

Report on Workshop 2: Competitive Tendering Experience

Fiona Knight

Transport New Zealand
Wellington, New Zealand

Workshop 2 analyzed the experience of competitive tendering across the world. Papers were presented relating to experiences in the United Kingdom (UK), Australia, New Zealand, the United States, and in Norway, Denmark, and Sweden.

The first paper, Peter White and Stephen Tough's paper on alternative tendering systems in the UK, was a natural follow-on from the plenary address by Nick Newton on the London competitive tendering experience. It was an excellent paper to start the workshop and raised a range of issues, which were consistently returned to during the workshop sessions.

The paper updated previous papers of White's on the impact of deregulation in London. A significant inclusion was the comparison of the cost effectiveness of gross cost and minimum subsidy (net) contracts.

The next paper by Kjell Jansson looked at competitive tendering in Europe and analyzed experiences of 11 tendering authorities. This paper was complemented by Bjørn Andersen's analysis of competitive tendering in Scandinavia. Concerns raised in White's paper were reinforced by these two papers. An Australian paper by Rod Gilmour, which looked at buses replacing late night train services for both passenger security and economic efficiency, continued the debate on these concerns. A complicating feature was that the patron using their return tickets to get home paid no further fare, yet the contracts were net contracts.

Andrew Evans investigated bus accidents and any impact of deregulation. The dilemma of the popular Roadmasters having the worst safety record highlighted the problem of ensuring the balance between customer desires and safety.

The paper by Dave Watson on one New Zealand experience identified some apparent inconsistencies in the system and problems with public perception. A decline in patronage of 15 percent on the first day of the new deregulated system was reported even though the services had not been altered.

Rick Halvorsen and Nigel Wilson presented results of a survey conducted in 1992 of US public transit agencies. The concerns and issues identified by White and Tough kept recurring, notwithstanding the significant differences between the UK and the US in ownership and management of bus operations. In North America, many operators do not own vehicles but lease them, or vehicles are supplied by the tendering authority.

William Shughart and Mark Van Boening analyzed alternative methods and mechanisms for competitive tendering. Concern was expressed that public ownership of passenger transport, even in a competitive tendering system, still tends towards less efficiency than private ownership.

The recurring issues that were debated in the workshop were largely unresolved. These well merit re-consideration in greater detail in future conferences. These include:

- 1) Net or minimum subsidy contracts versus gross contracts. White and Tough presented strong evidence from the UK in favor of the latter; these were also required in Norway and Sweden. The Australian

and New Zealand speakers, however, were more in favor of net contracts.

- 2) an analysis of the extent of subsidy required when concessionary fare refunds have been separated out. Evidence in the papers suggests that a very significant portion of subsidy is to cover concessionary fares and that only a small amount is required to maintain lowly patronized but essential social services.
- 3) the extent to which supplying useful and comprehensive information to tenderers results in greater competition for tenders, more competitive bids, and more cost effective services. Most countries represented in the workshop had useful experiences that could be analyzed further.
- 4) how tendering authorities can ensure vehicle safety and driver safety. Linked with this is ensuring full reporting of any accidents. The experience reported in London was that safety issues are acted on promptly because of the more tightly controlled regime.
- 5) how do you give incentives to operators to perform better? While right of renewal of a contract was seen as an excellent motivator, it has only limited applicability if competition is to be maintained.
- 6) how to provide comprehensive information to passengers cost effectively when there is a range of operators providing services. Views ranged from the US representatives being confident it could be done to UK representatives being not confident. This reflects to some degree the differences in management and ownership of bus operations. NZ, however, presented a successful example in the system most similar to that in the UK.
- 7) whether publicly-owned operators should be allowed or encouraged to participate in bids for contracts. Allowing them to do so increases the degree of competition, which may be expected to benefit the procuring agency, but it raises problems in ensuring a "level playing field" between different types of operators.

All papers aroused considerable interest and sparked very lively debate. The group members came from such diverse backgrounds, and experiences were so varied, that it was hard to reach any consensus except, perhaps, that on some issues more analysis is required.

Participants took the opportunity to learn more about the systems in each other's countries, which lessened the opportunity to analyze any issues deeply. We recommend this be done in future conferences.