

Workshop 2. Competitive Tendering and Other Forms of Contracting-Out: Session B: Rail and Public Transport

Chair: John Preston, University of Southampton.
Rapporteur: Heike Link, DIW.



Aims

1. Review the critical success factors in contracting-out, including role of key performance indicators, incentive/penalty regimes and allocation of risks.
2. Understand the relations between authorities and operators (both formal and informal).
3. Identify appropriate means of procurement, contracts and payment mechanisms.
4. Examine the potential for hybrid regimes and deconstruct governance elements, including transaction costs.

Overall, review of international evidence (and robustness)

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Workshop 2 report: Effective institutional design, regulatory frameworks and contract strategies

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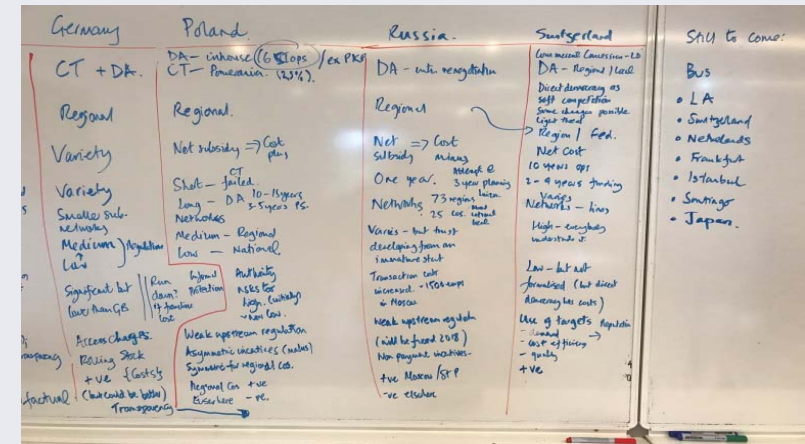


Source Material

Three plenary papers.

12 workshop papers in Part B.

15 participants.



Rail case studies: Germany, Great Britain, (Norway), Poland, Russia, (Sweden), Switzerland.

Bus case studies: Chile, Germany, (Japan), Netherlands, Switzerland, Turkey, United States,



SHORTLIST			RATING						
Performance Indicators	Votes	Rank	Performance Indicators	Avg. Points	Std. Dev.	High	Mode	Zeros	Rank
Cost-recovery Ratio	45%	1	User Satisfaction (overall index)	15,91	11,03	50	15	11%	1
Modal Split	41%	2	Cost-Recovery Ratio	15,24	9,07	30	20	14%	2
User Satisfaction (overall index)	37%	3	Modal Split	13,2	9,68	40	20	20%	3
On-time Performance According to Timetable	31%	4	% of Inhabitants (or users) living within walking distance to Frequent PT Service	9,78	7,71	30	10	23%	4
Ratio between Travel Time in PT and Car	30%	5	Ridership per Capita	9,57	8,7	30	5	25%	5
% of Inhabitants (or users) living within walking distance to Frequent PT Service	30%	6	Ratio between Travel time in PT and Car	8,22	6,36	25	10	25%	6
Ridership per Capita	27%	7	On-time Performance according to Timetable	8,04	6,95	20	0	32%	7
Cost per Passenger Km	21%	8	Total revenue and total cost	7,28	8,39	30	0	45%	8
Total Revenue and Total Cost	17%	9	Cost per Passenger Km	6,98	6,77	26	0	36%	9
Comfort	16%	10	Comfort	5,78	5,88	20	0	41%	10

No general criteria, except possibly welfare.

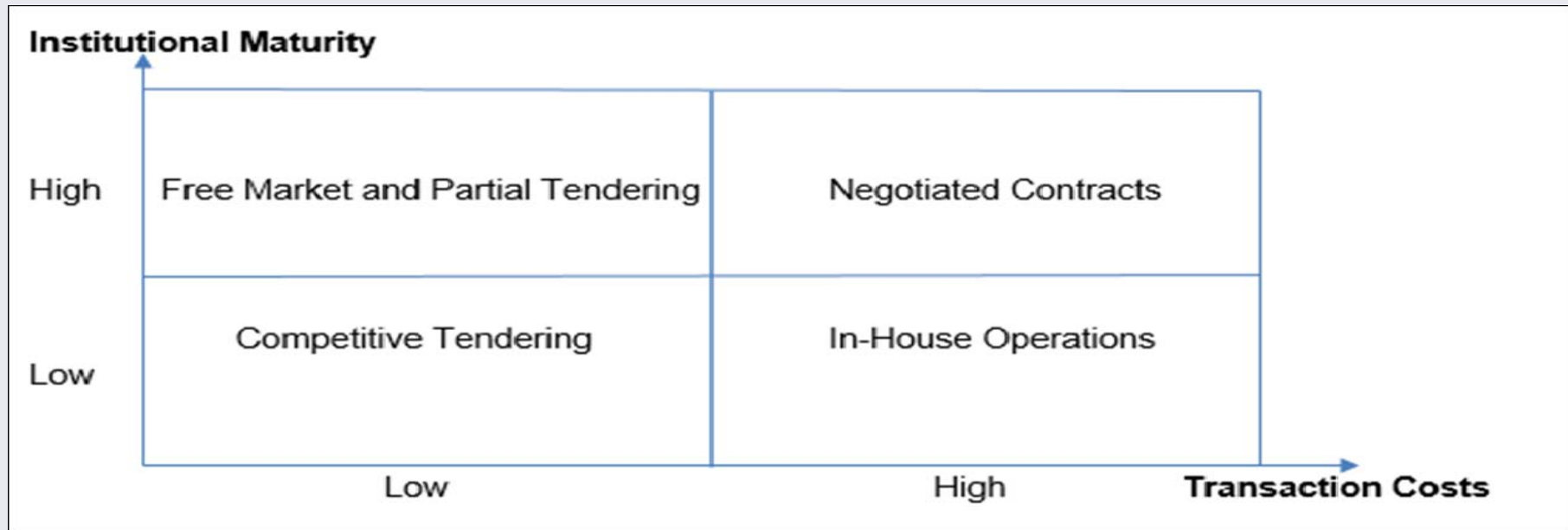


Shortlisting and Rating: Organisational Features

SHORTLIST			RATING						
Organisational Features	Votes	Rank	Organisational Features	Avg. Points	Std. Dev.	High	Mode	Zeros	Rank
Integrated Fare and Ticketing (clearinghouse functions)	59%	1	Policy Integration (cross-sector links other govt. areas)	14,65	7,79	30	10	9%	1
Funding: source, availability, autonomy/control	57%	2	Funding: source, availability, autonomy / control	14,37	11,2	50	15	18%	2
Integrated Planning: multimodal and multijurisdictional agency or capability	43%	3	Long-term Strategic PT plan	12,65	7,82	30	10	11%	3
Policy Integration (cross-sector links with other govt. areas)	39%	4	Integrated Planning: multimodal and multijurisdictional agency or capability	12,46	8,42	40	10	16%	4
Clear Legal and Regulatory Frameworks	34%	5	Integrated Fare and Ticketing (clearinghouse functions)	10,28	8,81	40	10	25%	5
Long-term Strategic PT Plan	31%	6	Clear Legal and Regulatory Frameworks	8,96	6,87	30	10	25%	6
Contracts: risk allocation and incentive structure	28%	7	Contracts: risk allocation and incentive structure	8,43	7,5	30	10	27%	7
Skill set and technical expertise of staff	27%	8	Skill set and technical expertise of staff	7,43	6,96	25	0	34%	8
Awarding Mechanism	23%	9	Awarding Mechanism	4,5	5,09	20	0	48%	9
Competition among Operators (market concentration)	21%	10	Competition among Operators (market concentration)	4,09	4,55	15	0	50%	10



Alternative Framework



Rail Summary

	GB	Germany	Poland	Russia	Switzerland
Form of competition	CT	CT & DA	DA (& limited CT)	DA with renegotiation	DA with soft competition
Governance	National	Regional	Regional	Regional	Regional/ National
Payment mechanism	Net Subsidy/ Cost Plus	Various	Net Subsidy/ Cost Plus	Net Subsidy/ Cost Minus	Net Cost
Time period	7 years +	Various	Various (CT), Long (DA)	1 year	10 years/ 2-4 years
Inst. Maturity	Medium High	Medium Low	Medium (R) Low (N)	Low but growing	High
Risk allocation	Operators	Varies	Authority	Authority	Shared
Trans. costs	Significant	Significant	Reduced (6 Rs). Increased	Increasing	Direct democracy
Additional Incentives	Various	More limited	Limited. Asymmetric	Weak upstream	Targets
Outcomes	Positive	Positive	Mixed	Mixed	Positive

Bus (and other PT) Summary

	Germany Frankfurt	Netherlands	Turkey Istanbul	US Los Angeles	Japan
Form of competition	CT & DA	CT (except A)	CT + DA + FM	Some CT	FM + CT since 2001
Governance	Regional/ Local + 3P	Regional (except A&R)	City	City/Local	Local
Payment mechanism	Gross cost	Net cost	Revenue sharing	Gross costs	Net Cost
Time period	6 years	10 years	15 years	4-5 years + extensions	5 years
Area	5 bundles	Areas	Areas	Sub network. Some routes.	Area.
Inst. Maturity	High	High	Developing	Maturing	High
Trans. costs	Medium	Shared risk.	Varies.	Issues related to planning	Low but only local entry
Additional Incentives	Bonus/ Malus	Varied. Increasing.	VKM/Pax/ Quality	Various	Reputation for re- awards
Outcomes	Positive	Positive (Bus) No evidence.	Positive but now stagnant	Positive (LA)	Positive

Lessons Learned

Form of competition	CT still growing but 'pure' forms rare. Hybrid forms emerging. Internationalisation. Increasing role of soft competition.
Governance	Regionalisation. Development of trusting relationships. Role of third parties in planning.
Payment mechanism	Gross costs for 'social' contracts. Net costs/incentives for 'commercial' contracts.
Time period	Highly variable. Longer for rail and 'commercial' contracts. Shorter where high risks.
Area	Importance of bundling. Route contracts rare. Limited economies of scale and density.
Inst. Maturity	Importance of accountability, transparency and stability in both formal and informal structures. Need some flexibility.
Trans. costs	Higher for systems responsible for infrastructure (asset specificity). Lower where risk appropriately shared.
Additional Incentives	Need to be aligned. Move from formal/output to informal/process incentives. Reputation effects.