

# Workshop 2

## Practical considerations in implementing different institutional regimes

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# Overview

16 papers

25 participants

- 13 academic
- 8+1 consultant
- 2 authority
- 1 operator



# Key Themes

## Theme 1: Introducing competition and shifting regimes

- Initial reforms
  - US
  - Philippines
  - Cyprus
- Shifts in regimes
  - Moscow
  - New Zealand
  - “Back to public” (FR, SE, DK, ...?)
- Alternatives / optimisation for competition
  - South America (unbundling)
  - Germany (rail – alternative)

## Theme 2: Mature competitive tendering regimes

- Contract/tendering design
  - Flexibility (Sweden)
  - Standardisation (Sweden)
- Bid evaluation
  - Awarding (Finland)
  - Evaluation process (Australia)
  - Scoring (Sweden)
- Results
  - Incentives and policy goals (Sweden)
  - Incentives and ridership (Sweden)
  - “How” of policy-making and informal institutions (NL-Norway)



# Discussion groups

## 1. Competition and shifting regimes

- What makes regimes evolve? (triggers)
- Evolution for the “better”?
- Regulatory cycle?

## 2. Competition for what?

- Contract scope (STO) – system management
- (Un)bundling and the function of the authority
- Gross Cost Contracts / Net Cost Contracts

## 3. Functioning of tendering

- Contract standardisation or not?
- Bidding and evaluation/awarding design

• *Reflections*

• *Policy recommendations*

• *Research recommendations*



# 1. Competition and shifting regimes

- Triggers for change
  - New administration / aspirations
  - Capable and influential individuals
  - A crisis occurs (budget/constraints)
  - Obvious needs, concerns (congestion, pollution)
  - New rules (such as EU regulations/directives)
- Evolution for the “better”?
  - What is “better”?
  - Some problems may in fact be symptoms of deeper issues (what are the real root causes?)
  - Build a management function into the PTA (as network/system manager) incentivised and accountable under set KPI's
- Regulatory cycle?
  - The suboptimal/optimal fallacy - tendency to compare a suboptimal implementation of one model with an optimal implementation of another (decoupled from context)
  - Increasing PTA strength and management capacity may interrupt the regulatory cycle (revolving allocation of unmanageable risk)



## 2. Competition for what?

- Contract scope (STO) – system management – GCC/NCC
  - Wish to strengthen the PTA
  - Risk to be allocated in line with operators' capability to influence factors creating the risk
  - No enthusiasm for NCC
    - Passenger growth illusory through NCC
    - “Walking on the ridge or in the valley”?
- (Un)bundling and the (resulting) interface-coordination function of the authority
  - There is no one-size-fits-all
    - Need to identify root causes (if problems with competition, financing,...)
    - Need to have the right processes/people in place to find the right solution for the context



# 3. Functioning of competitive tendering

- Contract standardisation or not?
  - Is it a process of sectoral socialisation?
  - Is it not an obsessive, illusory target?
- Bidding and evaluation/awarding design
  - Many risks to get awarding wrong
  - Right people, right training, right time
  - Strong doubts about tactical level tendering (with NCC)



# Policy Recommendations

- Increase the strength of the PTA
- Collaborate/consult with stakeholders before tendering
- Always choose gross-cost contracts !!!???
- Do not use too many quality criteria
- Reconsider the design of the evaluation process
  - Create competitive tension (2 teams) and mitigate risk of mistakes/bias
- The importance of people: *“Better to inherit a bad structure with good people than a good structure with bad people”*





# Research Priorities

- Competitive tendering (CT)
  - Is CT still useful? Or are its problems creating unnecessary complexity?
  - Is CT really selecting what it thinks it is selecting?
  - What are the key skills for proper tendering?
- Do performance incentives really work?
  - “Where” (at what company level) do incentives work? (if they do work at all)
- What does it take for a public entity to be and stay competitive with the private sector in efficiency and performance?
- How do we get from “ought to this, ought to that” to actually generating improvement?
  - What is the recipe to get the right people in the right place?
  - Windows of opportunity, path-dependency, the impact from local heritage



# Recommendations for Thredbo 17

- The historical core of Thredbo remains important
  - More workshops on governance/competition/ownership
  - More/wider theoretical inputs: concepts to enrich, structure the discussion
- Reduce the overlap with other workshops
- Fewer papers per workshop or more time for discussion



Questions? Comments?

