

# SIPTRAM

Multi-stakeholder Dialogue

**Developing and implementing social criteria for public transport services through the competitive tendering procedure.**

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## 1. Introduction

Freedom of movement for people and goods is one of the major issues for the EU, therefore the need to develop sustainable public transport policies that encompass the three pillars of sustainability - economic, environmental and social – is key for a population that predominantly lives in urban areas<sup>1</sup>. There is much that can be done through public transport policy to alleviate social exclusion and improve the quality of life of all citizens. Poor transport can restrict access to jobs, education, stores, services, social and cultural life. Transport noise, pollution and accidents also impact disproportionately on socially disadvantaged people, contributing to social inequality. Public authorities have a responsibility to ensure that all citizens benefit from their investments in public infrastructure.

Public transport is the most inclusive way of organising towns and cities, providing a service to all. The design of public transport systems should therefore be done with the purpose of serving the public need for access to basic goods and services clearly in mind, and should be promoted as a desirable, obvious and affordable means of transport for all citizens to use when motorised transport is required. Inherently, this means that public transport must cater for a broad range of circumstances and requirements. The World Business Council on Sustainable Development (WBCSD), in their progress report on its sustainable mobility project, says that in addition to serious environmental and economic consequences, mobility systems can “perpetuate social inequalities by offering a very limited range of choices to the vulnerable sections of society, such as the poor and the elderly”. It is worth pointing out that public transport is viewed very differently in different societies. In some places it is seen as a last-resort means of transport for those without a car<sup>2</sup>. On the other hand, societies that invest strongly in their public transport systems also attach a high social value to it, Switzerland being a good example.

The basic need for movement and mobility on a daily basis has, in recent decades, been channelled through one means – the private car and the resulting road system. The work of land-use planners has also contributed to the general reliance on the use of private cars. The resulting situation is one where those people who have no choice or would prefer to opt for another means of accessing goods and services often find it difficult to do so. For that reason, over-reliance on the private car, supported by a socially unsustainable public transport system, increases social exclusion by restricting access to goods and services to disadvantaged groups such as the poor, disabled, elderly and children, and increases the cost to those that are least able to pay, e.g. exposure to environmental costs such as air and noise pollution.

This discussion paper aims to tackle two main areas associated with public transport and the social considerations that should be taken into account when the practice of competitive tendering for the purposes of procurement is used. The two main areas concerned are working conditions within public transport operators, (section 2 of the document); and social equity of public transport systems, which concerns the users of the service (section 3 of the document). For both of these issues, guidance on criteria for inclusion in tender documents is provided. However, in cases where issues, such as implementing a fair and equitable fare system, do not fall under the responsibility of transport operators, recommendations on objectives that local authorities should consider are also made. These recommendations serve to provide guidance on how to improve the public transport system in general.

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<sup>1</sup> More than 75% of the population of the European Union (EU15 members: data for EU25 is not yet available) lives in urban areas, therefore urban transport accounts for a significant part of total mobility, and an even greater proportion of damage to the health of citizens and to buildings.

<sup>2</sup> Research at the University of Lisbon has indicated that car-drivers in that city perceive using busses to be far more stressful than it is from the perspective of the bus users themselves. They also believe they have greater control in traffic than their bus-using compatriots; though in traffic jams this is hardly the case. This reflects the societal attitudes to public transport more generally in Portugal.

## 1.1 EU legislation and its relevance regarding social considerations

The European Commission, in its White Paper on the European Transport Policy, is of the opinion that the users, in return for the increasingly high cost of mobility, are entitled to expect a high quality of service and full respect for their rights, irrespective of whether the service is provided by public enterprises or by private companies. Furthermore, due to the liberalisation process for public infrastructure, which is currently taking place at the European level, provision of urban public transport appears likely to be subject to the process of competitive tendering<sup>3</sup>.

When executing a procedure for the procurement of transport equipment or for the transport service contract under the procurement directives one should be aware that these directives regulate the formulation of environmental or social criteria and requirements in a public procurement procedure. To define the legal possibilities, the Commission in 2001 has issued two interpretative communications on the adoption of environmental and social considerations into public procurement.<sup>4</sup> These explanatory documents have been followed by case law of the Court of Justice<sup>5</sup> of the European Communities and have been codified in the new procurement directives.<sup>6</sup> Contracting authorities and contracting entities are obliged to formulate their requirements and criteria within these legal boundaries.

A lot of public debate has been carried out in recent years about including environmental considerations in public procurement at the European Level and has been concluded that there is ample opportunity for this in procurement law. However, the general scope of public procurement legislation is more limited in its allowing social issues to be taken into account. This mainly stems from the nature of social issues, in that they are less likely to be clearly related to the subject of the contract. However, as with environmental issues, it is often best to take social issues into account in the early stages of the procurement process; for example, ensuring that an IT system is designed to be accessible to disabled users. How far this will actually be done depends on the awareness and knowledge of the contracting authority.

One of the general rules of tendering is that requirements set in the tender must be directly related to the service provided. The tendering public authority is therefore responsible for setting their service priorities and developing strategies to integrate their criteria for a more socially responsible approach in the public transport service they want provided for users. This also includes taking into account appropriate considerations regarding employment conditions for employees of public transport companies.

On the issue of competition in public transport, regulation 1191/69<sup>7</sup> sets rules for the content of public transport service contracts that incorporate public service obligations, and for compensation. In principle, this includes public service contracts that are also caught by the public procurement directives. The regulation imposes competitive prices for public transport services. As the European Court of Justice (ECJ) decided in the *Altmark-Trans-case*<sup>8</sup> there are two ways of reaching this aim:

<sup>3</sup> See directives 2004/17/EC, 93/38/EEC, 2004/18/EC and 92/50/EEC, under which competitive tendering, according to the detailed provisions of these directives, is a main rule for contracts concerning land transport other than rail, unless it takes the form of a service concession contract. A service concession contract is defined as a contract of the same type as a public service contract except for the fact that the consideration for the provision of services consists either solely in the right to exploit the service or in this right together with payment.

<sup>4</sup> COM (2001) 274 Final and COM (2001) 566 Final

<sup>5</sup> In particular *Concordia Bus Finland (C-513/99)* and *EVN Wienstrom (C-448/01)*

<sup>6</sup> Directives 2004/17/EC and 2004/18/EC

<sup>7</sup> Regulation (EEC) No 1191/69 of the Council of 26 June 1969 on action by Member States concerning the obligations inherent in the concept of a public service in transport by rail, road and inland waterway.

<sup>8</sup> ECJ, decision of 24 July 2003 – C-280 – Download: <http://www.juratus.com>

public authorities can use public tendering procedures or they can use a special benchmarking system. The European Commission, however, has proposed a draft regulation<sup>9</sup> in 2002, which will require national or local authorities to award public service contracts by means of competitive tendering, based on (amongst others):

- minimum criteria for health and safety of passengers,
- accessibility of services, level and transparency of fares, and
- pay and other employment and social conditions that are in force in the Member State, region or locality in which the services are to be performed, including any specific conditions that the authority itself has agreed to supply.

The European Parliament, however, decided in first reading on a right of choice of competent authorities between competitive tendering and organising public transport on their own. The European Parliament added as well a number of social criteria in the proposed catalogue of quality criteria.

The legislative package did not pass the Council in the last legislative term (1999-2004), though, but might be redrafted by the European Commission in the legislative term 2004-2009.

## 2. Employee working conditions

Experience in the EU shows that setting safeguards for employees is not common practice. In Sweden, for instance, there is no direct criteria that can be set concerning working conditions and responsible authorities do not have social targets or goals in mind concerning employees. In Sweden, however, the issue is indirectly tackled by linking it to a good quality of service. That is, requiring a high level of service that it can only be fulfilled when working conditions are good. In that way, high quality standards, for example, that are accompanied by a collective sector agreement which is valid for all competing companies, play an important role in influencing working conditions. Of course, this can only occur when details concerning the expected quality standards of the public transport service (e.g. minimum frequency of service, safety and security standards, qualification and training standards), as well as a precise description of the procedure to control compliance with these standards (e.g. customer surveys) during the execution of the contract, are included as contract provisions. These conditions motivate operators to deliver a high quality public transport service. In turn, this should result in good working conditions.

### 2.1 Legal framework conditions

Regulations at the EU level exist concerning minimum conditions for working time (since August 2000 for transport), and employee safeguards, which are or should be implemented in national legislation. National provisions often go beyond the European minimum standards. In the case of national, international and Community standards, and also rules that must be applied in the social field, a distinction must be made between situations of a cross-border nature and other situations. The latter can, in principle, be considered as purely national.

In *national* situations, contracting authorities, tenderers and contractors must comply, as a minimum standard, with all obligations relating to employment protection conditions and working conditions, including those deriving from collective and individual rights, that arise from applicable labour legislation, case law and/or collective agreements where existent and applicable. Of course these

<sup>9</sup> Proposal for a regulation of the European Parliament and the Council on action by Member States concerning public service requirements and the award of public service contracts in passenger transport by rail, road and inland waterway. COM (2002) 107 (amended proposal).

provisions must be compatible with Community legislation, the rules and general principles of Community law, and, in particular, the principles of equal treatment and non-discrimination.

In regards to *cross-border* situations, requirements justified by overriding reasons in the general interest that are in force in the host country (the catalogue of such rules is now governed by EU law under the basis of Directive 96/71/EC, see below) must, among others, be complied with by service providers, and must respect of the principle of equal treatment.

It goes without saying that in both national and cross-border situations, any national provision that is more favourable to workers would also be applied (and must then also be complied with), provided that they are compatible with EU law.

### **Directive on the posting of workers**

EU legislation sets safeguards concerning labour conditions that must be applied concerning the *posting of workers*. The EU Directive on the posting of workers<sup>10</sup> introduces certain *social clauses* into the relationship between service providers operating in one Member State and the party to whom the service is provided, located in another Member State (that is, the host Member State), which may be a public authority. The service provider who posts workers to a host Member State must comply with a minimum set of labour law requirements that are in force in that Member State.

These core mandatory rules ensuring the minimum protection of workers can be found in legislation and in collective agreements which have been declared universally applicable within the scope of the Directive, and cover the following issues:

- maximum work periods and minimum rest periods;
- minimum paid annual holidays;
- minimum rates of pay<sup>11</sup>;
- conditions of hiring-out of workers, in particular by temporary employment undertakings;
- health, safety and hygiene at work;
- protective measures with regard to the terms and conditions of employment of pregnant women or women who have recently given birth and of young people;
- equal treatment of men and women and other provisions concerning non-discrimination<sup>12</sup>.

On top of these general provisions, EU professional drivers will now be required to have undertaken professional training. The directive on the initial qualification and periodic training of drivers of certain road vehicles for the carriage of goods or passengers<sup>13</sup> entered into force on 10 September 2003. The directive aims to harmonise social aspects in road transport that should lead to enhanced safety on European roads. The demands on drivers include fuel-efficient driving, increased social competencies and calls for periodic training to refresh their knowledge. The directive was introduced

<sup>10</sup> Directive 96/71/EC

<sup>11</sup> Concerning minimum wages, however, this is more difficult due to the fact that in many countries national legislation concerning minimum wages does not exist (e.g. Germany). This makes it difficult to formulate this requirement in the tender. A good solution would be to have collective agreements on wages for the whole sector as occurs in France, Sweden and Belgium.

<sup>12</sup> All points referenced from The Federal Public Service Employment, Labour and Social Dialogue, <http://www.mea.fgov.be>.

<sup>13</sup> Directive 2003/59/EC of the European Parliament and of the Council

following on from research that shows that almost no EU drivers have followed professional competence training<sup>14</sup>.

## 2.2 Transfer of employees

In the past there has been a lot of uncertainty about the issue of whether employees of a company that is no longer contracted to carry out public transport services must be re-employed by the new contractor. The EU Directive on *safeguarding workers' rights in the event of transfers of undertakings*<sup>15</sup> regulates transfers that may arise as part of a procedure for the award of public service contracts, as part of the deregulation of a sector where there is a transfer of an entity in the form of an administrative concession, or as a result of a public procurement procedure.

This responsibility has the advantage that social problems can be avoided and the new contractor can work with experienced and skilled employees. If the pre-conditions defining the “transfer of an undertaking” apply (this should be clarified for tendering and/or outsourcing of single lines or activities), the employees of the former provider must be employed (under previous employment conditions) by the new contractor for at least one year. If the new company has a particular wage settlement package, then the old employees have to be paid at this level.

Contracting authorities have an obligation to inform potential bidders of all conditions relating to the performance of a contract, so that bidders can take them into account during tender preparation. An operator must therefore be in the position to assess whether it will be in its interests to buy the current contract holder's major assets and employ all or some of the previous operator's employees, or whether it will be required to do so.

Several rulings by the European Court of Justice have made clear that a transfer of employees from the former provider to the new provider must only be accepted if considerable material resources are also concerned (e.g. the pools of rolling-stock or subsidised fleets of public transport vehicles). In general, this means that not only the service itself is taken over by a new operator but also the equipment (company building, rolling stock, etc.). The Commission's proposal for a new regulation on public transport services<sup>16</sup> aims to improve workers' rights in cases where a new operator takes over the public transport service. A competent authority may require the selected operator to offer the same (or better) rights to staff previously engaged in providing the services as they would have enjoyed if a transfer had occurred within the meaning of the directive on safeguarding workers' rights in the event of transfer of undertakings. The authority should list the employees concerned and provide details of their contractual rights.

Experiences in different countries show that the issue of working conditions is dealt with in differing ways. In Sweden, for example, employees are generally transferred to a new operator without this being set as a requirement by the contracting authority. However, there have been some cases where an operator has had no wish to take over the employees from the previous operator. This occurred in the City of Göteborg in 1998 when the public transport authority wanted to require the new operators to take over existing personnel as well as the vehicles owned by the former operator. Two courts in West Sweden ruled that the authority could not require the new operator to take over either the personnel or the vehicles. Instead, the public transport authority could only add, as a provision that they would *appreciate or prefer* it if the new operator would also employ previous employees, as

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<sup>14</sup> EU press release on “Road safety: EU professional drivers finally required to undergo professional training” <http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/03/1245&format=HTML&aged=0&language=EN&guiLanguage=en>

<sup>15</sup> Directive 2001/23/EG

<sup>16</sup> COM(2002) 107, amended proposal

occurs in Göteborg. Nevertheless, cases where a new operator has been obliged to employ previous employees also exist. In Helsinki, for example, an agreement was drawn up between the employer and employment organisations, which safeguards the retention of employment benefits for drivers transferring from one operator to another. In Dijon (as in most French cities) the public transport authority is the owner of the bus and tram fleet and the whole service is tendered to one operator. So in every case the employees must be taken over by the new contractor.

The issue of transferring employees in some countries has become somewhat less important due to driver shortages. This posed a problem for large Scandinavian cities in the early 2000s, which resulted in the cancelling of some 2.000 to 10.000 bus trips in the City of Stockholm. A similar situation occurred in Göteborg, Copenhagen, Helsinki and London. In Göteborg it was found that about 20% of employees sought alternative employment when the new public transport contract was taken over. Competitive tendering has also resulted in an increase in bus traffic, in some cases, requiring the employment of additional drivers,<sup>17</sup> hence measures to combat this must be introduced. A good solution is to introduce tender specifications that explicitly target periodic training of drivers by a recognised institution. In Sweden an education centre for public transport was founded in order to improve the training and further education of public transport employees. In Göteborg a system of certifying drivers is used whereby operators must employ certified drivers (who have a certain level of professional education). The certification process is enforced following an agreement between public authorities and trade unions.

### 2.3 Suggestions for requirements related to working conditions

To ensure a high quality of the service and to ensure favourable conditions for the staff authorities could set a range of different requirements. It should be pointed out that contracting authorities have a responsibility to ensure that when they apply criteria or requirements for a contract they are linked directly to the subject matter of that contract. This means in practice that if they wish to adopt any of the following suggestions, they must establish whether in that particular situation a suggestion is suitable. Therefore the authority has to decide, depending on a concrete situation or need, which type of criterion or requirement needs to be formulated. Besides award criteria some of the suggestions are better to be adopted as contract performances clauses, selection criteria or exclusion criteria (again depending on the circumstances at hand).

The following suggestions can be adopted if the authority wishes to have these requirements fulfilled when the service is to start:

- Proven training of drivers in customer relations, including friendliness and openness and conflict management abilities.
- Training and continuous training of other personnel especially working in the area of customer services.
- Drivers' Fluency in the language(s) spoken in the area where the service will be offered.
- Drivers must have adequate knowledge of the transport network and the fare system, including knowledge of all stops, main streets and locations in the proximity of the stops (only as contract clause). Health and safety of workers including measures to protect drivers and passengers from physical and verbal attacks.

<sup>17</sup> The increase in bus traffic can be attributed to the improved service, for example, increased frequency of service serving more routes. In Helsinki, for example, the extent of increase in bus traffic is about 10 %.

In addition to the above suggestions the requirements can be specified, for example, as sub-criteria. Authorities can address the following issues in order to get a picture of the development of company operations and working conditions dependent on a concrete situation and need.

Quality of the service:

- What strategy does the company have in order to reach an increased market orientated approach to public transport services?
- How does the company intend to develop and make the staff enthusiastic in order to give the passengers a good service?
- How does the company intend to follow up on the opinions and feedback from staff concerning how to offer the passengers a good service?

Working conditions/motivation of staff:

- How is the distribution of work schedules for drivers planned, following on from the principle of having "as few split schedules for the drivers as possible"?
- How large a portion of the service will be performed with split drivers schedules? What will these schedules be like?
- How can the company give the drivers more influence over their work situation and increased participation in the operation?
- How can the company ensure a high level of security and safety for bus drivers?
- How does the staff benefit from the possible bonuses the company can achieve in case of good performance (e.g. rewards for increased passenger numbers)?

Driver shortage:

- Are there any measures undertaken to improve and promote the image of bus driving as an employment opportunity?
- What planning measures are in place in order to ensure that there is always sufficient quantity of staff?

Change of operator:

- What measures are in place to ensure that the passenger receives a good quality service if there is to be a change of operator, for instance when introducing new drivers?
- How are working conditions for drivers secured? What is the recruitment procedure for new drivers in the event of a possible change of operator?

### 3. Social equity of public transport services

#### 3.1 Access and Accessibility

The concept of access has a direct bearing on specific groups of society, such as disabled people, but it is wider than that. In the context of public transport, access means ensuring that all communities in an urban area are fully served, so that, for example, young people can access sports facilities without

having to rely on a parental taxi service, or job seekers can go to interviews across the city, and take up employment, without having to invest in a car. Less tangibly, ensuring cities are fully linked with public transport serves to promote social cohesion. Such considerations are at the heart of public transport's role in society since all public transport users will benefit from better access, thus attracting more people to use the service. Authorities should therefore ensure that public transport in fact serves all areas of their cities and not simply the most profitable routes.

In addition to the general considerations, the physical design of vehicles is an aspect which needs to be taken into account when the issue of accessibility is addressed. This is an aspect that can partly be incorporated into the tendering process. Some 100 million people in the European Union have some form of mobility impairment which makes access to public transport difficult. General guidelines and standards targeting accessibility of buses do exist at varying levels and it is recommended that these be considered during the transport planning phase and included in the public tendering process. A set of recommended guidelines are presented below, which are based on existing guidelines<sup>18</sup>, and should form part of the technical specifications in the call for tender (please see box below). These technical specifications should be formulated in such a way so as to take into account accessibility criteria for people with physical disabilities or special needs.

Setting low-floor vehicles with folding ramps (or equivalent device) as a standard for new vehicles is a first major step towards improving accessibility, as a minimum network can be set up relatively easily with new vehicles covering the more important main routes first, this can be extended as new vehicles are purchased. The physical design of vehicles is an important component of improving accessibility and one which local authorities can directly influence through the procurement tendering process (please see box below) when purchasing new vehicles or when selecting a public transport service provider with an own vehicle fleet.

Several other important issues require mentioning here, despite them not falling under the responsibility of the transport operator, these issues must be considered by local authorities in order to fulfil the accessibility requirements of a good public transport service. The design of the interior should allow passengers to move around and there should be sufficient space reserved for special needs (e.g. wheelchairs, pushchairs and bicycles, etc.). Vehicles should have integrated audio/visual systems installed that automatically provide information to passengers allowing passengers with visual or audio impairments to have access to transport information whilst travelling. The system of payment for using public transport should be usable by all persons. To facilitate this ticket machines should have an accessible design which includes a suitable height for buttons, provision of oral, written and Braille information concerning the steps to be followed, the possibility to correct mistakes and the ability to change language. In order for buses and trams to be accessible it is essential that bus/tram stops and stations are designed so that they are also accessible.

It is worth emphasising that low-floor buses and accessible public transport stops benefit all of society at some point: people with lots of shopping, those pushing prams, people who have an injury and disabled people.

All tenders should include the following technical specification:

The public transport service provided should be designed in a manner that allows it to be accessible to *all users* with physical disabilities.

(Additionally) for new bus purchases only:

<sup>18</sup> These guidelines are based on those promoted by The European Concept for Accessibility (ECA) Network -an important force in the campaign for mandatory European standards on accessibility: *ECA Technical Assistance Manual*, 2003. The guidelines are also based on those used in the County of Västra Götaland in Sweden.

The contract should also include the following provisions: New buses must be designed in a way that allows for passengers with activity limitations to independently and safely:

- board/alight or roll on and off the vehicle;
- be able to move around within the vehicle;
- receive the same information that other passengers receive;

pay, press the stop button and receive the service offered to other passengers.

Another possible solution is to take up the initiative implemented in the City of Göteborg: introduction of a special service line that is open to all elderly and disabled persons. The service runs with small buses and can be used for short distances. It works by people walking to one of the bus stops, which are spread densely, whilst people who are not able to walk use a special transport service that will collect them from their home<sup>19</sup>. The introduction of this type of service would reduce problems associated with mobility impaired people requiring more time to board public transport leading to delays, an issue that is often raised. Other innovative services, such as bus services that run door-to-door or respond to demand (flex line) rather than operating fixed routes are other potential solutions that can be considered. Nevertheless, such schemes should be in addition to accessible vehicles being used for the general fleet.

To ensure access more generally, as described above, it is necessary to establish a minimum frequency of service and routes to ensure that all urban areas form part of the public transport network. These issues also form part of defining what a good public transportation service really is, and therefore must also be included in a procedure which should be set up to control compliance with these standards. In order to control compliance, tender documents must include details about the expected quality standards of the service (e.g. minimum frequency of service, service of routes) as well as including a precise description of the procedure to control compliance with these standards during the execution of the contract (please see contract provisions below).

The contract should include the provision that X%\* of the operating revenue be awarded if the operator achieves a “good quality service”, as evaluated by an independent market research company\*\* at the supplier's expense every year.

\* To be determined by the public authority in negotiation<sup>20</sup> with the selected service provider

\*\*The supplier must provide details of an appropriate company in the tender application

The exact details of the contract provisions will not be finalised until the negotiation<sup>21</sup> of the contract following the selection of the service provider, but they should include the scheme outlined above. As stated earlier, it must be made clear in the original tender that such a scheme will form part of the final contract.

<sup>19</sup> *Benchmarking the special needs of different user groups in public transport*. Citizens' Network Benchmarking Initiative. Working group accessibility, February 2002.

<sup>20</sup> General remark: it should be noted that negotiations are not always permissible under the applicable public procurement legislation. Where this is the case such provisions should either be stipulated by the public authorities in the tender documents or it could be left to the tenderers to bid on these issues, provided the contracting authorities has set award criteria to accommodate these.

<sup>21</sup> See footnote 20

Assessment should be carried out every year after commencement of service. Specific targets and goals must be set and agreed upon during contract negotiations<sup>22</sup>. It is suggested that the following five indicators be used in judging the quality of service:

- Passenger satisfaction (assessed through a survey)
- Improved facilities, such as shelter and lighting
- Improved access, such frequency of service and service of routes
- Improved accessibility for passenger with physical disabilities
- Passenger information (next departures, delays)

Another recommended approach is that of adhering to a customer charter (or service guarantee) that defines and guarantees a certain level of quality in the public transport service and enables customers (or users) to make a claim against the operator if the service does not meet this level. This approach requires setting specific targets, such as frequency and punctuality of service, comfort, courteous staff agreed upon with the respective public authority. Customers that are not happy with the service can then be given the right to be entitled to a refund, for example, if the bus service does not arrive on time and they are forced to use an alternative mode of transport. This cost is then borne by the operator who would then be penalised by the public authority. A specific scheme detailing how this is intended to work would be defined in the contract between the public authority and transport operator, and also as part of the tender documents. This approach is used by the London Underground, a similar approach is also used in the German state of Nordrhein-Westfalen.

### **3.2 Participatory planning phase involving operators of public transport and citizens**

It is important to ensure a participatory process during the planning phase of a public transport system. This is another issue that affects the social equity of public transport services, however, it is not an issue that can be tackled during the procurement tendering process since it is completely within the responsibility of the local authority. Nevertheless, it is an issue of importance to local authorities in improving the public transport system.

Current and potential public transport users and operators of public transport should be given a voice during the fundamental planning and operation of public transportation systems. This should be done during stakeholder meetings where operators of public transport should be consulted so that their opinions concerning public transport service plans can be put forward. This is only one of several stakeholder groups that should be involved in this process. This issue also forms part of one of several recommendations from the citizens' benchmarking initiative set up by the European Commission: to integrate or include users of public transport into the work as much as possible.

Planning and operation of public transportation systems should be considered as important elements of a longer-term vision for integrated sustainable urban public transport policies, which are consistent with other policies in related fields. Consultation on public transport policies should be undertaken by local authorities prior to the design of tender documents for public transport services.

### **3.3 Integrated and fair pricing system**

As mentioned in the introduction, decisions on fares and public transport pricing usually tend to fall under the responsibility of local and regional authorities and not transport operators. Therefore,

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<sup>22</sup> See footnote 20

recommendations made in this section, although not directly relevant for the tendering of public transport services, should serve as guidance for objectives that public transport systems should also deliver to users.

Decisions on fares can and should seek to achieve a broad range of objectives concerning sustainable urban public transport services. These include fairness, profit maximisation and increasing or maximising the use of public transport services. Efficiency gains can also be improved through integrated decisions regarding pricing policies and schemes.

Transport choices are influenced by transport prices and evidence shows that, more often than not, there is a mismatch between transport prices paid by individual users and the underlying costs<sup>23</sup>. The result of these clear market signals in favour of the private car is that decisions are distorted, resulting in inefficient and damaging transport. Moreover, in order to achieve a fair and efficient fare regime, the costs of private transport should be considered in comparison to public transport costs. Only then can public transport provide a competitive alternative to the private car. Authorities must therefore take an integrated view of the transport system if public transport is to be successful.

Pricing strategies ideally necessitate a high degree of differentiation and should fully take account of local circumstances. This is important for reasons of efficiency and equity. In particular, rural areas, where transport problems are of a different nature would have to be treated differently and the same is true for peripheral areas. Having said that, the experience of the London congestion charge indicates that even simple pricing systems (i.e. simple for users) can be effective and fair if they are well designed. That system levies a flat charge for entry to the city centre. However, the charge is not the only measure: London has now introduced a large number of new buses and simplified the fares system.

There are many different options for public transport fares systems. Whichever system is chosen in a particular setting, the ticket prices should be fair, inclusive and affordable, ideally with preferential tariffs for certain groups. It is also important that the fare system is easily understood. It goes without saying that tickets must be interchangeable, so that a ticket can be used for all public transport companies and modes. This principle is well established in most European countries.

It is often argued that public transport fares should be lowered to promote the broader use of public transport services. However, this view is far too simplistic. Pricing should have the objective of reducing inequity and not in offering the lowest price possible, given that there are environmental and economic costs that must be considered<sup>24</sup>. Additionally, integration of all decisions on transport pricing is also a fundamental consideration for public transport authorities. This means that public transport should not be separated from road user charging decisions (e.g. on fuel tax, direct road user charges and parking). Again, the London congestion charge has been a success, at least in part, since it dealt with road pricing and public transport together.

## References

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<sup>23</sup> This forms part of the more complex and broader issue of internalising external costs of all transport modes to increase the fairness and efficiency of the transport system in its broadest sense. A discussion on these issues is, unfortunately, outside the scope of this paper.

<sup>24</sup> It is fairer to give rebates or discounts to certain groups, for social inclusion reasons, than to reduce the ticket price across the board.

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