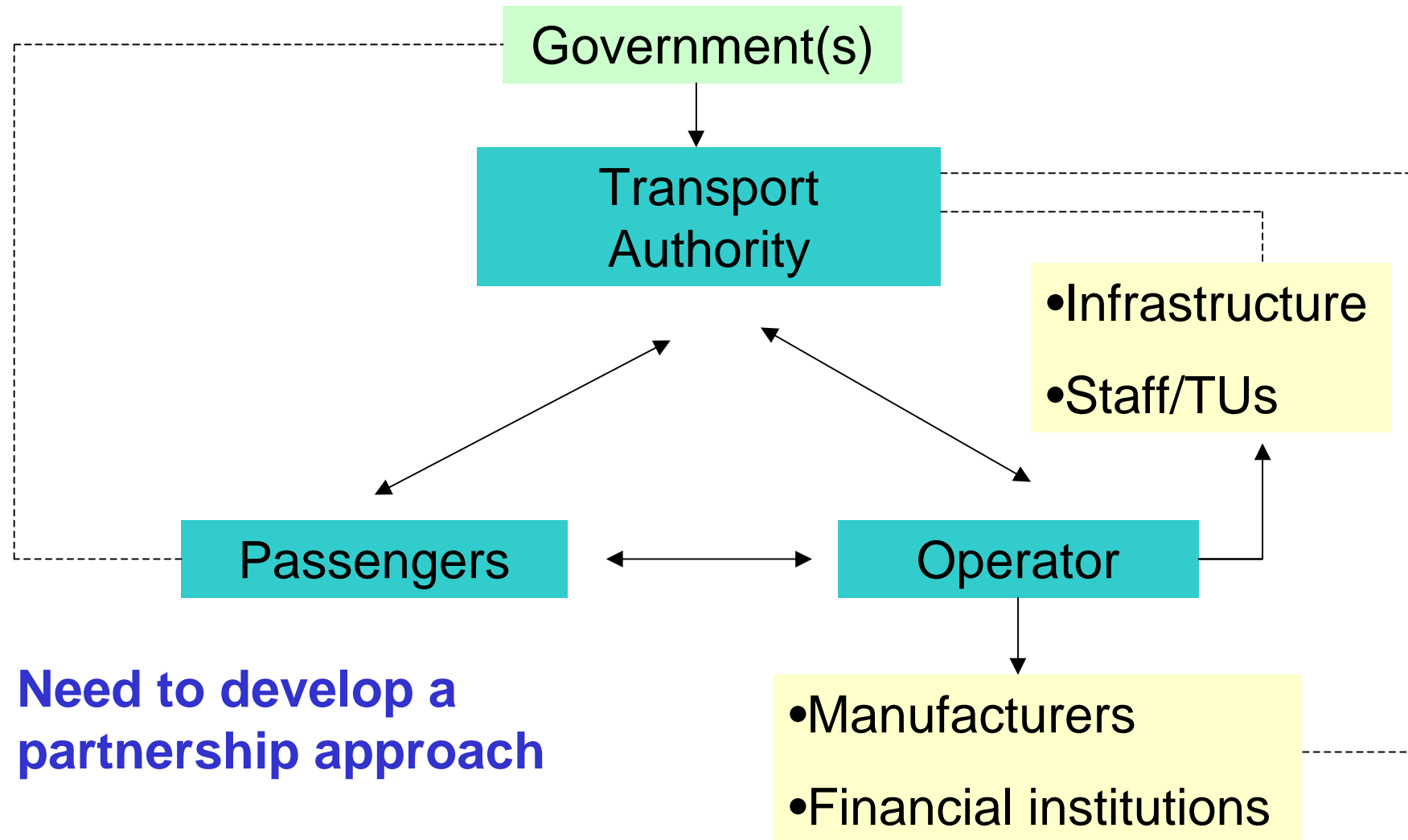
- Highly regulated, subsidised operating environment
- Service provision dominated by the public sector
- “Obligations” to provide minimum levels of public transport services
- Responsibility for the funding of public transport delegated to Regional/ Local Government
- Economic pressures and desire for ‘value for money’ will reduce subsidy levels
- Competitive tendering (EU public service requirement regulations) will open markets



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# Stakeholders



**Need to develop a  
partnership approach**

# Passenger expectations



- Frequent and reliable service
- Co-coordinated provision of public transport
- Easy access to travel information
- Safe travel environment
- Clean and comfortable
- Affordable



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# Tendering authorities



- Tendency to devolve policy and funding
- Need to learn from existing practice:
  - 16 years experience in Europe
  - Public transport and other sectors
- Various models (British, French, Scandinavian,)
- Research ( EU, Quattro, World Bank, etc)
- Establish a national template(s)
- Avoid expensive, bureaucratic organisations which can absorb subsidy savings
- In a tendering regime the **PTA is the custodian** of the future of public transport



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# Contract types



## Net Cost (or minimum subsidy) Contracts

- Operator retains fare box revenue and receives fixed payment (or pays a premium) from/to the tendering authority.
- Operator is incentivised to provide a quality service and grow patronage.
- Uses operators market knowledge and skills
- Operators at risk if PTA changes nearby routes or pricing policy of e.g. off-bus tickets.
- Exposure to Macro economic issues and externalities.



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# Contract types



## Gross Cost Contract

- Operator pays over fare box revenue to PTA
- No incentive upon operator to carry passengers or perform above minimum contract standards
- Operator shielded from macro economics
- Avoids apportionment of off-bus revenue
- Maximum competitive tension as no specific route/market knowledge necessary



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# Contract types- other



## Quality incentive contracts

- Typically gross cost contracts but significant element of incentivisation
- Bonuses or penalties linked to service quality targets (London max bonus = 15%, max penalty = 10% of annual contract value)
- Arriva also has incentive contracts in Jönköping (S) and Silkeborg (DK) that include patronage growth

## Operator involvement

- Stockholm identifies nodes to be served, operator responsible for route design



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# Contract aspects



- Need to consider the objectives and requirements of all stakeholders to achieve a win-win solution
- Considerations include:
  - Contract design
  - Size of tender packages
  - Duration
  - Financial
  - Performance
- Capture the experience, competence and skills of all stakeholders
- Service and product planning and respond to market needs



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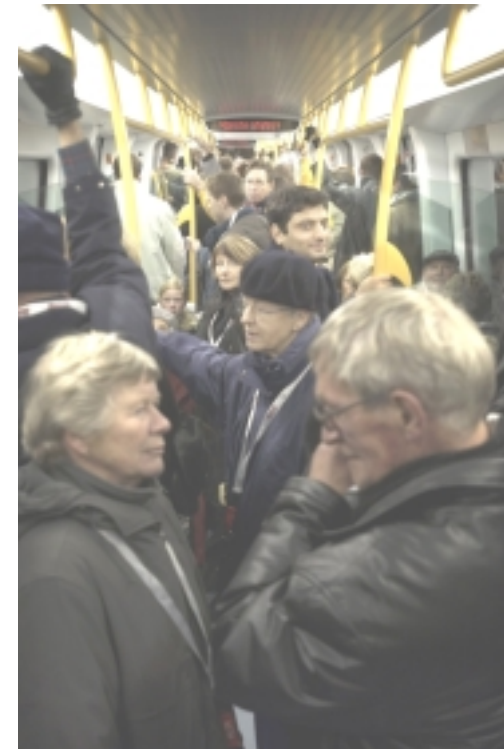
# Contract aspects



## Major issues in contract design

- Transparent process
- Institutional basis for contracting
- Contractual matrix
- Clear, published criteria for evaluation and award process
- Appropriate risk allocation
- Cost of bidding

Social objectives (services, tariffs, labour)



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# Contract aspects

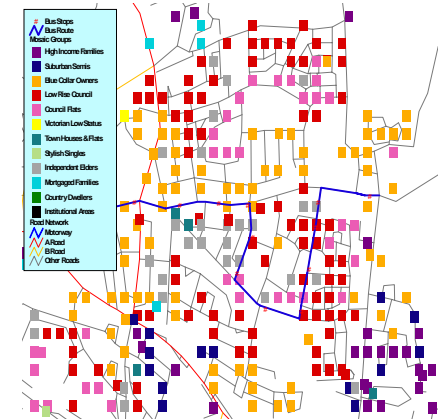


- Size of tender packages

- Route, network, mini-network
- Small packages maximise competitive tension
- Larger packages provide economies of scale

- Duration

- Life of major assets
- Long enough to sustain investment costs in new material and technology
- Ability for “guaranteed buy-back” or transfer of assets
- Frequent retendering maximises competition



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# Contract aspects



## Performance

- Provide a system of equitable incentives and penalties
- Transparent and ideally independent monitoring regime
- Service Output and quality monitoring regime
- Measurable objectives
- Ensure that contractors are motivated to improve service quality, passenger numbers and commercial returns



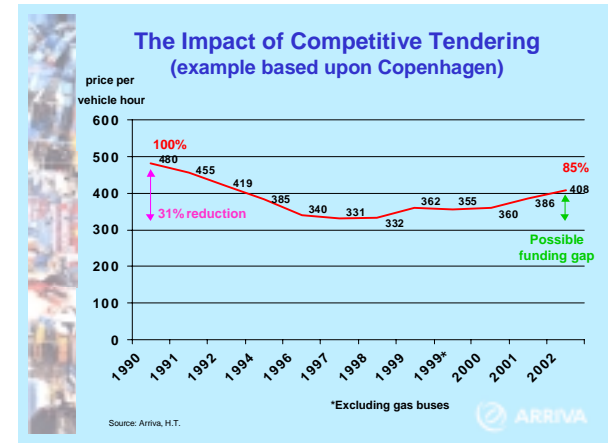
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# Operator considerations



- Early identification of future tenders
- General market conditions and competitor /market price analysis
- Tender specification and obligations
- Service planning & resource scheduling
- Labour market terms and conditions
- Infrastructure, Vehicle and premises
- Business case, financial return and added value opportunities
- Sensitive to client & passenger needs



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# Experience - bus tenders



- Denmark (CPTAs)- Generally gross cost contracts.
- Copenhagen- Gross cost contracts. Highly specified in all respects.
- London- gross/net/gross/quality contracts
- UK (shire counties)- Gross and net cost.
- Netherlands- process just commenced.
- Sweden- Generally gross cost.
- Italy- Market to be tendered within 3yrs



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# Experience - rail tenders

- Arriva Trains operating some 245 trainsets in the UK, carrying 67 million passengers
- Noordned (Arriva/NS) operates 80 trainsets and provides local/ regional bus and train services in Friesland and Groningen
- Arriva Tog operates passenger and freight services in Jutland, Denmark including the first tendered passenger franchises.
- All net cost contracts
- Experience in highly regulated, multi-operator, open-access systems



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# Experience - other tenders



- Metro- gross cost contract for operation and maintenance of the Copenhagen Metro
- Water bus- gross cost contract for services in Copenhagen harbour
- Demand responsive transit- gross and net cost contracts in Denmark, Netherlands and the UK



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better service**

*Thank you for your attention*



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**Michel QUIDORT,**  
Directeur de la Communication Internationale, CGEA Connex, Paris (FR)  
E-mail : [michel.quidort@connex.groupeve.com](mailto:michel.quidort@connex.groupeve.com)

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***TUESDAY, 25 - SESSION 3***

**PREPARING FOR CONTRACT FROM THE OPERATORS SIDE**

**"CONTRACTUAL EXPECTATIONS OF AN INTERNATIONAL  
OPERATOR - THE POINT OF VIEW OF CONNEX"**

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**1. BIOGRAPHICAL NOTE**

Corporate Communication Director Connex  
Masters in Public Law and School of Journalism

**1975–1989** Company Secretary of Union des Transports Publics, France, in charge of Communications and International Affairs

**1989–1992** Secondment for Union Internationale des Transports Publics in Brussels, in charge of Communications.

**1992–1993** Responsible for European Relations for public transport trade in Brussels.

**1993–1996** Communications Director, CGEA Transport

**1996–1998** Corporate Communications Director Connex, London.

**Since 1998** Director for Corporate and International Communications, Connex, France.

**2. ABSTRACT**

The contractual relationship between operator and transport authority is not simply a contract between client and supplier : rather, it constitutes a kind of partnership between two parties. This partnership is characterised by frequent contacts between the two parties concerned to manage the contract and its developments. This has three major consequences:

- The importance of "intuitu personae" in the public authority's choice of service provider;



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- The need to provide openings throughout the duration of the contract enabling it to be adapted to take into account the development of the city/region and of the network;
- Clearly specifying a certain number of points from the outset; devolution of contract responsibilities, risk sharing, asset regime, quality and definition of services, mode of payment to the operator and incentivisation system (bonus / penalty), formulae for updating the remuneration.

### **3. FULL TEXT in French**

#### **LES ATTENTES D'UN EXPLOITANT INTERNATIONAL EN MATIÈRE CONTRACTUELLE : LE POINT DE VUE DE CONNEX**

La relation contractuelle entre un exploitant et une autorité organisatrice constitue un véritable partenariat entre les deux signataires.

Ce partenariat se traduit par des contacts fréquents entre les deux parties prenantes pour gérer le contrat et son évolution. Ceci entraîne trois grandes conséquences :

- l'importance de " l'intuitu personae " dans le choix du prestataire par l'autorité publique ;
- la nécessité de prévoir, en cours de contrat, des ouvertures permettant de l'adapter pour suivre la vie du réseau, de la ville ou de la région ;
- préciser clairement un certain nombre de points dès le départ : évolution du contrat, régime des biens, qualité et définition des services, mode de rémunération de l'exploitant et système d'intéressement (bonus/malus), formules d'actualisation de cette rémunération.

#### **1. Les attentes liées à la forme du contrat**

##### **1.1 Choix de l'exploitant**

Le choix de l'exploitant doit se faire selon une analyse multi-critères, fondée sur des éléments clairement définis au préalable.

Choisir l'exploitant sur le seul critère du moins-disant et ne décider que sur le seul paramètre du coût de la prestation risque d'entraîner des difficultés comparables à celles rencontrées, pour les mêmes raisons, dans le secteur de la construction.

##### **1.2 La durée du contrat**

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Aboutir à des améliorations significatives du réseau et de sa fréquentation demande du temps. Il n'est pas à l'avantage de l'autorité des transports de signer des contrats courts. Ceux-ci peuvent en effet inciter les exploitants à réaliser rapidement leurs marges, au détriment de l'amélioration du réseau et de ses résultats.

Ainsi, pour un contrat de transport urbain par autobus, huit ans semble être la durée raisonnablement nécessaire pour faire évoluer des structures complexes.

### **1.3 Sécurité juridique des contrats**

Un cadre juridique solide est nécessaire pour éviter les contestations des perdants à l'appel d'offres, ou de la part des adversaires à la mise en appel d'offres des services publics.

### **1.4 Transparence du contrat**

L'exploitant doit rendre compte chaque année de ses performances, qui doivent être vérifiées par l'autorité organisatrice : la confiance n'exclut pas le contrôle.

Toutefois, demander à l'exploitant de fournir plus d'une dizaine des principaux postes de son exploitation, reviendrait à lui demander de dévoiler ses méthodes de gestion.

Ce ne serait pas compatible avec une saine concurrence, et ruinerait le principe de base de la délégation de service public, qui consiste à confier au secteur privé le soin de faire progresser le service.

### **1.5 Des formules d'actualisation**

Les formules d'actualisation du contrat doivent refléter la structure des coûts de l'entreprise, afin d'éviter à celle-ci d'être soumise à un jeu de hasard déconnecté du volume d'affaires.

## **2. Les attentes quant à la relation autorité-exploitant**

### **2.1 L'exploitant est une force de proposition**

L'exploitant demeure le mieux placé pour capter les besoins de la clientèle, commercialiser les services et proposer les évolutions tarifaires conformes aux attentes formulées par les voyageurs.

La qualité de service est étroitement liée au personnel de conduite, d'accueil et d'accompagnement employé par les entreprises de transport.

Si l'autorité publique veut obtenir le maximum de valeur ajoutée de la part de l'exploitant, elle doit l'intéresser à l'évolution du trafic.

Ainsi, dans ses contrats ferroviaires anglais, comme dans celui du métro léger de Rouen, Connex supporte la totalité du risque commercial. Et dans le contrat du métro de

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Stockholm, Connex est intéressé à l'évolution de la fréquentation et des recettes de manière significative.

La qualité du service fourni doit être mesurée selon des critères et des méthodes précisés au contrat, et assortie d'un mécanisme de bonus / malus.

### **2.2 Définition des services**

Il semble judicieux de prévoir un montage laissant une petite marge d'initiative à l'exploitant, plutôt qu'un système rigide de services spécifiés, où tout changement doit être décidé par l'autorité publique.

Ainsi, à l'image des contrats ferroviaires anglais, un système comprenant des services nettement spécifiés, auxquels l'exploitant peut ajouter des prestations supplémentaires, met à la disposition de l'entreprise une marge de manœuvre utile aux objectifs de croissance de la part de marché des transports publics.

Bien régulé, ce mécanisme apporte un meilleur service aux voyageurs et utilise au mieux le professionnalisme de l'entreprise.

### **2.3 Régime des biens**

S'il n'est pas nécessaire que l'entreprise soit propriétaire des biens servant à l'exploitation, elle peut néanmoins être chargée d'en assurer le renouvellement.

Dans cette hypothèse, des clauses claires de reprise des investissements par l'autorité organisatrice doivent être prévues dès l'appel d'offre et stipulées au contrat. Si les clauses ne prévoient pas de paiement pour cette reprise, la durée du contrat doit être suffisamment longue pour en permettre le total amortissement par l'exploitant pendant le contrat.

### **2.4 Gestion sociale de l'entreprise**

Il n'est pas souhaitable que l'autorité publique intervienne dans la gestion sociale de l'entreprise privée, au-delà des règles imposées par l'appel d'offres.

### **Conclusion**

Le profit réalisé par l'exploitant privé est justifié et nécessaire. L'entreprise ne peut en effet vivre qu'avec des actionnaires privés, qu'il faut décemment rémunérer.

Mais ce profit ne doit être dégagé que sur les progrès réalisés par l'exploitant, en termes de croissances de trafic, de maîtrise des coûts d'exploitation et de qualité de service. L'exploitant est alors fondé à en conserver le bénéfice.



# **CONTRACTUAL EXPECTATIONS OF AN INTERNATIONAL OPERATOR : THE POINT OF VIEW OF CONNEX**

**Michel QUIDORT, Corporate Communication Director, CONNEX, Paris**



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# 1. CONTRACTING : A PARTNERSHIP

- Partnership between the authority and the operator requires frequent contact :

"intuitu personae"

contract to be flexible

contract to specify precise basic elements



## 2. SELECTING THE OPERATOR AND CONTRACT DURATION

- Multi-criteria analysis based on clear and specified elements
- Short term contracts are not the solution :  
increasing patronage is time consuming  
complexity of the urban infrastructure and travel  
pattern

➔ Bus contracts = 8 years

### 3. CONTRACT'S LEGAL SECURITY AND CLARITY

- Valid and solid legal framework requested
- Yearly reporting from the operator's performances :  
should not threaten fair competition
- Actualisation formula

## 4. INCENTIVES FOR THE OPERATOR

- Operator in the best position to know the customers' needs and to market services
- Service quality linked with staff commitment
- Incentives based on increasing patronage
- Quality measurement according to criteria and methods specified in the contract + bonus / malus mechanism.

## 5. SERVICE SPECIFICATION : THE “FREE HAND” ELEMENT

- Services specified by the authority + potential for improvement and development left to the discretion of the operator
- Should relate to 15 to 20% of the total kilometres
  - ➔ new services initiated
  - ➔ incentives to increase market share
  - ➔ added value and better service to the customer

## 6. ASSETS OWNERSHIP

- Undertaking not necessarily the owner of operating assets
- If the **undertaking** is in charge of investments :
  - transfer to the authority to be specified in the contract
  - contract's duration to be linked ultimately with the amortisation duration
- If the **authority** is in charge of investments:
  - elements to be given to the operator to help preparation of the bid / offer
  - possible incentives for the operator to control the level of investments

## 7. CONCLUSION : PROFIT ON PROGRESS

- Private undertaking dependent upon private shareholders
- Profit to the operator to be linked with progresses in terms of :
  - traffic increase
  - operating costs control
  - quality of service



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**WEDNESDAY, 26 - SESSION 4**

**CONTRACT MANAGEMENT**

**"CONTRACTUAL RELATIONSHIPS BETWEEN STIF AND RATP: A  
CLARIFIED MANAGEMENT IN FAVOUR OF TRAVELLERS"**

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**1. BIOGRAPHICAL NOTE**

He is 59 years old, is engineer-economist. Since 2000, he has been Director at the RATP, responsible of the contractual relationship with the public authority : the STIF. Previously he was responsible of the euro changeover for the RATP. Before, he was Deputy General Manager of SYSTRA, the engineering subsidiary of the RATP and the SNCF from 1992 to 1995 after being for 10 years the financial Director of the RATP. He has started his professional life as a civil servant at the Ministry for Economic Affairs.

**2. ABSTRACT**

The contracts 2000-2003 between STIF and each public transport company SNCF and RATP have coincided with the admission of the Region Ile-de-France within the public transport authority. The set up of those contracts is a great success because of the clarification of the responsibilities between the public transport authority and the transport companies. Within RATP the internal management has been strongly modified, leading to improvement of efficiency and service quality. This progress has been of benefit to the travellers through an increase in the level and the quality of the transport service provided. But this is the first stage in the evolution of the transport public organisation in the Region Ile-de-France. In the future, the specificities of Ile-de-France and the characteristics of the public transport networks will be necessary to invent original responses, with respect to the European regulations.



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#### **3. FULL TEXT in French**

### **LES RELATIONS CONTRACTUELLES ENTRE LE STIF ET LA RATP : Une gestion clarifiée des responsabilités au bénéfice des voyageurs**

Pour de nombreuses raisons historiques, économiques et politiques la région Ile-de-France ne peut être comparée et encore moins assimilée aux autres régions françaises. C'est la région-capitale organisée autour de Paris. Par sa taille, par la présence des Pouvoirs Politiques nationaux et des Administrations centrales entraînant celle des sièges sociaux des grandes entreprises, par l'importance de sa place financière et son immense potentiel d'affaires, par son patrimoine culturel et touristique considérable, Paris structure l'ensemble de la région Ile-de-France en emplois et en habitat. En outre, le poids de l'organisation centralisatrice historique de notre pays est toujours très présent avec les grands nœuds de communication (grandes gares de chemin de fer, aéroports internationaux) qui assurent les correspondances avec toutes les régions de France et tous les pays du Monde.

Avec ses 11 millions d'habitants la région Ile-de-France est perçue comme un bassin d'emploi unique où chaque habitant de la région est susceptible d'exercer un emploi à Paris ou sa banlieue proche mais aussi parfois aux antipodes régionales de son lieu de résidence.

Enfin, du fait de sa densité d'habitat et d'emploi, il devient très difficile aujourd'hui de faire la part, en Ile-de-France, entre transport régional et transport urbain.

Ces quelques caractéristiques très spécifiques à l'Ile-de-France ont été déterminantes dans l'organisation et le développement des transports collectifs. En premier lieu, les enjeux économiques et politiques de la région ont naturellement, en son temps, conduit l'Etat à prendre en charge la politique des transports collectifs en Ile-de-France. En second lieu l'Etat a choisi de s'appuyer principalement pour la mise en œuvre de cette politique sur les 2 opérateurs, présents de longue date : la SNCF et la RATP, établissements publics nationaux qu'il contrôle. Au delà de la première couronne formée des 3 départements limitrophes à Paris, de nombreuses sociétés privées assurent également un nombre élevé de dessertes souvent situées dans des zones moins denses en habitat et emploi. Pour administrer l'ensemble, instruire les nouveaux besoins de transport et attribuer les droits exclusifs d'exploitation, le Syndicat des Transports Parisiens (STP), composé de l'Etat majoritaire et des 8 départements d'Ile-de-France, a été créé en 1959.

En 1975, une première uniformisation de la tarification sur l'ensemble de la région a été mise en place avec la création de la carte Orange, titre multimodal, valable sur tous les opérateurs et dont le prix est fondé sur des zones concentriques autour de Paris.



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Enfin, en décembre 1977, avec l'ouverture du « tronçon central » traversant Paris, est né le Réseau Express Régional (RER) exploité en commun par la SNCF et la RATP. Aujourd'hui, les réseaux ferroviaires lourds Métro, RER, lignes SNCF (Transilien) constituent l'ossature d'un grand système de transport multimodal intégré auquel s'applique, de plus en plus, une tarification cohérente pour toute la région, valable sur tous les opérateurs et autorisant les correspondances (titres d'abonnements longs et courts, ticket T).

A la fin des années 1990, cette organisation reposant, pour l'essentiel, sur l'Autorité de l'Etat ne correspondait plus, en Ile-de-France, à l'évolution, constatée partout ailleurs, des responsabilités et des pouvoirs entre l'Etat et les Régions :

- La région Ile-de-France ne disposait d'aucun pouvoir de décision dans la politiques des transports collectifs alors qu'elle participe pour une part essentielle au financement des investissements réalisés.
- La décentralisation des pouvoirs de décision concernant les transports ferroviaires régionaux était en voie d'achèvement dans toutes les régions à l'exception de l'Ile-de-France.
- Les transports urbains, hors Ile-de-France, étaient depuis longtemps organisés à travers des contrats entre une Autorité Organisatrice et un Opérateur.
- La réglementation européenne rendait nécessaire, en Ile-de-France, une clarification des responsabilités afin de garantir l'absence de discrimination entre les différents opérateurs publics et privés.

En 2000 la mise en place de contrats entre la nouvelle Autorité Organisatrice incluant la région : le Syndicat des Transports d'Ile de France (STIF) et chacun des 2 opérateurs publics : la SNCF et la RATP, constitue la première étape de l'évolution de l'organisation des transports collectifs en Ile-de-France.

#### **Nature et engagements du contrat entre le STIF et la RATP**

1- La nature du contrat est précisée dans son préambule :

- Contrat de service public : il spécifie les exigences de service public et les exigences de sécurité décidées par le STIF qui doivent être mises en œuvre par la RATP.
- Le contrat définit les services offerts aux voyageurs, les bases de rémunération et les mécanismes d'intéressement au développement du trafic et à la qualité de service.

2- La durée du contrat est de 4 ans : 2000-2003

3- Toutes les activités de la RATP sont incluses dans le champ du contrat sauf celles qui sont exercées hors Ile-de-France ou réalisées par des filiales (y compris en Ile-de-France).

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Toutes les charges exposées par la RATP au titre de ces activités sont couvertes par des ressources gérées dans le cadre du contrat.

- 4- Le contrat est établi sur l'offre de service existant au 1<sup>er</sup> janvier 2000. Les évolutions du service de référence en cours de contrat sont traitées par voie d'avenant et donnent lieu à une rémunération additionnelle pour couvrir les charges supplémentaires engagées par la RATP.
- 5- L'équilibre financier annuel est fondé sur des prévisions de charges et de recettes pour chacune des années du contrat. Les objectifs de recettes totales du trafic et les montants annuels de la contribution forfaitaire résultant de cet équilibre financier prévisionnel sont inscrits dans le contrat. Ils constituent des ressources garanties pour la RATP sous la seule réserve du jeu du dispositif d'intéressement de la RATP à l'évolution des recettes du trafic.  
L'opérateur assume la pleine responsabilité du risque de l'évolution réelle de ses charges par rapport à la prévision. Le risque de l'évolution des recettes du trafic est partagé entre le STIF et la RATP à travers le mécanisme d'intéressement aux recettes.  
Enfin l'équilibre financier prévisionnel du contrat est établi sur la base d'un résultat annuel de la RATP de l'ordre de 1% de l'objectif de recettes totales du trafic et sur la stabilité du niveau d'endettement long de l'entreprise.
- 6- L'activité de ventes des titres de transport fait l'objet d'une rémunération particulière égale à 6% de la valeur des ventes.
- 7- Le service de référence sur lequel s'engage la RATP est défini ligne par ligne pour chaque réseau et sous-réseau, en fréquence et en amplitude journalière.
- 8- La RATP s'engage dans le contrat sur 22 indicateurs de qualité de service dont les objectifs à atteindre sont fixés pour chacune des années du contrat.
- 9- La RATP s'engage également dans le contrat sur des politiques en faveur de :
  - L'accessibilité des personnes à mobilité réduite
  - La qualité des pôles d'échanges
  - L'information des voyageurs et le traitement des réclamations
  - Le développement de la qualité de la vie urbaine
  - La prévention et la sécurité
- 10- Trois dispositifs d'incitation ou d'intéressement sont inscrits dans le contrat :
  - a Une pénalité financière est due par la RATP en cas de non-réalisation de l'offre au-delà d'une franchise destinée à couvrir les aléas normaux d'exploitation. Le montant maximum annuel de la pénalité est de 12,7 millions d'euros.
  - b Un système de bonus/malus est associé aux objectifs de qualité de service. La RATP perçoit un bonus financier si les résultats annuels sont supérieurs aux objectifs, elle

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verse au STIF un malus si ces résultats leurs sont inférieurs. Le montant maximum annuel des bonus/malus est de 10 millions d'euros.

- c La RATP est intéressée financièrement à l'évolution réelle des recettes du trafic par rapport à l'objectif contractuel. Si les recettes totales du trafic sont supérieures à l'objectif annuel, la RATP perçoit 40% du supplément compris entre l'objectif et l'objectif majoré de 2% et 10% du supplément au-delà de l'objectif majoré de 2%. Symétriquement, si les recettes totales du trafic sont inférieures à l'objectif annuel, la RATP supporte 40% de l'insuffisance comprise entre l'objectif et l'objectif minoré de 2% et 10% en deçà de l'objectif minoré de 2%.

Les conséquences financières pour la RATP de ce dispositif d'intéressement peuvent atteindre 1% environ des recettes totales du trafic, soit 25 millions d'euros.

#### **Les conséquences de la contractualisation**

Tout d'abord, l'établissement d'un contrat entre l'Autorité Organisatrice (STIF) et l'opérateur (RATP) normalise la situation de l'entreprise au regard des règles applicables à l'ensemble des opérateurs en France et en Europe. En France, l'organisation des transports collectifs, hors Région Ile de France, est fondée depuis longtemps sur des contrats de délégation de services publics conclus entre un opérateur et l'Autorité organisatrice concernée (municipalité, communauté urbaine, syndicat de communes, conseil général).

De ce point de vue, avec la contractualisation, la Région Ile de France ne fait plus exception.

Du point de vue de la réglementation européenne, les textes précisent qu'il ne doit pas y avoir de discrimination entre entreprises privées et entreprises publiques. Elles doivent être mises dans les mêmes conditions. La contractualisation répond à cette exigence.

Pour la RATP, la "normalisation" de sa situation d'opérateur de transports collectifs renforce sa légitimité à proposer son savoir-faire hors Ile de France, dans les mêmes conditions que ses concurrents, pour l'exploitation de réseaux de transports. Cette faculté lui est désormais ouverte par la suppression, par la loi, de la limitation de son activité à l'Ile de France, qui lui était imposée dans le cadre de son ancien régime.

Cette opportunité nouvelle de développement est, en outre, rendue possible financièrement grâce aux résultats positifs que l'entreprise peut dégager par ses performances.

En second lieu, par la suppression de mécanismes automatiques de rééquilibrage financiers antérieurs peu mobilisateurs pour l'entreprise, le contrat fait entrer pleinement la RATP dans une démarche de gestion d'entreprise. Il s'agit désormais pour elle, non seulement de tenir ses engagements contractuels en matière d'activité mais plus encore que



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par le passé de le faire à des coûts compétitifs, lui permettant de dégager des résultats dont dépend sa stratégie de développement. Les mécanismes d'incitation retenus dans le contrat constituent à cet égard des leviers d'efficacité importants.

Au-delà des conséquences financières pour l'entreprise, c'est toute la culture de gestion interne de l'entreprise que le contrat conduit à transformer. Jusqu'alors, le fonctionnement interne de l'entreprise était fondé principalement sur une gestion annuelle de moyens cadrés par l'adoption d'un budget de dépenses limitatif négocié par nature de dépenses avec l'Etat, dans des conditions souvent difficiles où l'intérêt des voyageurs n'était toujours sûr de sortir gagnant.

Avec le contrat, une dynamique de gestion nouvelle se met en place, en profondeur, dans l'entreprise. Les priorités de gestion interne sont désormais les performances des réseaux fondées principalement sur les indicateurs de coût unitaire de production, de coût au voyage (qui intègre l'évolution du trafic) et de marge par réseau. Ces approches nouvelles conduisent à renforcer la responsabilisation des managers, à resserrer les solidarités internes d'entreprise à travers la contribution de chacun aux objectifs des réseaux, au moment où les perspectives de développement de la RATP sont importantes et où l'entreprise est de plus en plus confrontée, notamment dans le contexte européen, à des situations de concurrence.

Les démarches de qualité et de certification engagées par l'entreprise trouvent leur pleine justification dans cette nouvelle dynamique de gestion née du contrat. En premier lieu parce que le contrat lui-même contient des engagements forts de l'entreprise en terme de qualité ; en second lieu parce que ces démarches constituent des leviers internes essentiels d'efficacité et de performance.

La mobilisation et l'implication du personnel est enfin un facteur majeur dans la mise en œuvre de cette nouvelle culture de gestion de l'entreprise. La possibilité pour l'entreprise de dégager des résultats et les conséquences financières des mécanismes d'incitation du contrat (bonus/malus) ont permis de mettre en place un dispositif d'intéressement motivant, équitable et favorisant les solidarités internes à l'obtention des résultats.

Les trois premières années de fonctionnement du contrat ont démontré la pertinence de ses mécanismes et sa capacité d'adaptation à l'évolution des besoins de déplacement en Région Ile de France.

Tous ces progrès en efficacité et en qualité ont bénéficié au voyageur. Une meilleure maîtrise des coûts et l'exigence de compétitivité dégagent des moyens nouveaux pour développer l'offre. Les objectifs de qualité sont un atout majeur pour le développement des transports collectifs. S'engager sur des objectifs élevés en matière de régularité, d'accueil, de netteté des espaces, d'information et de disponibilité des équipements au service des voyageurs place le voyageur au premier plan des préoccupations de l'opérateur. La démarche de « service attentionné » engagée par la RATP répond pleinement à cette



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orientation de la stratégie de l'entreprise. Par la mobilisation interne qu'elle provoque elle facilite grandement le respect des objectifs du contrat.

Aujourd'hui la finalité de l'entreprise dépasse très largement la seule production de l'offre de transport. La RATP se positionne comme un opérateur de services urbains dans le domaine des déplacements. Elle se veut un acteur de la mobilité urbaine pour offrir à ses clients-voyageurs des conditions de déplacement qui valorisent pleinement le temps passé dans les transports comme un temps de vie active. Pour cela elle s'attache à développer les relations avec ses voyageurs (accessibilité clarté et simplicité des réseaux, écoute et accueil) mais aussi à offrir des services complémentaires intégrés à l'offre de transport (possibilités de communiquer, de s'informer, d'effectuer ses achats quotidiens...).

#### **Les étapes futures**

Pour important qu'il soit, le contrat entre le STIF et la RATP ne constitue qu'une étape dans l'évolution de l'organisation des transports collectifs en Ile-de-France.

1- Il n'existe pas encore de contrats semblables conclus entre le STIF et les sociétés privées de transport opérant en Ile-de-France. Seules des conventions financières fixant la rémunération du transporteur pour l'utilisation sur ses lignes de la Carte Orange existent actuellement.

2- Le retrait de l'Etat du STIF et le transfert de la majorité du pouvoir de décision à la région reste à réaliser.

3- Comme dans les autres Grandes Métropoles européennes et mondiales, les transports collectifs en Ile-de-France sont structurés autour des réseaux lourds (métro, RER, Transilien). L'efficacité du système repose sur son caractère multimodal intégré qu'il faut absolument conserver pour préserver le service de qualité actuellement rendu au voyageur. Il importe donc de travailler à la définition des liaisons et des services indissociables des réseaux lourds.

Parallèlement il faut organiser la répartition et la coordination des responsabilités entre une Autorité Organisatrice régionale et des Autorités organisatrices de proximité intervenant sur les décisions de dessertes locales dissociées des réseaux intégrés. A cet égard le positionnement de la Ville de Paris sera particulièrement complexe.

4- Les opérateurs de transport d'Ile-de-France se sont engagés dans une réflexion commune et commencent à se regrouper pour offrir à leurs clients largement communs les services nécessaires à une utilisation cohérente et efficace du système de transport. Ceci concerne l'information des voyageurs sur les réseaux et les services offerts, la gestion des correspondances et des pôles d'échange multi opérateurs, la sécurité des déplacements...

Cette approche partenariale au bénéfice du voyageur n'est pas actuellement suffisamment reconnue par l'Autorité Organisatrice qui aurait pourtant, aux côtés des



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opérateurs, une place importante à tenir en raison des ses responsabilités propres dans la définition de la politique de transport, dans le choix du service de référence à réaliser et dans la tarification.

Les responsabilités de l'Autorité Organisatrice et les savoir-faire des opérateurs sont complémentaires dans ce domaine des services de réseau. Chacun peut y tenir pleinement sa place pour définir et mettre en œuvre le meilleur service possible pour les voyageurs (clients ou usagers) dans la limite des moyens que la collectivité régionale pourra y consacrer. Au-delà des relations contractuelles indispensables, l'efficacité et la qualité du transport collectif passent aussi par l'invention de relations partenariales entre le STIF et les opérateurs de transport.



# Contractual relationships between STIF and RATP

A clarified management in favour  
of travellers



INTERNATIONAL CONFERENCE "Contractual Relationships between  
Authorities and Operators", 24-26th February 2003, Vienna, Austria



# The STIF/RATP contract



A new step in the history of Ile de France 's public transports

- Ile de France: Region-Capital
- Characteristics comparable to major European cities
- Strong imbrication of urban and regional transport: integrated and multimodal public transport system
- Large standardisation of the tariff system throughout the Region
- Strong commitment of the State including state-owned companies in the construction and the implementation of the transport system



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# The STIF/RATP contract



A clarification tool between the actors

- “Normalised” relations between the Organising Authority and the transport operator
- Relations based on rules that are applicable to all the transport operators in France: delegation contract of public service
- The contract establishes the STIF’s responsibility in terms of supply (volume and quality) and price setting
- The contract allows the RATP to be fully responsible as a standard company
- The contract establishes the State as the “boss” of the public transport company: development, performance and results



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# The STIF/RATP contract



ways for progress

- Establish similar contracts between STIF and the other transport companies of the Ile de France Region
- Give the Region the full responsibility of public transports in the Ile de France
- Arrange and co-ordinate the responsibilities between a regional Organising Authority and local organising authorities
- Define and organise the public transport system between: structured Regional network, central zone, outer suburbs and local public transport services
- In addition to the contractual relations, develop partnerships between the STIF and public transport operators



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**WEDNESDAY, 26 - SESSION 4**

**CONTRACT MANAGEMENT**

**"CONTRACTUAL RELATIONSHIPS BETWEEN STIF AND RATP: A  
CLARIFIED MANAGEMENT IN FAVOUR OF TRAVELLERS"**

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**1. BIOGRAPHICAL NOTE**

Deputy Director General of Syndicat des Transports d'Ile-de-France (STIF) since 1999  
Deputy Director General of Land transport at the French Ministry of transport and civil works  
from 1993 to 1999.

**2. ABSTRACT**

Contracts between STIF, **the public transport authority of the Paris-Ile de France region**, and RATP and SNCF, the two major public companies operating transport services in Ile-de-France, were introduced in 2000, enabling to draw some first conclusions.

The key learning is that the missions of each side are now much clearer than in the past: STIF, as an organising authority, defines the level of services and sets fares ; RATP and SNCF, as transport operators, supply these services and get the amount of revenues determined in the contract.

All changes brought to the provisions of the contract are discussed between STIF and RATP with a view to meeting the needs of customers in the best way without forgetting the interests of taxpayers



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#### **3. FULL TEXT in French**

##### **Le contrat STIF-RATP : un outil de gestion au service des clients**

La contractualisation des rapports entre le STIF (le Syndicat des transports en Ile-de-France) et la RATP et la SNCF, les deux grands transporteurs de statut public intervenant en Ile-de-France, a été mise en place en 2000 et les premiers enseignements peuvent en être tirés.

Le point essentiel est que les responsabilités de chacun sont désormais beaucoup plus claires que dans le passé : le STIF, dans son rôle d'autorité organisatrice, définit la consistance du service de transport et fixe les tarifs ; la RATP et la SNCF, dans leur rôle de transporteur, assurent ce service et reçoivent une rémunération fixée contractuellement.

Cette réforme laisse naturellement à chaque entreprise toute sa capacité d'initiative et de proposition, le contrat prévoyant des mécanismes d'intéressement très importants pour assurer la qualité du service et son développement.

Les modifications de l'offre en cours de contrat font l'objet de discussions approfondies entre le STIF et la RATP pour répondre au mieux aux besoins des clients... sans oublier les finances du contribuable qui sera généralement mis à contribution.

Au total, le système de contrats pour la période 2000-2003 mis en place entre le STIF et les deux entreprises publiques de transport RATP et SNCF est sans doute encore perfectible mais, alors que les premières réflexions pour préparer leur renouvellement en 2004 vont démarrer, il est incontestable qu'ils constituent un bon outil de clarification des responsabilités et de mobilisation des acteurs au service du développement des transports publics.

#### **1- Présentation rapide des transports publics en Ile-de-France**

##### **- Le Syndicat des Transports d'Ile-de-France (STIF)**

Le STIF est l'autorité organisatrice des transports publics en Ile-de-France. Il rassemble l'Etat (50% des voix au conseil d'administration), le Conseil Régional de l'Ile-de-France et les huit départements dont Paris constituant la région. L'entrée récente (2001) de la Région au Conseil d'administration a naturellement accru le pouvoir des élus et la légitimité du STIF vis à vis des entreprises de transport.

##### **- Quelques chiffres concernant l'Ile de France**

- 11 millions d'habitants
- 6,7 millions de voyages effectués chaque jour avec les transports en commun



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- 80 opérateurs de transports :
  - la RATP (société publique nationale) : 75% du trafic
  - la SNCF (société nationale des chemins de fer) : 17% du trafic
  - et de nombreuses sociétés privées exploitant des réseaux de bus : 8% du trafic

#### **- Le financement des transports publics en Ile-de-France**

Le coût des transports publics en Ile-de-France s'élève à environ 6 milliards d'euros chaque année. Ce coût est financé par les voyageurs (2,5 milliards d'euros) et par le STIF (3,5 milliards d'euros). Les recettes du STIF proviennent d'une taxe spécifique pour le transport versée par les entreprises de la Région (2,4 milliards d'euros) et des contributions versées par l'Etat, la Région et les départements (1,1 milliard d'Euros).

## **2- Le contrat STIF-RATP**

Les pouvoirs publics ont décidé en 1999 de moderniser les relations entre le STIF et les entreprises publiques exploitant des réseaux de transports en Ile-de-France (RATP et SNCF). L'objectif était de responsabiliser davantage les entreprises et de récompenser véritablement les efforts accomplis, ce qui n'était pas le cas avec le système antérieur reposant sur une « indemnité compensatrice » venant automatiquement équilibrer les comptes des entreprises de transport en fin d'année.

Ces contrats, d'une durée de quatre ans, précisent le service de transport demandé par l'autorité organisatrice et la rémunération qu'elle verse à l'entreprise de transport pour assurer ce service. Ils comportent plusieurs mécanismes d'incitations financières concernant :

- la quantité de services effectivement offerte ;
- le volume des ventes réalisées par les opérateurs ;
- la qualité de service atteinte.

#### **- La quantité des services effectivement offerts**

Le contrat contient une description précise du service demandé. Par exemple, pour le métro, l'offre devra atteindre 44,24 millions de trains\*kilomètres en 2003.

Si l'opérateur ne fournit pas ce niveau d'offre, une pénalité financière est appliquée. La pénalité commence à être appliquée à partir de 3% d'offre en moins. La pénalité s'accroît ensuite jusqu'à atteindre un niveau plafond lorsque l'offre est inférieure de 5% à l'objectif du contrat.

#### **- Le volume des ventes**

La rémunération de l'opérateur dépend du volume des ventes. Le contrat contient en effet un objectif de niveau de fréquentation, associé à un niveau de rémunération de référence mais



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il prévoit en outre un intéressement : si le volume des ventes est plus élevé que prévu, le transporteur recevra un complément de rémunération, important jusqu'à +2% de volume des ventes, plus faible ensuite. A contrario, si le volume des ventes est moins élevé que prévu, la rémunération du transporteur sera diminuée.

#### **- La qualité des services**

Des objectifs de qualité du service précis ont été fixés et, par exemple, le contrat STIF-RATP précise que le temps d'attente moyen d'un métro pour le voyageur ne doit pas dépasser 3 minutes aux heures de pointe, six minutes pendant le reste de la journée et 10 minutes très tôt le matin ou tard en soirée. La qualité du service est régulièrement mesurée et, en fonction de celle ci, l'entreprise reçoit un bonus ou un malus.

Dans le contrat sont définis pour le métro des indicateurs de qualité de service traitant de la ponctualité des trains, de la fiabilité du service, de la propreté des stations et des véhicules, de l'information dispensée aux voyageurs, de la disponibilité des équipements et de la qualité de l'accueil. Pour les bus, il s'agit de l'accueil du conducteur et de l'information à l'arrêt, l'indicateur de régularité n'ayant été retenu que lorsqu'il existe un site propre. Le contrat fixe des objectifs pour chacun de ces indicateurs et en fonction des résultats obtenus, limités dans une bande exprimée en pourcentage par rapport à l'objectif, une pénalité ou une prime est versée à l'opérateur.

### **3) La vie du contrat**

Il est intéressant de voir comment les mécanismes du contrat ont été appliqués après trois ans de mise en œuvre pratique et les premiers enseignements qui, du côté de l'autorité organisatrice, ont pu en être tirés.

#### **- Les mécanismes d'application du contrat**

La première chose qui peut être constatée est que les différents mécanismes prévus par le contrat ont effectivement été appliqués et ont correctement fonctionné. La RATP adresse tous les mois au STIF les informations relatives aux ventes effectuées et tous les trois mois celles relatives à la qualité du service. Le STIF a fait réaliser, comme cela avait été prévu, un audit des mesures effectuées par la RATP qui a montré que ces mesures étaient globalement fiables et représentaient bien la réalité. Le comité de suivi également prévu par le contrat s'est tenu régulièrement et permet de bien poser les problèmes et en général de les résoudre. Plusieurs avenants ont été passés pour ajuster tel ou tel point mais ils ne remettent pas en cause l'équilibre général du contrat et montrent au contraire que celui ci vit normalement et n'est pas un document figé.

#### **- L'offre réalisée et ses ajustements**



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Depuis trois ans, la RATP a réalisé les volumes d'offre (les trains, métros ou bus\*kilomètres) qui lui étaient demandés et le malus prévu en cas de dépassement de la franchise n'a pas eu à jouer. Il est néanmoins intéressant de constater que l'entreprise a dû mettre en place certains services de réserve pour arriver à ce résultat global, ce qui n'aurait sans doute pas été le cas avant 2000. Les clients ont naturellement bénéficié de ces services complémentaires mis en place qui viennent en partie « compenser » des services qui ont dû être supprimés par ailleurs, comme des bus par exemple au moment d'une manifestation sur la voie publique.

La question des compléments d'offre en cours de contrat est encore plus révélatrice de l'évolution des pratiques au bénéfice du client. Face au développement du trafic en 2000 qui a dépassé 4% en volume, un renforcement de l'offre est apparu nécessaire. La RATP a alors fait des propositions globales et l'autorité organisatrice a défini ses priorités : le métro à Paris, en flanc de pointe le soir et le week-end, et le bus en banlieue. Les discussions se sont alors poursuivies sur la base d'une analyse très complète réalisée par la RATP et expertisée par le STIF, ligne par ligne, montrant, tranche horaire par tranche horaire, la fréquence des services et le taux d'occupation. Des décisions ont pu alors être prises par le Conseil d'administration du STIF en toute connaissance avec une affectation des moyens supplémentaires là où les besoins étaient les plus nets.

Les ajustements d'offre plus ponctuels (la création d'une nouvelle ligne de bus ou son allongement par exemple) font l'objet de la même façon d'un examen approfondi du STIF au cas par cas sur la base d'un dossier très détaillé présenté par la RATP et précisant le trafic prévisible, le coût du service et l'intérêt de la mesure envisagée. Ces éléments sont examinés par une commission du Conseil d'administration. Là encore l'obligation des « rendre des comptes », valable pour la RATP comme pour le STIF, oblige à approfondir les analyses et à justifier les choix et est donc source de progrès.

#### **- Le développement des ventes**

Le mécanisme lié au développement des ventes a pleinement joué en 2000, une progression de 4% ayant permis à la RATP de recevoir le bonus maximal qui était alors prévu par le contrat. Le STIF a pu faire face à ce supplément de dépenses car il a, dans le même temps, bénéficié d'un supplément de recettes versées par les clients. Enfin, ce supplément de recettes provenait non pas d'une augmentation des tarifs mais bien d'une augmentation du volume des ventes, donc du trafic. On peut donc penser que les clients étaient satisfaits puisqu'ils étaient plus nombreux. Le cercle vertueux où tous les partenaires sont gagnants était donc bouclé.

Cette analyse est globalement conforme à la réalité mais doit néanmoins être complétée et un peu nuancée.



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Il convient tout d'abord de noter que les très bons résultats de 2000 ont été obtenus dans une période de haute conjoncture économique. Le volume des ventes a continué de progresser en 2001 et 2002 mais à un rythme plus faible.

Par ailleurs, la progression des ventes résulte des efforts du transporteur à améliorer le service mais sans doute également des efforts réalisés pour lutter contre la fraude. Ceci étant, le STIF, comme la grande majorité des clients qui payaient d'ores et déjà leur titre de transport, ne peut que se féliciter d'un respect plus strict des règles de tarification qu'il édicte. Et cela d'autant plus que des tarifications à caractère social ont dans le même temps été développées rendant moins cher le coût du transport pour un certain nombre de catégorie de personnes.

Enfin, la question technique de l'intéressement au volume des ventes et non pas aux recettes directes peut se poser. Aujourd'hui, la RATP est en effet simplement intéressée au volume des ventes. On comprend bien les raisons qui ont conduit à ce que le STIF supporte seul les conséquences des décisions tarifaires qu'il prend. C'est l'application de la règle « qui décide, paye ». Il convient toutefois de noter, vu du côté de l'autorité organisatrice, que les titres de transports dont le volume des ventes croît sont les titres à prix réduit, qu'il s'agisse des abonnements à longue durée ou des abonnements pour scolaires et étudiants. Dans le même temps, les ventes de billets à l'unité ont tendance à diminuer. Il en résulte un « effet structure », ce qui, concrètement, veut dire qu'avec les tendances actuelles, les recettes directes stagnent lorsque le volume des ventes augmente de 1%. Les transporteurs ont tout intérêt à promouvoir ces titres à tarif réduit ; l'intérêt du STIF est plus nuancé car s'il ne peut que se réjouir du développement de titres qu'il a créés, il doit aussi équilibrer son budget.

#### **- La qualité de service**

Là encore les mécanismes du contrat ont correctement fonctionné et il est satisfaisant de constater qu'il existe une bonne corrélation entre les résultats des indicateurs d'irrégularité et le nombre de lettres de réclamation, même si elles sont assez peu nombreuses, les clients s'adressant en priorité au transporteur qu'il connaît mieux. Ces indicateurs correspondent donc bien à une réalité vécue et pas seulement à un langage commun entre techniciens.

Le STIF a versé un bonus à la RATP au cours des trois premières années du contrat, ce qui correspond au sentiment général d'un service de bonne qualité même si certains trouvent qu'un niveau d'exigence plus élevé aurait pu être retenu. Plus de 96 fois sur cent, le client attend effectivement son métro moins de 3 minutes aux heures de pointe et moins de 10 minutes très tôt le matin ou tard en soirée, comme prévu par le contrat.

Comme souvent, la source de progrès vient paradoxalement des difficultés rencontrées. C'est le cas pour l'indicateur de propreté dont la mesure n'est évidemment pas aisée et qui a varié dans le temps. Des réflexions communes ont été entreprises entre l'autorité organisatrice et le transporteur pour progresser sur ce sujet techniquement difficile, là encore non pas pour atteindre un objectif technocratique, même si naturellement les clauses du





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contrat doivent être appliquées pendant sa durée, mais pour progresser vers ce qui correspond à la meilleure satisfaction possible des demandes réelles des clients pour un coût raisonnable.

Enfin, il est communément admis qu'un sujet n'a pas encore trouvé de réponse satisfaisante, celui de la qualité du service des bus et plus particulièrement la question très importante pour les clients de leur régularité. Le contrat est pratiquement muet sur ce point compte tenu de l'extrême difficulté de distinguer ce qui, dans l'irrégularité, a pour origine des causes externes à l'entreprise, comme les conditions générales de circulation, et ce qui, par contre, relève de l'entreprise. Il était difficile de faire autrement mais il n'est évidemment pas satisfaisant de ne pas traiter ce qui intéresse au premier chef le client.

#### **4) Les autres aspects de la réforme**

Si les contrats ont eu des effets directs, ils ont également eu des effets indirects qui méritent d'être soulignés.

En tout premier lieu, un contrat est nécessairement passé entre une autorité organisatrice d'un côté, unique, et un transporteur. Il impose donc naturellement un lieu unique de décision et un circuit unique de financement ce qui n'était pas le cas précédemment. Désormais, les décisions sont prises par le Conseil d'administration du STIF même si elles peuvent être préparées par ailleurs. Un lieu identifié de confrontation des points de vue pour toutes les questions relatives à l'organisation des transports en Ile-de-France existe entre les membres du Syndicat. Tous les financements publics liés à l'exploitation des transports transitent par le STIF ce qui n'était pas le cas précédemment.

En deuxième lieu, un contrat ambitieux est assurément un « challenge » pour le transporteur... mais c'est aussi, d'une certaine façon, un « challenge » pour l'autorité organisatrice. Le transporteur doit « être à la hauteur » mais l'autorité organisatrice doit aussi « être à la hauteur », mieux connaître les clients et leurs besoins. Le STIF a donc commencé à développer des modèles de trafic et lance périodiquement des enquêtes pour savoir comment son action est ressentie, notamment auprès des clients, et quel sont les nouvelles demandes exprimées. Les transporteurs sont les premiers interlocuteurs naturels des clients et le resteront mais le STIF se doit de vérifier périodiquement que le cap qu'il suit est le bon. Les contrats ont donc eu un effet bien réel sur les missions du STIF et, par voie de conséquence, sur son organisation.

Enfin, les contrats sont l'occasion de repenser la question du lien entre les investissements et le fonctionnement. Le STIF ne finance actuellement ni les infrastructures ni le matériel roulant. Les grands investissements de développement sont financés aujourd'hui par l'Etat et la Région. Les petits investissements et le matériel roulant sont financés par les transporteurs mais c'est ensuite le STIF qui en supporte les conséquences financières puisque les amortissements et les frais financiers sont pris en compte pour calculer la rémunération versée par le STIF pour l'exploitation.



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Au total, il est clair que la passation des contrats a constitué un progrès par rapport à la situation antérieure. L'entreprise peut se mobiliser sur des objectifs clairs fixés par l'autorité organisatrice. Les inévitables problèmes peuvent ensuite être traités de manière objective et constructive entre l'autorité organisatrice et le transporteur qui peuvent momentanément avoir des intérêts différents mais qui travaillent toujours pour le même client.



# **The STIF-RATP contrat : a clarified management in favour of travellers**



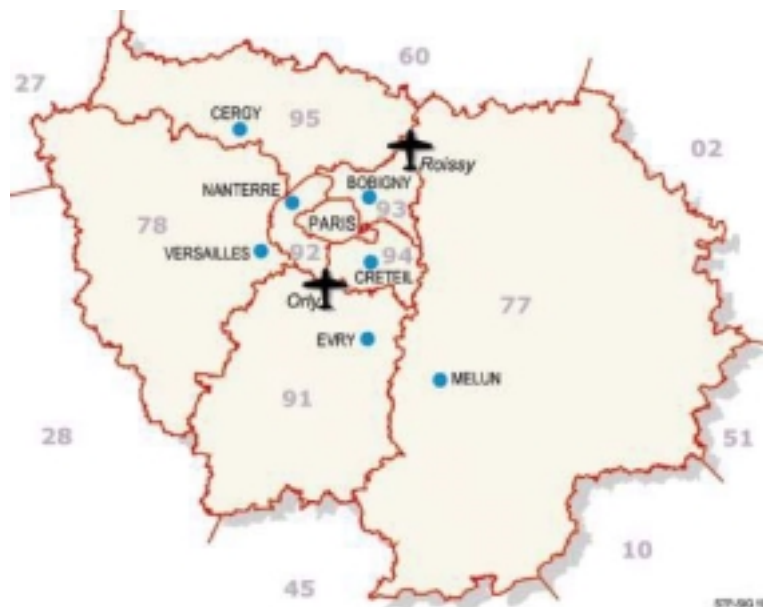
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# The Ile-de-France Region



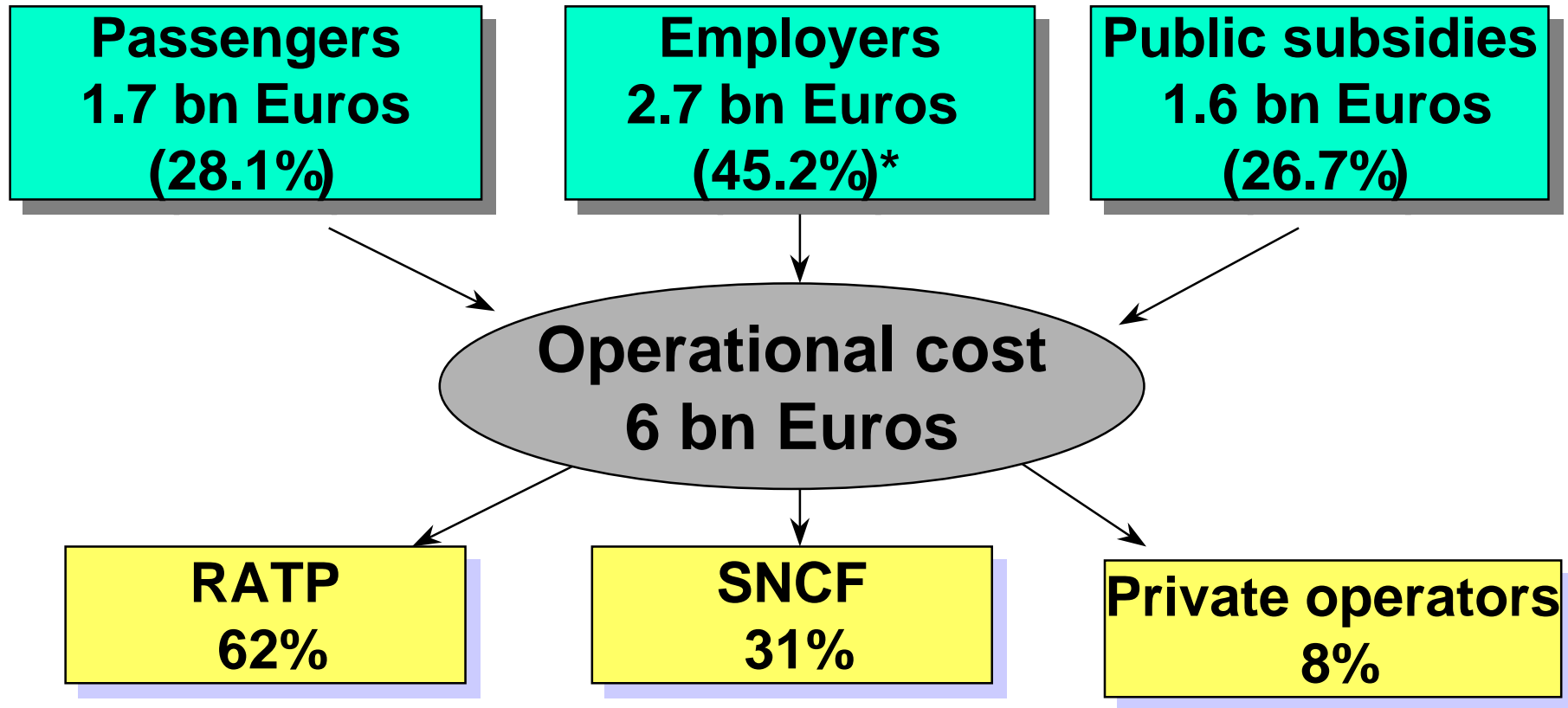
**12.000 km<sup>2</sup> , 11 million inhabitants, 5 million jobs**  
**1 Region, 8 counties, 1,281 municipalities**



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# Cost of operations (2002)



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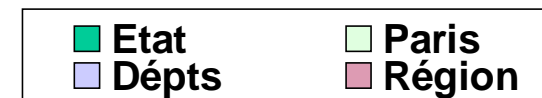
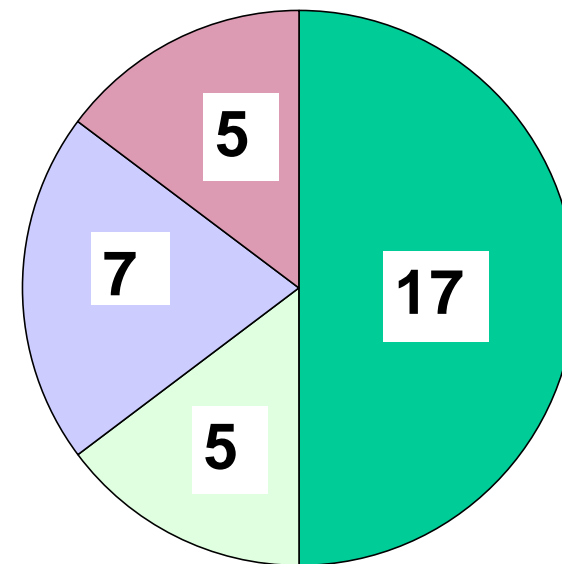
*\* including reimbursement of half of the cost of season passes to employees*

# The STIF 's board of directors



- 17 representatives of the national government
- 5 representatives of the regional council
- 5 representatives of the city of Paris
- 1 representative of each of the other 7 counties

Chairman : the Préfet de Région  
(representative of the national government in the region)



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- **3 Commissions** prepare the decisions of the Board :
  - Commission of Transport
    - prepares the creation of new routes seeing to the co-ordination with existing networks
  - Commission of Fares and Economic issues
    - proposes the evolutions of fares
  - Commission of Investments
    - prepares the projects of extension and modernisation of networks
- **Staff** : 105 employees



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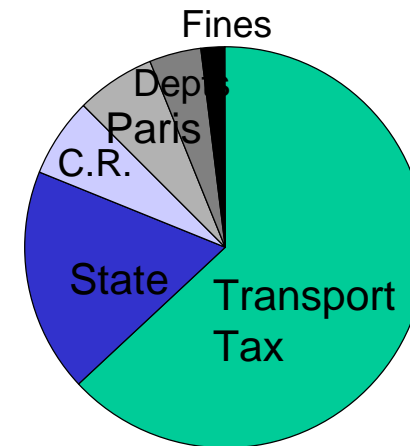


# STIF 's budget



## – Income (€ 3.5 bn):

- Transport Tax (paid out by employers): 63%
- Public subsidies: 35%
  - State: 51.4%
  - Regional Council: 18.6%
  - Counties: 30% (dont 18.6% Paris)
- Road traffic fines paid by car drivers: 2%



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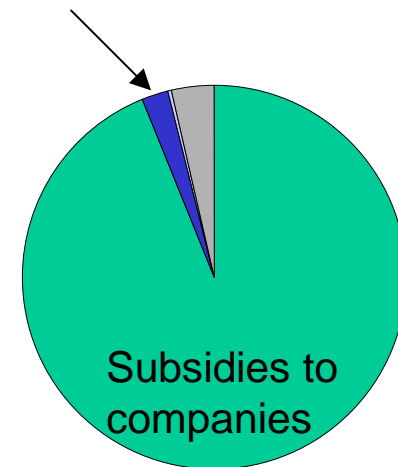
# STIF 's budget...

## – Expenses (€ 3.5 bn):

- Subsidies to operating companies agreed in the contracts signed with STIF : 94%
- Investments in quality of service : 2%
- STIF 's other costs (staff, etc.) : 0.3%



Investments in  
quality of service



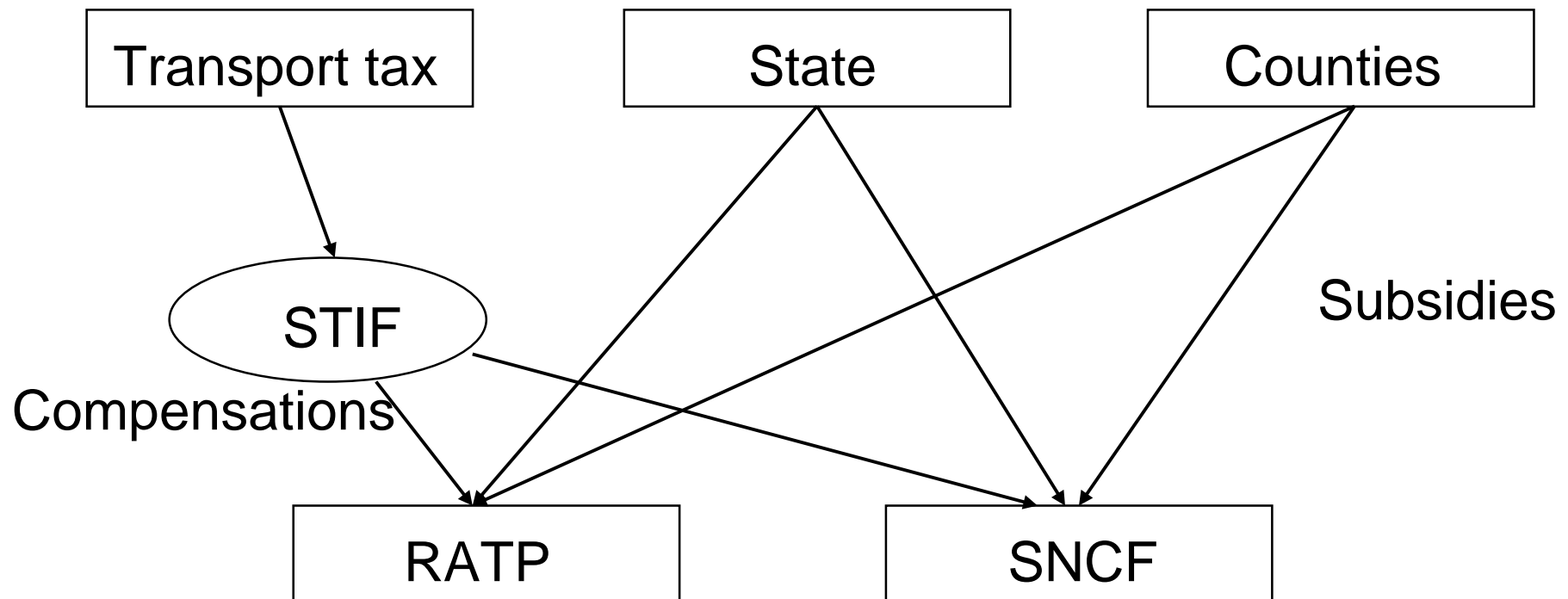
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# The financial flows



Before

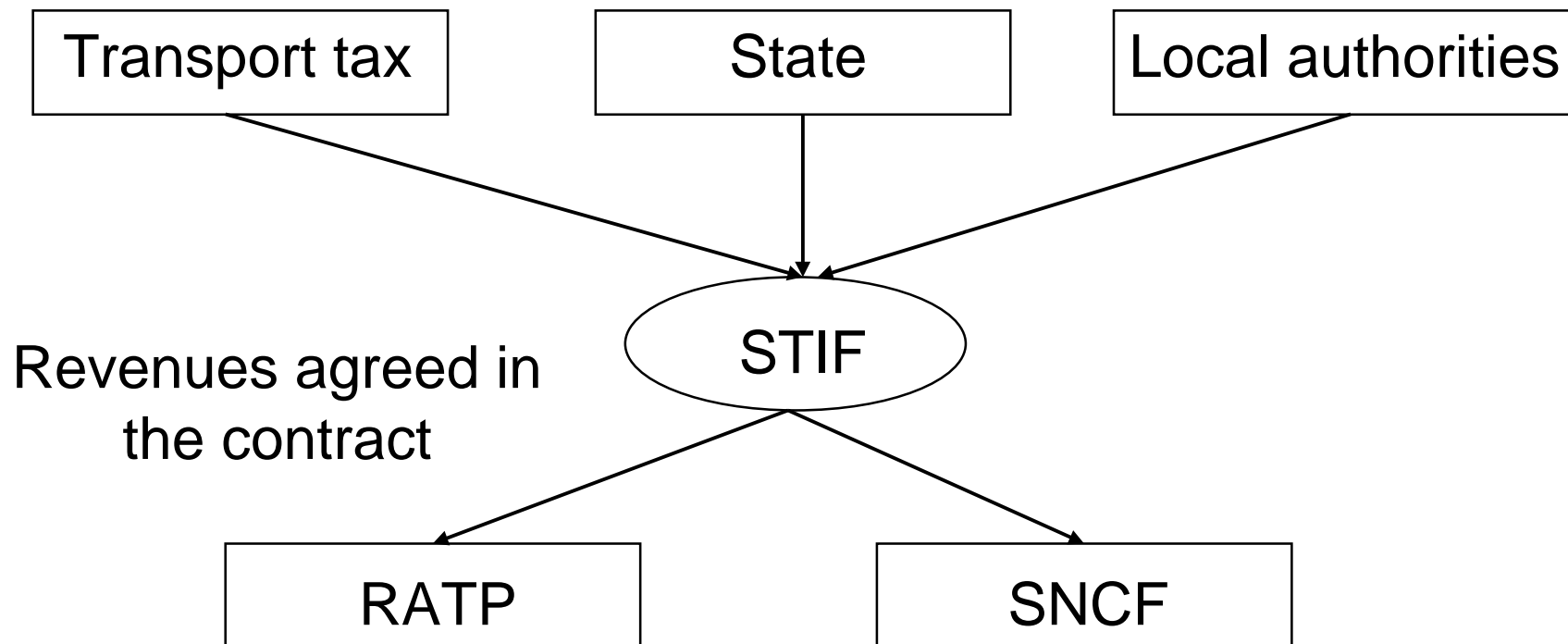


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# The financial flows...

And now



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# The STIF-RATP contract :



- RATP commits itself on:
  - the supply of given quantity of transport services at a given cost
  - a given level of quality of service (defined by objective indicators)
- STIF 's role:
  - definition of the level of services needed
  - setting up of fares paid by passengers
  - financial subsidies agreed in the contract
  - financial incentives for companies depending on the results achieved



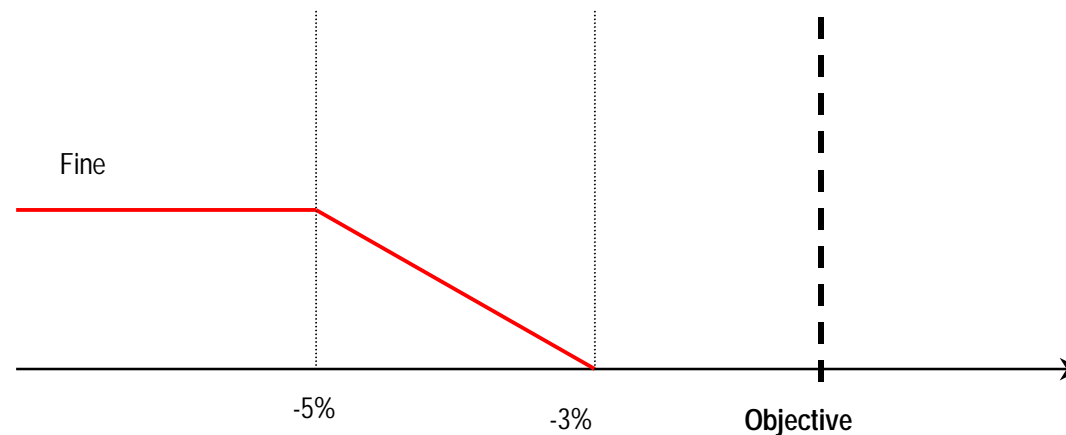
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# Three Financial incentives based on:



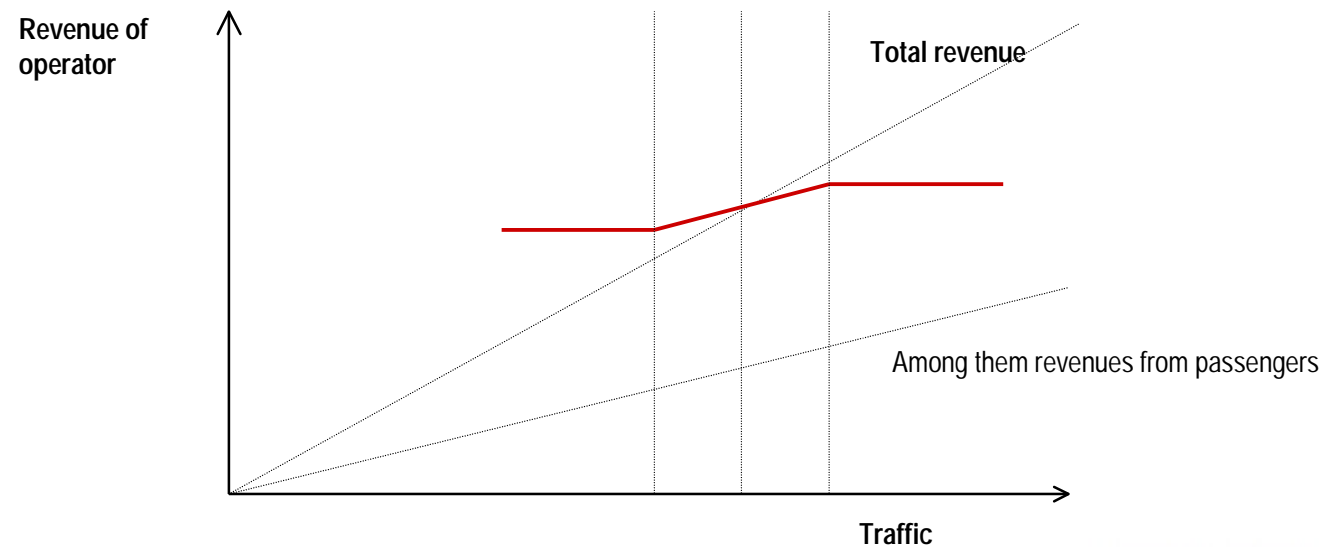
- Fines if the company doesn't deliver the level of services stipulated in the contract:



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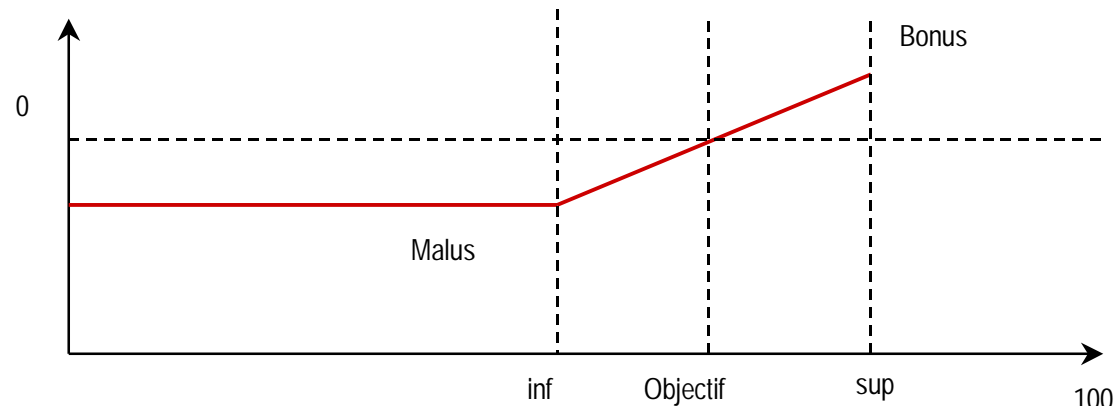


## – The growth of traffic:



– **Quality of service** : bonus-malus based on objective indicators (36)

- punctuality of trains
- cleanliness of stations and vehicles
- information
- availability of machines (escalators, vending machines)
- quality of contact with staff members



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- Every month, RATP provides STiF with a report containing information about :
  - level and structure of fare revenues ;
- and every three month :
  - level of supply of services ;
  - indicators of quality of service.



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# From theory to practice



2001 figures

**Customers**  
**1 568,8 M €**

**STIF**  
**1 843,8 M€**

of which :

incentives volume of sales : 28,7 M€

incentive quality of service : 8,5 M€

**RATP**  
**3412,6 M€**



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# Evolution of the supply of services



STIF set its priorities in 2001

- **Paris underground**
- Paris buses
- night buses
- **suburban bus services**



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# Revenues with constant fares 2002/2001



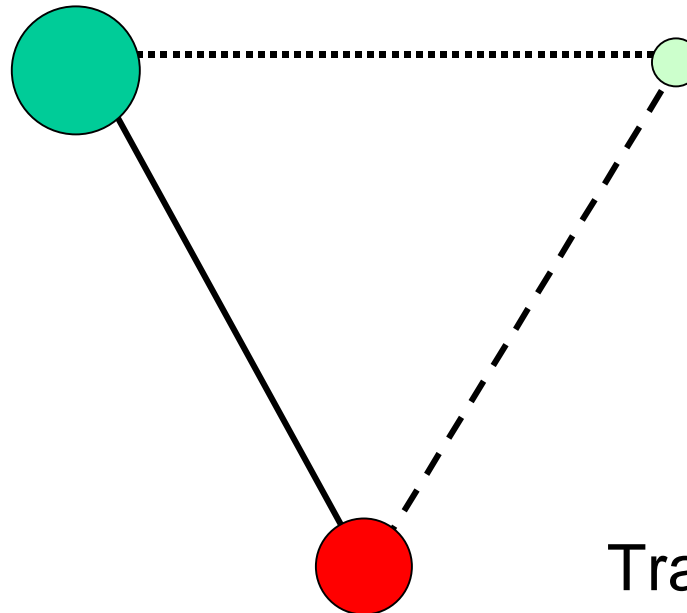
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# If possible to avoid



Operator



Authority

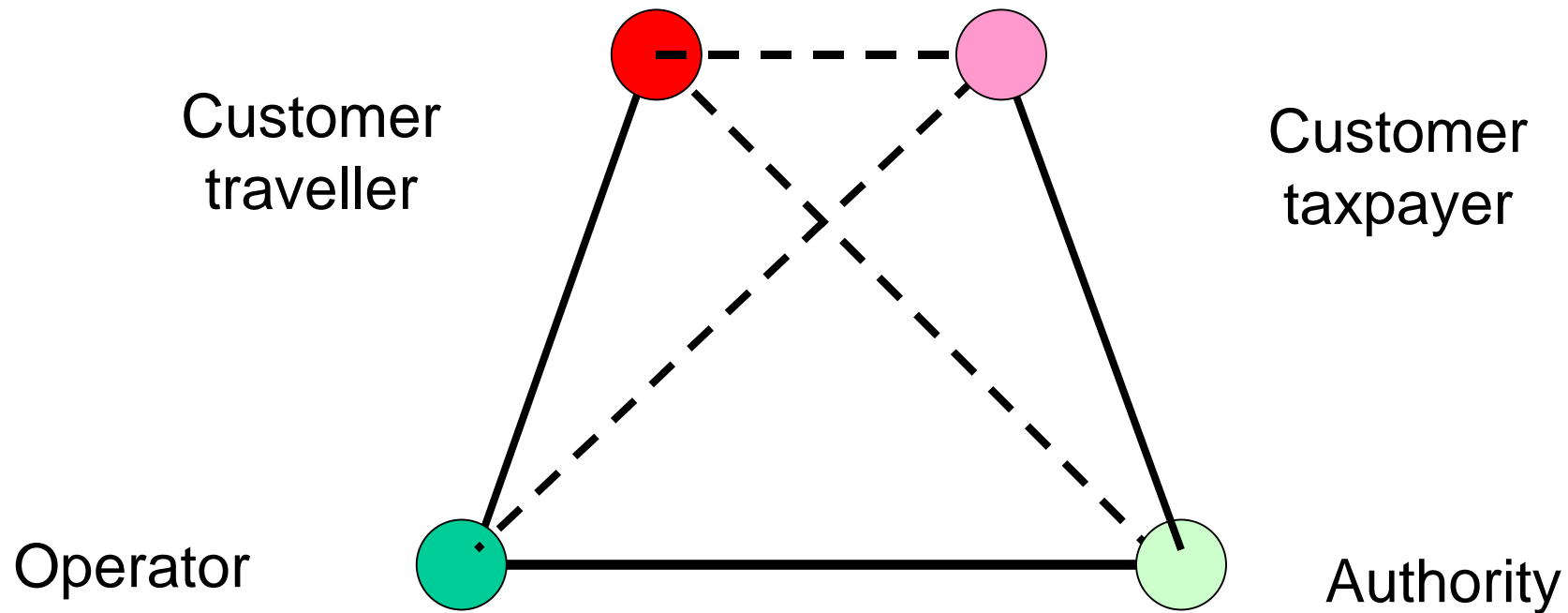
Traveller



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# If possible, to apply



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**Björn DALBORG,**  
Director, AB Storstockholms Lokaltrafik, Stockholm (SE)  
E-mail : [bjorn.dalborg@sl.se](mailto:bjorn.dalborg@sl.se)

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**WEDNESDAY, 26 - SESSION 4**

**CONTRACT MANAGEMENT**

**"SERVICE QUALITY AND CONTRACT DEVELOPMENT"**

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**1. BIOGRAPHICAL NOTE**

Born in Stockholm, Sweden 1942  
Matriculation examination in Stockholm 1961  
Master of Science Civil Engineering, Royal Technical University, Stockholm 1966  
Military rank: Swedish Air Force Captain  
Planner in Stockholm and SL (Stockholm Public Transport Authority) 1966-1976  
Head of Transport Planning at SL 1976-1980  
Managing Director SL Railway Company 1980-1991  
Director SL Rail Transport Planning 1991-1997  
Director at SLs MD Staff 1998-  
EMTA Vice President 1999-

**2. ABSTRACT**

SL is the PTA (Public Transport Authority) of the Stockholm region. All SL's traffic and station services are contracted by competitive tendering. Competition works in favour of public transport, more value for money. Objectivity and neutrality in tendering is essential. When changing operators, transfer of staff according to law. Infrastructure is of strategic importance and must be under PTA control. Development of efficient incentives in the contracts means better quality PT. Long term, trustful relationship between PTA and operator is essential.



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#### **3. FULL TEXT**

SL is the PTA (Public Transport Authority) of the Stockholm region with the responsibility to plan, procure and monitor the public transport services in the area. SL's product is mobility. The SL network consists of metro, commuter train, local train, light rail and bus services. Every day 2.3 million SL trips are made. Close to one million of those are metro trips. The bus services carry almost as many daily passenger trips. SL targets are increased patronage and more satisfied customers. SLs overall market share today is 40% and the market share in the peak hour is 75%. SL handles 50% of all local public transport in Sweden.

The yearly cost is approximately 700 M Euro of which half is covered by fares and the other half by taxes, income tax collected by SL's owner.

SL's owner is the Stockholm County Council, a regional political body elected every four years. The major tasks of the County Council include responsibility for health and medical care and for public transport. SLs Board consists of politicians chosen by and with the same political majority as the County Council.

Today all SLs traffic and station services are contracted to different operators (at this time six of them), procured by competitive tendering. All subsidiaries have been outsourced. Price has been reduced by 25% and services expanded by 18%.

In the contracts SLs roles are long-term planning and integration of the system including fares, ownership of infrastructure, rail rolling stock and stations and procuring of the services. The operators are responsible for daily planning and operation, quality management, local marketing and information and rolling stock maintenance. SL wants the customers/passengers to feel that SL has and takes the responsibility for the whole journey and that the services are reliable and easy to use.

SLs business philosophy emphasises that contracts must actively support the overall objectives of SL and its core values with the customer need in focus. Creativity is promoted. Staff is a strategic resource and must be assured security of employment. Long term supply of drivers and other staff categories must be stimulated. Objectivity and neutrality in tendering is essential. Rules of co-branding authority/operator must be decided upon.

Staff must be assured transfer of employment according to law. Salaries must not be lowered when there is a new operator. Competition between operators should be founded on their skills and competence and not on lower staff salaries. Public transport needs to be a line of work that attracts people on the labour market to assure attractive transport services which is of obvious importance not only to the passengers but also to the authorities and the operators both in a short and a long term perspective. Educational requirements are essential. The contracts must also include rules on programmes and tests against misuse of drugs. To safeguard a well functioning operators' market an active dialogue with operators and potential bidders is essential.



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SLs procurements of services are founded on gross cost contracts with different types of incentives. The contracts give plenty of room for business development during the contract period. All contracts are procured in international competition and covers five years of operations with a possibility of a five-year extension should the parties agree on that. Depots and rolling stock (railway services) are owned by SL and rented to the operators who decide on the number of vehicles they choose to rent. All buses are owned by the operators. Commuter train services operate on the national tracks. All other rail services (metro, local railways and light rail) operate on SL tracks and in the SL infrastructure. The services are monitored with the customer in focus. There is a systematical quality management in co-operation between the PTA and the operator with the operator's own internal control and SLs customer interviews and surveys as well as random controls. The monitoring system is based upon a continuous dialogue with trust and high ambitions between SL and the operator. Don't underestimate institutional and cultural differences when making international business.

In the mid 90's SL's focus was on effective use of resources and cost reduction only. Since the late 90's business development turns to also include quality and customer focus. Incentives are being tried and put into use in co-operation with the operators to strengthen the customer orientation which is necessary to get more satisfied and more numerous passengers. Increased operator responsibility, and the front line staff that faces the customers, is essential for success.

Development of incentives in the contracts means that better quality, more customers and increased revenue brings increased profit to the operator. Several different incentive strategies are being tested. Bonus is related to quality perceived by the customers, number of trips, to sales and for some dimensions to observed quality. Examples on perceived quality are cleaning and staff behaviour. It is important that incentives consider functions, not methods. The ongoing development of contracts will give us long, creative and close relationships with the operators including efficient incentives to do the right things and to do them right.

SL's experience so far is that competition works in favour of public transport. The contracts should be the base of a long-term trustful relationship. It is important to keep infrastructure public since that is of strategic importance to guarantee an attractive network now and in the future. The take-over phase by a new operator is very important to secure a smooth change and successful start of services. Be sure who will be the MD and that the strategic issue of both short and long term supply and training of train drivers is properly handled. Give clear rules for branding. You need strong incentives in the contracts including daily track accessibility. The organization, routines and technique for providing the passengers with good information before, during and after their journey is crucial. The operator must give economic guarantees for the right fulfilment of their assessment. The PTA now needs to focus much more on co-ordination than before. You also need an adapted national legislation and organization as well as a stable regional political platform to support contract development with focus on customer values.





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As mentioned we believe that competition works in favour of public transport. When tendering, neutrality, objectivity and transparency are essential for the credibility of the process.

A long-term trustful high ambition relationship between PTA and operator is of fundamental importance for the successful future of public transport.

### ***Conclusions:***

Procurement is positive to public transport and creates more value for taxpayers' money.

Procurement takes a lot of skills and management capacity; tendering is the new core business for PTAs.

The PTA must not ever lose control over infrastructure.

Long term contracts with efficient incentives are essential for quality development.

PT operations are a global business that demands a proper handling of institutional and cultural differences.

A well functioning market requires an active dialogue with operators and potential bidders.

# UITP, Vienna, February 2003



- A word about SL
- Restructuring process
- Results
- SL business model
- Our experience and present plans

**Björn Dalborg, Director, MD Staff**



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# SL



- 650 000 000 journeys per year
- 40 % overall market share in Stockholm
- 75 % market share in peak hours
- funding: 50 % taxes and 50 % fares
- yearly cost approx. 700 M EURO
- 50% of local public transport in Sweden

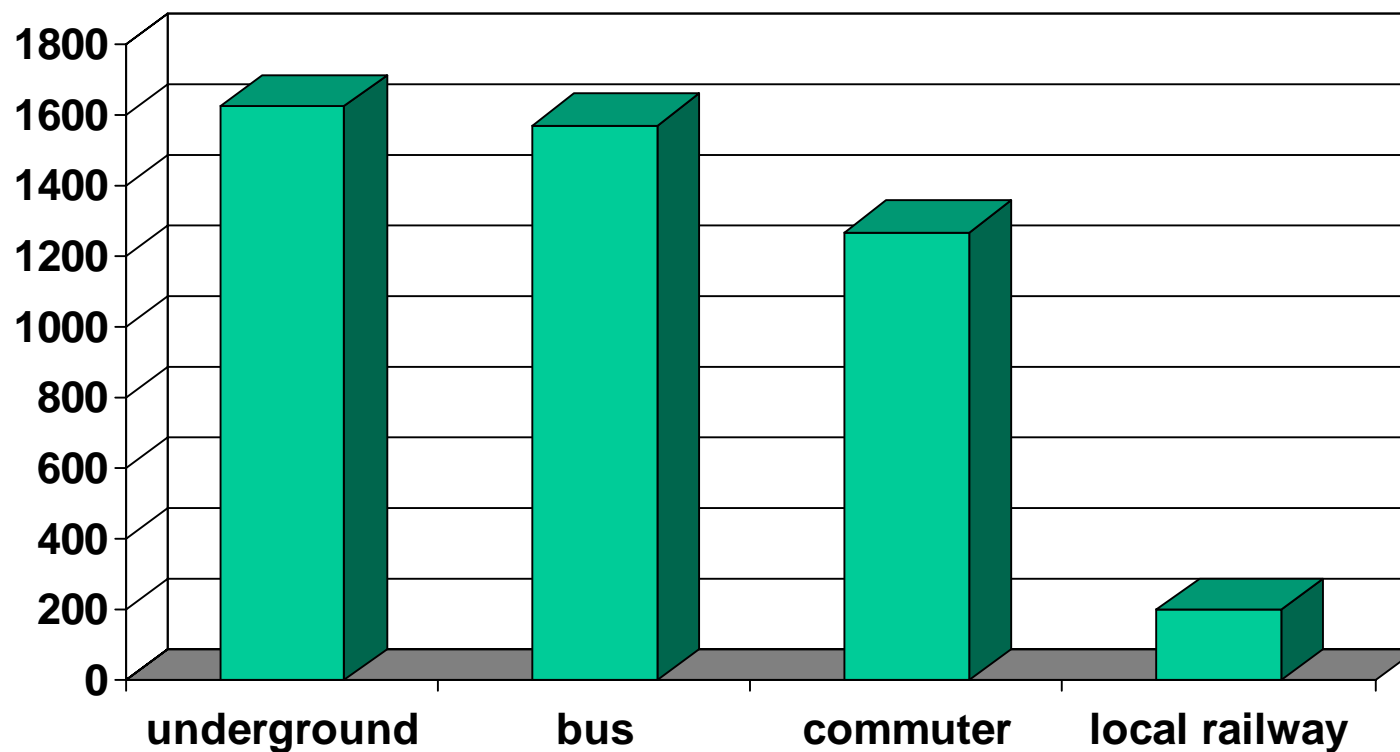


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# Passenger kilometers

(millions 2002)



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# AB Storstockholms Lokaltrafik



public company  
owned by the Stockholm County  
Council

Public Transport Authority of the  
Stockholm region



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# SL targets



- Increase patronage 100 000 (15%) passengers a day by 2004
- At least 75 % of the customers satisfied with our services



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# We want the customer to feel



- that SL has responsibility for the whole journey, and
- that the services are reliable and
- easy to use.



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# This is what we have done



- The public monopoly was totally restructured 1991 - 2000
- All traffic and station services have been contracted out
- All subsidiaries have been outsourced
- Business development turns from cost reduction only to also include quality and customer focus



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# The roles in the SL contracts



## SL

- long term planning
- integration and co-ordination of the SL-system (fares, quality levels etc)
- infrastructure incl. rolling stock and stations
- procurement

## Operators

- daily planning and operation
- quality management
- local marketing and information
- rolling stock maintenance



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# Business philosophy of SL



- the contracts must actively support the overall objectives of SL and its core values
- customer needs in focus
- staff - a strategic resource
- promote creativity
- co-branding
- objectivity and neutrality in tendering



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# Staff



- transfer of employment according to law
- don't lower the salaries
- programs/tests against misuse of drugs
- educational requirements
- security of employment
- stimulate long term supply of drivers



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# SL procurement of railway services



- gross cost contract
- international competition
- 5 + 5 year contracts
- rolling stock and depots owned by SL
- commuter train services operate on the national railway
- all other railway services operate on SL tracks (underground, local railways and light rail)



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1990 - 1998  
effective use of resources  
and lower prices



1999 -  
customer focus  
quality management  
effective use of resources



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# Procurement



1993 -1997      we accepted the lowest price  
1998 -            we choose the "best" tender

- Traffic
- Quality
- Safety and security
- Environment
- Commercial conditions



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# Lower prices



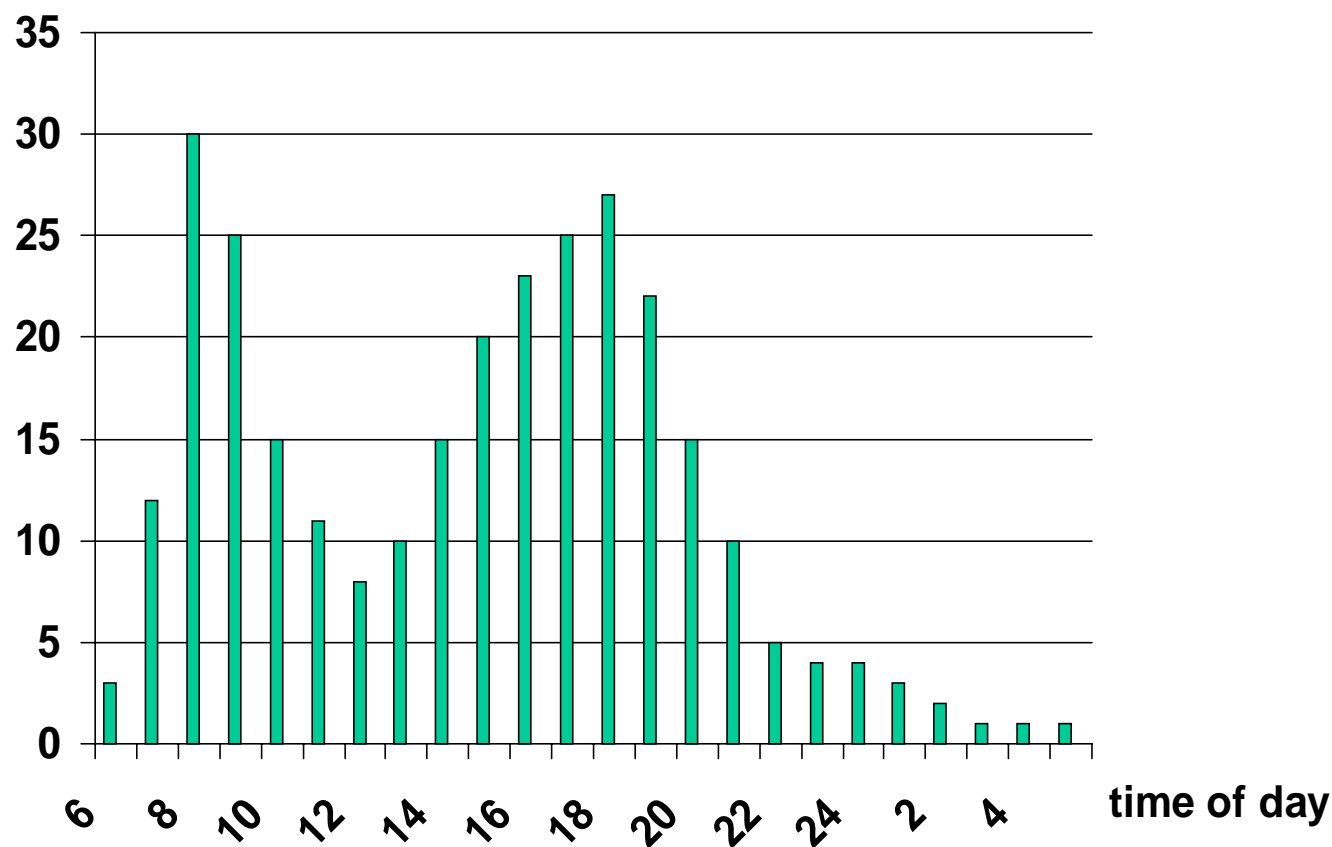
- more effective use of resources
- general downward pressure on prices
- new organisational principles



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# Lower costs integrated organisation



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# Experience so far 1



- Competition works in favour of public transport
- The contract should be the base of a long term trustful relationship
- Don't underestimate institutional and cultural differences when making international business
- Keep infrastructure public



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# Experience so far 2



- The take-over phase
- Be sure who will be the MD !
- Strategic issue both short and long term:
  - supply of train drivers
  - training of new drivers
- Give clear rules for branding
- You need strong driving forces - incentives - in the contracts
- Incentives should include daily track accessibility



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# Experience so far 3



- Internal quality management of the operators
- The organisation, routines and technique for providing passengers with good information before, during and after their journey is crucial
- The operator must give economic guarantees for the right fulfilment of their assessment
- We now need much more focus on co-ordination than before



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# Ongoing development



- Own experience from contract management
- Review of the incentives
- "Experiments" with all the operators
- Net cost test



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# Main issues



- national legislation and organisation
- stable regional political platform
- focus on customer values
- competition promotes public transport
- credibility, neutrality and transparency
- long-term relationship between PTA and supplier



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**WEDNESDAY, 26 - SESSION 4**

**CONTRACT MANAGEMENT**

**"SERVICE QUALITY AND CONTRACT DEVELOPMENT"**

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**1. BIOGRAPHICAL NOTE**

Commercial Director with Connex Tunnelbanan since June 2001 with responsibility for the Stations service delivery and continual quality improvement within Stockholm's Metro and local lines system.

Deputy Managing Director of Connex Norrlands business, a 2000Km long-distance night train service across Sweden to Norway, contract commencing in June 2003.

Previously with Connex in the UK and prior to this began career with London Underground.

A graduate Engineer with practical experience in Western Australia.

**2. ABSTRACT**

From winning the contract to operate the Metro system in Stockholm in July 1999, Connex Sweden have been working closely with our client, the Stockholm Traffic Authority SL, to deliver continual improvements in all aspects of service quality. This has been achieved by designing a contract format which allows us as the operator to be innovative, whilst demanding continual quantifiable improvements every year. The success of this partnership approach, with a significant improvement in Customer Satisfaction was rewarded with the contract prolongation from 2004 to 2009.

**3. FULL TEXT**

I would like to take the opportunity to tell you about the nature of the contract we have for the operation of Stockholm's Metro system, (Tunnelbanan) and local lines, this being from the perspective of us as the operator.



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Firstly, a little on the history; In early 1999, as a combined result of the installation of a new signaling system, introduction of new trains and some major track investment after a number of years with reduced investment, the Tunnelbanan was experiencing some very serious service disruption problems. SL had earlier initiated the process of contracting out the operational management responsibility to commercial operators for bus traffic and the commuter railway and Tunnelbanan was the last remaining activity in this process.

It was a natural next step therefore to bring in a new partner with different experiences and ideas to both work with SL to solve some of the immediate traffic difficulties, and, to focus very heavily on creating a shift to a more customer orientated business for the future.

It was therefore with this background that SL sought to find a partner with two key demands placed:

- Rapidly work together with SL to solve the operational difficulties
- Deliver tangible and quantifiable customer service improvements

Performance against the contract would be evaluated against 3 key criteria:

- The quantifiable Service Improvements
- Economic performance
- The success of the partnership

The process was a rapid one; The Politicians and SL decided in early 1999 to privatise the system, with Connex being announced as the operator in late May (?????) with take over to take place from 1 July 1999. A key success factor in the bidding process was therefore the need for an effective and secure transition management scheme to ensure the safe continual operation of the system.

### **The Operation**

Connex Tunnelbanan has an annual turnover of around 0.2bn Euros with approximately 3000 employees fairly equally split between the Operations or "Commercial" or customer facing activities.

The metro system comprises of 100 stations, with approximately 1 million passenger journeys taking place every day. We also have the responsibility for the operation of the local lines/Tramlines, namely Tvarbanan, Nockerbybanan, Lidingobanan and Saltjobanan – a further 100 stations in total.

*(show map of system).*

In a city of around 1 Million inhabitants, this is a fairly intense and comprehensive system. With around 70% of Stockholmers using some form of public transport everyday, we are well



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aware of the impact of our activities in a city where, with so much water, and therefore limited road expansion possibilities, so many are totally dependant on a reliable transport infrastructure.

#### **The Contract**

From our perspective at Connex, our contract with SL is both exciting and very demanding – there is nowhere to hide since the focus of the contract is very firmly on Quality, and its continual improvement. Failure to achieve this quantifiably would result in the contract not being prolonged. It is a 5+5 year contract, with a full evaluation taking place during Spring 2002 to determine the continuation or not beyond 2004. As part of the contract, Connex purchased a 60% share with SL retaining the remaining 40% and the option to sell should the contract be prolonged beyond 2004.

Economically, our possibilities to earn money from the operation are determined by three key factors:

- a) The quantifiable improvement of pre-determined quality areas, annual contracts being negotiated and signed between the two parties.
- b) The implementation of new schemes and ideas focused on customer service improvement, with it being accepted by both parties that a small but reasonable margin can be included.
- c) The expectation of SL that we will execute our responsibilities with the existing numbers of personnel, but seek efficiencies in methods of operation to maximise the productivity.

I will come back to each of these areas and explain in more detail how we at Connex have worked to achieve results in these areas of the contract.

I would like to emphasise that everything we feel we have achieved in Stockholm has been achieved as a result of a strong but demanding partnership with our client SL. The spirit of all our contracts has been that either party should have the opportunity to return and discuss an area of concern with the contract construction should that be deemed necessary. In practice this has not proved to be necessary very often.

However, both parties have obviously learnt many lessons and so for example we have insisted that in the contract we now have a clause to return to the table should the external market rate increases in personnel costs exceed the index calculation we have included for the contract beyond 2004.

#### **Quality Improvement sub-contracts**

In early 2000, ourselves and SL developed and negotiated a series of schemes designed to be practical but contractually based tools for both the implementation and consequent





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measurement of quality improvements. To give an idea of the practical areas focused on, examples include:

Train Cleaning, Station Cleaning, Staff Service Quality, Local lines quality, Ridership growth and Fraud reduction.

The nature of these contracts is that they are each subject to measurement by an independent company jointly appointed by both parties. Normally measurement takes place around 4 times a year and will be for example, 27 stations and 60 trains, obviously these being unknown to us as the operator until the results are published. Measurements are normally taken 3 times at each location to determine the effect of service quality in both morning and evening peak periods and also during a calmer period of the day.

The most important aspect of both the contract construction and the measurement processes is that they must comprise of simple, credible and uniformly accepted measurement criteria. Vitality, we depend on these being easily and rapidly communicated to the managers and staff who can influence the success of these schemes.

Both parties also have to continually bear in mind that, whilst these do form a major part of the overall contract construction, the design should be based primarily on the need for an effective management tool for quality improvement rather than simply a measurement method for measurement's sake.

This is indeed a challenge of the process and probably highlights sometimes the different needs of us as the operator compared to SL as the client. Clearly, it is particularly important to SL to feel secure with a strong measurement tool in order to evaluate our performance against the contract.

In addition to the use of the Incentive contracts in order to evaluate our performance, SL also refer to their twice yearly Customer Satisfaction survey. This in particular, since comprising of around 20,000 Stockholmer's responses and because it is publicised, is considered to be the most vital measure of our success as an operator.

It is extremely useful for us to have access to a totally independent measurement tool of our activities. Our first measurement in early 2000 gave a result of 42% satisfied customers. We have now managed to increase customer satisfaction on every occasion and now as of the October 2002, we have a measurement of 60% satisfied customers. Continual improvement against this survey is a vital success factor to ensure our continuation of the contract.

The spirit of our contract with SL is that we as the operator, should have both demanding and realistic targets placed on us every year to achieve if we are to deliver continual service quality improvement. All incentive contracts are valid for 1 year only, with a review then taking place of performance and the opportunity for both Connex and SL to then propose and agree new focus areas for the forthcoming year. A tangible example of this is Station



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Cleaning – here, after 2 years, we find ourselves in a position where SL and ourselves are generally satisfied with the standards we have now reached in litter removal, cleanliness and removal of graffiti.

However, a new focus area becomes the metal plate areas around and in front of escalators – yes, we now actually have a process which measures the number of pieces of chewing gum! If we reduce this – then we receive an incentive – if we don't, then we don't! At the same time, the contract also requires that we maintain the achieved levels in litter, cleanliness and graffiti, and if so, then we receive a small incentive. Without such contracts, our opportunities to earn a profit will be very limited.

The spirit of the contracts is also that of a “rolling benchmark” until we achieve the final goal set – after one improvement, we do not have the opportunity to earn more money unless we improve on that previous level achieved.

We have now been working together to improve quality, based on this type of contract construction for just over 3 years, the next stage now is to move increasingly the emphasis of measurement from purely a “mystery shopper” type model to place more on the results of the Customer Satisfaction surveys. Our joint goal is that by 2005 we will have achieved a rating of 75% satisfied customers – to achieve this we must continue to work with such a contract construction.

#### **Introduction of new initiatives – a contractual demand**

A key demand from SL was that we came forward with strong customer-focused approach and together implemented some significant improvements in practical areas directly affecting the customer. We pledged to work rapidly with improving information, (both static and through our staff) around the system, to make stations more welcoming places and too increase the visibility and helpfulness of our staff around the system. Should our ideas be accepted by SL, it was agreed that we should be entitled to a small margin on our operating costs. Such successes include:

- Introduction of Connex Hosts – a mobile group of highly visible staff who travel continually around the system providing assistance and helping to increase customers' feeling of safety - *Early 2001*
- Introduction of night traffic - *Dec 1999*
- Transfer of cleaning personnel and measured improvement - *During 2000*
- Opening of the Tvarbanan new tram system in 3 stages - *2000/02*
- Creation of Tagia maintenance company with SL and Bombardier - *2000*
- Transfer and cost reduction for execution of Station Maintenance - *June 2002*

#### **Results of this contract**



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- CSS from 42% in May 2000 to 60% in October 2002, with continual improvement
- Continual quantified improvement in both station and train cleaning
- 4% passenger growth during our first full year of operation, around 1% thereafter
- Most importantly for us, after a very thorough evaluation of our performance against the overall contract, factors being: Quality Improvements (incentives), economic performance, the bi-annual customer satisfaction survey and finally our approach to achieving a positive partnership, SL took the decision to prolong our contract from 2004 to 2009.
- For us as an operator both having such a decision and more importantly because it is based on independent and quantifiable measures, this is a major achievement.

I would like to just finish by suggesting why we believe that we together with SL have been able to achieve so much in Stockholm.

Firstly, we have a contract we believe in and which ensures that we focus on the areas which are most important in our industry – that being the basic things which affect the customer day in and day out,

Secondly, it is a very demanding contract, carrying a high risk if we fail to deliver on real tangible things – believe me, it is not easy to motivate 3000 staff to change working practices and behaviours overnight, (and we have a long way to go!) but it is easy with our methods for them to agree with the relevance of our focus.

Finally, our joint success has been based on the spirit of our contracts – that both parties have the opportunity to both input and discuss potential changes should it be obvious that this is necessary.

# UITP Conference



## Service Quality and Contract Development

26 February 2003

Matt Kinane, Commercial Director  
Stockholm



INTERNATIONAL CONFERENCE "Contractual Relationships between Authorities and Operators", 24-26th February 2003, Vienna, Austria



# The business

- Turnover of 0.2bn euros
- 3000 employees
- 1M passenger journeys daily
- 229 route Kms
- 200 stations
- 900 vehicles



INTERNATIONAL CONFERENCE “Contractual Relationships between Authorities and Operators”, 24-26th February 2003, Vienna, Austria



# The Contract

- We took over in July 1999
- Tough, innovative quality-focused contract
- 5+5 year based on quantitative quality improvement evaluation to be undertaken in 2002
- 60% share purchase, 40% purchase option if prolongation
- rapid results needed in operations



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# The Contract

- Profit based on Incentive improvement payments for quality, agreed margin on new ideas and efficiencies in productivity

# Quality Improvement



- In 2000 we instigated a series of quantifiable service improvement schemes:
- Train cleaning
- Station Cleaning
- Staff service Quality
- Local Lines quality
- Ridership Growth
- Fraud measurement



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# Quality Improvement



- Schemes based on:
- Mystery shopper techniques
- 4 times per year, 27 stations, 60 trains
- Simple, easily communicated results to staff
- Credible techniques which are tools, not management information schemes
- Critically backed up by twice yearly SL CSS



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# Quality Improvement



- Goals should be very tough, but realistic
- Each incentive contract valid for 1 year
- Based on rolling increasing benchmark - only rewarded for continual improvement
- Evaluation of year's success each year and new demands jointly agreed
- Moving now towards combination of both mystery shopper and customer satisfaction to evaluate quality improvement



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# New ideas

- Connex hosts concept - 2001
- Introduction of night traffic - 2000
- Transfer and dramatic improvements in cleaning - 2000
- 3 stage launch of new tram system 2000-2002
- Implementation of Tagia maintenance organisation

# New ideas

- Take over of station maintenance - 2002
- Contract philosophy being that these should have the opportunity for small margin - security for operator

# Results

- Customer Satisfaction has increased every time, from 42% in May 2000 to 60% in October 2002 (20,000 customers asked)
- Graffiti, litter and Cleanliness dramatically better – started on 4/10, now on average 7.5
- 3.5% passenger growth in first year, stable now

# Results

- Staff Service Quality started around 5/10, now on 8/10
- Evaluation of contract against “quality improvements,” “partnership” and “financial stability” resulted in contract extension to 2009



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**WEDNESDAY, 26 - SESSION 5 :**

**QUALITY CONTRACT**

**"THE QUALITY APPROACH OF THE OPERATOR AND THE  
EVOLUTION OF THE CONTRACT IN PRAGUE"**

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**1. BIOGRAPHICAL NOTE**

Mr Zdeněk DOŠEK, born in *Czechoslovakia*, on 20<sup>th</sup> December 1942 studied Transport Constructions and Traffic Engineering (1964) and Economics and Control of Civil Engineering - 1970 at Czech Technical University Prague

***Professional career:***

**1992 - Prague Public Transit Co. Inc. - PPT**

1992 - 1993    Development of Prague Integrated Transport System  
1993 - 1994    Development of Integrated Passenger Information System  
1995 - 1998    Secretary General of PPT  
1998 -         International Relations Representative  
                  Head of "Service Quality Programme" of PPT  
                  Observer in the UITP - EU Committee

**1966 - 1992 - Institute of Transportation Engineering of the City of Prague**

Engineering, design and consulting activities in field of city transportation and traffic engineering.

**2. ABSTRACT**

From the very beginning of the 1990s, due to a high growth in car ownership and car use, and number of PT users declining, Prague was faced with an inevitable necessity to improve the quality of its public transport system. The first important step in improving the offer of PT



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was the development of an integrated transport system. When designing public transport offer in Prague ROPID (organizing authority) draws on quality criteria focused on:

- passenger-carrying capacity of PT vehicles;
- the highest permissible intervals between links on PT routes;
- city centre availability.

Availability, as no. 1) category of quality criteria based on EN 13816:2002 has been thus applied in full to the contract with Prague Public Transit Co. Inc. and is at a quite high level in Prague.

Responding to an increasingly critical situation in the transport system and to the "Principles of Transport Policy of the City of Prague" the major operator implanted, in close co-operation with RATP, the Service Quality Programme of PPT Co. Inc. from 1 January 1998.

The results achieved within the framework of five quality standards measured can be currently assessed as relatively stabilized, preparing thus a new stage of incorporating the quality requirements into the contract.

### **3. FULL TEXT**

#### **1. Impact of post-1989 changes on the transport system**

Political and economic changes after 1989 resulted in substantial changes in the functioning of the transport system in Prague, the capital of the Czech Republic, like in many other big cities in former Central and East European socialist countries. Through the entire decade of the last century Prague was facing a high growth in car ownership (> 87%, the current car ownership level - 1 car/1.9 inhabitants) as well as a massive growth in private car use (> 120%). Congestions, environmental pollution, traffic accidents and high demands on parking facilities have become a serious issue.

Changes of the economic system went hand in hand with changes in public transport funding. Capital investments and operating subsidies in urban public transport sector funded by the central government until 1989 were mostly transferred to local municipal authorities. This sharp reduction of state subsidies in PT necessarily resulted in substantially increased fares, which also contributed to a switch to private car.

In the first half of the 1990s the number of public transport users in Prague dropped by more than 800,000 passengers/day, i.e. about 20% of all passengers. In the second half of the 1990s passenger numbers were stabilized (1,085,500,000 trips in 2001; current modal split is 57% PT : 43% private car, compared to 80 : 20 before 1989).

From the very beginning of the 1990s Prague was faced with an inevitable necessity to improve the quality of its public transport system.





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### **2. Integrated transport system**

The first important step in improving the offer of public transport in Prague was the development of an integrated transport system (ITS). Not only in connection with the venue of the conference on "Contractual Relationships between Authorities and Operators" it should be stressed that idea and gradual implementation of the Prague system were inspired by the model of Verkehrsverbund Ost-Region with an invaluable personal contribution of its General Manager, Mr. Manfred Novy.

#### ***2.1. ROPID and Prague integrated transport (PIT)***

The organising authority responsible for organising an integrated system of public transport in Prague and its neighbourhood (PIT) is ROPID – Regional Organizer of Prague Integrated Transport. ROPID was established as a municipal organization funded by contributions of the City of Prague and started to operate from 1 December 1993.

Rail transport (railway, metro, trams) constitutes the core of PIT system, buses are predominantly used as feeders to terminals developed next to railway stations/stops. The system benefits also from integration of P&R (Park & Ride) facilities, located next to metro or large railway stations in suburban areas, into PIT system.

PIT fare is based on travel time and number of zones. The area covered by PIT is divided into 7 fare zones; two of these zones, namely the P zone and the finishing 0 zone, cover the territory of the capital and neighbouring area is divided into five external zones (1, 2, 3, 4, 5) extending up to 40 km and somewhere even up to 60 km from the city centre. Introduction of an integrated transfer ticketing system has facilitated to make a journey including all necessary intermodal changes using a single ticket irrespective of the means of transport or operator.

As of 1 October 2002 PIT services were provided by 16 operators with Prague Public Transit Co. Inc. as the major operator. Czech Railways hold also a dominant position in providing public transport services. Other operators are private bus undertakings established after dissolution of a state-owned bus transport undertaking (CSAD) after 1989. Until 1993 they provided transport services within the framework of Prague public transport only as subcontractors of Prague Public Transit Co. Inc.

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A relatively dynamic development of PIT is illustrated by the following table:

	1994	1995	1996	1997	1998	1999	2000	2001
<b>Number of municipalities serviced by PIT lines</b>	7	15	55	69	83	104	159	218
<b>Number of regional bus lines included in PIT</b>	6	11	31	38	48	54	89	114
<b>Number of railway stations integrated into PIT</b>	43	59	181	181	181	181	190	200
<b>Share of PIT tickets used on railway (%)</b>	17.4	25.5	29.1	32.5	35.6	37.2	39.2	43

Within two years from its establishment ROPID managed to prepare and implement contracts with respect to the new fare and PIT ticketing system (effective from 1 June 1996). These contracts are a basis for engagement of more operators in the ITS within the Prague region.

Integrated fare has been implemented based on a Tariff Agreement signed by all operators. This agreement solves distribution of revenues based on a key developed by ROPID. Regional bus lines included in PIT system are operated based on dozens of contracts negotiated between the City of Prague (represented by ROPID) and/or relevant municipal authority (outside Prague boundaries) and the relevant operator. Operators of newly introduced lines are selected through public tenders announced by ROPID.

Integration of the Czech Railways in the PIT system is covered by a separate bilateral Tariff Agreement between the City of Prague, represented by ROPID, and the Czech Railways. Railway transport has played an important role in developing the PIT system. To be able to become an adequate part of the core transport system it must promptly cope up with many drawbacks (such as e.g. obsolete rolling stock, poor conditions of railway stations or poor quality of travel comfort), but mainly with drawbacks of operational nature by implementing cycle transport on all tracks included in the PIT system (25 tracks within PIT region, including 10 tracks with 43 stations and stops within the territory of the capital).

#### **2.2. Quality criteria for designing public transport offer in Prague**

Based on regular traffic surveys and based on requirements of particular city districts and municipalities ROPID draws up a plan of annual volumes of transport services to be provided in the year to come and calculation of costs of transport service provision. This plan is submitted to the Prague City Council for their approval. Based on the approved plan ROPID develops a particular Public Passenger Transport Organization Project (PPTOP) covering

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routes of all lines and frequency of applying to individual lines. It is then provided to operators as a basic material to prepare timetables.

When designing the PPTOP ROPID draws on quality criteria recommended by a working group consisting of representatives of the Transport Department of the Prague City Hall, ROPID, Prague Public Transit and Transportation Engineering Institute. This working group has recommended as the main priority to focus on the following issues:

- passenger-carrying capacity of PT vehicles;
- the highest permissible intervals between links on PT routes;
- city centre availability.

The initial intention to design standards from 1996 was extended by a design of nominal values even for 2005. Quality criteria were approved by the Prague City Council in August 1995.

Standard passenger-carrying capacity of PT vehicles was determined, defined as the number of passengers in a vehicle with all seats occupied and provided that the floor area designed for standing passengers accommodates 4 persons/m<sup>2</sup>. This is the basis to determine the required level of use of passenger-carrying capacity in per cent.

### The level of use of passenger-carrying capacity in max. hour

Period	subsystem	PPTOP 1996				PPTOP 2005			
		max. hour		max. quarter of an hour		max. hour		max. quarter of an hour	
		standi ng pers./ m <sup>2</sup>	% of standard capacity of 4pers/m <sup>2</sup>	standi ng pers./ m <sup>2</sup>	% of standard capacity of 4pers/m <sup>2</sup>	standi ng pers./ m <sup>2</sup>	% of standard capacity of 4 pers/m <sup>2</sup>	standi ng pers./ m <sup>2</sup>	% of standard capacity of 4 pers/m <sup>2</sup>
mornin g peak	metro	3,2	80	3,4	85,0	2,6	65	2,7	67,5
	tram	2,8	70	3,9	97,8	2,6	65	3,6	90,0
	bus S	4,0	100	5,7	142,5	2,6	65	3,7	92,5
	bus K	4,0	100	5,7	142,5	2,6	65	3,7	92,5
off- peak	metro	2,6	65	3,2	80,0	2,0	50	2,4	60,0
	tram	2,4	60	4,0	100,0	2,0	50	3,3	82,5
	bus S	3,2	80	5,6	140,0	2,0	50	3,5	87,5
	bus K	3,2	80	5,8	145,0	2,0	50	3,7	92,5
afterno on Peak	metro	3,2	80	3,3	82,5	2,6	65	2,7	67,5
	tram	2,8	70	4,5	112,5	2,6	65	4,2	105,0
	bus S	4,0	100	5,6	140,0	2,6	65	3,7	92,5
	bus K	4,0	100	5,7	142,5	2,6	65	3,7	92,5

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The table clearly shows efforts to reduce vehicle occupancy rate, and that also to reduce the number of standing persons to achieve the level of use of passenger-carrying capacity of no more than 65% in peaks and 50% in off-peaks by 2005.

### Proportion of seated and standing passengers in PT vehicles

<b>rail vehicles</b>	max. 1:2	at least 30% seated persons
<b>buses</b>	max. 1:1	at least 50% seated persons

The above mentioned figures are applied to reconstructions and orders for acquisition of new vehicles.

The highest permissible intervals between links on PT routes on working days (excluding evening and night operation)

means of transport	metro		tram		bus	
<b>city zone</b>	1+2	3	1+2	3	1+2	3
<b>interval (min)</b>	5	10	10	10	15(30)	30(60)

For the purposes of the preceding and the following table the territory of the capital has been divided into 3 zones as follows: 1 – central zone, 2 – middle zone, 3 – external zone (outskirts). Figures in brackets are admitted only in justified cases and should not be exceeded.

City centre availability (i.e. travel time needed to reach the centre)

City zone	Assessment of availability (min)		Share of trips in accordance with the standard (%)		
	1996	2005	morning peak	off-peak	afternoon peak
<b>1</b>	20	20	90	90	90
<b>2</b>	40	35	90	80	90
<b>3</b>	60	55	90	80	90

These figures are taken into account e.g. when designing routes in order to meet the criterion which provides that 90% passengers reach the city centre from the outskirts in less than 60 (55) minutes.

The above mentioned criteria are used in PPTOP development and serve also as a guidance in developing timetables. They apply only to public transport within the capital and do not apply to regional bus lines.

### 3. Improving PT quality

Thanks to implementation of the ITS from the 1<sup>st</sup> half of the 1990s and given that the City of Prague did not exercise pressure on transport operators in connection with the initial decline in PT users to reduce the transport offer, the city managed to avoid a vicious circle "decline in passenger numbers/reduced offer/decline in passenger numbers". The fact that private car



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expansion met with natural urban boundaries of the city with historic buildings and system of streets of insufficient capacity contributed to the above mentioned stabilization of passenger numbers from the 2<sup>nd</sup> half of the 1990s. The absolute majority of long-term PT "captives" have more or less become its voluntary users assessing its relative benefits only based on their long-term experience. Nevertheless, due to the ever-present, continuously improved quality of services in the tertiary sector they very becoming increasingly discriminating. Given the changes of the city, Prague became also a major tourist destination. Visitors coming to Prague to see its history were predominantly dependant on its public transport system and it was soon quite obvious that these clients had a clear idea of quality.

In mid-1990s the city responded to an increasingly critical situation in the transport system by publishing the "Principles of Transport Policy of the City of Prague". Eight of nine of these principles are closely related to operation and development of the public transport system. The fifth principle calls for the following: *"Operation and development of the transport system is to be assessed not only with regard to providing sufficient transport capacity but attention is to be focused particularly on safe operation of the transport system as a whole while ensuring an appropriate quality of all of its subsystems, mutual interrelations as well as relations towards the users of the system, i.e. passengers and operators"*. The issue was clearly defined.

Thanks to intensified activities within the framework of the UITP organization Prague Public Transit Co. Inc. got into a closer contact with RATP and accepted its generous offer to provide expertise in implementing its "Démarche Qualité" in Prague. Intense cooperation in 1997 and 1998 in development of the Service Quality Programme of PPT Co. Inc. resulted in the implementation of the programme effective from 1 January 1998.

PPT Co. Inc. had an opportunity to present the programme in more detail thanks to a kind offer of the publisher of "Public Transport International" within the framework of issue no. 05/2002 dealing with "The PT Sector Commitment: To a Better Quality". I would therefore only briefly mention its basic characteristics.

### **3.1. The Service Quality Programme of Prague Public Transit Co. Inc.**

From the beginning of 1998 the following four quality standards have been measured:

- punctuality/regularity
- passenger information
- customer care
- uniform discipline

From 2000 measurements of the fifth standard have been focused on improving the „operability of ticket vending machines“.

Selected standards are defined through:

- service reference sample
- desired level of achievement
- unacceptable situations



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Measurement is an integral part of the Service Quality Programme, conceived as a fundamental tool of quality management. Apart from standard pilots a key role is played by authorized representatives in charge of quality. They manage continuous quarterly measurements of all standards in volumes of defined samples by means of methods using existing technology (tram and bus central control system) as well as the "Mystery Shopping Surveys" method and field monitoring of services provided. These representatives are also responsible for drawing up quarterly assessments of standard measurements. In case of identification of any reserves against the defined desired levels of achievement they also suggest appropriate actions to eliminate such insufficiencies.

#### **3.2 A look from outside at the Service Quality Programme of Prague Public Transit Co. Inc.**

The in-house assessment of the Service Quality Programme states that the so-far development has proved that it is an efficient tool in transforming the company towards the customer- focus. I would now like to present an opinion of a student of the Faculty of Transport of the Czech Institute of Science and Technology, Prague. Within the framework of his thesis on service quality in public transport he presents also a view of an informed client:

*"2002 was the fifth year of the Service Quality Programme development in Prague Public Transit Co. Inc. Started only as an initiative taken by several members of the management team in the course of years it became a driving force of changed perception of the service quality. Not the in-house regulations but the customer-client perspective became a decisive aspect in assessing the level of services provided."*

*It is clearly obvious that the programme had a positive impact on the process of service quality improvements in public transport sector not only in Prague but also within the Czech Republic. The choice of the French partner (RATP) turned out to be wise as this partner's experience and methods were also used in developing new European standard. A number of transport undertakings in other cities in the Czech Republic were inspired by the successful implementation of the Service Quality Programme in Prague (the first followers were e.g. the cities of Pardubice and Brno).*

*The future of the quality programme will lie in widening the scope of aspects monitored within the framework of existing standards as well as in developing new ones and that always in maximum compliance with the European standard. Particular attention will have to be paid to elaboration of measurement methods since all standards except for "punctuality of operation" are measured by fictitious clients (MSS method). This method requires a considerable human resources (outsourced or at least independent of the particular Unit) and thorough training to deliver the most reliable measurements as possible.*

*Last but not least, the Service Quality Programme dealing with the right side of the "quality cycle" will have to be confronted with the left side, i.e. identification of customer satisfaction. This confrontation will finally prove whether the Prague Public Transit Co. Inc. has properly "estimated" client expectations and targeted its attention (through service standards) to those aspects which are really important for customers.*



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#### **4. Quality in contract with the organising authority**

As already mentioned, following annual PPTOP development ROPID as the organising authority ensures operation of the PIT system through contracts with individual operators. Accordingly, Prague Public Transit Co. Inc. annually negotiates a contract with ROPID – “Public Service Contract on Provision of Transport Services within the Territory of the City of Prague”.

Draft European standard CEN “Transportation Services – Public Passenger Transport – Service Quality Definition, Targeting and Measurement” which became a basis of the Service Quality Programme of PPT Co. Inc. was finally adopted in its amended version on 17 April 2002 as EN 13816:2002. As early as from 1999 (when the wording of the above mentioned draft standard was available) a reference to the standard has been incorporated into the contract between ROPID and Prague Public Transit Co. Inc. and that under Article I., par. 2 (“Subject of Contract”) as follows: “This Contract is based on the working draft of the European Service Quality Standard in Public Transport CEN/TC/320”.

##### **4.1. Current status**

Price-related provisions of the contract between ROPID and Prague Public Transit Co. Inc. specify the amount of demonstrable loss (in CZK) for services supplied in vehicle km and place km imposed on PPT by ROPID in accordance with PPTOP based on proposed quality criteria for public transport service offer within the territory of the City of Prague (see 2.2.) The item no. 1) **availability** of quality criteria based on EN 13816:2002 has been thus applied in full to the contract. Availability of public transport is at a quite high level in Prague based on the European benchmarking project and ADAC consumer test.

Some of the eight quality criteria categories listed by EN 13816 have been applied in the contract only in general terms and that in Annex 1 “Penalty Schedule Applying to Surface Transport”. Penalties are imposed with respect to criteria no. 4) **time** (for example: premature departure from stops – CZK 500.-, failure to provide intermodal options specified in service schedule – CZK 1,000.-) and no. 3) **information** (penalty ranging from CZK 100.- to 5,000.- assessed for various failures in vehicle labelling or equipment).

Quality criteria under EN 13816 are then itemized in Annex 5 to the Contract “Other Obligations of Transport Operator”. This Annex covers general definition of requirements regarding the criteria of 3) information, 4) time, 5) customer care, 6) comfort and 7) safety.

##### **4.2. Prospective developments**

Further developments of the Service Quality Programme of Prague Public Transit Co. Inc. are outlined in an assessment contained in the thesis initiated within the framework of ROPID’s cooperation with the Faculty of Transport of the Czech Institute of Science and Technology. ROPID introduced the quality issue and related European legislation in



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teaching. ROPID itself has been participating in teaching for years and thus preparing conditions for a wider acceptance of quality dimension by a new generation of prospective managers compared to current corporate management focused predominantly on technical issues.

In the course of five years of its existence the Service Quality Programme has been developed within the framework of the initial five quality standards – increased volume of samples measured, objectivized measurements, implementation of corrective measures in cases of identification of reserves against defined desired levels of achievement, changes of in-house regulations, etc. Gradual improvements of standards achieved have been particularly a result of initiatives taken by a number of programme participants, most obviously by corporate unit faced with the competitive pressure in the system of regional bus services included in the PIT system. Competition has been obvious even within the company. For example excellent achievements in applying the standard of passenger information within the Tram Unit resulted in similar measures (technical equipment of bus interiors) taken by the Bus Unit facilitating comparable achievements. On the contrary, amendments of in-house legislation and field control measures resulting in significant improvements in punctuality with respect to bus services initiated adoption of similar measures by the Tram Unit management. Apart from initiatives the programme identifies places of stagnation, more precisely lack of preparation to response to impetuses offered by regular measurements of performance.

The results achieved within the framework of five quality standards measured can be currently assessed as stabilized to the extent that the transport operator feels ready to negotiate about a new stage of incorporating the quality requirements into the contract as well as to consider a gradual replacement of the unilateral penalty approach by a bonus/penalty system which could present a significant incentive of further quality developments.

The European EN 13816 standard on the one hand and experience of operators and organising authorities from big cities such as Paris, Brussels, Vienna, Geneva and others on the other may provide a number of stimuli for a more explicit incorporation of quality into contracts in Prague. This will also help to understand the necessity of a closer cooperation of all partners engaged in the decision making process regarding conditions of provision of services based on the right side of the quality cycle. Issues dealing with a higher level of surface public transport priority in Prague can be the major example.

At the moment, following disastrous floods that hit Prague in August 2002, attention has been focused on recovery from material damages incurred by the metro system. Even in the form of a flexibly responding substitute system public transport proved its irreplaceable role in the life of the city. Passengers proved great courage and patience in coping up with difficult travel conditions. Both parties, the operator and the organising authority, can repay this trust particularly by their targeted efforts to achieve further improvements in the quality of the entire system.



# Prague Public Transit Co. Inc. Dopravní podnik Praha, a. s.



**The quality approach of the operator and the evolution of the contract in Prague**



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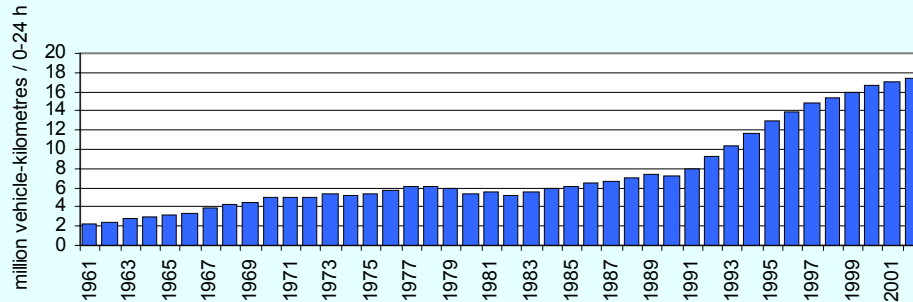


# Impact of post-1989 changes of the transport system

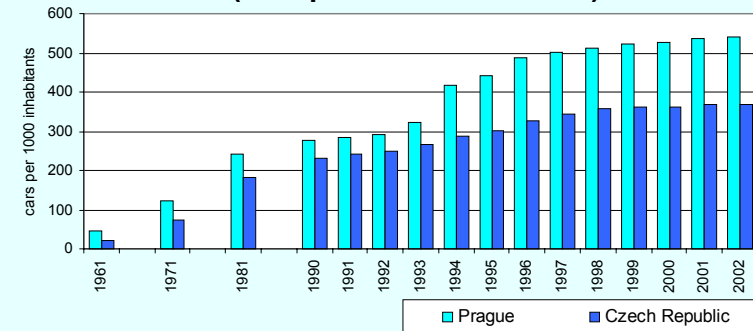


## Motor-car traffic vehicle-kilometres development 1961 - 2002

The whole of the road network, an average  
workday, 0 - 24 h



## Personal car motorization 1961 - 2002 (cars per 1000 inhabitants)



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# Changes in financing policy



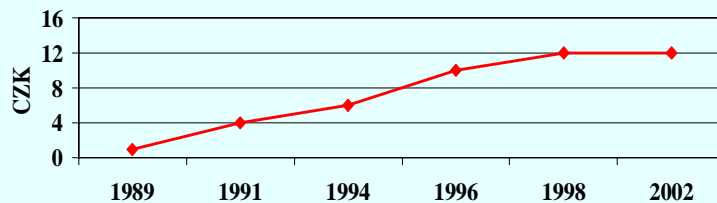
**until 1989**

- the central government funded all capital investments and operating subsidies

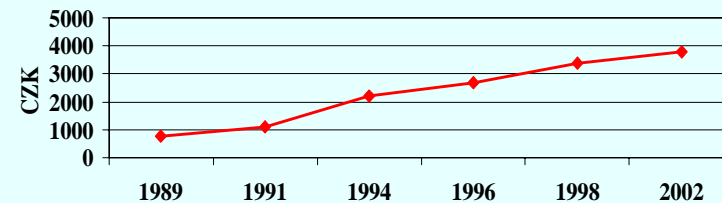
**after 1989**

- most of this funding transferred to local municipal authorities

PT fares evolution in Prague - single ticket



Annual ticket



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# Basic principles

## Prague Integrated Transport (PIT)



- **Organising Authority:**

**ROPID - Regional Organizer of Prague Integrated Transport**

- established in 1993
- 50 employees

- **Prague Integrated Transport Area Prague**

**(496km<sup>2</sup>, population 1.2 mil.)**

**+ greater part of the Central Bohemian Region**

**(the boundary to 50 km from the centre,  
population approx. 0.5 mil.)**



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# Basic principles

## Prague Integrated Transport



- **Integration of all the modes to the coordinated network**
  - backbone rail transport: metro, trams and railways
  - buses: feeder routes to the terminals situated next to the rail transport stations and stops
  - P+R facilities
- **Integrated tariff system**
  - tickets enabling to travel with all necessary transfers between all the modes
  - tariff agreement



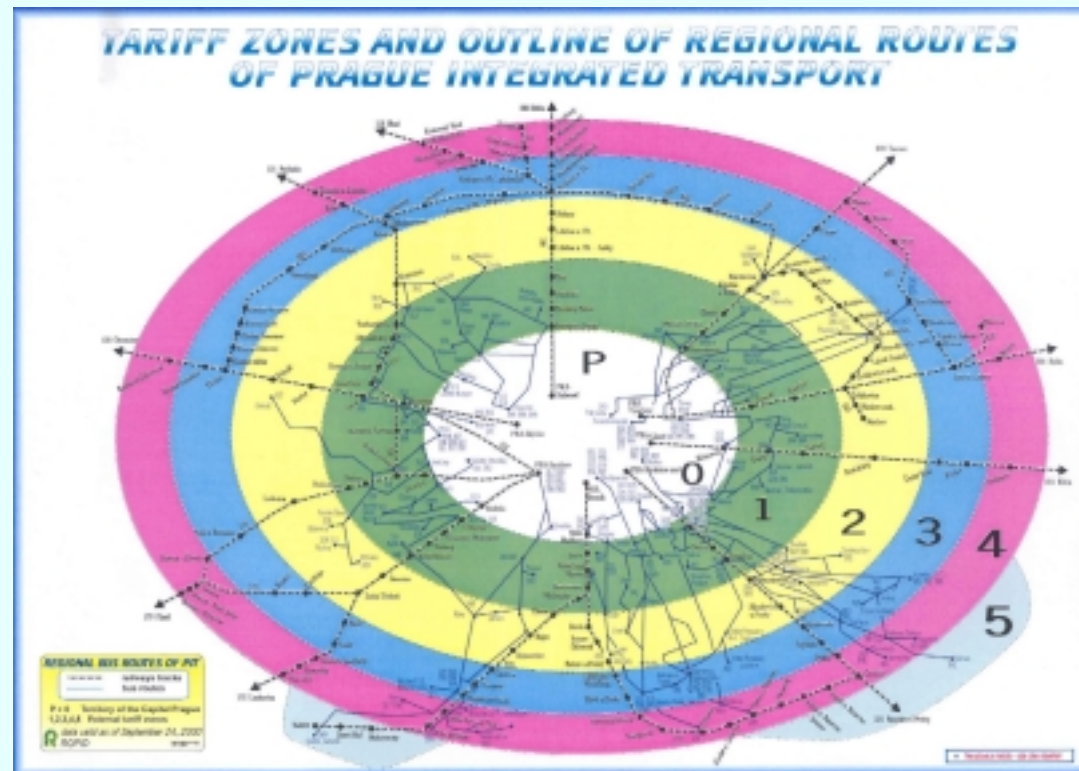
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# Chart of fare zones

## Prague Integrated Transport



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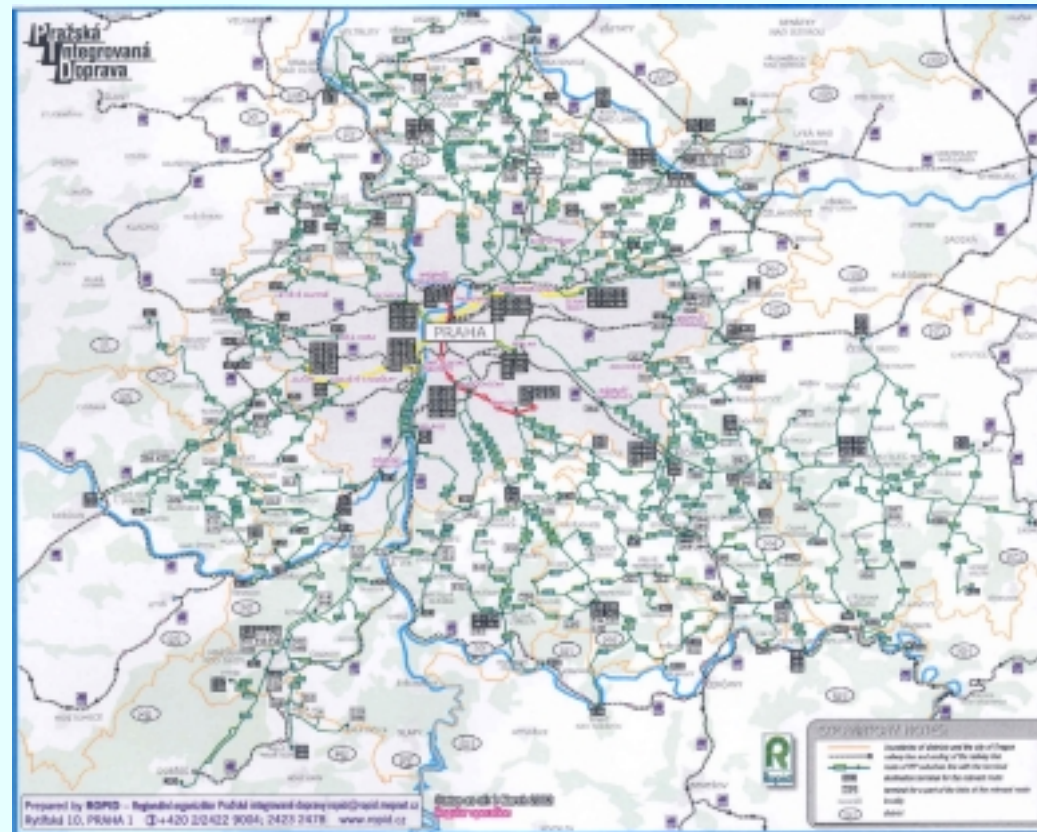






# Suburban routes

## Prague Integrated Transport



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# Development of PIT



## *Basic data*

	1994	1995	1996	1997	1998	1999	2000	2001
<b>Number of municipalities serviced by PIT lines</b>	7	15	55	69	83	104	159	218
<b>Number of regional bus routes included in PIT</b>	6	11	31	38	48	54	89	114
<b>Number of railway stations integrated into PIT</b>	43	59	181	181	181	181	190	200
<b>Share of PIT tickets used on railway (%)</b>	17.4	25.5	29.1	32.5	35.6	37.2	39.2	43



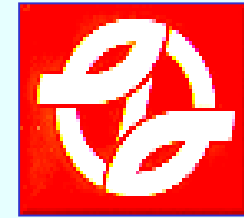
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# Contracts on supply of transport services in PIT *negotiated with*



Operator		Operated routes
Dopravní podnik hl. m. Prahy, akciová společnost		metro: 3 lines funicular: 1 line tram: 24 city lines + 8 night lines bus: 148 city lines + 12 night lines 20 school lines + 23 suburban lines
Milan Bado		bus: 1 city line
Jaroslav Štěpánek		bus: 1 city L + 1 school L + 1 suburban L
Jana Bamatová - SPOJBUS		bus: 5 suburban lines
Marin Uher		bus: 1 city line + 11 suburban lines
Holiner s. r. o.		bus: 8 suburban lines
ČSAD Střední Čechy, spol. s r. o.		bus: 23 suburban lines
ČSAD Praha - západ, s. p.		bus: 2 city lines + 3 suburban lines
ČSAD Praha Vršovice a. s.		bus: 1 city line + 26 suburban lines
ČSAD Kladno a. s.		bus: 5 suburban lines
ČSAD POLKOST, spol. s r. o.		bus: 9 suburban lines
ČSAD Benešov a. s.		bus: 1 suburban line
Okresní autobusová doprava Kolín s. r. o.		bus: 2 suburban lines
PROBO TRANS BEROUN, spol. s r. o.		bus: 2 suburban lines

České dráhy

- 400 trains on working day
- 25 lines within PIT

**Operators of newly  
introduced bus routes  
are selected through  
public tenders.**

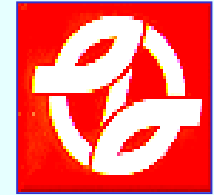


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# Quality criteria for designing PT offer in Prague



- Standard passenger-carrying capacity of PT vehicles: all seats occupied + floor area for standing passengers used by 4 persons/m<sup>2</sup>
- The level of use passenger-carrying capacity in max. hour
- Proportion of seated and standing passengers in PT vehicles
- The highest permissible intervals between links on PT routes
- City center availability

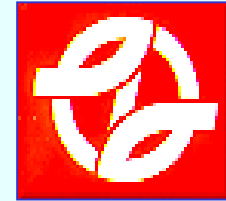
Corresponding to EN 13 816:2002 category 1) availability, the above criteria are used by ROPID in „Public Passenger Transport Organization Project“ design from 1996



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# Quality criteria for designing of PT offer in Prague



The level of use of passenger-carrying capacity (max hour)					
Period	Subsystem	1996		2005	
		Standing pers./m <sup>2</sup>	% of standard capacity	Standing pers./m <sup>2</sup>	% of standard capacity
Morning peak	Metro	3,2	80	2,6	65
	Tram	2,8	70	2,6	65
	Bus	4	100	2,6	65
Off-peak	Metro	2,6	65	2	50
	Tram	2,4	60	2	50
	Bus	3,2	80	2	50
Afternoon peak	Metro	3,2	80	2,6	65
	Tram	2,8	70	2,6	65
	Bus	4	100	2,6	65



# Quality criteria for designing of PT offer in Prague



## Permissible interval between links

Means of transport	Metro		Tram		Bus	
city zone	1+2	3	1+2	3	1+2	3
Interval (min)	5	10	10	10	15 (30)	30 (60)

City zone	City center availability (min)	
	1996	2005
1	20	20
2	40	35
3	60	55



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# Transport policy principles of the City of Prague



- 8 of 9 principles declared are closely related to operation and development of Prague PT system
- Principle V:  
development of transport system not only in terms of transport capacity but also in terms of safety and provision of sufficient quality



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# The service quality programme of Prague Public Transit Co. Inc (PPT)



Implementation of this programme in co-operation

with RATP



from the beginning of 1998

Based on European Standard

“Transportation Services – Public Passenger Transport  
Service Quality Definition, Targeting and Measurement”

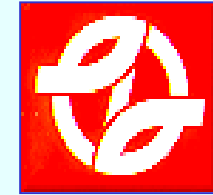
(EN 13 816:2002 – Czech Republic member of CEN)



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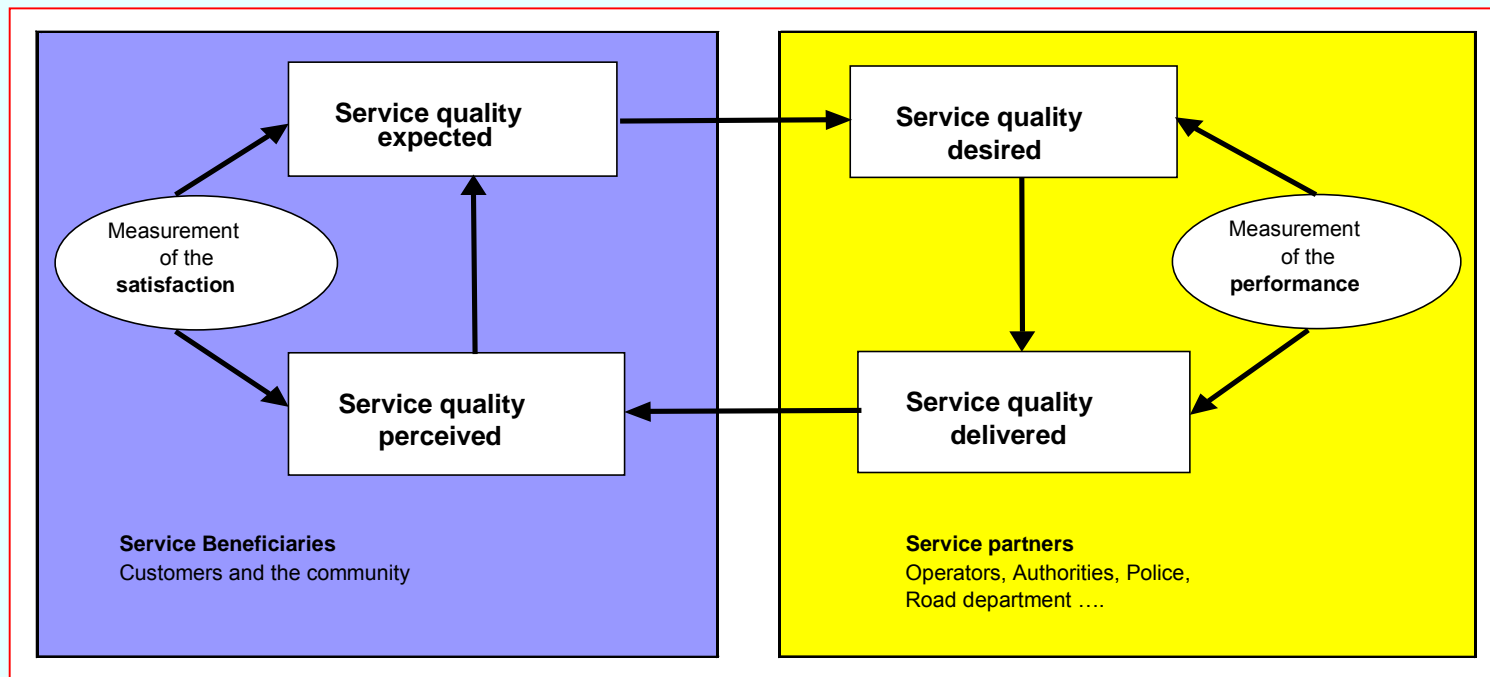


# Service Quality Cycle



Customer view

Service provider view



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# Service quality standard of PPT



- Punctuality/regularity
- Passenger information
- Customer care
- Uniform discipline
- Operability of ticket vending machines (*since 2000*)



Standards defined through:

- Service reference sample
- Desired level of achievement
- Unacceptable situations

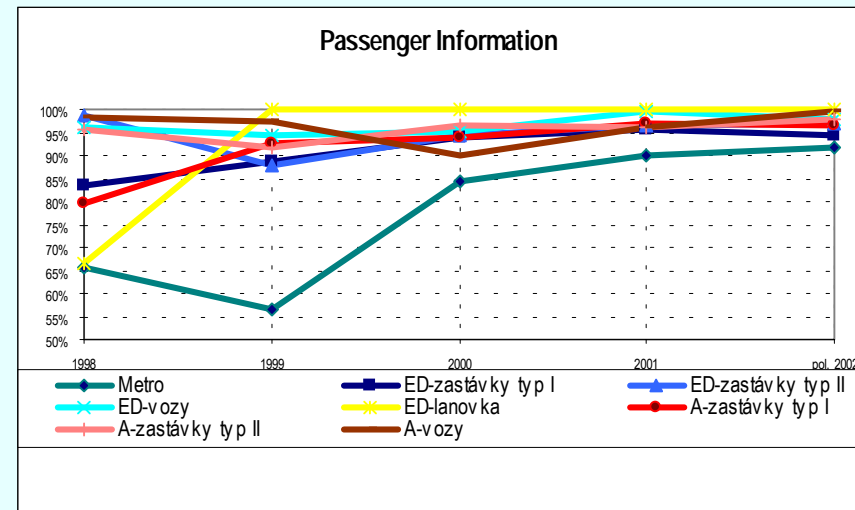
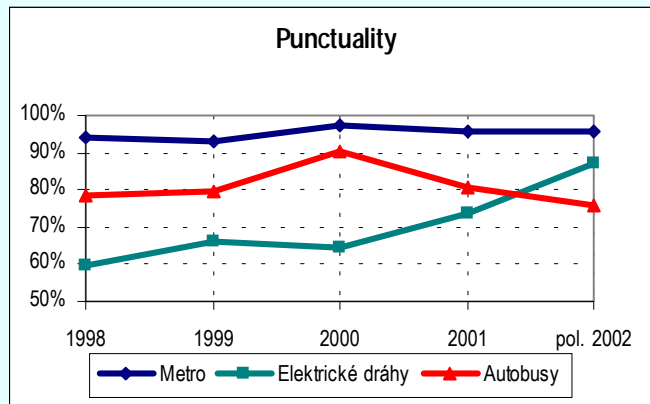


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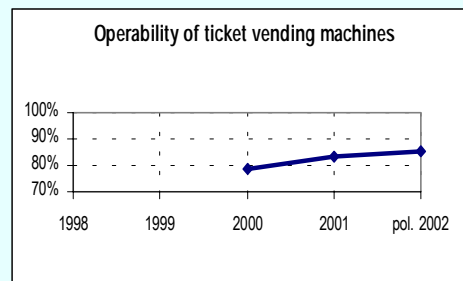
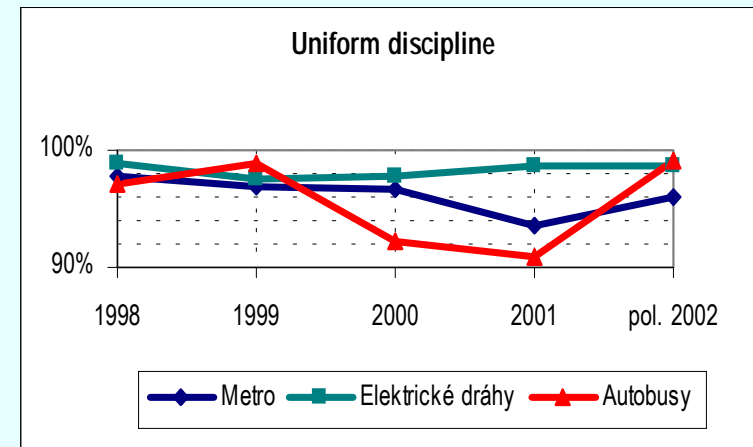
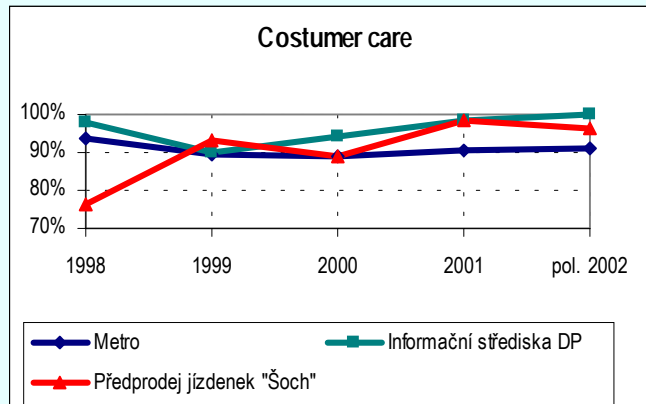
# Standards' measurement: Evolution of results



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# Standards' measurement: Evolution of results



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# The Service Quality Programme (SQP) advancements



- In the course 5 years of its existence SQP has been:
  - an in-house corporate initiative
  - developed within the framework of the initial 4 (then 5) standards
    - increased volume of samples measured
    - objectivised measurement
    - changes of in-house regulations
    - corrective actions for service improvements
- Cumulative steps toward better quality have been a result of initiatives taken by a number of programme participants
  - most obviously by corporate units faced with the competitive pressure in the system of regional bus services in the PIT system
  - competition (or synergie of activities ?) obvious even within the company



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# Introduction of quality aspects in the contract



## *Example of sanctions*

- - 2,000 CZK per occurrence
  - non-operated first link specified in service schedule (on a route with frequency > 20 minutes)
  - non-operated last link specified in service schedule
  - ticket incorrectly issued
- - 1,000 CZK per occurrence
  - non-operated bus-hour
  - failure to provide intermodal option specified in service schedule
- - 500 CZK per occurrence
  - premature departure from stop



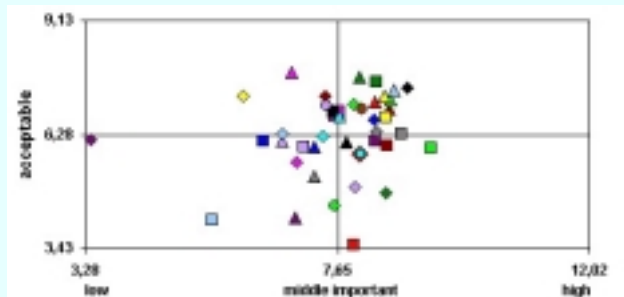
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# Quality aspects in future contracts



Time for new perception of operational quality ?



## *Impulses*

- Adoption of EN 13816:2002
- Forthcoming competitive environment in the sector
- Achieved stabilization of results of measured standards: new substantial progress attainable through closer co-operation of all partners: Operator, Authorities, Police, Road service
- Progressive introduction of bonus/malus scheme



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**WEDNESDAY, 26 - SESSION 5**

**QUALITY IN CONTRACT**

**"THE ROLE OF QUALITY PARTNERSHIPS AND QUALITY  
CONTRACTS"**

\*\*\*\*\*

**1. BIOGRAPHICAL NOTE**

Mr. Tyson is an economist who graduated from Manchester University in 1968. Since then, he has specialised in public transport as an academic, consultant and senior executive with a transport authority. He is a member of UITP's Transport Economics Commission, has presented papers to UITP Congress and other UITP conferences, and carried out UITP's first work on relationships between operators and authorities.

Since 1990, he has worked for the Greater Manchester Passenger Transport Executive, most recently leading major policy initiatives and projects on behalf of the Director General. These have included the development and implementation of the Integration Project and Quality Partnership Agreement in Greater Manchester.

He was an adviser to the current UK government on the development of transport policy.

**2. ABSTRACT**

The paper begins by explaining what Quality Partnerships and Quality Contracts are. They have developed largely in the United Kingdom but have a role to play in delivering quality public transport elsewhere in the world.

The next part of the paper summarises the experience of the United Kingdom in developing and implementing Quality Partnerships on both a single route and network wide level.

Finally, the paper concludes by drawing some lessons from the experience that may be useful to other areas in developing Quality Partnerships and Contracts.



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### **3. FULL TEXT**

#### **Introduction and Summary**

The paper begins by explaining what Quality Partnerships and Quality Contracts are. They have developed largely in the United Kingdom but have a role to play in delivering quality public transport elsewhere in the world.

The next part of the paper summarises the experience of the United Kingdom in developing and implementing Quality Partnerships on both a single route and network wide level.

Finally, the paper concludes by drawing some lessons from the experience that may be useful to other areas in developing Quality Partnerships and Contracts.

#### **What are quality partnerships and quality contracts?**

##### **The problem**

The concept of the Quality Partnership first developed in the United Kingdom in the mid 1990s. After over 10 years of deregulated bus services outside London and (Northern Ireland), both operators and transport authorities were aware of the need to improve quality if the decline in patronage was to be reversed. In particular, the authorities were developing policies to reduce car use, many of which required a modal switch to the bus.

It quickly became apparent that to achieve this a radical improvement in the quality of bus services was needed. It was equally clear that neither operators nor authorities could, on their own, deliver this quality improvement. Some elements, like higher quality buses and staff and services that are more frequent could be delivered by operators. However, buses need greater priority in congested traffic, exclusive access to some roads and central areas of towns and cities, to help deliver a more reliable service and to take passengers closer to their destinations. The scope and quality of information about public transport also needed to be improved if potential new users were to be attracted to bus services.

##### **The Quality Partnership Approach**

All this called for joint working and co-operation between authorities and operators and the original Quality Partnerships were a way of achieving this.

A Quality Partnership is an agreement (formal or informal) amongst all the organisations that are contributing to improving quality of public transport. It can apply at both network wide level and to specific corridors or services. The agreement will commit each party to providing specific elements of the overall Quality improvement and a typical agreement might cover the following.

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### EXAMPLE OF A QUALITY PARTNERSHIP AGREEMENT

Quality improvement	Organisation
Improved frequency	Operators and transport authority
Low emission, fully accessible buses	Operators
Bus lanes	Highway authority
Priority at signals	Highway authority
Waiting facilities (stops, shelters etc.)	Transport authority
Customer care (driving standards etc.)	Operators
Better information	Transport authority and operators
Access to areas restricted to other traffic	Highway and planning authority
Better passenger access between stops and buses	Highway authority
Simplified ticketing	Operators
Better facilities at interchanges	Transport authority

Not every agreement will have all these elements in it. The content of the agreements in the UK varies from place to place, showing that Quality Partnerships are a flexible tool.

The essential features of a Quality Partnership are:

- It involves operators and transport authorities.
- It often involves other authorities that provide or control the facilities that bus services need.
- No single party can deliver the quality service on its own.
- Each party benefits from the partnership.
- There is synergy in providing the whole range of quality improvements.

### Quality contracts

The Quality Partnership approach can be taken further and put on a contractual basis. This can be achieved in several ways.

The first is to make the partnership agreement a binding contract. This could be part of the contracts that exist between authorities and operators for the provision of services. This type of contract will deal with the obligations of the operator to the authority, but would have to be extended in scope to cover the obligation of the authority to the operators. One complication is that the transport authority will need a formal agreement with any other authorities for their contribution to the contract. Without this, the transport authority may find itself unable to meet the obligations in the contract.

A second approach was introduced in the United Kingdom in 2000. This enables a transport authority to put some elements of its Quality Partnership onto a statutory basis. This obliges the transport and other authorities to provide and maintain the facilities like bus priority and better waiting facilities. In return, all operators using the facilities must meet the quality





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standards set out by the authority. These standards can cover quality of vehicles, accessibility and environmental standards, but cannot extend to providing specific levels of services or fares. This is known as a Statutory Quality Partnership Scheme. The benefit of this is that it prevents operators who are not part of the partnership from using and benefiting from the bus priority and other measures. It also places an obligation on the authorities to provide and maintain the facilities.

A third option is also being developed in the United Kingdom and is known as a Quality Contract. Under this, the authority can specify the levels and standards of services and fares, including the quality dimensions, either on a route or in an area. It will then contract with one operator to provide these services and all other operators are prevented from running services in the area or on the route concerned. This is similar to the arrangements that exist in many other parts of Europe for the provision of services.

It does not, however, oblige the authority to provide and maintain the facilities that are necessary for operators to deliver the required quality, although there is no reason why it cannot be extended to include this, provided that other authorities can be included.

#### **Experience to date in the united kingdom**

Up to now, our experience has been confined to Quality Partnership Agreements. No Quality Partnership Schemes have yet been introduced nor have there been any Quality Contracts. However, Quality Partnership Schemes are being developed in a number of areas.

Quality Partnership Agreements have been used extensively and are working well. In most areas or routes where they have been introduced, patronage has been increasing not declining. Most agreements cover individual routes but in some of the larger conurbations there are agreements that cover the whole of the area.

A wide range of quality improvements has been introduced under these agreements. One of the most impressive is the Quality Bus Corridors that are being completed in a number of areas. These combine bus priority measures along the whole length of major bus routes with improved stops and shelters, passenger information and high quality (often new), low emission, fully accessible buses and improved frequencies.

Increases in patronage of between 5% and 15% have been reported on quality bus corridors. Turning to area wide agreements, Greater Manchester signed the first agreement of this kind in August 1998. It is still one of the most comprehensive in the country. The agreement is the first stage in achieving a vision for a vastly improved and expanded public transport network by 2006.

It has already achieved a wide range of improvements many of which benefit all public transport users in the county. These county wide improvements include:

- Improved passenger information including
  - A single call centre for all enquiries about all modes of public transport in Greater Manchester – this takes about 15,000 calls per week.
  - Providing an Internet site with a "journey planner" facility covering all public transport in Greater Manchester.



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- Journey planning facilities at a network of self-service information points in bus stations and other places to which the public have access.
  - A set of large scale, easy to use maps of the network that show all bus services and stops.
  - A simple map showing the places in the county that are linked by high frequency bus train and Metrolink services.
  - A series of large scale maps of the county showing bus services and stops.
- Improvements to bus services including
    - Reducing the number of days in the year on which bus services change.
    - Improving the quality of the buses themselves by an ambitious programme of new fully accessible, low emission buses.
    - Improvements to service frequencies on trunk routes
  - Introducing a range of day travelcards valid on all services and, depending on price, on more than one mode. These tickets make it simpler and in many cases cheaper to use public transport and facilitate and encourage passengers to switch from bus to bus and to use different modes of transport for their journeys.
  - Developing two high quality new interchanges and a new bus station in one of the main towns in the conurbation.
  - Producing a programme of improvements for over 200 interchange points on the public transport network. These include major town-centre bus stations, major inter-modal interchanges, suburban bus-rail and bus-Metrolink interchanges and many places where two or more bus services cross or divide.

The Quality Partnership Agreement also includes a commitment to a county wide programme of Quality Bus Corridors. We have now completed the first two and parts of three others. There is a commitment to, and funding for, a 300 kilometre network of Quality Bus Corridors, each of which will become the subject of a Quality Partnership Scheme.

As a result of these measures, bus patronage is now increasing in Greater Manchester after many years of continuous decline. Over the past two years there has been a 4% increase.

### **Conclusions**

In drawing conclusions from the experience of Quality Partnerships in the United Kingdom, it is important to remember that bus services are deregulated and the type of relationship between transport authorities and operators do not apply. Operators decide the service levels and fares on about 85% of bus services with no control by the authorities.

The first conclusion is that Quality Partnerships have a role to play in a deregulated situation and are the main way of delivering high quality bus services.



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Nevertheless, the problems that are faced in improving the quality of bus services are the same elsewhere in Europe and the parties that were identified at the beginning of the paper all need to be involved.

Formal contracts can and should specify the quality of service that needs to be provided by the operators. However, the delivery by the different authorities of the facilities that will enable operators to deliver high quality reliable services needs also to be a commitment.

The second conclusion is that Quality Partnerships can provide a framework in which transport and other authorities can deliver improvements to operators and that they may be the first step towards a formal commitment on the part of both parties.

The third conclusion is that Quality Partnerships can be more flexible as they are easier to adapt to changing circumstances.

The fourth conclusion is that Quality Partnerships can, and have, delivered quality improvements that have led to patronage increases. They are, therefore, a useful addition to the tool kit available to authorities and operators to work towards the common goal of better public transport.

Finally, there are several ways of formalising Quality Partnerships into some form of Quality Contract, (not necessarily the United Kingdom model). Contractual frameworks are more secure, but less flexible.

My final conclusion is that partnerships should be tried first and strengthened into contracts if this proves to be necessary.

# Quality Partnerships and Quality Contracts



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# Quality Partnerships and Quality Contracts



- What are Quality Partnerships
- What are Quality Contracts
- Experience in the United Kingdom
- Conclusions and lessons for other countries



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# The problem



- Declining bus patronage
- Need to change modal split
- Radical improvement in quality required
- Operators and authorities could not achieve this on their own
- **Partnership needed**



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# A Quality Partnership Agreement



- Improved frequency
- High quality buses
- Bus priority
- Waiting facilities
- Customer care
- Operators/Transport Authority
- Operators
- Highway Authority
- Transport Authority
- Operators



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- Information
- Access to buses
- Access to central areas
- Ticketing
- Interchanges
- Transport Authority and Operators
- Highway Authority
- Highway and Panning Authority
- Operators
- Transport Authority



# Essential features



- Involves operators and transport authorities
- Includes other authorities
- No single party can deliver on their own
- All parties benefit
- Synergy from providing improvements



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# Quality Contracts - Options



- Partnership becomes a binding contract
- Partnership is put on a statutory basis
- Authorities specify services and operators provide under contract (no competition from other services)



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# Experience in the U K



- Informal partnerships only
- Widely used and working well
- Applied to corridors and to areas
- Resulted in many quality improvements
- Increases in patronage of 5% to 15%



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# Greater Manchester example GMPTE

- First area wide agreement – signed 1998
- All authorities
- Operators of all modes
- Delivering improvements to achieve a vision for 2006



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# Achievements



- Improved information for passengers
  - Single call centre
  - Internet journey planner
  - Electronic information points in terminals
  - Large scale maps
  - Map of high frequency stops
  - Interchange information



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- Improvements to bus services
  - More stability in the network
  - More low floor, low emission buses
  - Higher frequencies on trunk routes

- Simpler ticketing – day travelcards bought on bus.
- Two new interchanges
- Major upgrading of interchanges
- 300 kilometre network of bus priority being implemented.

# Conclusions



- Quality Partnerships have a role to play in a deregulated environment
- Important way of getting high quality bus services
- Provide framework for authorities to deliver improvements to operators and vice-versa



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- May be first step to formal commitment
- Quality Partnerships are flexible
- Quality Partnerships have delivered benefits
- Partnerships can be formalised
- Partnerships should be tried first



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**WEDNESDAY, 26 - SESSION 5**

**QUALITY IN CONTRACT**

**"HONG KONG EXPERIENCE"**

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**1. BIOGRAPHICAL NOTE**

Mr. Wong is a subway operator with 25 years' experience. He has been involved in works train operation, operator training, automatic fare collection system operation and administration, operational safety, planning and support and real-time railway line and incident management. He has also provided client requirements and input in the replacement of all first-generation railway systems on the MTR and in the creation of tailor-made systems for station administration and incident registration.

In the negotiations with Government leading to the privatisation of the MTRC in 2000, Mr. Wong was a member of the operations team.

Mr. Wong is a chartered secretary and holds two master's degrees, one in business administration and the other in electronic business.

**2. ABSTRACT**

Well begun is half done. When the pre-privatisation negotiations between the MTRC and Hong Kong Government were being held, the tri-partie interests of the public as well as the MTRC and Government were taken into account.

12 Performance Requirements (PRs) were established in the resulting contract - Operating Agreement (OA). 8 of these PRs are subject to performance levels (PLs) and carry penalties for non-compliance, and all 12 have more stringent Customer Service Pledges (CSPs) set by the Corporation (at a level more stringent than the PLs where applicable) as our service commitment to the public.



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The Corporation has since raised the CSPs and PLs of some of the PRs after the reviews of the 2 annual OA reports with Government over constructive meetings.

### **3. FULL TEXT**

#### **1. Introduction**

- 1.1 Ever since the outbreak of the Asian crisis in 1997, the Hong Kong Special Administrative Region Government had been suffering from a sharp reduction in revenue. In order to fill the treasury coffers, the HKSAR Government announced in March 1999 its decision to privatise the Mass Transit Railway Corporation, a public corporation wholly owned by the Government. The Government legislative machine sprang into operation with a draft MTR Bill gazetted in 6 months' time. Then in October that year, the bill was submitted to the Formation of Bills Committee of the Legislative Council for discussion. It was finally passed on 23 February 2000.
- 1.2 Even before the Bill was passed as MTR Ordinance, Contract negotiation had begun between the Government as represented by the Transport Bureau (policy maker) and Transport Department (administrator) and the Corporation. 4 months after the Bill's passing, a Contract was finally agreed upon and signed off on 29 June 2000. The new Contract, known as Operating Agreement, came into effect the following day.
- 1.3 MTR's experience with its Contract has been one of success, and should be of particular interest to railways contemplating the establishment of a new Contract or renegotiation of an existing one with the authorities.

#### **2. Shared Objectives**

- 2.1 As the Corporation's first ever Contract was a prelude to its privatisation as one of the largest listed companies on the Hong Kong stock market, its impact on the economy could not be over-estimated. It was therefore essential for the benefits of all parties concerned, namely Government, the community and the Corporation, to have some non-conflicting goals that they could identify with in order to make this privatisation a success.
- 2.2 For the Government and the community, it was recognised that once the Corporation entered into a Contract with Government, it was going to run on strengthened commercial discipline, and that would only be of greater benefit to Hong Kong, bearing in mind the enhanced efficiency and service levels expected of the re-created company. As for the Government, it would be able to realise additional revenue to ease its financial burden. And for the public, they could enjoy shared ownership of a successful and profitable piece of Government asset.

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- 2.3 Since Government's financial burden was quite large and Government was planning to privatise all public corporations, and likely some Government departments as well, the Corporation's experience was intended to serve as a good example for the establishment of a template for the forthcoming privatisation of such organisations.
- 2.4 Of course the public listing of such a mammoth company as the MTR would add diversity and substance to the Hong Kong stock market and demonstrate Government's commitment to a free market.
- 2.5 As for the Corporation, it would have access to a broadened base of equity funds. Therefore, instead of just taking out loans in future to finance its projects, it could also consider other financial instruments available to public listed companies, hence reducing the need for Government capital injection. On the other hand, the privatisation would also reinforce the commercial approach of the Corporation to make it more market-oriented.
- 2.6 The Contract that the Corporation was going to enter into would also reinforce its commitment to increase its efficiency and profitability to new horizons. This would also open up commercial opportunities because of the greater flexibility a privatised company could enjoy.
- 2.7 With the market values being optimised and employee-shared ownership and profit sharing on the horizon, the morale of the Corporation's staff was also given a big push.

### **3. Principles and Framework of Regulation**

- 3.1 Right from the beginning of the negotiation of the Contract, the Corporation and Government worked on the unwritten principles of striking a balance between regulation and the interests of different parties and no diminution in safety or service. This has proved to be a win-win arrangement for both parties.
- 3.2 As for the regulatory framework, the Commissioner for Transport of the Transport Department was appointed as Regulator. It was subsequently determined jointly and with the Transport Bureau that the status quo of the Corporation should be preserved with a light-handed approach to regulation.
- 3.3 This framework has ensured high performance with the minimum intervention from the Regulator. Indeed, according to a research carried out by the Railway Technology Strategy Center of London University, the highest level of regulation had the worst performance and vice versa.

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### "Contractual Relationships between Authorities and Operators", VIENNA (AT), 24-26<sup>th</sup> February 2003

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- 3.4 As the Transport Department had only been involved in the regulation of buses through a highly intricate, elaborate and costly mechanism, it took the civil servants quite some time to adjust to the new principles. Open and frank discussions, often in the presence of the policy-making Transport Bureau, helped establish rapport with them and cement the reflection of such principles in the Contract itself.

#### 4. Contract

- 4.1 The Contract grants the Corporation a franchise to operate the railway for 50 years. It addresses the interests and concerns of all stakeholders and encourages major investments in the future. Essential safety, operational and service requirements are also incorporated. And there is a non-performance clause on fines of up to HK\$50,000 and HK\$10,000 per day for on-going failures and the possible revocation of the franchise in extreme cases.

- 4.2 The Contract covers the following railway-related areas that the Regulator and the Corporation have to work to:

- i. Fares
- ii. Safety
- iii. Performance requirements
- iv. Customer service pledges
- v. Customer satisfaction
- vi. New projects
- vii. Staff issues

- Fares

Regarding the fares of the Corporation, the Operating Agreement stipulates full autonomy as the Corporation has been enjoying all the time since its opening in 1979.

There is a clause stating that public acceptance should be considered in the setting of fares and that the Transport Advisory Committee and Transport Panel of the Legislative Council be consulted before any fare changes are announced.

- Safety

The contract requires the setting up and maintenance of a safety management system and the use of safety documentation to minimise hazards.



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New lines and new technologies are stipulated as being subject to the approval of the Railway Inspectorate of Hong Kong.

- **Performance Requirements**

In order to ensure that the Corporation can deliver and Transport Department will not be perceived as not doing its job properly, system performance requirements are established with annual targets which were fairly easy to achieve to start with. The 8 original targets were as follows:

a.	Train Service Delivery	98.5% of the schedule
b.	Passenger Journeys on	98.5% (MTR – 5 mins)
Time		98% (Airport Express – 5 mins)
c.	Train Service	98% (MTR – 2 mins)
Punctuality		98% (Airport Express – 5 mins)
d.	Add Value Machine	95.5%
Reliability		
e.	Ticket Issuing Machine	93%
Reliability		
f.	Ticket Gate Reliability	97%
g.	Escalator Reliability	98%
h.	Passenger Lift	98.5%
Reliability		

Failures are subject to fines. However, as there may be external reasons for the MTR to fail to achieve a certain performance requirement, e.g. passenger actions, they are exempted from counting against us. Similarly, because new lines and new technologies unavoidably have teething problems at the outset, their performance is also excluded for the first two years of operation and during their construction. This arrangement has pre-empted quite some potential arguments in the 2½ years since the signing of the Contract.

- **Customer Service Pledges**

In addition to the targets for the performance requirements, these performance measures are also subject to some customer service pledges made voluntarily by the Corporation. These internal performance targets were originally set generally 1% above the minimum performance requirements.



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In addition to the 8 performance requirements which have both targets and pledges, there are 4 others which are subject only to some customer service pledges but not performance requirement targets. They are:

- a. Train reliability
- b. Ticket reliability
- c. Passenger comfort
- d. Cleanliness at stations and trains

Since pledges are voluntary, their failures are not subject to fines. However, as in the case of performance requirements, exempted and excluded events are not counted against these pledges.

The Contract also requires the Corporation to publish the results of all 12 measures on a quarterly basis and annually.

- **Customer satisfaction**

In order to ensure that the Corporation would still be able to retain its level of customer satisfaction, the Contract stipulates that the Corporation has to measure customer satisfaction on a regular basis through half-yearly surveys. Moreover, a system for handling complaints and suggestions is also specified as a requirement.

- **New Project**

The Contract allows the Corporation to build extensions and new lines on a level playing field with other competitors.

- **Staff Issues**

In order to allay the fear that the privatisation would bring about cost cutting at the expense of staff, the then existing terms and conditions of employment were transferred without amendment to the new company. The pay review mechanism was also allowed to continue to run. Therefore the Corporation's commitment to run the business on commercial principles at the end gave a feeling of long-term security to staff.

With the well-being of the staff taken care of, the staff did not have any qualms about the Contract. Moreover, they were given a guaranteed allocation of stocks if they subscribed to their entitled amount, a certain number of MTR stocks free, or stock options, staff were in full support of the Contract.

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#### **5. Continuous Improvement**

- 5.1 Through proper planning and cooperation between the Corporation and the Regulator, performance requirement targets and customer service pledges as mentioned above were established at a level which was fairly easy to achieve at the outset. This arrangement has allowed the Corporation to raise some of the targets and pledges every year since privatisation upon annual review of the Corporation's performance with the Regulator.
- 5.2 This built-in capability for continuous improvement has been able to ensure that neither the Corporation nor the Regulator had too difficult a time when an abridged version of the Corporation's annual report on the Contract was discussed at the Legislative Council. The public's satisfaction with the Corporation has also been on an up trend partly as a result of this strategy.

#### **6. Conclusion**

- 6.1 Well begun is half done. Entering into a Contract with clear objectives that balance the interests of all the stakeholders has been instrumental in ensuring that the product ends up not being a burden to anybody but a blueprint of the Corporation's future.
- 6.2 To be welcome by all the stakeholders, a Contract should specify the maintenance of a high level of safety and service and yet provide for reasonable exemptions and exclusions of unavoidable adverse effects on the service. Prevention is better than cure.
- 6.3 As over-regulation will only stifle initiatives and erode ambitions, it must be guarded against. In the case of MTRC, this is safeguarded on the "hard" side by the MTR Ordinance and the Operating Agreement (the Contract), and on the "soft" side by maintaining rapport with the Regulator.
- 6.4 Last but not least, for any railway that is going to have a Contract for the first time, or planning to re-negotiate one, the advice is to build in some room for improvement for the measurable targets that it has to meet. It is only then can continuous improvement be achievable in the most important initial years of the Contract, when the Regulator and the public would tend to put its performance under the microscope whenever it is review time.
- 6.5 For the MTRC, our experience is that the Contract which provides something for everybody has been able to secure tri-partite benefits - for the travelling public as well as the Corporation and the Regulator.





# Contractual Relationships between Authorities and Operators

## Hong Kong Experience

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between Authorities and Operators”  
24-26th February 2003, Vienna, Austria**

# Contents



- Events leading to the MTR Contract
- Shared objectives
- Regulation
- The Contract
- Continuous Improvement
- Conclusion



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# Events leading to the MTR Contract



- March 1999 : Announcement of privatisation by the HKSAR Government
- September 1999 : Draft MTR Bill gazetted
- October 1999 : MTR Bill submitted to Legislative Council Formation of Bills Committee
- 23 February 2000 : MTR Bill passed as MTR Ordinance
- 29 June 2000 : Contract Signed
- 30 June 2000 : Contract came into effect



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# Shared Objectives - Benefits for the Government and the Community



- Strengthened commercial discipline
- Enhanced efficiency and service
- Realised revenue for the Government
- Shared public ownership of a successful and profitable Government asset



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# Shared Objectives - Benefits for the Government and the Community (cont'd)



- Established template for forthcoming privatisation
- Added diversity and substance to the Hong Kong Stock Market
- Demonstrated Government commitment to a free market



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# Shared Objectives - Benefits for the Corporation



- Broadened access to equity funds
- Reduced need for Government's capital injection
- Reinforced commercial approach - more market-oriented
- Reinforced commitment to increasing efficiency and productivity



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# Shared Objectives - Benefits for the Corporation (cont'd)



- Increased flexibility to develop commercial opportunities
- Optimised market values
- Employee-owned shares and sharing of future profits



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# Unwritten Principles for Win-win Regulation



## *Basis of the Operating Agreement:*

- Balance between regulation and interests of different parties
- No diminution in safety or service



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# The Regulatory Framework

- Regulator - Commissioner for Transport
- Status quo preserved with light-handed regulation
- High performance with the minimum of intervention
- Railway Technology Strategy Centre, London  
University research shows “the highest level of regulation had the worst performance and vice versa ”
- Pitfall: micro-management by the Regulator
- Solution: open and frank discussions, often before Transport Bureau personnel, to establish rapport and consolidate the principles of regulation



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# The Contract - Operating Agreement



- 50-year franchise
- Interests and concerns of all stakeholders addressed
- Major investments in the future encouraged
- Containing the essential safety, operational and service requirements
- Non-performance subject to
  - fines of up to HK\$50,000 and HK\$10,000/day for on-going failures; and
  - revocation of franchise



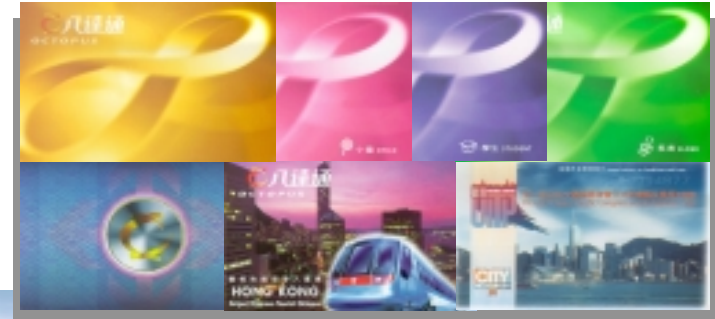
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# Fares

- Full autonomy
- Public acceptance to be considered
- Transport Advisory Committee and Transport Panel of Legislative Council to be consulted



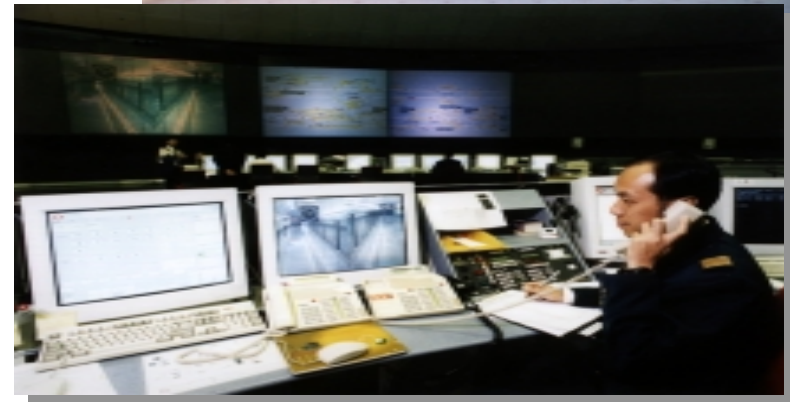
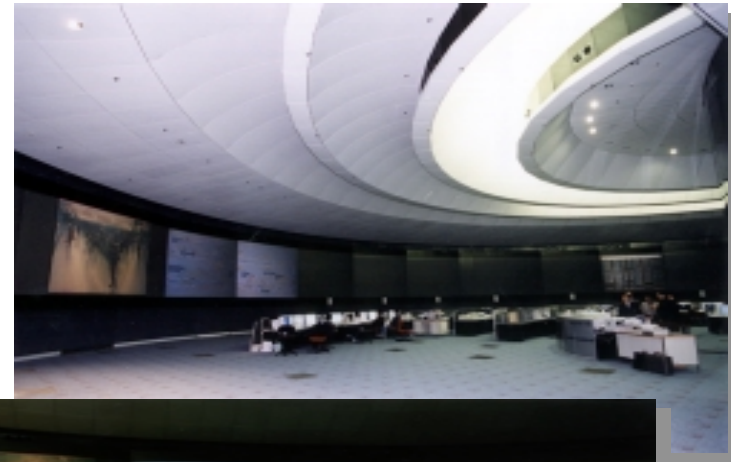
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# Safety

- Safety management system
- Safety documentation to minimise hazards
- New lines and new technologies subject to the approval of the Railway Inspectorate



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# Achievable Performance Requirements



8 performance measures set based on past 2 years' achievements

- Train Service delivery 98.5% of the schedule
- Passenger Journeys on Time 98.5% (MTR - 5')  
98% (Airport Express - 5')
- Train Service Punctuality 98% (MTR - 2')  
98% (Airport Express - 5')
- Add Value Machine Reliability 95.5%



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# Achievable Performance Requirements



- Ticket Issuing Machine Reliability 93%
- Ticket Gate Reliability 97%
- Escalator Reliability 98%
- Passenger Lift Reliability 98.5%

## *Additional assurances:*

- *Causes for non-achievement outside MTR control are exempted from counting against the Corporation*
- *New lines and new technologies are excluded during their construction and first 2 years of operation*



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# Achievable Customer Service Pledges

- Internal performance targets - in general 1% above the minimum performance requirements
- The 8 performance measures plus :
  - ✱ train reliability
  - ✱ ticket reliability
  - ✱ passenger comfort
  - ✱ cleanliness of stations & trains
- results published every 3 months and year

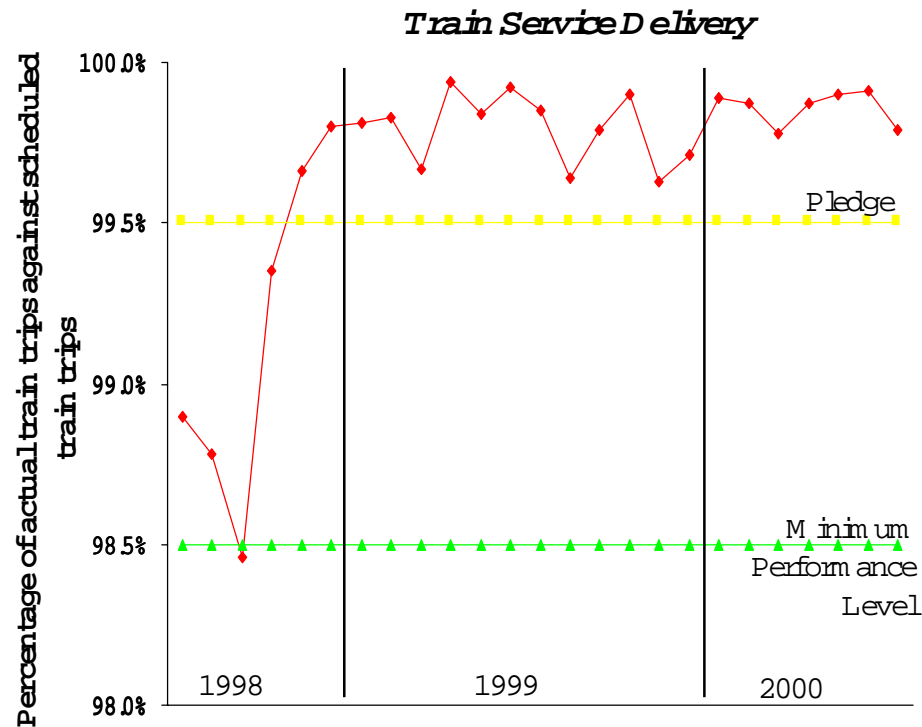


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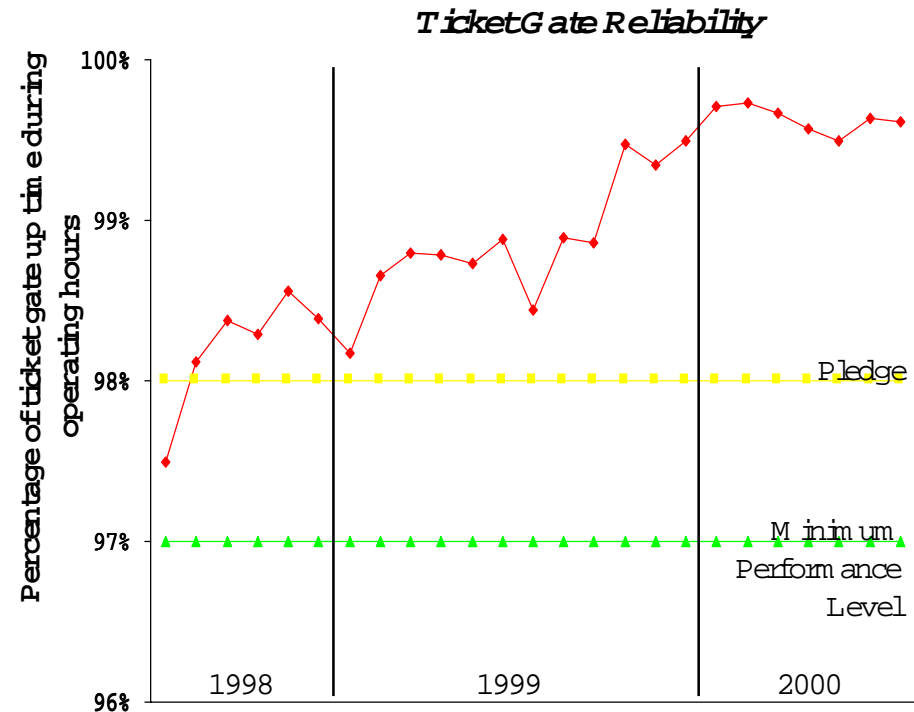




# Examples



Remark: Data from Jul-98 to Nov-99 includes Exemption Events. From Dec-99 onwards, the data excludes Exemption Events.



Remark: Data from Jul-98 to Nov-99 includes Exemption Events. From Dec-99 onwards, the data excludes Exemption Events.



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# Customer Satisfaction

- Customer satisfaction to be measured
- Regular customer satisfaction surveys at least twice per year
- A system for handling complaints and suggestions



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# New Projects

- Operating Agreement provides for extensions and new lines
- Level playing field



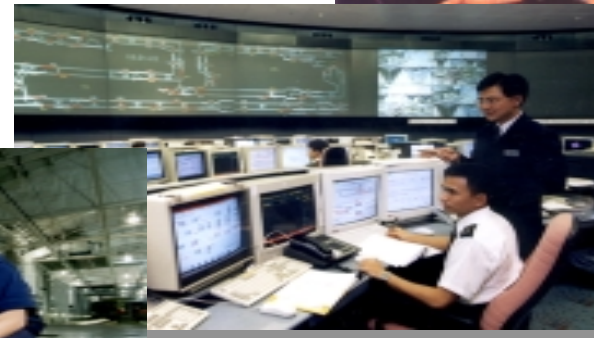
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# Staff Issues

- Existing terms and conditions transferred to the new company
- Existing pay review mechanism continues
- Commitment to run the business on commercial principles gives long-term security
- Stock benefits



*Staff support*



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# Continuous Improvement



Selected Performance Requirements  
and  
Customer Service Pledges  
raised every year since privatisation  
upon annual review with the Regulator

*Everybody happy!*



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# Conclusion

- Privatisation with clear objectives is beneficial to all parties concerned
- A balance of interests among all stakeholders is essential
- Safety and service levels must be maintained
- Exemptions and exclusions needed for measures
- Not to over-regulate - safeguarded by MTR Ordinance, Operating Agreement and rapport
- Built-in room for continuous improvement is important

MTR - Hong Kong's fast track to a world class city  
through securing tri-partite benefits



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24-26<sup>th</sup> February 2003**

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***WEDNESDAY, 26 - SESSION 6***

**PRESENTATION OF DIFFERENT TYPES OF CONTRACT**

**"CONTRACTUAL ARRANGEMENTS BETWEEN AUTHORITIES AND  
OPERATORS: THE CASE OF SEVILLA"**

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**1. BIOGRAPHICAL NOTE : not submitted**

**2. ABSTRACT : not submitted**

**3. FULL TEXT : not submitted**



**UITP CONFERENCE**  
**"Contractual Relationships between Authorities  
and Operators", VIENNA (AT),  
24-26<sup>th</sup> February 2003**

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**WEDNESDAY, 26 - SESSION 6**

**PRESENTATION OF DIFFERENT TYPES OF CONTRACT**

**" PUBLIC-PRIVATE PARTNERSHIP : THE FLEMISH PUBLIC  
TRANSPORT MODEL "**

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**1. BIOGRAPHICAL NOTE**

Ingrid Lieten is 38 and was born in Hasselt (the capital city of the eastern most province of Flanders)

She is married and mother of two sons.

She studied law and holds several management degrees.

Her professional career started in 1987 when she held a research and teaching function at the Free University of Brussels (VUB) her alma mater.

Further on she had a lawyer's practice before getting involved on senior management level in local government.

For a short period she was secretary-general of a company dealing with regional economic development and restructuring.

Since 01-01-1997 she has been a member of the Board of the "Vlaamse Vervoermaatschappij De Lijn" of which she became the CEO on 01-01-2002.

**2. ABSTRACT**

The Flemish PT model constitutes a unique blend of public initiative on strategic levels and private sector participation on the purely operational level.

Two types of contractual relationships predominate in this model



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The relation between VVM and Flemish Government is ruled by a 5-year management contract, whilst the relation between VVM and its private partners is governed by contracts, awarded after a tendering procedure with pre-qualification and the possibility to re-negotiate.

### **3. FULL TEXT**

Within the rather complex federal framework of the Belgian State, Federal Government only assumes responsibility for railway infrastructure and operations.

Regional public transport, on the other hand, is relegated to the regional Flemish, Walloon and Brussels autonomous governments.

The autonomous Flanders region has entrusted all of its public transport activities to the VLAAMSE VERVOERMAATSCHAPPIJ (commercial brand-name: "De Lijn")

This publicly owned company has three categories of shareholders:

- The Flemish Government
- The 5 Flemish Provinces (VVP)
- The Flemish local councils (municipalities)

The Flemish Government has elaborated an ambitious public transport policy, setting out as its principal objectives:

- Ensuring "basic mobility": each citizen is entitled to a minimum public transport package, whereby legal standards for PT minimum frequency, maximum distance to nearest bus stop have been developed.
- Promoting a "modal shift": getting people out of their private cars and encouraging them to make greater use of buses and trams, as an alternative transport mode.
- Integrating public transport in a voluntaristic social policy, where certain categories of users can benefit from generous fare reductions (the elderly, students, children, )

On the legal level, these objectives have been translated into one global Flemish Mobility Decree, put into practice by a series of implementing orders in pursuance of this decree.

Relations between the Flemish government and the VVM management are defined in multi-annual bilateral management contracts, which are renegotiated and evaluated on a regular basis.

For reasons of efficiency and democratic control, the Flemish Government has empowered the VVM to assume full responsibility for the organization of public transport. In doing so, the Flemish government makes sure that essential tools for elaborating a global mobility policy remain solidly in its own hands (network management, technical coordination, tariff schemes, itineraries and timetables)

This multilayered legal framework is completed by the opportunity, offered to local councils, of signing voluntary agreements (the so-called "convenanten") with the VVM, in order to upgrade PT on a local level, above the normal minimum standards defined by the Flemish Mobility Decree. Local councils wanting to make use of this possibility of getting extra PT





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services on their territory (demand responsive bus services f.e.), can subsidize those extra services from their own municipal budgets by elaborating "third party payer"-agreements. The most common example of such "third party payer" agreements are tariff measures, whereby the local council decides to allow its inhabitants to travel at reduced fares. The difference between the normal fares, charged by the VVM and the reduced fare on municipal level, will then be financed by the local authorities, taking the form of a direct financial compensation to the VVM. Within the legal framework of the "convenanten", local councils are expected to take "collateral" measures to eliminate bottlenecks in local traffic, giving absolute priority to public transport. This can imply, in certain cases, investments in infrastructure (free bus lanes, roundabouts, signposting ...)

The "convenanten"-policy has undisputedly been a huge success up till now: 92% of the 309 local councils in Flanders have already signed a "moederconvenant" (= Basic covenant) with the Flemish Government and the VVM. Take a look at the map: the white spaces (only 8% of the Flemish territory) are those few local councils who have not, until today, concluded any form of covenant.

It should be clear that the VVM needs the active cooperation of local councillors in order to be able to provide high quality services. Some 5 years ago, the VVM launched a campaign baptised "Op 1 Lijn = on one Line", aimed at optimising cooperation between local councils and the VVM.

### **Private sector involvement in Flemish PT**

Small and medium-sized enterprises, most of which could be qualified as family businesses, participate in the PT-sector, by working as **PRIVATE OPERATORS** for the VVM.

I should be emphasized, however, that this private sector involvement in the public transport sector, is confined to a purely OPERATIONAL level.

Today, around 41,5 % of all bus kilometers are performed by some 100 SME's, a percentage which the Flemish Parliament would like to raise to 50%.

Needless to say that this contracting market is fairly competitive, and that Flemish public transport operators are obliged to work at reasonably modest prices and rather low profit margins.

Thanks to this original formula of voluntary public-private partnership, the VVM is able to apply techniques of continuous sectoral benchmarking, whereby its own operational performances on the road are constantly being compared to those of their private contractors.

### **Technicalities of private sector involvement in PT operations: getting the job done**

Since December 1996, some 106 contracts with private operators have been running, with satisfactory results.

These contracts had allowed the private operators to carry out 38,8 million bus kilometres in the period 1996-2002.

This autumn, a large-scale reshuffle of these contracts was deemed to be necessary.



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One of the most important preoccupations in dealing with private sector operators, consists in subdividing the market in rather modest "tendering packages", thus counteracting potential "monopolistic" tendencies among the private operators.

For the whole of Flanders, 79 of such "PT packages" have been compiled.

The competitive tendering of these 79 packages has been finalized the 1<sup>st</sup> January 2003..

Compared to 1996, the amount of bus kilometres performed by private operators has slightly increased to 39,8 million kilometres.

The objective of this remarkable fragmentation is clear: the VVM is anxious to avoid private oligopolies, resulting from operators having a far too substantial market share.

This fragmentation of the Flemish PT market, therefore, is tailored to the rather modest size of the Flemish private operators.

Theoretically, a private operator should never have more than 5% market share on the Flemish level.

Ensuring a fair participation of small and medium sized transport businesses whilst avoiding exaggeratedly dominant positions conquered by private companies, is one of the primary concerns of Flemish PT policy.

#### **How did we tackle this Flemish transport market ?**

As we already mentioned, we subdivided the total number of PT operations to be entrusted to the private partners, in 79 "digestible" portions.

Among all the bus transport companies, 103 were "qualified" , that is, supposed to have real chances of winning one of the 79 tendered "packages" after a objective competitive comparison. During the years of its existence, the VVM has collected an immense amount of economical and technical data, which substantially accelerates the qualification phase.

After having determined the exact number of "qualified" enterprises in a first preselection round, the VVM has transmitted more than 600 "specifications of requirements" to these companies.

For those loving statistical data, I could specify that this amounts to more than 8 "specifications of requirements" per package, held out for tendering.

Within the prescribed period for answering the official call for tenders, a total of 256 tenders have been submitted to the VVM

Since 79 separate "packages" had been put out for tendering, we can safely conclude that for each package, there are at average 3 interested candidates, who have expressed their interest by submitting offers.

#### **The jury's verdict: getting value for money in Flemish PT**

The Central Services of the VVM appoint 7 jury members, among whom the exploitation director and the Chief of the exploitation and operations department.



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One lawyer, specialized in the legal aspects of contracting and tendering, is part of this expert team. External expert advice is offered by a university professor, highly specialized in the legal aspects of public procurement procedures and internationally reputed in this field. These core members are seconded by the director of the regional entity concerned.

One of the original features of this competitive procedure is the emphasis laid on "quality". Contrary to current practice abroad, PRICE is certainly not the only determining factor in the evaluation process. The economically most advantageous proposal is not by definition that of the lowest bidder, but the one proposing the highest possible quality standards for the lowest price.

Broadly speaking, QUALITY CRITERIA could be divided into 3 main categories:

- Quality of the services rendered
- Quality of the buses (age, technical details)
- Quality of the employees (professional attitude)

#### **How the contracts are finally awarded:**

The comparison of the "prices" mentioned in the tenders, is relatively easy

The lowest bidder is incontestably the winner in this discipline.

The comparison of the quality criteria, on the other hand, is rather more complex

Quality comparisons and measurements are performed on three levels: individually, for each item to be evaluated, quality assessment on combination level (service, fleet, staff) and thirdly, an analytical comparison which is part of an internal procedure.

After the comparison of the submitted tenders, we enter the negotiation phase.

A negotiation process which takes place in 2 rounds

During the first round, ALL submitters are invited to enter upon negotiations with the VVM jury: Price, fleet, staff and costs form part of the negotiation procedure.

The second round could be qualified as the "final" phase in this beauty contest.

Only the outstanding performers will reach this second round: 2 or slightly more companies with comparable submitted tenders survive this rigorous selection procedure.

These negotiations do not always result in prices going down, sometimes prices go up as an outcome of the negotiating process. A price raise resulting from a negotiation is often explained by a rise of the proposed service levels.

Until now, this Flemish system of competition among pre-qualified private operators, followed by two negotiation rounds with the most successful submitters, has proved to be a pragmatic way of combining 2 objectives, often thought to be inconsistent: involvement of the private sector and public control of strategic long-term policies in PT

For the bus passenger, there is no visible difference between a bus belonging to a private company and a VVM-bus. Both are painted in the yellow-grey DE LIJN-colours, both carry the same DE LIJN logo, both are integrated in the Flemish PT concept.



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Due to the rigorous selection procedure, substantial quality differences between private operators and VVM are excluded. The coexistence of publicly and privately operated buses leads to a permanent benchmarking process.

#### **The Flemish Government and the VVM: a relationship based on solid and transparent agreements**

Publicly owned companies are often stigmatised, for political reasons, as being irreducibly old-fashioned, bureaucratic, inefficient, insufficiently consumer-oriented, out of touch with normal corporate practice, employing more staff than in comparable private companies, wasting tax-payer's money and so on.

In the past, some of these criticism could well have been justified.

Today, however, taking a look at the Flemish public sector, these prejudices and biased opinions do not take stock of recent evolutions in public administration.

The Flemish Government concentrates on developing one of the most modern and customer-oriented public administrations within Europe.

Good Corporate Governance practices are upheld as examples to be followed.

A radical reform of the Flemish administration has been launched recently.

Its principal objectives are: more transparency, better service for the customers, less bureaucracy, more efficient legislation.

Each government minister will be supported in the future by a homogenous department, preparing the decision-making process.

Within this reformed Flemish administration, a distinction will be operated between INTERNAL and EXTERNAL agencies.

The second category is positioned outside the Administration itself, and possesses a certain degree of autonomy at management level. Top managers of these "external agencies" (such as the VVM) will henceforward work within the framework of a six year mandate.

Evaluation of top managers is carried out by the Board of Administrators and the Flemish Government, on the basis of objective data collected by external consultants in charge of the evaluation procedure.

One negative evaluation of the top management, could mean downright dismissal.

#### **General Management Contracts: the key element in Good Public Governance**

It should be emphasized that the VVM has assembled valuable pioneering experience with the instrument of "management contracts", long before other Flemish public institutions decided to adopt them and long before the Flemish Government made them mandatory for "external" agencies. Let us focus now on this management contract.

Normally, the duration of such a contract is FIVE YEARS

The actual management contract initially ran from 1<sup>st</sup> January to the 31<sup>st</sup> December 2001, and has been prolonged two times till 31<sup>st</sup> June 2003. The new MC will probably start 1<sup>st</sup> July and will be terminated the 31<sup>st</sup> December 2009.



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In order to be able to respond quickly and adequately to rapidly changing circumstances, accessory contracts can be added at all times, leading in some cases to a modification of the principal management contract.

In the foreseeable future, the validity period of management contracts should run parallel with the term in office of a Flemish government.

A newly elected transport minister will have nine months after investiture to conclude a renewed management contract.

Monitoring the execution of the management contract happens on an annual basis.

Each year, before the 15<sup>th</sup> June, the management contract is evaluated, both by the Flemish parliament and the administration. This annual evaluation is based upon the norms and standards specified in chapter 3 of the MC

External auditing firms can be appointed by the transport Minister, if needed.

Conclusions and suggestions emanating from these external audits can be integrated in the action projects of the VVM

#### **The stick and the carrot**

Contrary to predominant practice in contracts with private operators, the Flemish Government has not included any incentive schemes in the MC. Quite logically, if one considers that the VVM is a publicly owned "not for profit" -organisation. Financial incentives paid with taxpayers' money would not make any sense in this context.

Where the carrot is missing, the stick is there in a rather unexpected form.

Article 22 of the MC defines a whole set of penalties and sanctions which could be invoked by both parties. If the Flemish Government should not maintain the subsidy on the contractually agreed level, the VVM can react by diminishing immediately and proportionately the number of kilometres.

If the VVM should not attain the quality standards defined in the MC, the FG can, under certain conditions, hold back the payment of a percentage of the general working subsidy.

#### **Reporting requirements**

Each year before the 1<sup>st</sup> May, the VVM is obliged to produce a "progress report" , to be transmitted to the transport minister, summarising in great detail the progress that has been achieved during the previous year in various domains.

This progress report will have to measure objectively to what degree the elements specified in the annual "action plan" have been realized in day-to-day operations.

The quality barometre constitutes another important aspect of the annual action plan.

Quality measurements have to be carried out on a scientific basis every two years, with intermittent occasional quality measurements in those fields where a certain degree of under-performance would eventually be detected.

These quality reports have to be handed out to the Transport Minister, the Flemish Ombudsman and the VVM Board of Administrators.

#### **Conclusions:**



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It should be clear from what we told today, that the Flemish way of dealing with public transport, shows some unique features. This model permits a substantial level of participation of the private sector, be it on the purely operational field.

Strategic planning and network management, on the other hand, remain entirely in the hands of the VVM.

Practical day-to-day operational decisions in the field, concerning the introduction of new bus lines, the renewal of fleets, redesigning bus/tramlines, higher frequencies are taken on the level of the relatively autonomous regional entities of the VVM.

Fare setting and ticketing, integration, information and promotion, maintenance of the vehicles, specific fleet requirements are clearly unambiguously defined in the 5-year management contract.

### **Have the Flemish then found a miraculous way of combining the best of both worlds?**

To be honest, it should be highlighted that the "Flemish model" is not the cheapest way of running PT, but it ensures a hitherto unattainable standard of performance and quality.

Since there is a broad consensus in Flanders among all political parties that Mobility should be considered a "fundamental citizen's right", to be inscribed in the future Flemish constitution, there is a creative synergy between politicians and PT managers.

On the European level, we are not keen on exporting our Flemish model, since we do not want to be missionaries. But we remain profoundly convinced that we have succeeded in combining the merits of the free market with state initiative and voluntaristic policies.

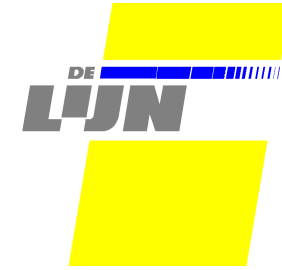
Thanks for listening so attentively to me.





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# Public-private partnership: the Flemish public transport model



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# Shareholders VVM – De Lijn

- Flemish Government
- 5 Flemish Provinces
- Flemish Local Councils (municipalities)



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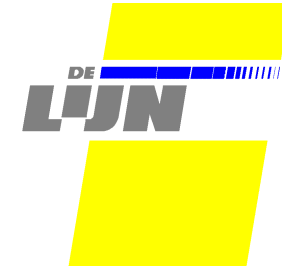
# PRINCIPAL OBJECTIVES

- BASIC MOBILITY
- MODAL SHIFT
- VOLUNTARISTIC SOCIAL POLICY :
  - Fare reductions for certain categories of users



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# OBJECTIVES

## Basic Mobility

- Each citizen is entitled to minimum PT package
- Legal standards for:
  - Minimum frequency
  - Maximum distance to nearest stop
  - Priority areas



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# OBJECTIVES

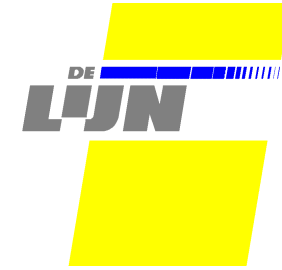
## Promoting modal shift

- De Lijn is a central Mobility problem solver
- Encourage people to get out of their private cars and promote buses and trams as an attractive alternative transport mode



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# OBJECTIVES

## Integrating PT in social policy

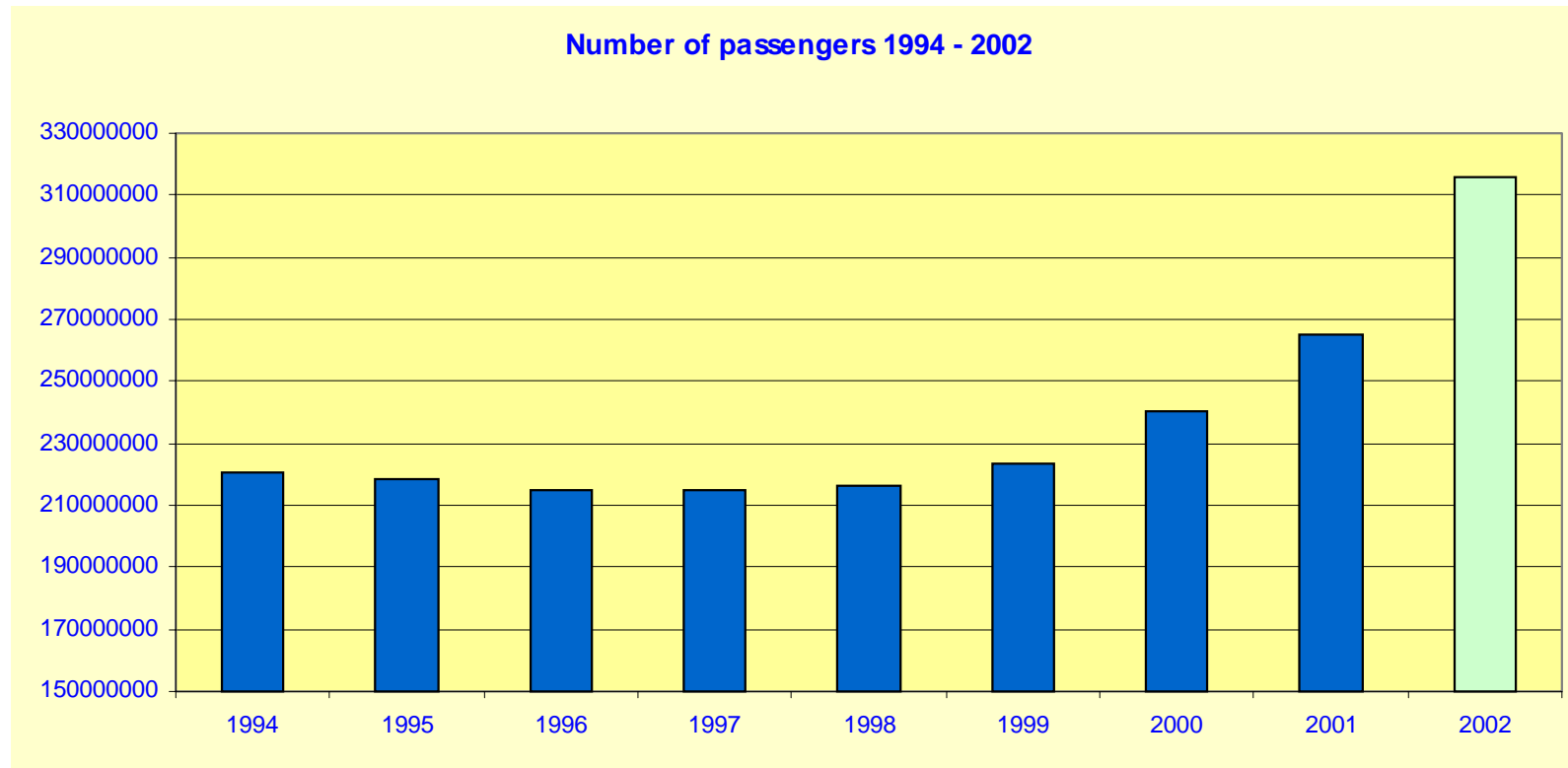
- Most controversial aspect?
- Generous fare reductions for specific user categories
  - Elderly
  - Students
  - Children



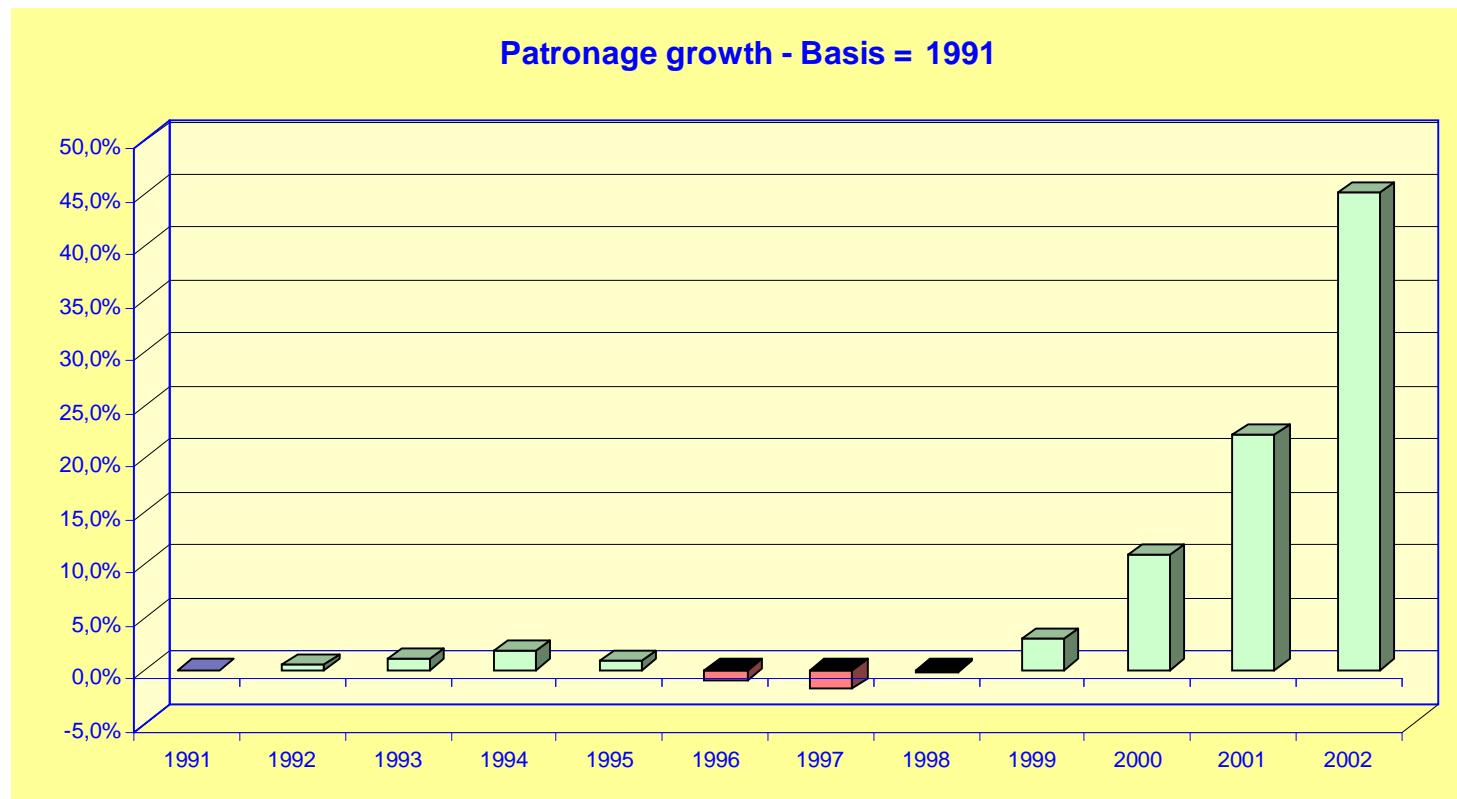
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# RESULTS



# RESULTS





# LEGAL BASIS MOBILITY Decree

- ONE GLOBAL Flemish Mobility Decree
- Series of implementing orders in pursuance of this Global Mobility Decree



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# BILATERAL RELATIONSHIP

Flemish Government

Vlaamse Vervoermaatschappij De Lijn



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# ORGANISATION OF PT

- Empowerment of De Lijn for assuming full responsibility for the organisation of PT



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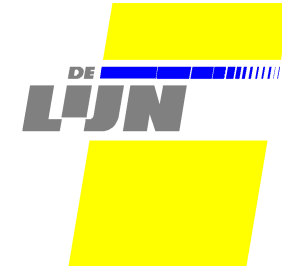
# ORGANISATION OF PT

- Empowerment of De Lijn to take full responsibility for organizing PT
- Essential tools remain in public hands
  - Network management
  - Technical coordination
  - Tariff schemes
  - Itineraries and timetables



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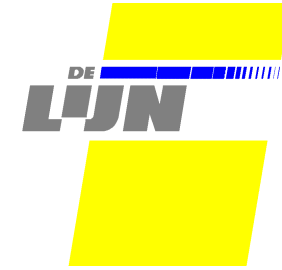
# LOCAL COUNCIL INVOLVEMENT

- Covenants (voluntary agreements)
- Upgrading PT on local level above the normal minimum standards defined by Flemish Mobility Decree
- Third party payer schemes
- Collateral measures on local level



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# LOCAL COUNCIL INVOLVEMENT

- Covenant-policy= undisputed succes: 92% out of 309 local councils have signed a 'mother covenant'
- Active cooperation with local councillors
- Campaign: "Op 1 Lijn"



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# PRIVATE SECTOR INVOLVEMENT



- Private sector participation at OPERATIONAL LEVEL
- 41,5% of all bus kilometres performed by some 100 Flemish SME's.
- Continuous sectoral benchmarking: in-house operations permanently compared to those of the private operators



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# PRIVATE SECTOR INVOLVEMENT

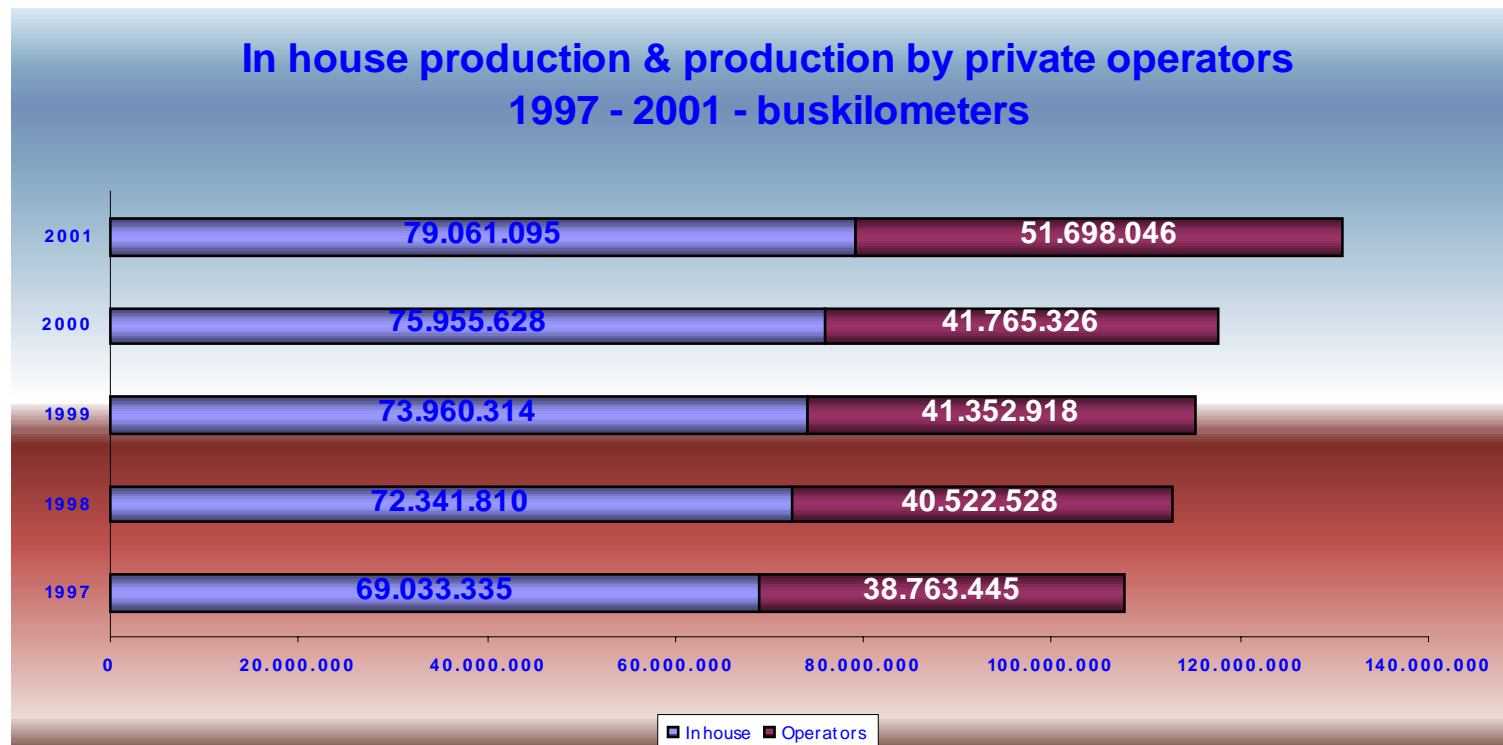
- Since 1996: 106 contracts with private operators



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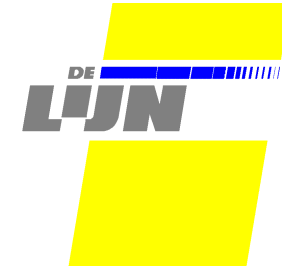
# PRIVATE SECTOR INVOLVEMENT



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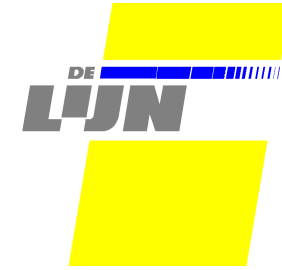
# PRIVATE SECTOR INVOLVEMENT

- Reshuffle process 2001-2002
- Subdividing the market into modest “packages”
- Countering private oligopolies
- Maximum 5% market share



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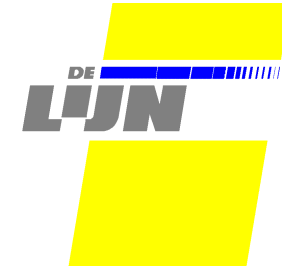
# PRIVATE SECTOR INVOLVEMENT

- 79 tendering packages
- 103 PREQUALIFIED bus companies
- 600 specifications of requirements transmitted to interested parties
- Average of 3 candidates for each package put out for tendering



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# PRIVATE SECTOR INVOLVEMENT

- Getting value vor money
- 7 member jury
- External procurement expert advice



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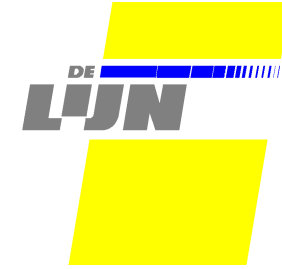
# PRIVATE SECTOR INVOLVEMENT

- Tendering criteria:
  - Price is not the only determining factor in evaluation
  - Emphasis on quality criteria



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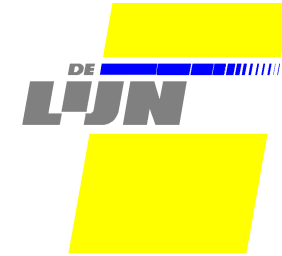
# PRIVATE SECTOR INVOLVEMENT

- Quality criteria categories:
  - Quality of services rendered
  - Quality of rolling stock (technical specifications, age, ...)
  - Bus driver training & professionalism



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# PRIVATE SECTOR INVOLVEMENT

- AWARD PROCEDURE:
  - Comparison of submitted tenders
  - Comparison of prices
  - Comparison of quality
    - Individual level
    - Combination level (service, fleet, staff)
    - Analytical comparison



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# PRIVATE SECTOR INVOLVEMENT

- 2 Round NEGOTIATION PROCESS
  - 1st Round: ALL submitters
  - 2nd Round: 2 (or 3) outstanding submitters



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# PRIVATE SECTOR INVOLVEMENT

- Combining 2 STRATEGIC OBJECTIVES:
  - Involvement of private sector at operational level
  - Public control of strategic long-term PT policy



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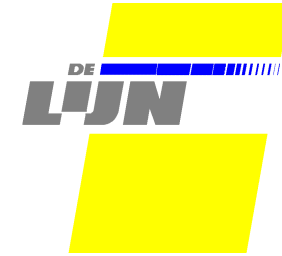
# REFORM OF THE FLEMISH PUBLIC SECTOR

- Homogenous policy areas
- 'Autonomous Agencies'
- Less bureaucracy, more transparency
- Improve customer service
- Apply Corporate Governance



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# GENERAL MANAGEMENT CONTRACT

- GMC applied to Autonomous Agencies
- Autonomy at management level
- 6-year mandate for Top management
- Top management evaluation by
  - Independent consultant
  - Board of Administrators
  - Flemish Government



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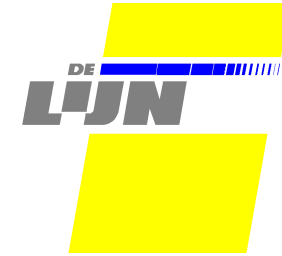
# GENERAL MANAGEMENT CONTRACT

- De Lijn: pioneering experience
- 5-year duration
- Accessory contracts
- Parallelism: GMC and term-in-office of Flemish Government
- Annual evaluation, external audit on request



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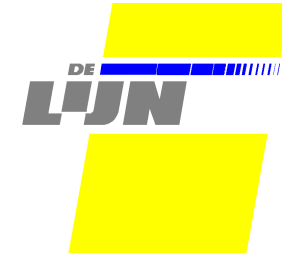
# GENERAL MANAGEMENT CONTRACT

- De Lijn is a not-for-profit company
- Article 22 GMC: penalties and sanctions
- Incentive / penalty scheme at management level



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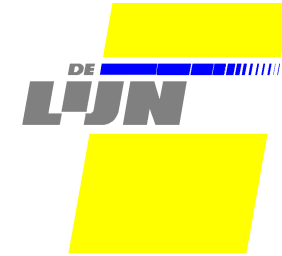
# GENERAL MANAGEMENT CONTRACT

- REPORTING obligations
  - Annual progress report
  - Biannual 'Quality Barometre'
  - Quality reports transmitted to
    - Board of Administrators
    - Flemish Ombudsman
    - Transport Minister



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# CONCLUSIONS

- Flemish Model: Private & Public
- Not the cheapest, but high quality and excellent performance standards
- Compromise solution at European level ?



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**WEDNESDAY, 26 - SESSION 6**

**PRESENTATION OF DIFFERENT TYPES OF CONTRACT**

**"THE CO-OPERATION CONTRACTS AS THE BASIS FOR  
SUCCESSFUL CO-OPERATION AND CO-ORDINATION IN THE  
HAMBURGER LOCAL PUBLIC TRANSPORT SECTOR"**

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**1. BIOGRAPHICAL NOTE in English and in German**

Lutz Aigner is 45 years old. On completion of his studies in Economics in Essen and Kiel, he was employed as a consultant at SNV Studiengesellschaft Nahverkehr mbH, a company conducting studies in the field of local public transport.

He then joined Essener Verkehrs AG, the municipal public transport operator in Essen, first as the head of the internal audit department, next taking charge of commercial activities. During this period he was also Executive Commercial Director at the Municipal utility and transport company in Essen. Since 1996 Lutz Aigner has been the Managing Director at Hamburger Verkehrsverbund GmbH.

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Lutz Aigner ist 45 Jahre alt. Nach seinem Studium der Volkswirtschaft in Essen und Kiel war er drei Jahre als Berater bei der SNV Studiengesellschaft Nahverkehr mbH tätig. Anschließend leitete er die Innenrevision und dann den kaufmännischen Bereich der Essener Verkehrs AG. Gleichzeitig war er kaufmännischer Prokurist der Essener Versorgungs- und Verkehrsgesellschaft.

Seit 1996 ist Lutz Aigner Geschäftsführer der Hamburger Verkehrsverbund GmbH.

**2. ABSTRACT in English and in German**

The regionalization process affecting local public transport in Germany and preparations for the coming competitive marketplace also required reorganization of the 30-year-old HVV Association of Public Transport Operators into an Association of Public Transport Authorities



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(PTAs). It was subsequently necessary to redefine the relationship between HVV and the public transport operators. The central instrument underlying this co-operation is the Co-operation Contract, which defines the respective rights and obligations of the operators and HVV GmbH. The contract links competitive freedom and creativity on the one hand with the philosophy of an integrated association presenting a united approach and face to the passengers. Care was taken to ensure that the public transport operators remained in charge of all operative business, while HVV carried out transport management functions in the interests of the PTAs. This resulted in a contract package which also meets the requirements of a competitive market.

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Im Zuge der Regionalisierung des Nahverkehrs in Deutschland und in Vorbereitung auf einen kommenden Wettbewerb wurde der seit 30 Jahren bestehende Unternehmensverbund HVV in einen AT-Verbund umorganisiert. Dabei musste auch das Verhältnis zwischen HVV und Verkehrsunternehmen neu definiert werden. Zentrales Instrument der Zusammenarbeit bildet dabei der Kooperationsvertrag, der Rechte und Pflichten der Verkehrsunternehmen und der HVV GmbH regelt. In diesem Vertrag wurde die unternehmerische Freiheit und Kreativität auf der einen Seite, die Verbundintegration und der gemeinsame Auftritt gegenüber den Fahrgästen auf der anderen Seite miteinander verknüpft. Dabei wurde darauf geachtet, das operative Geschäft bei den Verkehrsunternehmen zu belassen und die Regiefunktionen im Sinne der Aufgabenträger durch die HVV GmbH durchführen zu lassen. Damit ist ein Vertragswerk entstanden, das auch den Anforderungen eines Wettbewerbsmarktes genügt.

### **3. FULL TEXT in German**

## **KOOPERATIONSVERTRÄGE ALS BASIS EINER ERFOLGREICHEN KOOPERATION UND KOORDINATION VON ÖFFENTLICHEM NAHVERKEHR IN HAMBURG**

### **Die Neuorganisation des Hamburger Verkehrsverbundes**

Seit 1965 besteht der Hamburger Verkehrsverbund. In ihm haben sich damals 7 Verkehrsunternehmen mit dem gemeinsamen Ziel organisiert, den Kunden einen einheitlichen Tarif und ein einheitliches Fahrplanangebot mit nur einem Fahrschein anzubieten. Die Verkehrsunternehmen haben damals weitreichende Kompetenzen an diesen Verbund abgegeben. Hier sind z. B. zu erwähnen die Tarifgestaltung, die Angebotsplanung, ein einheitliches Erscheinungsbild, gemeinsamer Vertrieb und Marktforschung. Das fiel u. a. deshalb leichter, weil die Verkehrsunternehmen Eigentümer dieses von ihnen gegründeten





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Verbundes waren und somit über diese Funktion wesentliche Gestaltungsmöglichkeiten für sich behalten konnten.

Im Zuge der Regionalisierung des Nahverkehrs in Deutschland und in Vorbereitung auf einen kommenden Wettbewerb wurde der HVV vor 7 Jahren reorganisiert. Die Eigentümerschaft ging von den Verkehrsunternehmen auf die Gebietskörperschaften (Aufgabenträger) über. Im Einzugsbereich des HVV waren dies drei Bundesländer (Niedersachsen, Hamburg und Schleswig-Holstein) sowie fünf Landkreise. In diesem Zusammenhang wurden sämtliche organisatorischen Abläufe des Verbundes überprüft und den einzelnen Beteiligten neu zugeordnet. Richtlinie war, dass die Verkehrsunternehmen ihr operatives Geschäft (auch wenn es verbundrelevant ist) selbstständig wahrnehmen sollten. Dies führte dann im Ergebnis zum Abschluss von Geschäftsbesorgungsverträgen zwischen den VU, in denen die Zuständigkeit und Finanzierung von zentral wahrzunehmenden, operativen Aufgaben geregelt wurde. Der Hamburger Verkehrsverbund wurde auf die eigentlichen Regieaufgaben eines modernen Aufgabenträgerverbundes beschränkt und übernimmt bis heute Regie- und Managementaufgaben im HVV im Sinne der Aufgabenträger.

Grundsätzlich verfolgte die Reorganisation des HVV folgende Ziele:

1. Mögliche Umsetzung des europäischen Wettbewerbsgedankens,
2. Einführung des Territorialprinzips bei der Finanzierung des ÖPNV und SPNV,
3. Neuorganisation der Zusammenarbeit mit den Verkehrsunternehmen,
4. Chancengleichheit der Verkehrsunternehmen in einem Wettbewerbsmarkt.

Daraus entstanden ist ein 3-Ebenen-Modell, wie es in vielen Verbünden in Deutschland mittlerweile gang und gäbe ist.

An oberster Stelle befindet sich die politische Ebene, der Aufgabenträger, der öffentliche Nahverkehrsleistungen bestellt und finanziert.

Auf der mittleren Ebene befindet sich der Verkehrsverbund, der als Regie- und Servicegesellschaft für die Aufgabenträger fungiert und mit seinem fachlichen Know-how die Funktionen des Aufgabenträgers gegenüber den Verkehrsunternehmen und dem Markt wahrnimmt.

Auf der dritten Ebene befinden sich die Ersteller der Leistung, die Verkehrsunternehmen.

Durch den Wandel vom Unternehmens- zum Aufgabenträgerverbund mussten alle vertraglichen Beziehungen zwischen den Verkehrsunternehmen, dem HVV und den Aufgabenträgern neu organisiert und gestaltet werden.

Nach Gründung der HVV GmbH wurde als ein erster Schritt eine Vereinbarung zwischen dem HVV und den Verkehrsunternehmen getroffen, in der detailliert sämtliche Aufgaben beschrieben und nach den Kriterien Regie oder operatives Geschäft aufgeteilt wurden. Diese Arbeit wurde später Grundlage des Kooperationsvertrages.



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Die Grenzen zwischen den drei Ebenen sind noch nicht ganz scharf definiert. Es gibt einen durchaus ernst zu nehmenden Streit zwischen den Beteiligten über die Schnittstellen. An dieser Stelle sei nur auf das Stichwort Netto- bzw. Bruttoverträge hingewiesen, die unterschiedliche Kompetenzen für die Beteiligten beinhalten.

#### **Der Kooperationsvertrag**

Nachdem in der neuen Struktur einige Zeit Erfahrung gesammelt worden war, wurde die Zusammenarbeit der Verkehrsunternehmen und des Verkehrsverbundes auf eine neue vertragliche Grundlage gestellt. In dem so genannten Kooperationsvertrag wurden die gegenseitigen Rechte und Pflichten in einem Verkehrsverbund organisiert. Aufgaben des Vertrages sind:

- die Abstimmung der verbundrelevanten Aufgaben,
- die Definition von Rahmenvorgaben für die Verkehrsunternehmen,
- die Regelung der Finanzierung der verbundbedingten Aufgaben.

Der Vertrag hatte zwei wesentliche Bedingungen zu erfüllen. Zum einen sollte er wettbewerbstauglich sein und zum anderen auch neue, ggf. eigenwirtschaftliche Verkehrsunternehmen integrieren können.

Ziele des Kooperationsvertrages sind:

1. die sinnvolle Verteilung der Kompetenzen, der Rechte und Pflichten in der Zusammenarbeit zwischen HVV GmbH und den Verkehrsunternehmen,
2. die Sicherung eines einheitlichen gemeinsamen Auftretens aller Beteiligten im HVV auch unter Wettbewerbsbedingungen,
3. die Integration auch der eigenwirtschaftlichen Verkehrsunternehmen,
4. die Sicherung der Qualität des öffentlichen Personennahverkehrs im HVV auch unter Wettbewerbsbedingungen,
5. die leistungsgerechte Einnahmenaufteilung.

Der Kooperationsvertrag besteht aus mehreren Teilen:

1. aus dem eigentlichen Kooperationsvertrag, in dem die Rechte und Pflichten in der Zusammenarbeit geregelt werden,
2. aus dem Einnahmenaufteilungsvertrag, in dem die Verteilung der gemeinsamen Fahrgeldeinnahmen entsprechend der tatsächlichen Nachfrage geregelt wird. Hierfür wird die Nachfrage durch Fahrgastzählungen und mit Hilfe automatischer Geräte ermittelt und linienbezogen territorial abgegrenzt.
3. aus der Definition von Qualitätsstandards, die auch im Wettbewerb Bestand haben sollen.



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Im Folgenden sollen einige Kernpunkte des Kooperationsvertrages herausgegriffen werden, die den Charakter und die Art und Weise der Zusammenarbeit kennzeichnen.

Kerngedanke dabei ist, gegenüber den Kunden ein einheitliches Auftreten zu sichern. Daraus folgen Regeln, die den Aufgabenbereich und die Kompetenzen des HVV beschreiben.

- Die Kompetenz für den Verbundtarif und die Beförderungsbedingungen,
- Planung des Leistungsangebotes,
- Rahmenvorgaben für Marketing und Vertrieb,
- Verantwortung für ein einheitliches Erscheinungsbild (Corporate Design),
- verbundweite Gemeinschaftswerbung,
- Rahmenvorgaben für Fahrgastinformation,
- Abstimmung der Presse- und Öffentlichkeitsarbeit,
- zentrales Beschwerdemanagement.

Außerdem ist der HVV für die Koordination und Abwicklung der Geschäfte der Verkehrsunternehmen untereinander zuständig, wenn die Neutralität in einem Wettbewerbsmarkt dies erfordert.

- Organisation und Durchführung der Einnahmenaufteilung,
- Erhebungen (Zählungen und Befragungen),
- Marktforschung,
- Betreiben einer Nahverkehrsdatenbank.

Es war ein wichtiges Ziel bei der Entwicklung der Kooperationsverträge, unternehmerischer Kreativität Raum zu geben. Somit sind für die Verkehrsunternehmen nicht nur Pflichten wie

- Abstimmung bei allen koordinierungsbedürftigen Aufgaben sowohl mit den anderen Unternehmen als auch mit dem HVV,
- Datenbereitstellung für Einnahmenaufteilung, Tarifentwicklung, Angebotsplanung und Nahverkehrsdatenbank,
- Durchführung der notwendigen operativen Aufgaben (Tarifdrucksachen, zentrale Information, Akquisition von Großkunden usw.)

geregelt, sondern auch Rechte, die über das reine Betreibergeschäft weit hinausgehen.

- Die Verkehrsunternehmen machen Vorschläge für die Entwicklung des Verkehrsangebotes.
- Die Verkehrsunternehmen organisieren den bedarfsgerechten Einsatz des ÖPNV bei Großveranstaltungen.
- Die Verkehrsunternehmen sind bei der Entwicklung des Tarifes und der Beförderungsbedingungen beteiligt.



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- Die Verkehrsunternehmen machen eigene Presse- und Öffentlichkeitsarbeit und sorgen für ihre eigene Imagedarstellung.

Diese Art der Aufgabenteilung hat sich bewährt. Der Hamburger Verkehrsverbund steht in der öffentlichen Meinung so gut da wie nie zuvor. So hat er sich bei Meinungsumfragen – gemessen in Schulnoten – von 3,1 in 1996 kontinuierlich auf 2,66 im Jahre 2002 verbessert.

Das ist in der guten Zusammenarbeit zwischen Unternehmen und Verbundgesellschaft begründet. Auftretende Meinungsunterschiede werden nicht in der Öffentlichkeit gegenüber dem Kunden ausgetragen, sondern intern geklärt. Ein geschlossenes Auftreten ist wichtig, um dem ÖPNV Marktanteile zu sichern oder diese auszubauen. Die Fahrgastzahlen bestätigen den Erfolg. Sie sind von 478,2 Mio. Fahrgästen pro Jahr 1996 auf 501,8 Mio. Fahrgäste 2001 gestiegen.

### **Kooperationsvertrag und Wettbewerb**

Zur Zeit arbeitet der HVV an der möglichen Ausgestaltung zukünftigen Wettbewerbs. Im Zusammenhang mit den Kooperationsverträgen ist die zentrale Frage, ob die kommenden Leistungsverträge nach dem Netto- oder nach dem Bruttoprinzip gestaltet werden. Die Unternehmen im HVV haben sich klar in Richtung Nettoverträge (d. h. Einnahmenverantwortung und damit Marktverantwortung) positioniert. Wir sind nicht sicher, ob sich mit dem Abschluss von Nettoverträgen eine Qualitätssteigerung in einem stark vernetzten Verbund organisieren lässt. Einigkeit herrscht dahingehend, dass beide Vertragsarten, sowohl Brutto- als auch Nettoverträge um ein Qualitätssteuerungsverfahren mit entsprechenden Sanktionsmechanismen ergänzt werden müssen. Im Rahmen der Kooperationsverträge haben wir zusammen mit den Verkehrsunternehmen einen umfangreichen und präzisen Katalog von Qualitätsanforderungen entwickelt. Vor diesem Hintergrund (Qualitätsanforderungen mit Sanktionssystem als Bestandteil möglicher Leistungsverträge) löst sich die Schwarz-Weiss-Diskussion um Brutto- oder Nettoverträge zunehmend in Richtung einer pragmatischen Lösung auf.

Der Kooperationsvertrag regelt und organisiert die Zusammenarbeit im HVV. Dabei ist er, obwohl von allen Verbundpartnern unterschrieben, bisher eigentlich nur ein Handlungsleitfaden. Anders ausgedrückt, der Vertrag ist noch nicht mit Sanktionen belegt. Dass die Zusammenarbeit im Hamburger Verkehrsverbund trotzdem gut funktioniert, liegt in erster Linie an der über 35-jährigen Tradition, in der ein gemeinsames Grundverständnis über das Wirken eines Verbundes entstanden ist. Trotzdem merken auch wir die Zentrifugalkräfte des nahenden Wettbewerbs. Die Unternehmen beginnen sich stärker als in der Vergangenheit zu profilieren. Wie so häufig, geschieht dies insbesondere im Bereich der Werbung, des Auftretens in der Öffentlichkeit sowie in der Abweichung vom einheitlichen Erscheinungsbild. Und gerade hier muss ein Verbund im Interesse der Kunden sehr aufpassen.



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Am 15.12.2002 haben wir den Verkehrsverbund regional deutlich ausgeweitet. 13 Verkehrsunternehmen werden dann zusätzlich in den Verbund integriert. Auch diese Unternehmen werden den Kooperationsvertrag unterzeichnen. Darunter sind auch Privatunternehmen, die einen Großteil ihrer Finanzierung aus Mitteln des § 45a PBefG bestreiten. Danach wird sich zeigen, ob alle Vertragsinhalte so ausreichend geregelt sind, um auch weiterhin einen funktionierenden Verbund zu erhalten. Wir sind da zuversichtlich.

# **Co-operation contracts as the basis for successful co-operation and co-ordination in the Hamburg local public transport sector**

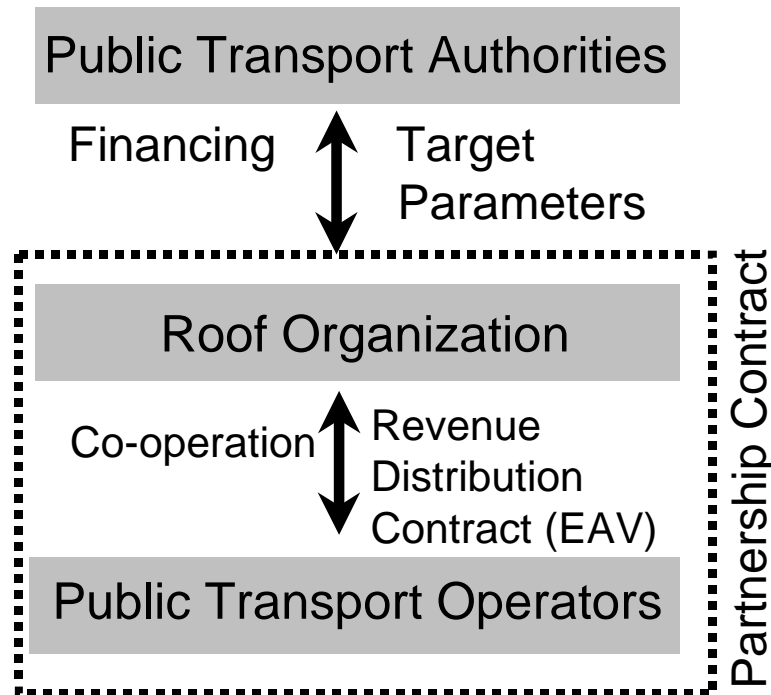


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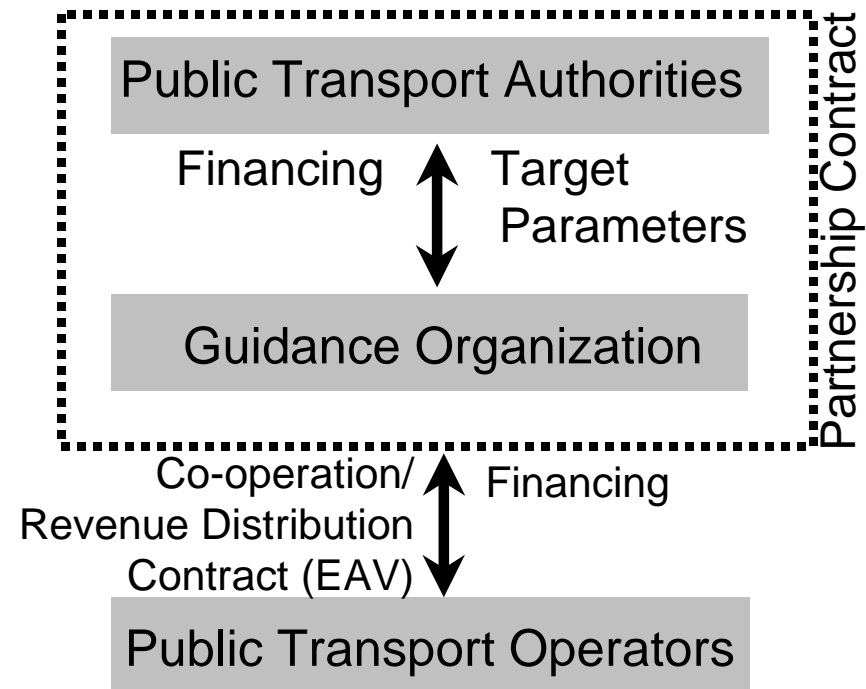


# Changes in responsibility within the HVV

## Roof Organization of Transport Operators 1965 - 1995



## Association of Public Transport Authorities since 1996

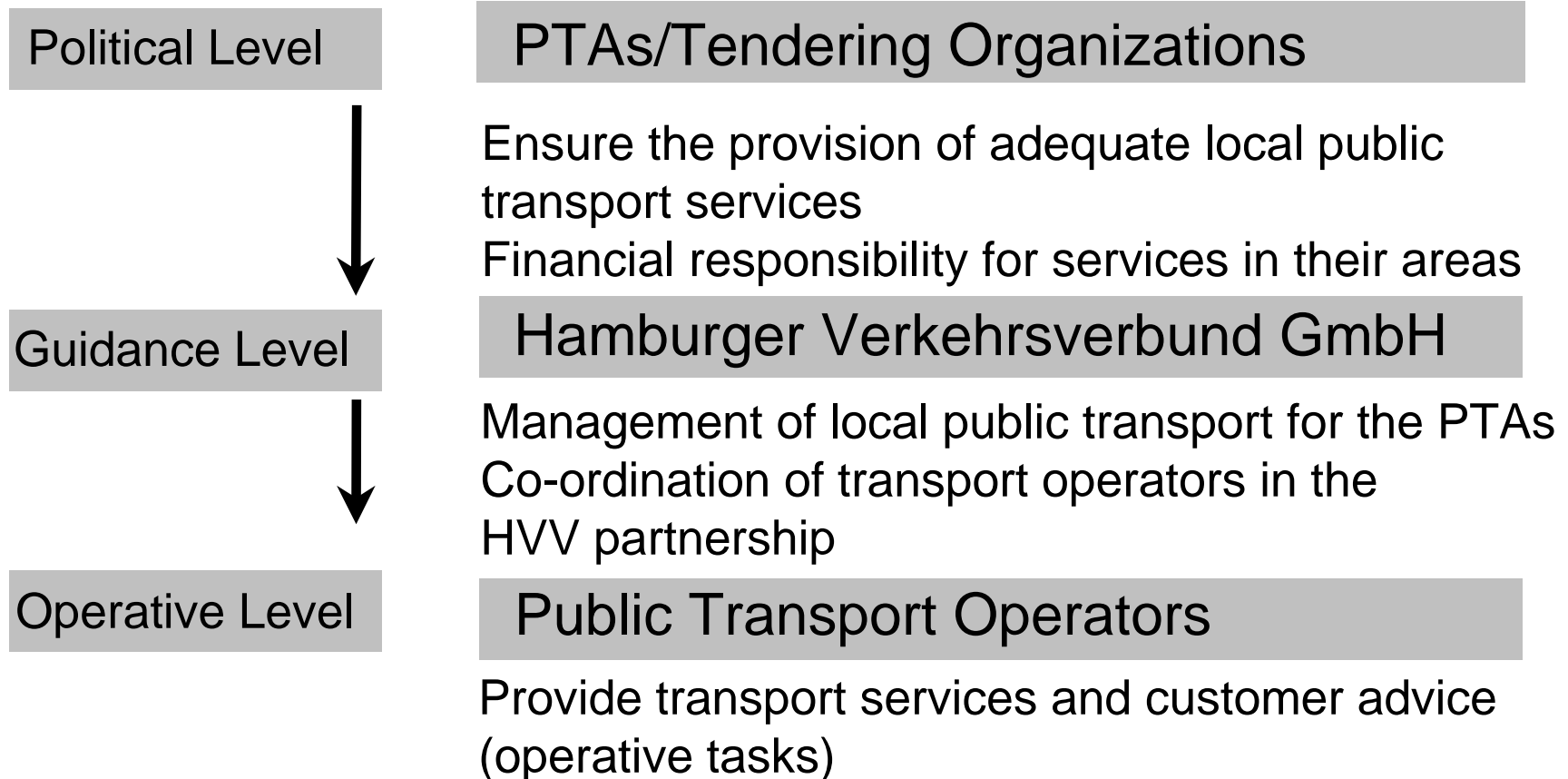


# Objectives of the reorganisation at HVV

- Implementation of the European competition concept
- Introduction of the territorial principle in financing local public transport and rail services
- Reorganisation of the co-operation with the public transport operators
- Equal opportunities for the operators in a competitive market



# Triple-Level-Model



# Objectives of the co-operation contract

- Delegation of competence, rights and obligations
- Ensuring a uniform and joint approach
- Possibility to integrate non-subsidized public transport services
- Quality assurance
- Fare-revenue distribution based on actual service performance

# Elements of the co-operation contract

- Co-operation contract
- Fare-revenue distribution based on actual demand
- Quality standards
- Description of the organization of the HVV partnership

# Key HVV responsibilities in the market

- Development of HVV fare system
- Planning of the service offer
- Marketing parameters
- Corporate image
- Joint advertising
- Central complaints management system

# Key HVV responsibilities towards the public transport operators

- Fare-revenue distribution
- Passenger surveys
- Market research
- Public-transport database
- Quality management

# Key responsibilities of the public transport operators

- Suggestions for the development of HVV services
- Organization of extra services for city events
- Company related public relations and image improvement
- Service operation



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**WEDNESDAY, 26 - SESSION 6**

**PRESENTATION OF DIFFERENT TYPES OF CONTRACT**

**"AN AUSTRALIAN OVERVIEW"**

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**1. BIOGRAPHICAL NOTE**

Born in Warrnambool Australia in February 1949, Stephen is the third generation of his family to be involved in the bus sector of the Public Transport Industry in Australia.

Two years as President of the Bus Association of Victoria led him to the conclusion that coherent National policies were the only way to deliver a sustainable land transport system.

As Chairman of the Bus Industry Confederation his aim is to involve the Federal Government in providing solutions to the problems facing Public Transport. The formulation of a National Framework for Public Transport in Australia is the prime goal of his Chairmanship.

The Confederation's National Policy Statement was released at the National Conference in Perth in 2001 and can be viewed online at [www.buscon.com.au](http://www.buscon.com.au).

**2. ABSTRACT**

There are 4 basic types of contract currently in use in Australia

- Gross Cost such as Melbourne buses where the revenue reverts to the Government and the operator is paid the cost of operation plus a profit margin
- Net Cost as is the case with Melbourne's trams and trains
- Two part Tariff as in Adelaide and Perth
- Commercial contracts as in Sydney with buses

The failure of some franchisees and the lack of system success have forced the Government to reassess its position. It is now taking a broader approach and looking to provide sustainable transport systems.



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This shift requires different contractual arrangements. Current thinking is moving us towards performance based contracts where shared goals and a strategic planning framework will provide appropriate services and encourage modal shift.

### **3. FULL TEXT**

This presentation is in several parts – First a brief explanation of the types of contracts in use in Australia

Then, an Australian perspective on the key issues relating to those types of contract, followed by an explanation of the solution as we see it, then to the conundrum of how to provide innovation, adequate service levels and operator profit within a framework that meets the Government's requirements.

### **Main Types of Contracts**

- Gross Cost
- Net Cost
- Two-part Tariff
- Commercial

### **Gross Cost**

The bus services in Melbourne are the best example of gross cost contracts. These services are privately operated, have largely always been in private ownership (the relatively small, publicly owned met services were privatised some years ago)

These contracts are based on a benchmarked cost and individually negotiated. The operators own the rolling stock and operate the services specified by the regulator; there are no incentives and a few minor penalty provisions in the contract. The term is ten years and there is an expectation of renewal after that term providing service levels and performance is satisfactory.

The interesting thing about these contracts is that they are proving cost effective when compared to other more favoured types of contract. The reason for that may well be that because the services are seen to be "privately owned", the relationship between the operators, regulator and government is conducive to providing services rather than being adversarial.

The long-term aim is to move the contractual arrangements to a two part tariff once an effective multi modal ticketing system is in place. As with other countries this is proving more difficult than initially thought and the time frame for implementation of a new ticketing system is being continually revised. If there is sufficient delay a Performance Based contractual arrangement will be preferred.





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### **Net Cost**

The Melbourne train and tram franchises are our best example of net cost contracts

They were tendered a few years ago and there was a lot of interest shown by international consortia. The publicly run systems were strangling from lack of investment, poor work practices and over manning. The cost to the State was escalating rapidly; there was no motivation within government to reform it, so they followed the Thatcher model and privatised

The contracts or franchises divided the system up into 5 parts. Two suburban train, two tram and one regional train and bus. The term was 13 years and bids were based on the current subsidy levels and patronage. The selection criteria were basically fiscal, the "winners" being those operators who reduced the cost to the State the most (as well as buying new rolling stock)

This "risk shifting" approach by Government has dominated the Australian transport scene for over a decade and is only now being exposed as a poor substitute for governmental involvement at the policy and tactical level. The flight from any responsibility for anything to do with trams or trains by the Government after this privatisation was an extraordinary abrogation of its responsibility to ensure adequate services.

The process did cut the cost to Treasury by a significant amount but it also created a monster for the franchisees. As expected patronage increases failed to materialise the only way for them to survive was to cut costs, this led to further patronage declines and loss of public confidence in the system which in turn reduced patronage further and also encouraged fare evasion.

The end result has been the failure of the National Express franchises (one tram, one train and the regional services) and the loss of hundreds of millions of corporate dollars. The government has resumed control of these services and has come to a financial agreement with the other two franchisees (who were also losing money) for them to continue operation until 2006 when it is intended to re-tender the system

The major lesson here is not the obvious one of "buyer beware". It is that Treasury dominated policy decisions are, in Australia at least, very short term in their scope. The damage the exercise has done to public confidence in the system is I believe, going to cost more long term than the money the Government supposedly saved.

Victorian regional bus services are another example of net cost. These contracts are similar to the metro bus contracts in that they are "private", based on benchmark rates, individually negotiated and are for ten years with an expectation of renewal. The major difference being that the operator keeps the revenue.



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#### **Two part tariff**

Two part tariff arrangements have appeared in Australia, most notably in Perth and Adelaide. They are very similar, 13-15 year contracts and have proved effective in providing innovation and high service standards at a lower cost than the previous publicly operated services.

In these cities the State retains ownership of the rolling stock and the operator runs the services as required by the regulator. In the bid process the cost of operation (including profit) is set as well as a cost for extra kilometres. The State pays the operator the bid cost plus an incentive based on extra patrons at an average fare plus an amount for any extra kilometres less any penalties imposed.

Penalties are assessed by market survey on a range of criteria including vehicle cleanliness and condition, on time running and personnel attitude.

The mix of a payment for extra kilometres plus an incentive payment for extra patronage has proved successful in motivating operators to provide additional services and grow their market share. This is particularly true where the regulator is motivated to increase patronage and both operator and regulator work towards the same end. Bus patronage in Adelaide is growing at 5% per annum.

An interesting development in Adelaide is that one operator has been allowed to purchase 30 new buses. This has kept those vehicles off the State's balance sheet and it seems the recurring cost to Government is lower. This is an indication of the maturing relationship between the regulator and the operator. Up until now the regulator was adamant that rolling stock had to remain theirs so that a new operator could be appointed with very few complications.

There has been one failure with the handing back of one franchise in Perth. This franchise was underbid; one of the other operators is now operating it on undisclosed terms. The contract firmly states that the cost of operating on behalf of a franchisee will be at their cost until the term expires. The government refused to increase payments to this franchisee and they were forced to seek an alternative operator.

#### **Commercial**

Sydney's buses are, on the face of it, a true commercial net cost contract. The operator only receives the fare box and is responsible for all costs.

There is a large public sector operator and a range of private operators providing the service.

The fare box is in fact subsidised by a generous student transport arrangement where the reimbursement for student travel is based on eligible students rather than those who use the service. This arrangement is facing increased scrutiny and payments to operators have been



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cut. This in turn has meant that most operators are now losing money and are resorting to reducing services to stay in business. The public sector operator, with higher costs, is in the same predicament but enjoys continued government support.

This support of a higher cost public sector operator, allied with the reductions in a cross-subsidy has soured relations between the regulator and private operators. The result being that both sides spend most of their energies fighting small battles to the detriment of services.

An example of this is the government's decisions pertaining to some new busways. These cross a variety of privately operated areas. Government tendered the provision of service on these busways and the public sector operator has won the tender. There will be no compensation for private operators adversely effected by a busway. All this has infuriated the private sector, made the government wary and created a political storm.

In Sydney, congestion and pollution are growing rapidly, car parking is expensive and the geography and demography are such that travel times are becoming a major concern. Despite this patronage on public transport is steadily declining – there is something wrong with this system.

#### **Changing environment**

The environment in which we operate is changing. Government is moving past “competitive tendering” as the way to prove that they are getting value for money and are realising that value for money is not the only goal. We are becoming more results orientated and those results must be in the context of the goals set for the system.

The success of privatisation has been the reduction in cost to government. This cost saving usually only happens once – when the change is made from public sector to private sector. It is usually a significant reduction at the start that reduces over time as either profit increase or loss minimisation motivates the private operator to increase the cost to government.

Significant savings were also made by the commercialisation of utilities prior to privatisation. The significance of this alternative is being re-assessed in the light of the failure of some privatisations to deliver better services at a reduced cost.

An unintended consequence of the failed franchises in public transport has been a loss of faith in the system. These franchises do not fail overnight as losses mount they cut costs by reducing services, the resultant patronage downward spiral encourages deeper cuts, users become unsure of what is running and take the safe option and use their cars.

Rationalisations, takeovers and failures all reduce the number of operators. This can reduce the pool of expertise, heighten barriers to entry and reduce the sort of innovation that smaller more nimble operations can provide. At the extreme it can mean that a private monopoly



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replaces a public one and that the economic and service gains that motivated Government to privatise in the first place are lost.

#### **Changing objectives**

Government is starting to understand the cost of not delivering effective public transport. This has meant a shift away from cost minimisation as the prime directive to a more balanced approach based on sustainable transport systems.

The economic, environmental and social costs of our current arrangements must be included in our approach to transport. The benefits to transit users and reductions in external costs from car use are not only quantifiable but are central to any common goals set by new contractual arrangements

Australia is heading towards performance based contracts. These contracts will set common goals and reward their achievement in an effort to meet the strategic objectives set by Government.

#### **Performance based contracts**

These contracts will give appropriate incentives to operators as they meet the goals set by Government. They will be a multiple tariff system that will include

A base payment for providing the required services to the required standards

A payment for transit user benefits e.g. reduced journey times

A payment for the reductions in external costs e.g. road trauma, air quality

By their nature these contracts would need to be area based as different areas have different external costs. For example the external cost relating to air quality in regional areas is minimal.

#### **Area Agreements**

A complication of this type of contract is the variation between areas. In order to deliver the outcomes required by Government without a complex series of documents, an area agreement is required.

The level of success the operator has meeting the Government's goals is also complicated by there being a range of authorities that impact on service delivery. These agencies must be part of the overall strategy so that the goals set by the Government are clearly outlined and all agencies are involved in assisting the operator meet them.

In this context it is possible to enunciate goals, reach agreement and put in place contracts that reinforce the Government's agenda, while at the same time motivate operators to provide superior services at a profit.

# An Australian Overview

by Stephen Lucas,  
Chair, Bus Industry Confederation.



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# Scope of presentation

- Main types of contracts
- Key issues in contract performance
- Performance-based contracts
- Industry agreements



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# Main types of contracts

- Gross cost - e.g. Melbourne buses
- Net cost - e.g. Melbourne's trains and trams, Victorian country bus services
- Two-part tariff - e.g. Adelaide (and Perth) net cost plus (small) incentive/penalty
- Commercial, with generous student reimbursement - e.g. Sydney buses



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# Melbourne's gross cost bus contracts



- Private origin of most services
- Costs based on benchmark rates (performance penalty provisions, no incentives)
- Recently confirmed by benchmark study as equal lowest metro costs in Australia for major cities
- Ten year contracts (with threat of tendering)
- To move to a 2 part tariff, with base payment plus patronage incentive



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# Melbourne's train and tram contracts



- Let by competitive tender a few years ago, to cut the cost to the State budget (financial objective)
- Net cost contracts
- Tender involved declining “subsidy”, operator returns being significantly dependent on cutting costs and large patronage increases
- Focus on cutting costs led to loss of public transport system emphasis
- The biggest operator, National Express, has handed back its train and tram contracts



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# Adelaide buses

- Tendered services (previously government services)
- Net cost plus incentives and penalties
- Incentives based on patronage (above base year, at an average fare) plus additional kilometres
- Tender bids for base price plus kilometre rate (for extra kms) but not for average fare in the incentive formula
- Combined incentives encourage service development (~ 15-20% extra kms over 3 years; patronage ~ +5% p.a.)



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# Sydney's buses

- Mix of private and public sector operation
- Commercial (area-based) contracts, surviving on the fare-box
- But financial viability is dependent on a “generous” cross-subsidy from student transport (not sustainable)
- Most operators (inc. public) are losing \$
- Major political conflicts (e.g. over disruption to area franchises by transitways)



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# Changing environment

- Privatisation with competitive tendering has delivered “one-off” lower costs
  - although commercialisation of utilities also produced lower costs (e.g. electricity generation)
- Some private transit operators have failed
  - unrealistic tenders (same outcome in some other areas of privatisation)
- The number of transit operators is contracting
  - private monopolies/oligopolies are replacing government monopolies (costs on the rise)



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# Changing objectives

- Government policy objectives are shifting from cost minimisation to more sustainable transport systems
- Service delivery outcomes are becoming central
  - particularly transit user benefits and reduced external costs from car use
- Contract specifications need to be changed to reflect this shift in policy objectives
- Performance-based contracts are the answer, within a strategic planning framework



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# Performance-based contracts



- Purpose is to better align government outcome objectives with operator incentives
- BIC proposes a three part tariff for transit services
  - base payment reflecting minimum service standards
  - payment for transit user benefits
  - payment for reductions in external costs
- Under the umbrella of an area agreement



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# Area agreements

- Meeting government goals is very difficult with multiple private service deliverers
- This is complicated by the influence of several agencies on operator bottom-lines (e.g. road authorities, the regulator and police)
- Area wide agreements between the government and providers, including agencies that influence delivery, can provide a better framework for individual contracts



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# UITP CONFERENCE

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### **WEDNESDAY, 26 - SESSION 7 - ROUND TABLE**

### **CONCLUSIONS AND PROSPECTIVE**

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#### **1. BIOGRAPHICAL NOTE**

Hans Rat was born in 's-Hertogenbosch, The Netherlands in 1945. He graduated in International Economics at the University of Tilburg. He went on to be a stagiaire at the European Community Commission in Brussels for six months.

- In 1973 he joined the Royal Dutch Association of Transport Companies (KNVTO) as a junior staff member where he specialised in financial matters for companies operating in the following sectors: Public Transport, road, haulage, coaches and taxis.
- In 1975 he was appointed as Secretary to the Public Transport Division of KNVTO and in 1978 he became the Deputy General Secretary of that Association. He was responsible for the Associations' contribution to public transport's policy in several ways, such as the introduction of a nation-wide tariff system for Public Transport which is still unique in the world.
- In 1990 he was appointed as Managing Director and a Board Member of *N.V. Verenigd Streekvervoer Nederland*, a holding company which owns public transport, taxi and coach companies. He has been responsible for the group's marketing and information technology and he shared responsibilities on strategy and international affairs.
- Hans Rat was chairman of the UITP International Commission on Transport Economics, a Vice-President of the UITP and a member of the European Union Committee. In the Netherlands he was President of the Dutch Pedestrians Association.
- Since 19 June 1998 he has been the new Secretary General of UITP (International Union of Public Transport).

He is married with 5 children and lives both in Brussels and in the old "silver town" of Schoonhoven near Utrecht. His leisure pursuits include sailing his 80- year-old sailing barge, rowing and running the New York Marathon, an event in which he took part several times.





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guidebook

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**WEDNESDAY, 26 - SESSION 7 - ROUND TABLE**

**CONCLUSIONS AND PROSPECTIVE**

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**1. BIOGRAPHICAL NOTE**

**a) Per ALS**

Financing Public City Transport, co-authored, Copenhagen 1995  
Incentives in Bus Contracts, Copenhagen Transport/UITP 1997/98

**Career:**

Deputy General Director, Copenhagen Metro, Orestad Development Corporation, 2001 –  
present  
Deputy General Director, Director of Finance, Copenhagen Transport, 1990-2001  
Economic Council, Copenhagen Telephone Company 1989-90  
Head of Section/Economic Council, Ministry of Transportation, 1984-89.

**UITP.**

Member of European Action Committee 1991-94  
Member of Economic Commission 1994-present  
Chairman of Economic Commission 1999-present  
Member of Programme Committee 2001-present.

**b) Volker SPARMANN**



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After his studies of civil engineering at the Technical College of Darmstadt, Volker Sparmann specialized in land use and transport planning at the Technical University of Berlin. After he graduated he became authorized officer at "Freie Planungsgruppe Berlin GmbH". Later Volker Sparmann took over many leadership functions in national and international transport consulting companies. He was the spokesperson of the management of "SNV Studiengesellschaft Verkehr Berlin, Hamburg, Nordrhein-Westfalen und Thüringen". As an authorized representative he founded the "AN-institutes" "IAV Ingenieurgesellschaft für Aggregatetechnik und Verkehrsfahrzeuge" at the Technical University of Berlin, as well as the "IFB-Institut für Bahntechnik" at the Technical Universities of Berlin and Dresden, where he also had the function as managing director. Since March 1, 1992 Volker Sparmann has been the sole managing director of the preparatory company of the "Rhein-Main-Verkehrsverbund" and since July 1, 1992 of the "Rhein-Main-Verkehrsverbund GmbH".

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***WEDNESDAY, 26 - SESSION 7 - ROUND TABLE***

**CONCLUSIONS AND PROSPECTIVE**

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**1. BIOGRAPHICAL NOTE**

José Ignacio Iturbe López, born in Madrid, May 1944.

- Civil Engineer, Madrid School, 1968.
- He has worked as a Manager for several enterprises of the construction sector.
- He participated in different projects in the sector of renewable energies between 1992 and 1995.
- Now he is the Managing Director of the Consorcio de Transportes Regulares de la Comunidad de Madrid;
- Member of the Board of Metro de Madrid, S.A. (Madrid Underground)
- Member of the Board of the Empresa Municipal de Transportes (E.M.T.) (Town Hall Bus Enterprise)
- Member of the Board of the National Council of Land Transport.
- Member of the Board of the Centre for Mountain Resources
- Member of the Urban Planning Commission of Madrid.
- Member of the Council for Land Policy.
- President of EMTA (European Metropolitan Transport Authority).
- Member of UITP (International Association of Public Transport).
- Member of the Consultive Board of Postgraduate Studies on Planning and Managing of Mobility (Universidad Politécnica de Cataluña).
- Vice president and Member of the Managing Committee of the Forum ATIS (Sistemas Avanzados de Información al Viajero /Advanced Information Systems for Passengers).

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***WEDNESDAY, 26 - SESSION 7 - ROUND TABLE***

**CONCLUSIONS AND PROSPECTIVE**

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**1. BIOGRAPHICAL NOTE : not submitted**

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**WEDNESDAY, 26 - SESSION 7 - ROUND TABLE**

**CONCLUSIONS AND PROSPECTIVE**

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**1. BIOGRAPHICAL NOTE**

Educated in France and Germany (French and German nationality)  
Dipl. Agraringenieur (Germany) & MBA (OUBS-UK)

**Professional background:**

1986	European parliament, Group of the Liberal, Democratic and Reform Party
1986-1989	FEFAC, European Federation of Animal Feed Manufacturers Policy co-ordination and representation of interests related to EU-agricultural policy and international trade issues
1989-2002	Eurochambres, European Association of Chambers of Commerce and Industry, (Head of department) Policy co-ordination and representation of interests related to single market issues, enterprise policy, environment, regional policy and transport.
Since 2003	UITP, Director EuroTeam

**Other activities:**

- Speaking at international conferences on EU business related issues,
- Contribution of articles to different newsletters and magazines,
- Active participation in EU think tanks, in particular in a study group on Regulatory Impact Assessment.

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