

Workshop 2A

Competitive tendering and other forms of
contracting-out: institutional and contract design and
performance measurement

2a. Bus/Coach and General Public Transport

Chair: Rico Merkert

Rapporteur: Maria Melkersson



Overview

37 participants

19 papers

Australia (6)

Chile (1)

Finland (1)

Greece (1)

NZ (2)

South Africa (4)

Norway (1)

USA (1)

Singapore (3)

Brasil (1)

Zimbabwe (1)

Sweden (5)

Switzerland (1)

Ireland (1)

Spain (1)

Russia (1)



Bus (metropolitan) status quo update 1/3

	South Africa	US (New Orleans + Los Angeles)	Brazil	Norway	Zimbabwe (mini buses)
Form of competition	CT & NC & deregulated minibus services	CT	CT & transition contracts	CT	Highly deregulated
Governance	Regional & Local	Regional	Regional and local	Regional	National and local
Payment mechanism	Net costs, gross cost, capital subsidy for mini bus	Gross costs	Gross costs	Gross costs	Not applicable
Time period	7 + 5 years, 12 years	5 – 8 years + extension	10 to 15 years	8 + 2 years	Not applicable
Inst. Maturity	Medium/low	Medium	Medium	Medium	Low
Risk allocation	Operators & local authorities	Authority	Shared, mostly authority	Authority	Operator
Trans. costs	Significant	Significant	Significant	Significant	Not applicable
Additional Incentives	Insignificant	Various	Limited	Medium	Not applicable
Outcomes	Mixed	Mixed	Mixed	Mixed/positive	Mixed / negative



Bus (metropolitan) status quo update 2/3

	Australia	NZ	Greece	Chile	Finland	Singapore
Form of competition	CT / NC	CT / NC	DA	CT	CT	In transition to CT
Governance	Regional	Regional	National/ Regional	Regional	Regional	National
Payment mechanism	Gross	Gross	Gross / farebox-rev.	Net & gross	Gross	Gross
Time period	5-10	6-12	10+	10	7 + 3	5 + 2
Inst. Maturity	High	High	Medium	Medium	High	High
Risk allocation	Authority	Authority	Mainly authority	Varies	Authority	Authority
Transaction cost	Medium, increasing	High	Small	High	Medium	Reducing, medium
Additional incentives	Limited	Yes, but limited	None	Small	4% annually	10% annually
Outcomes	Mixed, more positive	Positive	Bad	Moderate	Neutral / positive	Positive



Bus (metropolitan) status quo update 3/3

	Sweden	Ireland	Russia (excl. Moscow)	Moscow	Switzerland (inter-municipality)	Spain
Form of competition	CT	DA + CT	In-house / Route franchise	CT	DA + CT	CT
Governance	Regional	National	Municipal	Regional	Regional	Municipal + metrop
Payment mechanism	various	Net cost	Net Subsidy / Commercial	Gross cost	Net Cost	Net cost
Time period	8 + 3	5 years	Ever / 5 years	5 year	2 years (5/10 years)	5 + 3
Inst. Maturity	Stable (High)	Medium	Low	Low but growing	High	High
Risk allocation	Mixed	Mixed	Authority / Operator	Authority	Operator (but state owned)	Operator
Trans. costs	Unknown	Low / Unknown	Unknown	High (transition)	Moderate	Moderate
Additional Incentives	Various (both positive and negative)	Various (penalties)	None	Various (penalties)	Some (various)	Various
Outcomes	Positive (ridership, + costs)	Marginal	Poor	Positive	Positive	Positive



Key Themes

- Competitive tendering vs. direct award
- Tendering – number of bidders and tender prices
- Contract design and its parameters
- Incentives or threats
- The market, the stakeholders and their readiness for tendering
- Transition issues
- In day and age of big data and MAAS we are often still in the process of sorting out the basics; i.e. get bus drivers to stop where they are supposed to stop



Key takeaways from papers

- Industrial constraints to lower costs and to drive better service outcomes (Australia)
- Authority intervention in asset procurement hinders innovation and increases operating costs (global)
- Reviewing and recovering a better contract situation based on risk analysis and passenger demand, get buses to stop where they are supposed to stop (Chile)
- CT can be a powerful strategic tool to improve transit service in US
- PTAs neglect reaction of operators regarding contract cost and revenue risk factors brought into their contract designs in South Africa
- Experts' opinions differ significantly on the prioritisation of KPIs and relevance of organisational features in PT (global)
- Superincentives delivered cost decreases but only small patronage increases (Sweden)
- Distance from depot matters for likelihood to participate in a tender (Sweden)
- Functional and specific requirements in green public procurement result in different types of renewable fuels (Sweden)



Key takeaways from papers #2

- CT used as a credible threat lowers inefficiency and opens room for using different governance instruments in favour of overall welfare (Switzerland)
- Special bus requirements (e.g. greening) drive cost and reduce #bidders (Sweden)
- PT transport organisational structure should be able to adjust to the changing context/customer needs (Sweden)
- CT same efficiency result than NC under threat of CT in regional context (Spain)
- Organisational models in Russia are evolving towards competitive tendering (from minibuses)
- Tendering can be used in addressing the urban transport challenges in a highly deregulated transport market (Zimbabwe)
- Need for improved financial valuation of satisfaction of captive customer in contract cost-benefit analysis (South Africa)



Policy Recommendations

- Consider the level of decision making (EU/UN, national, regional, municipal) and the implications
- Build trust! Use meaningful and measurable KPIs to evaluate the performance
- Acknowledge and quantify procurement and transition costs!
- Continued transparency on behalf of both PTAs and operators!
- PTAs must manage the contracts over its whole life, show endurance, properly use bonuses/penalties and show enough flexibility to change conditions along the way.
- Just minimizing costs in tendering will exclude created values!
- Step away from the microscope – the key factors are the business proposition, the nature of actors and the environment in which they should work and cooperate
- Acknowledge the incremental process and innovation! Facilitate organisational learning!
- PTAs, regulators and policy makers – come to Thredbo 16! Thredbo needs you and you need Thredbo!



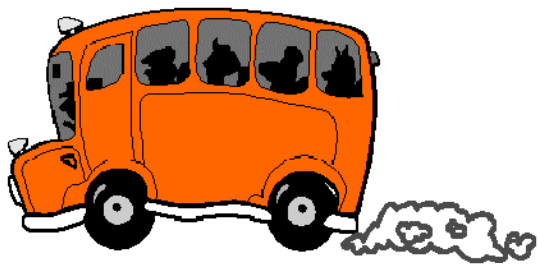
Research Priorities

- How can we advance quantification of KPIs and impact? Can qualitative data complement?
- What can we learn from the 150 1m+ cities in the world? (China, India etc. seldom at Thredbo). Next wave of contracting!
- Designing contracts for post award flexibility - requirements and benefits
- Can standardising contracts improve performance?
- Capability of PTAs in contract management



Recommendations for Thredbo 16

- What is driving tender participation/non-participation?
- Foresight – what's next phase in the cycle and what are the implications?
- Big data in context of contract design and management



Questions? Comments?

