

# Better Public Transport for Europe through Competitive Tendering

## A Good Practice Guide



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Better Public Transport for Europe through Competitive Tendering  
- A Good Practice Guide

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# Contents

<b>Introduction</b>	<b>3</b>
What is Competitive Tendering?	4
Emergence of a European Market for Public Transport	4
<b>European Framework</b>	<b>7</b>
The European Draft Regulation on Public Service Requirement	7
Ruling on the European Court of Justice on Subsidies for Public Transport Services	8
Key European Environmental Legislation Relating to Urban Public Transport	8
- Air Quality	9
- European Union Emission Standards for Bus Engines	10
- Noise	11
- Tram and Railway Noise	11
<b>European Good Practice Case Studies</b>	<b>13</b>
Competitive Tendering of Bus Services in the Helsinki Metropolitan Area, Finland, 1994-2003	14
Competitive Tendering in the City of Dijon, France	20
Public Transport Procurement in Göteborg, Sweden	23
<b>Preparing for Competitive Tendering: Examples from Germany</b>	<b>27</b>
Environmental Standards for Public Transport Services – a Pilot Project	27
Frankfurt/Oder	28
Bocholt	28
Frankfurt/Main	29
Region of Hannover	30
The Beauty Contest - Environmental Ranking of Public Transport Services in Germany	30
<b>Designing Competitive Tendering</b>	<b>33</b>
Procura+ Criteria for High Environmental Performance	33
Better Urban Public Transport: Making a Commitment	35
<b>Sustainability in the Public Urban Transport Market (SIPTRAM) Project</b>	<b>37</b>
<b>The International Council for Local Environmental Initiatives</b>	<b>39</b>
<b>Abbreviations</b>	<b>41</b>



## Introduction

More than 75% of the population of the European Union (EU) live in urban areas. Therefore, urban transport accounts for a significant part of total mobility. One-fifth of all person kilometres travelled within the EU are urban trips of under 15km. Between 1995 and 2030, total kilometres travelled in EU urban areas are expected to increase by 40%. Urban areas suffer heavily from congestion and nuisances caused by the excessive use of the private car. Pollution, noise and accidents are particularly acute in large urban environments and affect the lives of thousands of people.

Urban transport is a significant contributor to climate change. About 28% of greenhouse gas emissions in the EU presently come from transport, with 84% of that coming from road transport alone. More than 10% of all carbon dioxide (CO<sub>2</sub>) emissions (one of the key greenhouse gases) in the EU come from road traffic in urban areas. The Kyoto protocol calls for an 8% cut in total EU CO<sub>2</sub> by 2008–2012 based on 1990 levels, but if current trends continue CO<sub>2</sub> from transport will be some 40% higher in 2010 than it was in 1990. Road traffic in urban areas is also the main source of carbon monoxide and fine particulates. Innovative solutions to ‘clean’ urban public transport are therefore important for achieving the EU targets under the Kyoto Protocol and improving urban air quality.

Large urban areas are not viable without public transport. The high density of inhabitants and jobs makes space a very scarce resource. Urban public transport is therefore one of the most significant sectors to consider in creating a sustainable urban environment. Public transport is the most efficient mode of transportation in terms of space consumption per traveller and is currently the best answer to mobility needs in densely populated areas.

In most European Countries, local authorities have traditionally provided urban public transport, either directly or through associated companies. This corresponds to the insight that public transport is a social service provided by public authorities to ensure a certain level of mobility for everybody. Urban public transport, however, has moved from being a profitable industry with a high modal share, to a loss-making one with, in most cases, a minority modal share. Leaving public transport entirely to the market would lead to a situation where some profitable transport routes would be served, leaving less profitable times and destinations not to be served at all. In order to avoid this shortcoming and to profit from the efficiency advantages of competition at the same time, the provision of a public transport can be made subject to competitive tendering.



## What is Competitive Tendering?

Competitive tendering refers to the awarding of an exclusive right to operate a route, or a network of routes, to an operator (or possibly a consortium) following a competitive process. Along with, or instead of an exclusive right, the Authority may also grant subsidises to the successful operator in compensation for the fulfilment of public service requirements.

Authority refers to public or publicly-owned organisation with a legal responsibility to plan or regulate public transport services in a specific geographical area. Operator refers to any organisation with a contract from an Authority, usually for a fixed term, to provide or organise public transport services.

This Good Practice Guide provides information on improving urban public transport. It showcases how cities in Sweden, Finland, France and Germany have improved the environmental and social standards in urban public transport through the competitive tendering process or through preparations for competitive tendering. Specifically, it provides an information source for:

- Authorities and operators who are designing contracts and tendering for the first time.
- Authorities who are interested in improving the social and environmental aspects of the awarding of contracts.

This Good Practice Guide will focus on the most common form of urban public transport in Europe – buses.

## Emergence of a European Market for Public Transport

For several decades in Western Europe regulation of local public transport effectively ruled out competition. With the changing environment in the 1960s, growing car ownership and sub-urbanisation, public transport services became unprofitable. Authorities decided to subsidise existing services but since then an explosive growth of subsidy requirements for public transport services could be observed, without a simultaneous growth of public transport patronage.

In the last 10 years, the economic conditions of the public transport sector in the EU have changed a great deal. More Member States have now introduced an element of competition in their legislation or administrative practices, relating to at least part of their public transport market detailed in the table below:

### Markets already opened up to competition in 2003

Mode	Country
Bus	Denmark, Finland, France, Italy, Netherlands, Norway, Spain, Sweden and United Kingdom
Light Rail	France, Ireland, Portugal, Spain, Sweden and United Kingdom
Metro	Denmark, France and Sweden
Railway	Denmark, Germany, Netherlands, Portugal, Sweden and United Kingdom

In nearly all cases the above is ‘controlled competition’ – based on the regular renewal of exclusive rights, rather than on free access to the market. Only in England - except Greater London - free competition has been introduced.

Experience in the Member States, such as Sweden and Denmark, supported by studies carried out at the European Commission’s (EC) request, shows that controlled competition can lead to more attractive services at lower costs.

The EC’s research (see table below) indicates that controlled competition achieves the best results in attracting passengers to public transport and using resources most efficiently. Badly organised deregulation, however, brings no efficiency gain, and drives customers away. The specific details are crucial: although the European Draft Regulation on Public Service Requirement (see next chapter) requires a high level of consumer protection, and good environmental and social standards, a lot is still left to the competent authorities. The political will of the local authority therefore determines to a large extent whether public transport facilitates environmental and social improvements or not.

**Controlled competition is associated with attracting more passengers to public transport**

	Annual rate of change in numbers of passenger trips	Annual rate of change in the proportion of operating costs covered by fares
Cities using controlled competition	+1.8%	+1.7%
Cities without competition in public transport	-0.7%	+0.3%
Cities using deregulation without significant control by public authorities	-3.1%	+0.3%
Source: <i>Footnote 1, page 2, COM (2002) 107 (amended proposal for regulation).</i>		

The research compared trends in public transport in 30 large EU cities during the 1990s. Cities using controlled competition attracted most new passengers, they also had the best financial performance. The advantages of controlled competition compared with deregulation are also shown by a comparison between London and the rest of England. Between 1986 and 2000, the number of trips on local buses in London, using controlled competition, increased by 13%. In the rest of England, under deregulation, the number of trips on local buses fell by 34%.

<sup>1</sup> See the introduction