European Good Practice

The following case studies present how cities (highlighted on the map below) in Sweden, Finland, France and Germany have improved the environmental, social and economic standards in urban public transport through the competitive tendering process or through preparations for competitive tendering. The case studies do not to give an exhaustive description of each authority's strategy but details their particular experiences.

Competitive Tendering of Bus Services in the Helsinki Metropolitan Area, Finland 1994-2003

City of Helsinki

The Helsinki region is the only major city conurbation in Finland. Over a million people inhabit the 12 municipalities of the region and these offer over half a million workplaces. The heart of the region, Helsinki itself and its neighbouring towns, Espoo, Vantaa and Kauniainen together make up the Helsinki Metropolitan Area Council, referred to hereafter by its Finnish acronym, YTV.

Regional public transport services arranged by the Helsinki Metropolitan Area Council YTV (i.e. inter-authority services crossing the municipal boundaries) were first introduced in the summer of 1986. The services were run on the basis of long-term contracts and operator licences granted by YTV. In practice, the operator licence gave the operator an exclusive right to run services in a given area or on a given route.

Objectives

YTV has set the following targets for competitive tendering:

- Reduction in the costs of transport by for example, cutting the automatic rising spiral of costs brought about by index-linked contracts.
- Improvement in the service level achieved with the resources invested in public transport.
- Added impetus to the increase in productivity gained from using operators.
- The client ordering the services should also benefit from the increased productivity in bus service operation.

Tendering YTV Regional Bus Services in Stages

In March 1991, the new National Passenger Transport Act came into force in Finland. The Act permitted the city municipal authorities and YTV to tender public transport passenger services for which they were financially responsible. YTV subsequently commissioned research, which investigated the effects of competitive tendering and established the principles, outlined in this case study, on which tendering would be carried out.

In December 1992, the Executive Board of YTV took the decision to undertake competitive tendering for regional bus services, with the aim that the tendered services would begin operating on January 1, 1995.

The National Act on Public Procurement came into effect at the start of 1994. The Act states that tenders must always be invited for public procurements. Procurements, which exceed a certain threshold value, must observe the procedure defined by the European Union. From the start of 2000 the EU's threshold value for service sector procurement tendering is EUR 400,000.

Implementation

The first tender was awarded in June 1994. The tendered services, comprising 15% of regional bus transport (4.4 million passenger km) began operating on January 1, 1995. Tenders were invited once for all

the regional transport services managed by YTV during 1995 and 1996. Since then all the regional bus transport services have been purchased through competitive tendering.

The contracts for the services awarded under the first tender were for three years. Once the contracts expired the process was continued by inviting tenders twice a year. Four major tender invitations were arranged in the second round. In between these major tenders, separate tenders were also invited for a few individual routes. This guide takes into account the tenders awarded upto January 2003.

Tendering Principles and Tender Specifications

At the preparation stage several different tendering approach were considered, such as the operating cost, kilometrage cost, gross cost, service level and net cost principles. The approach selected was that of kilometrage cost. This was not only straightforward but had already been applied in contracted services for many years.

Under this approach, the tendering authority, i.e. YTV or the municipal authority, receives all ticket revenues. In its bid, the operator states the unit costs of the service (cost per kilometre, per hour and per vehicle day), which the tendering authority then uses to calculate the total costs of service provision. The client (authority) plans the routes, timetables and fleet schedules. The operator is left with planning the bus service provision itself.

The contract period was initially three years. In the first round of regional transport tendering the aim was to treat all operators the same by awarding each of them the same share of the total traffic. The blocks of tendered services were not ideal in terms of areas covered or management of the services. The aim has nevertheless been to invite tenders for blocks of services (inter- and intra-authority services). For this reason some operator contracts have been continued without competitive tendering. For the same reason, contracts also contain an option for a 1-2 year extension, if necessary. In addition to the major tenders, smaller tender invitations have also been arranged for new services. The contract period today is generally five years.

In the tender invitation, YTV specifies certain requirements regarding the operator, the bus fleet and the service quality. The operator must fulfil or submit the following to YTV:

- The applicant must be entitled under the Passenger Transport Act to operate bus services.
- The person who would be responsible for the bus services must fulfil the conditions stipulated by law.
- Financial statements for the previous three financial years.
- A certificate from the taxation authorities stating that the applicant has no tax debts.
- Notification confirming that employees' pension contributions have been paid.
- A staffing plan and any personnel accounts.
- Accident statistics.

The tender requirements specified for the bus fleet include: the number of seats, the spacing of the seats, the number of doors and various vehicle properties affecting level of service, such as places for disabled persons, space for prams, safety equipment, illuminated and informative signs, lighting, etc. YTV has also classified vehicles into four categories (low-floor buses, semi-low-floor buses, bogie buses, and articulated buses). Particular types of bus can be specified in the tender for different services.

The quality requirements for bus service provision specified in the tender invitation include:

- Quality control programme for the operator
- Quality of customer service, such as provision of information, procedure for service interruptions and driver uniforms
- Quality of service provision, such as service reliability, use of route number displays and driving practices
- Technical quality, such as vehicle condition and cleanliness.

YTV carries out a customer satisfaction survey twice a year, on the basis of which the best services are paid a quality bonus.

Principles Adopted in Awarding Tenders

YTV follows a two-stage process in awarding tenders. At the first stage, applicants who, for financial or other operational reasons, are not expected to fulfil the tender specifications are rejected. To make this decision YTV commissions external consultants to conduct financial analyses of the information provided by the applicants. Generally applicants have fulfilled the requirements concerning financial and technical performance.

At the second stage of the process the tenders submitted by approved applicants are compared. The contract is awarded to the applicant whose bid would produce the lowest overall costs for YTV. In this overall financial evaluation, different factors are weighted as follows:

- The lowest tender price is given 87 points. The points given to the other tender prices are calculated in relation to this.
- The bus fleet can receive up to 2 points. The points given depend on certain properties of the vehicle, such as low floor, nitrous oxide and particle emissions, noise, additional doors, number of seats, seat spacing and extra pram places.

Evaluation of the bids is carried out by first evaluating the fleet and the quality factors. Only then are the tender prices examined and the overall costs of the bids calculated. The principles on which the tender is awarded have remained almost unchanged throughout the period of competitive tendering. Initially the age of the fleet was also a factor in the evaluation, but this was removed and replaced with a requirement for the maximum average age of the bus fleet.

The weight attached to the tender price has risen. In the first tenders it was given only 75 points. Both the clients (authority) and the operators approved this change. The reduction in importance of the quality factors has been compensated by raising the minimum requirements specified in the tender for the fleet and other quality factors.

The methods developed by YTV have also been used in tendering intra-city bus services in Helsinki, Espoo and Vantaa. Small changes

have been made in some of the requirements, mainly those concerning the fleet, which are due, for example, to the nature of Helsinki's intra-city services. The bus fleet requirements have been standardised between YTV and the municipal authorities, so that generally the same fleet can be used in both regional services and internal services. This allows the operator to participate on an equal footing in both YTV and city authority tender invitations.

Quality of Services

The quality of services has been monitored since 1995 using customer satisfaction surveys. The overall score given in 1995 was 3.98 on a scale of 1 to 5. The score then remained above four until autumn 1998. The subsequent surveys indicated a declining score, partly due to the hard winter of 1999, which made it difficult to keep to the timetables. The score for overall quality given in 2000 and 2001 did, however, show an improvement and it was 4.0 and for 2001-2002 it was 4.02.

In summary, it may be said that tendering resulted initially in a clear improvement in quality, but that the quality score proved to be sensitive to the quality of the bus fleet and the ability to keep to timetables. Overall, however, the quality score remains high.

Another factor influencing the quality of services is the extent of bus service provision. The reduction in operator compensation brought with competitive tendering has enabled additional timetabled departures. A total of 29.1 million bus kilometres were driven in regional bus services in 1994. In 2002 the volume of traffic had grown to 34.5 million kilometres, an increase of about 19% compared to 1994.

Fleet

Competition has brought with it a more modern bus fleet and has reduced the average age of the fleet. The average age of the regional transport fleet today is about 4.5 years, compared to the figure of 6.5 years prior to competitive tendering. A large number of the new low-floor buses have entered service. In regional services the proportion of low-floor buses is already more than 50%.

Bus fleet in Helsinki

Fleet renewal has been guided by the fleet requirements set in the tender specifications and via the principles adopted in awarding tenders. In one tender, however, the emphasis placed on low-floor designs and average age of the bus fleet led to unforeseen results: the low-floor buses brought from Copenhagen by Linjebuss have not met the expectations of Finnish bus passengers, and their refurbishment to the required standard took some time to complete. Following this, advance inspection of the fleet has been added to the terms of the tender, to ensure that such situations do not arise in the future.

The increase in low-floor buses is not necessarily due to competitive tendering, as fleet replacement was moving in the direction of low-floor buses anyway. The YTV fleet requirements have been standardised with those of Helsinki City Transport (HKL), so that the same buses can be offered for service in both YTV and HKL traffic. The fleet requirements of Espoo and Vantaa comply with the YTV requirements.

Ticket Prices

The reduction in operator compensation brought by competitive tendering has also been seen in ticket prices. The price of a 30-day regional ticket fell from FIM 370 (62.2 EUR) in 1994 to FIM 325 (54.6 EUR) in 1997. The year 2000 saw the first increase in regional transport ticket prices, the price rising to FIM 340 (57.1 EUR).

At the same time as ticket prices fell, the regional transport deficit also decreased. If services had been managed at the contract price prevailing prior to competition and the deficit were kept at today's level; the 30-day regional ticket would today have cost about FIM 500. In 2000, regional ticket revenues covered 67% of expenditure. This figure was at its lowest in 1991, when ticket revenues covered 62.5% of expenditure on bus service provision.

Staff Issues

The position of staff in competitive tendering has risen strongly to the fore. Changes of operator have also meant the transfer of drivers from one company to another. Following the strike that affected all services in February 1998, the so-called Lonka agreement was drawn up between the employer and employee organisations, which safeguards the retention of employment benefits for drivers transferring from one operator to another. Competitive tendering has, however, created uncertainty over employment in the sector, and some drivers have sought employment from other sectors instead. Competitive tendering has, also, increased the extent of bus traffic by over 10%. As a result, there are more jobs in the sector than before. The number of jobs is estimated to have grown by about 250 drivers.

Costs

The annual saving in costs can be estimated by calculating the cost of present-day services using the inflation-adjusted unit costs paid prior to competition. The cost of today's regional transport calculated in this way would have been FIM 446 million in 2002, whereas in reality it was FIM 322 million. The estimated benefit of competitive tendering is therefore FIM 124 million.

After the first tender, YTV approved the principle that the monetary benefits of competition would be distributed in three ways: the extent of bus service provision would be increased and the service level improved; ticket prices would be reduced; and the contributions from municipal authorities would be reduced.

Barriers

The biggest problems are those associated with the conditions of employment for drivers and their job security as a result of competitive tendering. The market shares of companies have, however, generally been preserved in the longer term or have even grown, and the demand for drivers has increased considerably. It appears that the staff problems are largely related to short-term fluctuations in driver needs when tenders are lost by one operator and the new operator has not yet sought additional drivers.

Conclusion

The targets set have been achieved. Competition has brought major cost savings in traffic operation, which have been used to increase the

service level and to reduce ticket prices. Competitive tendering has also enabled rapid modernisation of bus fleets and service quality has remained high. From a Finish perspective it can be concluded *"that without competitive tendering public transport in the metropolitan area would be in a considerably worse position."*

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Competitive Tendering in the City of Dijon, France

Palais des ducs, Dijon

The City of Dijon is located in the north of France (in the Département of Bourgogne) and has 244,000 inhabitants. The transport company is called Société de Transport de la Région Dijonnaise. The network covers 16 communes.

Dijon is one of the most advanced cities in France with regard to their Urban Transport Plan (PDU in French). The city administration is aiming at rationalising the whole transport system by promoting alternative modes of transport than the car, for example through further developing priority bus lanes in addition to the 20 km that already exist. Studies are being made on emission impact of public transport, but it seems that filters can reduce the emission up to 90%.

Objectives

The local authority of Dijon undertook a tendering procedure as foreseen in French law in order to find a operator of public transport. Improving the quality of public transport was one of the key aims through undertaking competitive tendering. The call for tenders for the whole network was launched at the European level in 2002. Since the Sapin law in 1993, the normal procedure in France is to launch a European tendering process every five or six years. The city specified that candidates should provide proposals in order to satisfy the following:

- Controlling the financial deficit incurred by the public authority.
- Adaptating the frequency of services in both densely and less populated areas.
- Replacing the use of fossil fuels for alternative energy sources.

The transport network of Dijon went through a phase of intensive development from 1975-1995, and has been expanding into suburban areas. However, the increased scope (in terms of distance served) of the network arrived at a time when the usage of public transport started to decline. The objective of tendering was therefore to develop a public transport system which met the needs of the majority of the population while controlling the evolution of the expenditure.

Implementation and Tender Specifications

The tender was awarded on the 1 January 2003. In the call for tender Dijon included a rules and regulations book (in French 'cahier des charges') in which they included environmental criteria. The criteria focussed on pollution from vehicles and the maintenance requirements of vehicles for example, to ensure less particulate matter is emitted. This forces the operator to spend more time on the maintenance. There is also a six-monthly control for testing the smoke emitted by the buses (25% of the fleet is measured each time). These are all compulsory criteria that has to be respected by the operator of the transport service.

The investments, in particular the purchases of buses, remain under the responsibility of the public authority. The operator must ensure their maintenance and that personnel are trained to use the new vehicles.

Quality of Service

There has been a positive effect on public image and acceptance. One out of four people use public transport. Between 1975-1995 there was an increase in passenger numbers from 19,100,000 to 38,100,000. This rise is related to organisational aspects of the transport system, including the increase in frequency of services, the improvement of the flow through priority at crossroads and lower fares. To undertake these changes it was necessary to co-ordinate the actions of various organisations including the authority responsible for the decisions concerning the transport network. This included the Mayor of Dijon for the implementation of the regulation of the network and the representatives for the installation of the national road systems.

In order to motivate the operator, various benchmarks were put in place to allow for regular measurement. The benchmarks included:

- Reliability of buses.
- Quality of the service as perceived by customers.
- Information provided to the customers.
- Handling of complaints made by customers.
- Cleanliness of buses.

Fleet

The company has a total of 215 buses of which 100 are articulated buses and they are currently testing diesel particulate filters on 32 buses. Half of the current fleet conforms to the EURO II and EURO III standards. The other half conform to the EURO I standard. A number of buses are equipped with particle filters and all the buses are fuelled with Ultra Low Sulphur Fuel (ULSF). As from 2003, all new buses bought will use natural gas, which makes it possible to further reduce particle emissions. 14 standard buses running on natural gas will be delivered during the year 2004.

Bus crossing the city centre of Dijon

Cost

Dijon had chosen to offer customers a low price for using public transport. In spite of this and due to a good level of usage (140 journeys a year per person), the rate of recovering the initial expenditure remains on a level higher than the average of a network of comparable size (41.5% in Dijon compared with 37.9% on average in France). If measures had not been undertaken the cost of using public transport would increase at the risk of losing customers. The aim is to maintain the deficit at the 2000 level. A number of policy measures are under discussion to limit the rise in fares and a decision is envisaged for autumn 2004.

Staff

The tender requires the new operator to take over the staff of the current organisation from the date of entry of the contract.

Other Results and Impacts

A number of tests have been undertaken based on alternatives to fossil fuel energy and dust was a persistent problem. The filter appeared to be the best solution for old buses as it reduces the particulate matter emitted.

As natural gas benefits from having a good public image, and reduces noise pollution, the local authority decided to continue with the use of this type of energy in the coming years and wait for the future development of other energy sources, such as hydrogen. Electric vehicles have not as yet been chosen as they have a small or medium capacity to carry passengers.

Conclusion

The reasons for using public transport are related to personal and necessity trips, for example shopping and leisure and work and education trips. The local authority's goal was to allow the possibility of continuing to travel easily and safely, maintain mobility in economic life while preserving the quality of life of the residents. The basic principles underlying these goals are:

- To create a better environment for the public.
- To support the sharing of the transport network between different modes of transport such as walking, cycling and public transport.
- To encourage good interchange between different modes of transport.

In 2020 automobile traffic in the local authority is expected to double, resulting in an increase of 1000 cars entering the city every day if no measures are taken. Therefore, journeys between Dijon and the surrounding regions will become one of the key issues of the future. This is why, in its tendering procedures, the local authority has emphasised the importance of a sustainable transport policy and social and urban cohesion. It is also thought that this will form a strong foundation to support the future integration of the tram.

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Public Transport Procurement in Göteborg, Sweden

Göteborg Harbour

The city of Göteborg located on the west coast of Sweden is the country's second biggest City. The population of the Göteborg region is 750,000 with approximately 470,000 living within the city boundaries. Non-commercial traffic has been growing steadily with 2-4% in the urban area and 4-6% in suburban areas. However, this form of traffic has remained at the same level for years in the city centre, due to various restraint measures.

The primary means of public transport in the Göteborg region are trams, buses, ferries and commuter trains. In recent years significant investments have been made in extending the tram system to improve accessibility making it the most important mode of public transport. The tram system accounts for 60%, and commuter trains for only 2% of trips made by public transport. A wide variety of priority measures for public transport have been applied, for example trams have priority at nearly all traffic-regulated intersections.

Implementing the national public transportation law requires the foundation of a regulation authority. This was formed in 1991 in Göteborg under the name of Trafikkontoret (Traffic and Public Transport Authority), which drew together the traffic planning experts formerly working for the local authorities in the City of Göteborg as well as those employed by the city owned public transport company, Göteborgs Spårvägar AB.

Trafikkontoret became the new "purchaser-operator" organisation forming part of the City of Göteborg authority. One of the departments formed was Stadstrafiken (Public Transport Authority) who were responsible for the budget, route network, travel standard, fares, information and marketing. Another department is responsible for the infrastructure. Both departments have been acting as purchasers through tendering procedures.

In 1999, a new Public Transport Authority by the name of Västtrafik was formed for the new province/county in west Sweden. Västtrafik Göteborgsområdet, a subsidiary for the Greater Göteborg Area. This new body took over the staff of Stadstrafiken and also the former regional authority, Göteborgsregionens Lokaltrafik (GL), and is now responsible for devising public transport in that area. In short, Västtrafik Göteborgsområdet now undertakes planning and tendering for the city.

Objectives

The transport plan for Göteborg formulates a vision based on competition and sustainability. The transport infrastructure has developed in a way that makes best use of existing facilities in order to minimise the use of the private car. The Göteborg region aims particularly to improve the local environment by reducing traffic sources and other forms of pollution. The aim is to improve the overall quality and accessibility of public transport, as well as its safety record. To achieve this Göteborg aims to develop the public transport system further and to make it more efficient, with the tramways as the base. However, bus operation is also very important. The environmental goals are intended

to be achieved with the use of more natural gas/biogas powered buses and the environmental protection zone in the city centre.

National law in Sweden has required the provision of public transport services to be tendered since the early 1990s. The objective when implementing this national law at the local level, in Göteborg, was to use the new tender specifications and contract agreements to:

- Increase the quality and frequency of public transport services.
- Achieve a better relationship between public subsidies granted and transport provided.
- Maintain social standards in public transport.
- Increase environmental standards.
- Enable small bus companies to access the market.
- Allow public as well as private companies to participate in tenders (there is no intention to privatise).

More specifically, during the mid 90s the politicians on the Board of the Göteborg Traffic and Public Transport Authority set the goal of increasing the number of journeys made by public transport by 20% by 1999 and having the cost coverage increased from 28% to 50% in 2-3 years.

Implementation

The first call for tender of the public transport system was issued in 1992, which covered one third of the bus operation. The second and third followed in 1996 while the remainder occurred in 1998. In mid 2003 another two thirds is being evaluated after a tender. The tram system will not be subject to any calls for tender before 2010, the ferry system was subject to calls for tender in Winter 2002 - 2003.

The ferry operator Styrsöbolaget was privatised in 2000 and is now owned by Skärgårdstrafik i Väst AB. Västtrafik (public transport authority in West Sweden) awarded Styrsöbolaget the contract for the operation in the southern archipelago and the harbour, in 2002. Other companies asked for the requirements that were tough especially regarding accessibility (provisions for elderly and disabled) and environmental aspects.

The ferries operating for Västtrafik in the city already operated on low-sulphur fuel and the engines only had small harmful exhausts, which might have narrowed the range of tenders. They were also fully accessible for elderly and disabled. For further information see: http://www.styrsobolaget.com

Tendering Principles and Tender Specifications

In order to achieve the objectives outlines on the previous page, two strategies where chosen:

The first approach targeted emission standards. Strict emission standards were achieved by directly integrating them into the specifications of the call for tender. Already, the requirements for NOx and particulates were tough and in 1999 it was specified that NOx levels would have to be below 5 g/kWh and particulate matter below 0.11 g/kWh. This reflected the EURO 3 standards, which have applied to all fifteen EU Member States since 2001. While these standards were required, some flexibility was left on how to achieve them. Later specifications required that by 2000 10% of fuels would have to come