

## Preparing for Competitive Tendering: Examples from Germany

Tendering of public transport services in Germany is divided between local public transport services with buses and trams and regional railway services. The latter is subject to competitive tendering on the basis of a new regulation, privatisation of the Deutsche Bundesbahn, introduced in 1994. The German “Bundesländer” (States) or the regional transport associations are responsible for the regional railway services. They manage the service and prepare the contracts with the railway companies, for which they receive a fixed amount of money from the German Government. Some States have already tendered a number of networks and lines, however, the “Deutsche Bahn” is still operating more than 90% of the whole regional railway services. Private companies like “Connex” or public-private-partnership ventures are successful and experiences after tendering have been very positive, for example the quality of the services has been improved and the number of passengers increased whilst deficits have decreased.

A different picture can be seen at the local level where competition is very low. In the cities and densely populated areas local authority owned companies dominate the market, which receive concessions without tendering. This practice has a long tradition and illustrates the regulated frame of a closed market, which protects these companies from competition. However, through new regulations at the European level the German legal framework for public transport contains an increasing amount of competitive elements.

To prepare for competition, public owned transport companies have to lower their expenditure, restructure and form a strong foundation for the company. The future could see an increase in mergers, the selling of public transport companies to private investors or joint ventures. Those local transport companies who are already considered as forerunners likely will have the opportunity to expand their good practice to other cities as well. The development of this will greatly depend on the strategies and political will of local authorities. A factor that will influence future trends is the ruling of the European Court of Justice on subsidies for public transport services, which took place in July 2003. The Court ruled that public subsidies can be paid without breaking EU competition rules, but only if they are for clearly-defined public service obligations. To ensure this is transparent and legal, competitive tendering will be the best solution of meeting the requirements in the Court’s ruling (see chapter on European Framework for more information).

### **Environmental Standards for Public Transport Services – a Pilot Project**

To encourage local authorities and public transport operators to take competition elements and quality criteria into account the German Environmental Ministry in 2002 started a pilot project called 'Demanding environmental standards in competitive public local transport'. The project considered the environmental effects and costs of measures relation to the overall costs for public transport. First, a call for proposals was launched aimed at transport companies and

authorities to show how they will prepare for competitive tendering by integrating environmental criteria. The best concepts from operators came from Berlin and Frankfurt/Oder. In Berlin the operator wanted to introduce clean diesel buses. Frankfurt/Oder decided to renew the whole bus fleet by introducing compressed natural gas (CNG) buses. In both cases the buses fulfil the highest emission standard EEV (Enhanced Environmentally Efficient Vehicles). The Environmental Ministry believes that competition forced the manufacturing industries to develop clean buses. An evaluation should also cover the environmental effects and life-cycle costs of EEV buses in comparison to EURO III. First results show that the additional costs for EEV can be neglected. Within the demonstration project the Ministry also supports preparations for tendering in the Region Hannover. For further information contact: Gabriela Felder, Verkehrsverbund Berlin-Brandenburg GmbH, Hardenbergplatz 2, 10623 Berlin, Germany, Tel. ++49 (0) 30 254 14-345, email: felder@vbbonline.de.

The following case studies from Germany demonstrate how German local authorities and operators have prepared for competitive tendering by considering environmental and quality criteria, which have led to innovative concepts. In each case political action was the driving force.

## **Frankfurt (Oder)**

Frankfurt/Oder has approximately 68,000 inhabitants and is situated on the border to Poland. It has one local authority owned public transport company, the Stadtverkehrsgesellschaft GmbH Frankfurt (Oder). The company operates 6 tramlines and 10 bus lines and also took part in the demonstration project detailed above.

Since March 2003 the whole bus fleet is running with new CNG buses. The buses reach EEV standard and only produce half of the noise as regulated by European legislation. Frankfurt (Oder) is reputed to have one of the most environmentally friendly bus fleets in Germany and even in Europe.

The purchase of clean buses is based on a strong political support. After the flood of the river Oder in 1997 the City council decided that the city itself had to introduce measures to reduce negative impacts on the global climate and the local environment. In 1998, for example, a plan for mid-term and long-term measures to reduce CO<sub>2</sub> emissions as well as to reduce noise was adopted. As well as the bus fleet running on clean fuel, attention has been given to environmental standards with regards to the company's new bus depot and offices. They have a certified quality and environmental management system, for example, low energy consumption and use of rainwater.

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## **Bocholt**

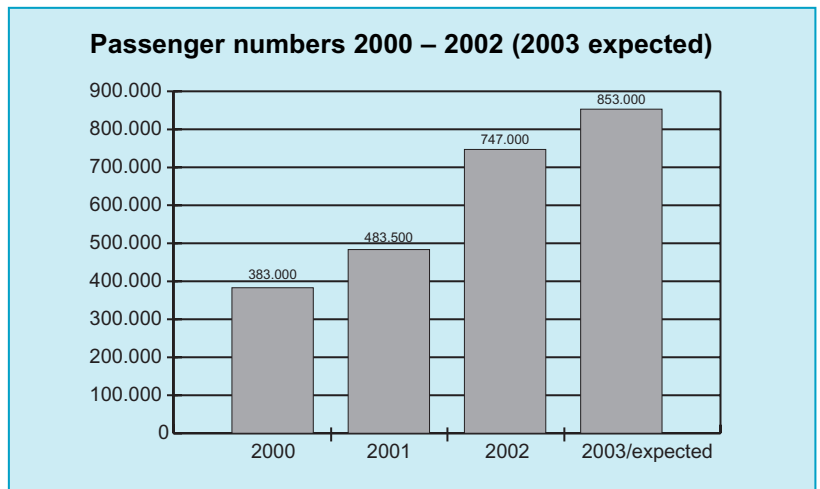
Bocholt has 72,000 inhabitants and is situated near the Netherlands. It has 6 lines of medium sized buses and 4 lines of taxi buses (on demand). Founded in 1999, the local authority owned company StadtBus GmbH functions as the management and infrastructure authority.

In 2000 the whole service of the newly formed bus network was tendered European-wide. Ambitious quality standards including low bus

emissions were emphasised for example, all buses must meet the EURO 3 standard and therefore not be older than five years. A bonus was also given for those buses that ran on CNG. Fifteen companies took part in the tendering process. The successful company was not the cheapest but best value regarding cost and quality.

Service started in August 2001. The experiences after the tendering process are quite positive, the quality has improved and the costs are 20% lower. In comparison to other public transport networks with similar quality standards but without competition the cost reduction is more than 30%. The number of passengers has more than doubled in two years, shown in the graph below.

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## Frankfurt/Main

Frankfurt/Main has 650,000 inhabitants and is located in west Germany. In September 2001 the city founded a new local public transport authority called traffiQ which is responsible for Frankfurt's entire public transport network. The network consists of 7 underground lines, 7 tramlines and 52 bus lines. Before traffiQ, transport planning was overseen by the local operator, Verkehrsgesellschaft Frankfurt am Main (VGF). To meet the EU legislative requirements of tendering which state there should be a clear division between the operator and the organisation that tenders, all operating control was transferred to traffiQ. The council could not operate the network from the same office of the VGF as the basis of the new authority.

TraffiQ is responsible for: finance, tendering and contracting, measuring quality standards, marketing, co-ordination of all public transport services in Frankfurt and managing the information centre.

Targets have been set for competitive tendering within the following areas:

- Higher modal share for public transport.
- High quality standards.
- Reduced costs.

An incentive system should improve the quality. Strong environmental standards are aimed at for busses (EURO V / EEV). A proposal for tendering the whole bus network has already been developed. It is intended to divide the network into five sections and tender one each year. The city council in autumn 2003 decided that tendering will start in early 2005. Apart from this traffiQ published a European wide tender for four buslines (two new and two existing connections) in October 2003. The tender document also includes specific requirements for the vehicle emissions. Frankfurt is the first city in Germany who has prepared for competition and followed tendering legislation closely.

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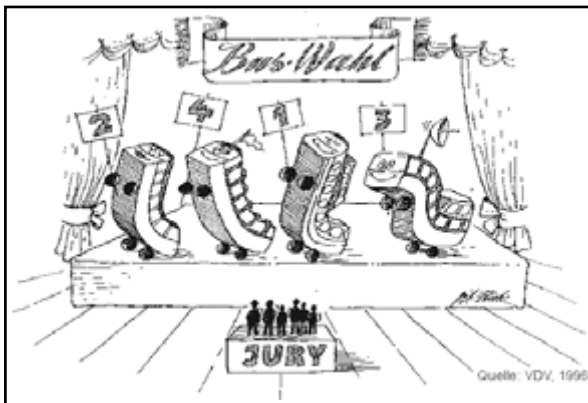
## Region of Hannover

The Region of Hannover is a municipal association of the city of Hannover and surrounding cities and towns. The whole region has approximately 1,100,000 inhabitants, which covers 15% of the inhabitants of Niedersachsen ('Lower Saxony'). The regional authority coordinates planning tasks and is also responsible for the public transport. In 2002 the regional authority set the foundation for more competition in public transport. All bus services have been contracted until the end of 2004. The aim is then to start competitive tendering which will include environmental criteria.

A project has been started together with the Bundesländer (States) Bremen and Niedersachsen, which will examine the effects of tendering. In a so-called "virtual tendering", different networks should be tendered for which suppliers can offer a bid. The aim is to give special recommendations on how to set environmental standards in the tendering process. First results are expected early 2004. This project is linked to the above mentioned demonstration project of the German Environmental Ministry.

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## The Beauty Contest - Environmental Ranking of Public Transport Services in Germany



Research has been undertaken to get an overview of public transport authorities and operators in Germany with regard to competition and environmental standards. In 2002 the Verkehrsclub Deutschland (VCD) started the first German environmental ranking of public transport. In order to examine, evaluate and compare the environmentally friendliness of public transport networks a questionnaire was developed in co-operation with the Chair of Transportation Ecology at Dresden University of Technology. Different aspects, such as vehicle fleet, infrastructure, transportation performance and environmental management were included.

The main purpose of the ranking initiative was to show decision-makers and transport experts in local authorities and transport companies that environmental and quality standards can be introduced and enhance the performance of public transport. The initiative also examines the environmental performance of public transport services in Germany and showcases examples of good practice. Results are published in the brochure „ÖPNV-Umweltliste 2002“. The German Environmental Ministry and the German Environmental Agency funded the project.

After a call for participation 32 public transport companies from Germany completed the questionnaire. These companies show that for them the environment is an important issue. There were a number of categories and the winners are listed in the table over the page.

## Winners of the public transport services environmental ranking initiative, Germany

Categories	Winners
Rural Area	<ul style="list-style-type: none"> <li>• Ohrebus Verkehrsgesellschaft mbH, Haldensleben Ohrekreis</li> </ul>
Cities up to 100.000 inhabitants	<ul style="list-style-type: none"> <li>• KVS GmbH, Saarlouis</li> </ul>
Cities 100.000 to 500.000 inhabitants	<ul style="list-style-type: none"> <li>• Freiburger Verkehrs AG, Freiburg</li> </ul>
Cities over 500.000 inhabitants	<ul style="list-style-type: none"> <li>• üstra Hannoversche Verkehrsbetriebe AG, Hannover</li> </ul>
Supply and Demand	<ul style="list-style-type: none"> <li>• Geraer Verkehrsbetrieb GmbH, Gera</li> <li>• Stadtwerke Rosenheim – Verkehrsbetriebe, Rosenheim</li> </ul>
Operation of buses	<ul style="list-style-type: none"> <li>• Saarbahn GmbH, Saarbrücken</li> </ul>
Operation of trams	<ul style="list-style-type: none"> <li>• Freiburger Verkehrs AG, Freiburg</li> </ul>
Environmental management	<ul style="list-style-type: none"> <li>• Geraer Verkehrsbetrieb GmbH; Gera</li> <li>• Heidelberger Versorgungs- und Verkehrsbetriebe GmbH, Heidelberg</li> </ul>
Environmental engagement for the future	<ul style="list-style-type: none"> <li>• Stadtverkehrsgesellschaft Frankfurt/Oder mbH, Frankfurt/Oder</li> <li>• Saarbahn GmbH, Saarbrücken</li> <li>• Berliner Verkehrsbetriebe BVG, Berlin</li> <li>• üstra Hannoversche Verkehrsbetriebe AG, Hannover</li> <li>• Stadtwerke Augsburg – Verkehrs-GmbH, Augsburg</li> </ul>

## Conclusions

The initiative highlighted that there is still a high share of old diesel buses in operation, but there is an increase in the use of clean fuels and after-treatment. There are increasing number of companies with CNG buses (the most environmentally friendly). Public transport companies are also becoming aware of the need for incorporating environmental aspects and being customer focused and this could lead to an advantage in cases of tendering. The initiative also highlighted that there is still a lack of political action from local authorities, for example priorities for public transport at traffic lights and bus lanes etc. The contest will continue next year with the focus on local authority action.

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