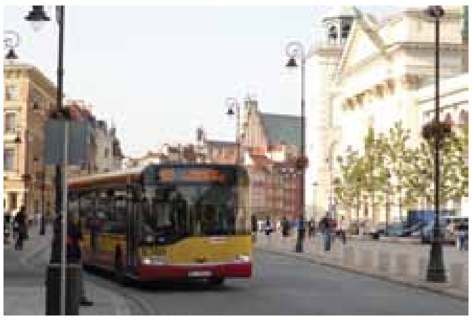
CAPITAL REGIONS INTEGRATING COLLECTIVE TRANSPORT
FOR INCREASED ENERGY EFFICIENCY

Caprice
Capital Regions Integrating Collective Transport
for Increased Energy Efficiency

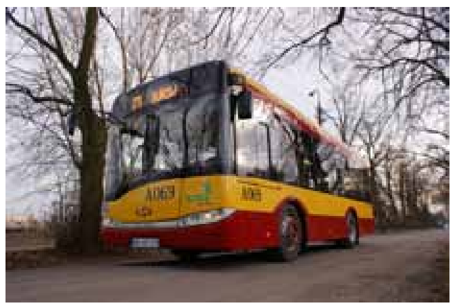
#3

CAPRICE project March 2010

Tendering and contracting of bus services and online auction tool at ZTM Warsaw



Tendering as a form of outsourcing of the local bus transport services has developed since the early 1990's. The first idea was to ensure the covering of the growing rolling stock needs in the fast developing Warsaw metropolitan area. At that time, the former state-owned Urban Transport Enterprise had significant problems with the rolling stock. The solution was seen in involving private initiative in the public transport services. Private companies were chosen in opened, competitive tenders. With the time, the form of the tenders developed and quality requirements became higher. Currently, in every new tender, high-quality low-floor buses are needed from the winner, and parallel to the increase of quality and new fleet, the service costs are pushed lower as a result of the competition. In the last tender, the new online auction tool as a final phase of the tendering procedure delivered extra benefits in terms of service costs.



In 2010, there are around 1500 buses serving Warsaw and the metropolitan area in the peak hour every day. More than 400 of these buses belong to 3 private companies, on the legal basis of 8 large contracts resulting from opened tendering procedures. A typical tender covers services in amount of 4 millions of vehicle-kilometers yearly, carried out with 50 brand new low-floor buses. The specification of the buses is prepared by ZTM as far as it concerns quality and ecological criteria, that are valid from the point of view of the city's transport policy. Such criteria are: fully dynamic passenger information, both internal and external; air conditioning; passenger counting, video surveillance, ticket vending machines, fare collecting system etc. The list of the features is evaluating from tender to tender. Strictly technological criteria are not specified, as the operational risk belongs to the operator, so it has to choose the final type of the buses. The contract resulting from the tender is a gross cost contract, as the revenue risk is carried 100% by the authority. For harming the service quality criteria, the operator will get fined.

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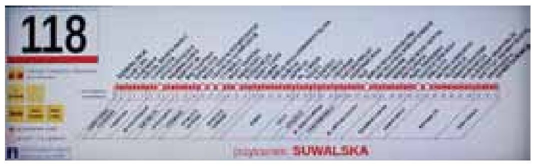
In 2009, an additional phase of the tendering procedure was introduced, for the first time in whole Poland: electronic auction. The auction is the last phase of a regular tender that can take place, when there are at least 3 valid bids in the traditional (paper-based) phase of the procedure. All the bidders are invited to the auction. The auction is organized by the help of a specific web platform, developed for the City of Warsaw. The bidders have to log in with an official e-signature. The auction is 30 minutes long and the offers are binding for the bidders as long as there is no better offer. After the procedure has ended, a contract is signed with the winner. The e-auction has helped to decrease the price per vehicle-kilometer in the last tender by ca. 10 %.



The competitive tendering can provide, if well prepared and managed, a development of the service quality parallel with the decrease of the costs compared to a monopolistic municipal or private company. Rolling stock is bought by a private company that carries the operational and the leasing risk. The outsourcing of this risk and possibly cost elements is an additional benefit. Public service contracts signed as a result of tendering procedures and cost compensation (in Warsaw: gross cost method) ensure a stable organizational and financial background for the services. The electronic auction in the final phase of the tender enables a further decrease of the bids and a lower service cost for the transport authority.

2nd CAPRICE workshop in Poland on 'Tendering and contracting of passenger transport services' (including aspects of infrastructure management)

The second CAPRICE workshop was held in Warsaw (Poland) from 14th to 16th September 2009. All partners gathered in Frederic CHOPIN's city to exchange about Tendering and contracting of passenger transport services (including aspects of infrastructure management). The topic was about regional rail transport as well as city transport. Several situations were identified according to the partners' testimonials.

Tendering and contracting of regional rail transport

In Poland, the responsibility for regional rail lies with the Voivodships (Polish administrative regions, 16 in total) whereas the municipalities deal with local transport matters. The regional railway company is independent. The municipalities of the metropolitan area have to co-finance the deficit of the service on their territory, which is fixed in a contract signed with the city of Warsaw. ZTM Warsaw has long-term contracts (10-12 years). In case of short-run contracts, the prices can change every year. The operators do not want to support the risk of the rolling stock for which they have shorter contracts (like smaller operators due to their limited vehicle stock). ZTM Warsaw applies itself to

improving the modal share of public transport in order to make public transport more attractive. This is especially relevant in the outskirts of the city as public transport still lacks attractiveness.
A 'Common Ticket' integrating regional rail into local public transport was introduced a few years ago, first set up line by line and then integrated to all Warsaw metropolitan area. The costs of the integrated ticket are the result of long negotiations between ZTM Warsaw, Mazovian railways (KM) and the Warsaw Commuter Rail (WKD). Costs are calculated on a train-km basis. Four times a year a common ticket control managed by ZTM Warsaw takes place in order to count the passengers using ZTM tickets. Regarding regional rail, ZTM Warsaw is not responsible for ticket control, but the operators have their own controllers.
Finally, ZTM Warsaw aims at establishing a completely integrated ticketing system and setting up a transport authority together with the whole Voivodship of Mazovia. Thanks to CAPRICE, the first objectives to be reached are the coordination of timetables, the integration of route number schemes and an integrated travel planner.

In Paris and Ile-de-France region, there has been no competition so far. There are two state-owned companies (RATP operating bus/metro and SNCF operating rail services) and a few private operators that do not affect the monopoly position of the previous ones. However, European regulations may change the monopoly the current situation. STIF manages four-year contracts. Every year, these are adjusted in order to take into account the transport services implemented during the year.
- Remuneration framework: refunding operators' services are increasingly clear. As the industrial risk is borne by the operator, subsidies are settled when the contract is being negotiated and indexed according to a contractual formula. Expected productivity gains are returned to STIF. In return, STIF compensates the financial impact of the ticket price policies. Profit sharing is based on the contractors' performances.
- Investment policy: 7bn EUR investments are planned for 4 years (rail transport services and city transport alike) from 2008 to 2011. STIF is contractually involved in investment policy through planning and monitoring. Strategic projects are financed by direct investments (e.g.: rolling stock, platform facilities...). The highest priority is given to projects serving passenger satisfaction.
- Advanced monitoring process: as subsidies are allocated by STIF, the latter requests transparent accounts. Thus, STIF commits itself in planning and monitoring of subsidies (e.g.: controlling the use of subsidies, preparing future tendering...).
- Specific contract with the infrastructure manager of rail services: STIF provides 650m EUR per year for maintaining the network operated by SNCF (owned by 'Réseau Ferré de France' – RFF – which is a State-owned company). An external audit is performed jointly with RFF. The signing of the contract between STIF and RFF in July 2009 allows an increasing pressure on SNCF for controlling tolls paid by STIF, to ensure that these are re-invested in Ile de France.

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In Berlin-Brandenburg region, there are two different kinds of regulations for passenger transport: the federal government (national level) is responsible for railway law while the municipalities are responsible for city transport. Commuter trains (S-Bahn) are legally treated like a railway. VBB provides tendering and contracting on behalf of Berlin and Brandenburg municipalities. Tendering is based on national rules (e.g.: VOL/A, GWB, VgV). New contracts regarding regional express trains are being set up and will come into force at the end of 2011. In the past, there were direct awards but this turned to competitive tendering procedures. In 2004, the context changed from net contract to gross contract in order to allow new competitors to join or step into the market. Before, DB (Deutsche Bahn) as monopolist had all the information but the competitors did not. Thus, DB was always a step ahead compared to other companies, which put DB in a dominant position without competition. The lack of a used vehicles market as well as a network, lines and electricity owned by DB are problematic. Besides, VBB has no direct influence on the infrastructure of DB. It is good at operating, rolling stock, staff. But customer service on stations/stops is very bad since VBB has no legal influence on DB infrastructure about this issue. The S-Bahn has a directly awarded contract (2002) which is very low in requirements concerning rules of maintenance and services. Moreover, VBB has no possibility to control quality or put pressure on S-Bahn due to poor contract regulations. Ultimately, competitive tendering may have some advantages: low prices, increase in quality, customer satisfaction, increase in demand of traffic, but also some disadvantage: price war versus functional tendering. Other federal states observed VBB's tendering process and are currently in the process to take over the competitive tendering system.

Tendering and contracting of city transport

ZTM Warsaw's transport tendering began in 1991. At that time, a small private enterprise with 3-4 buses signed the first transport contract. Since 2000, relevant improvements have been made and three private companies have been operating on ZTM lines. It is then better to contract greater amount of vehicles like buses in order to maintain them or buy them more easily. In municipalities, four companies have agreements with detailed requirements, among which monitoring of the operator. Each year, ZTM Warsaw signs a new contract with the Urban Rapid Railway. As far as the contract structure is concerned, the number of appendices is not fixed but designed for each contract (mostly dependent on the types of vehicle like tram or bus). In appendices, all regulations are fixed such as advertisement areas, air conditioning...The urban bus company operates 75% of bus service in Warsaw's metropolitan area, which may turn out to be problematic if the operator goes bankrupt.

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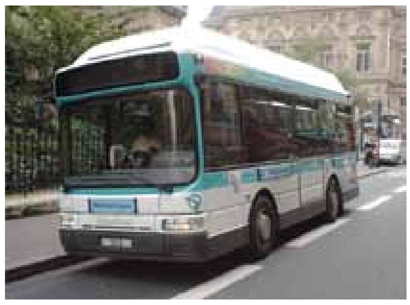
In Vilnius, contracts with municipal operators are direct tenders without competition. Contracts with private operators can be direct tenders or competitive tenders. Competitive tenders are done for commercial routes; operator gets the right to operate the route. Contracts are signed with Vilnius municipality in case of private operators. Contracts are signed with MESP (Public Transport Authority) in case of municipal operators. Nevertheless, MESP is also owned by the municipality. Around 67% of the transport market forms a part of the municipal operators. Currently, MESP has two contracts which are in effect since 1999. Generally speaking, contracts are poor in terms of contents or regulations, and can be prolonged for another 3-5 years in case there have been no infringements. This means the contracts are set for a certain period of time but contract terms are not really defined.

- Tendering procedures: these are determined according to special national rules. Foreign operators do not bid because of the small size of the network which is tendered. There are 2-3 bids per tender in average and nationwide only.
- Regulations of tendering: a call is open for 30 days only and bidders must prove they own an infrastructure for transport services as well as vehicles, which have to be no more than 12 years old.
- Financing: an operator of commercial routes gets no subsidies from municipality but only money out of the ticket revenues. For non-commercial routes, the winner gets the revenue out of ticket sales and subsidies by the municipality.
- Quality management: monitoring by GPS devices (also for timetables and routes) takes place even if the quality of busses is good (or out of order). The operator is the owner of rolling stock and infrastructure.



In Paris and Île-de-France region, RATP and STIF have a four-year contract, dealing with underground and suburban trains, but this is not detailed enough. (e.g.: supply during peak hours). The other contract regarding buses and trams is almost the same as the one above but the services are much more appropriate to the circumstances (e.g.: school and summer holidays, services on Saturday and Sunday...). Moreover, there is a non-contractual indicator (buses load) in order to improve the planning of the service. Monitoring is based on annual kilometres. A franchise is used and may cover the normal hazards of operation that may require reduction or withdrawal of the offer. It varies from 3-4 % depending on sub-network. Audit and control belong to STIF, especially on the performance of the delivery, through actual counting the number of buses, tram or subway services made by external control firms. Even if committees meet quarterly to monitor causes of non-completion of the contract (internal causes such as rolling stock failures, unavailability of staff or external causes such as passengers falling on the tracks), RATP has to ensure the security of the metro. During strikes, 50% of the system has to be operated, based on the operations during peak hours. Delays are the basis for the measuring of customer satisfaction and bonus. Passenger satisfaction is STIF's highest priority. As a result, the capacities of lines may be adapted in order to meet the demand of passengers (within the limits of budgetary capacities). An association of 75 private bus operators, Optile operates 4,200 buses, 1,082 lines in the outer ring of Ile-de-France region. A first generation of contract was implemented in early 2007 for a four-year run at the max (until 2010). A second generation of contract (until end of 2016) is supposed to be more ambitious and prepares the implementation of the European Public Service Obligation Regulation. This second kind of contract supplies all elements of a public service contract and runs for a minimum of 6 years.

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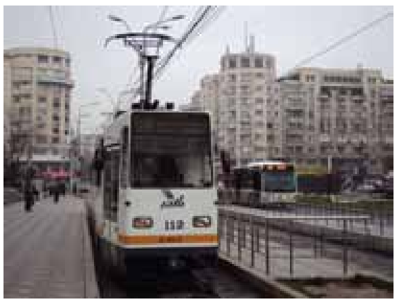
The second generation contract focuses on the interest of the passengers, including strike regulations. The aim is to improve passenger services especially with regard to accessibility as well as real time information. Such a contract was first set up in December 2008 with a company belonging to the Veolia group. Next tendering and contracts will take place in 2009 and 2010.

VBB covers the area of the federal states of Berlin and Brandenburg. As a city, Berlin is responsible for metro, bus and tram. The city of Berlin (transport division) defines the framework of the transport within a public transport plan (every 4 years). The federal states are responsible for regional rail. The overall transport management lies with VBB.
BVG (Berliner Verkehrsbetriebe – Berlin Transport Company) is a city owned operator, owner of all vehicles and infrastructure of metro, tram and bus in Berlin whose contract was directly awarded by VBB and signed in 2008 (valid until 2020).
BVG has a net contract as it keeps revenues and gets additional funds from the city in addition to a bonus-malus system. Regarding the quality control system for service and infrastructure, regular reporting to the authority is mandatory. High ecological standards for new buses need to meet as well as the reduction of old fleet which does not meet the standards.
The political responsibility remains within the city's authority while the operational responsibility remains within BVG.

Special focus on Bucharest Municipality



In Romania, there are many public transport operators. Infrastructure is owned by the Ministry of Transport and the price is determined at the national level. The price for infrastructure is very low (low commercial speed; many lines are not in use, in addition to closed lines due to the low price for infrastructure).
Bucharest Municipality has been considering to conclude a public transport service contract, as currently there is none existing, and create a co-ordination authority that would be responsible for the whole regional passenger transport.
Romania's partner in CAPRICE Project (PMB) is therefore interested in tendering procedures for services and maintenance, construction works for infrastructure, equipments and fleet, based on national and European Law provisions.
Besides, technical issues need to be clarified and brought forward like an urban traffic control system, public transport management system, traffic video surveillance system, passenger information system as well as dedicated lines for passenger transport.

CAPRICE recommendations

Recommendations were developed from the second CAPRICE workshop held in Warsaw from 14th to 16th September 2009. In the last years, all participants of the CAPRICE Project made experiences in tendering or contracting passenger transport services. With the help of tendering and contracting the partners increased service quality and passenger satisfaction whilst reducing the amount of public subsidies for transport services. Based on their experiences, the CAPRICE Partners have made several recommendations.

Recommendations at regional level

- Competitive tendering and contracting has been proven as an efficient instrument for increasing the quality of public transport services and passenger satisfaction whilst reducing the amount of public subsidies needed.

- Tendering and contracting of public transport services needs a strong body that prepares the tenders, defines the level of service the passenger aims at, carries out the tendering procedure and controls the contracts. This is especially the case in capital regions with a long tradition of strong public operators. Public transport authorities and associations need to be strengthened and equipped with sufficient personal and funds and with well defined tasks and responsibilities.

- Cities also have the possibility to directly award contracts to their own public operator for example for short running contracts. Even if contracts are directly awarded, the CAPRICE Project recommends implementing complex quality control systems in the contracts in order to put pressure on the operators to deliver a high quality service for the passengers. If service quality is low, the operator should be forced to pay penalties as incentive for better quality. This needs a clear definition of authorities' and operators' tasks. The authorities should define the service quality expected by the passengers; the operator should be responsible for the operational tasks he can influence.

- In order to be effective, service contracts should run over longer time periods as the operator needs the opportunity to amortise its investments. This means that the public transport authorities need reliable political decisions and funding to conclude service contracts with the operators.

- Public transport authorities usually have contractual relations with the operators only. If the operators are not owner of their infrastructure, the authorities need an influence on the the infrastructure quality, too. The quality of public transport services often is dependant on a high quality infrastructure. Therefore, the CAPRICE Project recommends guaranteeing a good infrastructure quality either through national or European regulation or through special infrastructure contracts. The fees for infrastructure access have to be related to the infrastructure quality.

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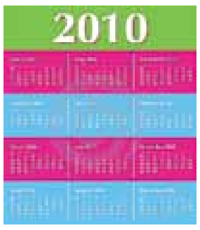
Recommendations at European level

- By implementing the European regulation 1370/2007, the European Union set the legal framework for tendering and contracting procedures in public transport. This regulation in combination with the European procurement rules give a sufficient framework to carry out legally compliant tendering. Therefore, on legal level no additional regulation is needed.

- The CAPRICE Project recommends the European Commission to further support the exchange of experiences with public transport tendering and contracting through initiatives like the CAPRICE Project. The CAPRICE Project shows that the exchange of different approaches all over Europe is fruitful for all participants.

- To ensure functioning tendering, an open market access for private operators is crucial in order to achieve high service quality at reasonable prices. Access barriers – especially in the railway sector – have to be reduced. Legal and technical regulations of the railway sector should be harmonised within Europe.

European events & meetings



A large series of events related to public transport in urban areas is regularly organised or promoted by different institutions, networks and associations at European and international level such as EMTA, Polis, Civitas, Eurocities, UITP and CODATU.

EMTA

- 15-16 April 2010: Spring General Meeting, Budapest (Hungary)
- 30 September & 1 October 2010: Board meeting, Brussels (Belgium)
- 11-12 November 2010: Autumn General Meeting, Barcelona (Spain)

For more information: www.emta.com

POLIS

- 23-26 March 2010: Intertraffic trade fair 'Connecting innovation to infrastructure', Amsterdam (The Netherlands)

For more information: www.polis-online.org

CIVITAS

- 28 & 29 September 2010: CIVITAS Forum Conference 2010, Malmö (Sweden)

For more information: www.civitas.eu

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European events & meetings

CODATU

- 26-28 May 2010: International Transport Forum, Leipzig (Germany)
- 8-10 June 2010: IT-TRANS, The international meeting place for decision makers in public transport, railways and mobility, Paris-Porte de Versailles (France)
- 11-15 July 2010: 12th World Conference on Transport Research, Lisbon (Portugal)

For more information: www.codatu.org

UITP

- 22-23 April 2010: Contracting in Public Transport, Bologna (Italy)
- 4-5 May 2010: UITP Interoperable Fare Management (IFM) Forum, Leeds (United Kingdom)
- 9-11 June 2010: 6th International Bus Conference & Study Tour on Fuelling Public Transport, Do green buses bring more customers? Lyon (France)
Pre-Conference Study Tour: 5-9 June 2010 in London, Lille, Paris and Lyon
- 12 June 2010: Trolleybus Workshop in Lyon (France) in conjunction with the 6th International Bus Conference taking place on 9-10 June 2010 in Lyon (France)

For more information: www.uitp.org

EUROCITIES

- 5-7 May 2010: ECOMM / European Conference on Mobility Management 'Moving people - Bridging spaces', Graz (Austria)
- 19-21 May 2010: 6th European Sustainable Cities & Towns Conference, Dunkerque (France)

For more information: www.eurocities.eu