



Webinar One Wednesday September 29 (7pm AEST, 10-11.30am BST)

Title: The Contract Environment Going Forward

PRESENTATION ONE

[Didier van de Velde, TU Delft, The Netherlands](#)

Title: Net-cost contracting and tendering post-covid: the Dutch experience

Abstract:

The sudden drop in ridership due to covid and the uncertainty linked with the recovery phase post-covid created a major challenge for the net-cost contracting approach used in local and regional public transport in the Netherlands (as it did on railway franchises in Great-Britain). What have the Netherlands, an area know for using large competitively tendered net-cost contracts, coped with this situation? Is the future contracting and tendering approach going to remain unchanged or not?

PRESENTATION TWO

[John Preston, Engineering and Physical Sciences at the University of Southampton.](#)

Title: Rail contracting post-Covid: A view from Great Britain.

Abstract:

The possible demise of passenger rail franchising in Great Britain has been considered by the author at several past Thredbo conferences, dating back to 2007. The end, when it came, was from an unexpected source – the Covid-19 pandemic. This led to rail demand plummeting to levels last seen in the 1850s (sic) and some £12 billion of Governmental support to the industry (and counting). Rail franchising was an early casualty with franchising suspended on 23 March 2020 and replaced by Emergency Management Agreements. The death of franchising was confirmed by the much-delayed White Paper, published as the Williams-Shapps Plan for Rail in May 2021. This sets out the most ambitious changes to the rail sector in a generation, in effect overturning many of the features of the 1993 Railways Act that introduced privatisation by creating a new public body, Great British Railways, that will run the network in the national interest. This presentation will examine the context and the details of the Williams-Shapps Plan and focus on three key areas. Firstly, it is proposed that franchising will be replaced by Passenger Service Contracts. The details of these are sparse although exemplars of the London Overground concession and the competitive tendering of services in Germany and Sweden are cited. These contracts will be different across the network, will not take a one-size-fits-all approach and will vary in terms of contract length and geographic and financial size. This presentation will speculate as to how this might develop, particularly with respect to reinvigorating the number of bids. Secondly, a Passenger Service Contracts toolkit is proposed that will include performance incentives related to quality of service, punctuality, passenger experience, revenue protection and train capacity and scorecard linked incentives related to collaboration and innovation. In some cases, it will include revenue incentives and risk sharing. These incentives will be

scalable and used in different ways across different contracts. Drawing on evidence presented at past Thredbo conferences, this presentation will speculate as to how these incentives might develop and how effective they might be. Thirdly, it is speculated that cost reductions of around 15% over and above those already planned can be achieved whilst continuing to grow the rail network. This would be achieved through reductions in transaction costs and exploitation of economies of scale and scope. The evidence for such cost reductions being realised will be assessed. The presentation will then conclude by considering just how great Great British Railways will be.

PRESENTATION THREE

[Brendan Finn, European Transport and Telematics Systems Ltd](#)

Title: Issues in contracting for green urban bus fleets in developing economies

Abstract:

At present, the transition to green fleets for urban bus transport can only occur within a public transport contract setting. Reasons include the higher investment requirements and additional risks. This in itself poses challenges in many developing economy contexts (which comprise the greater part of the world's population), due to existing limitations in institutional capacity of governments, in the frameworks for public transport, in governments' ability to provide and sustain supporting finance, limited experience with bus contracting, rapidly growing cities with worsening congestion and weak business models. When seeking to implement green fleets, additional challenges are faced in many developing economies. These include the level of development of the operator sector and their ability to access finance, lack of modern maintenance capacity and limited availability of land for new depots, quality of energy supply and infrastructure, and tariff practices that frequently fail to cover the full lifecycle cost. The first part of the presentation sets out both general challenges of bus contracting in developing economies and additional challenges arising in relation to green fleets.

In the second part of the presentation, the case of India is examined. The Indian Department of Heavy Industries (DHI) is currently undertaking the second round of the 'Faster Adoption and Manufacturing of Hybrid and Electric Vehicles' (FAME-II) program. This includes a significant component for electric buses. As of late-2020, a total of 5,595 buses have been sanctioned, of which the procurement process and approval for financing support has been given for 2,450 buses in about 30 cities. These are now being deployed. Of particular interest for the themes of this webinar is the contracting modalities. The emerging preferred model is a Gross-Cost Contract (GCC) in which the service provider offers a per-km rate covering the vehicle cost, energy, operations, charging infrastructure, maintenance, etc. The contracting agency usually takes responsibility to provide the depot and arranging for the electricity supply as far as the depot. It can be noted that GCC had not previously been used so much in India, but is the preferred model for electric vehicles as it places the technology-associated risks with the service provider.