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University of Žilina in Žilina

The Faculty of Operation and Economics of Transport and Communications

Department of Road and Urban Transport



# PROCUREMENT PROCEDURE FOR TRANSPORT SERVICES BY PUBLIC PASSENGER TRANSPORT IN THE SLOVAK REPUBLIC

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1. Introduction and definition of objectives
2. Regulatory framework
3. Public transport provision in the SR
4. Contracting in public passenger transport abroad
5. Proposal for public procurement of public transport services in the SR
6. Conclusion

# 1. INTRODUCTION

- ✘ Importance of transport serviceability
- ✘ Often unprofitable services
- ✘ Used mechanisms:
  - + Financial compensation
  - + Granting exclusive rights



# 1.1 OBJECTIVES

- ✘ To analyse the current state of provision of public transport in the SR
- ✘ To propose procedures of a procurement process in the SR and to outline the issues which should be solved
- ✘ To propose a time schedule for the procurement



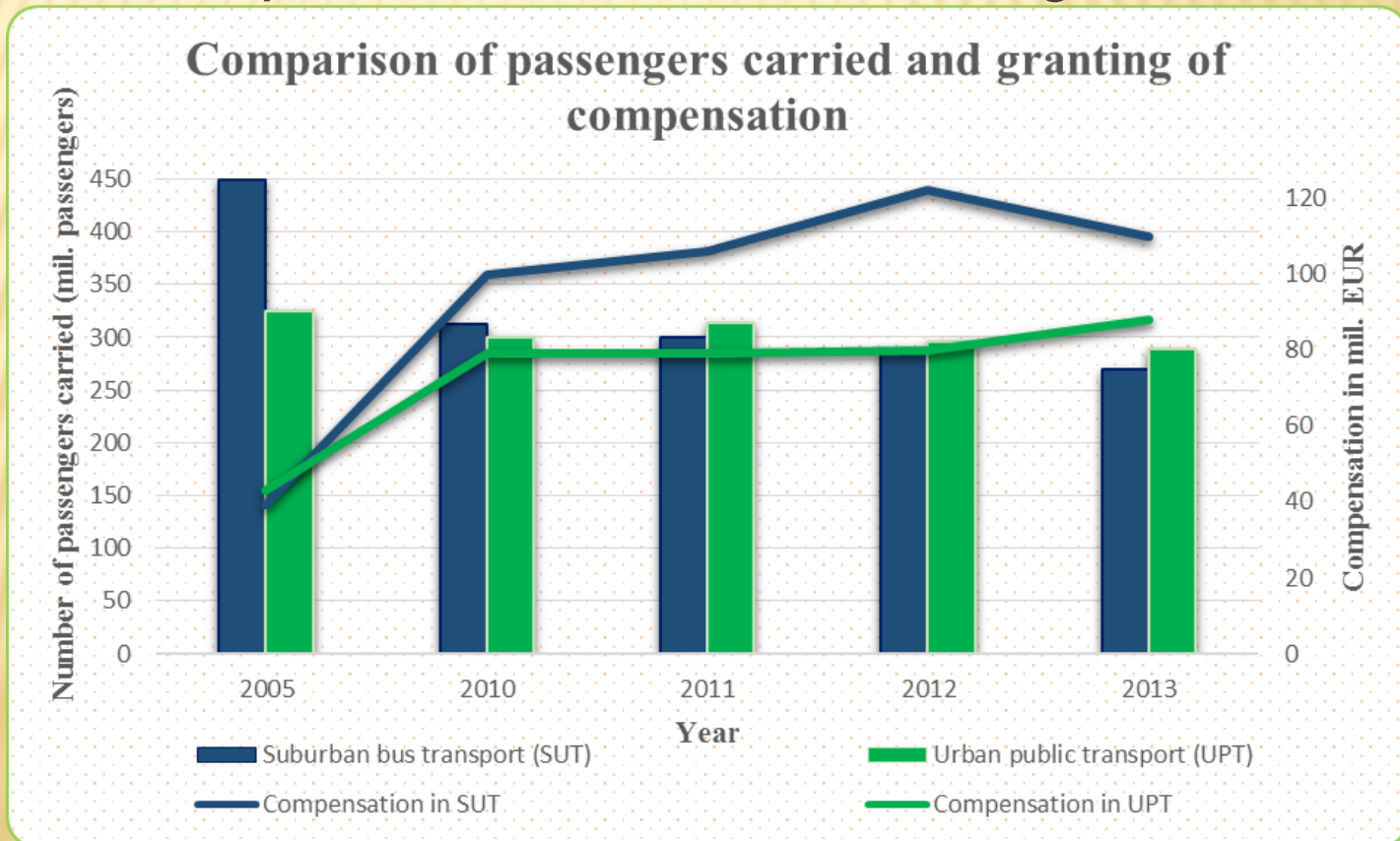
## 2. REGULATORY FRAMEWORK

- ✘ Regulation (EC) No. 1370/2007
- ✘ European directives on public procurement
- ✘ National legislation



# 3. PUBLIC TRANSPORT PROVISION IN THE SR

- ✘ Suburban bus service
  - + self-governing regions
- ✘ Overview of performance and financing



# 3. PUBLIC TRANSPORT PROVISION IN THE SR

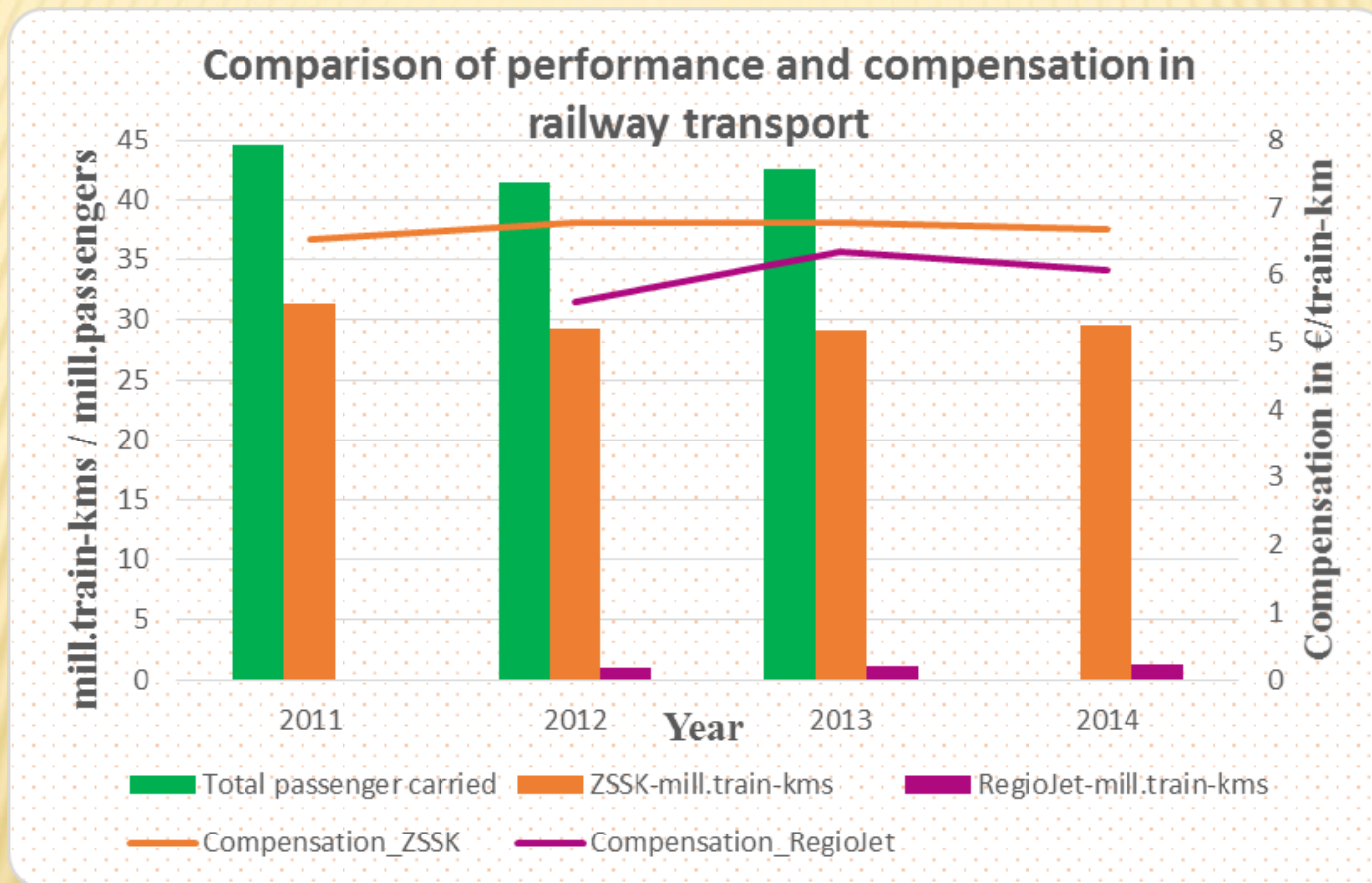
- ✘ Suburban bus service – public service contracts
  - + The direct award of contracts



Competent public authority	Bus service operator	Contract duration	Reasonable profit [%]
Zilina self-governing region	SAD Zilina, a.s.	01.12.2009 – 29.11.2019	3
	SAD LIORBUS, a.s		
Presov self-governing region	SAD Humenne, a.s.	01.04.2009 – 31.12.2018	3
	SAD Poprad, a.s.		
	Bus Karpaty spol. s.r.o.		
Banska Bystrica self-governing region	SAD Lucenec, a.s.	01.01.2009 – 31.12.2018	koef. of inflation + 3
	SAD Zvolen, a.s.		
Nitra self-governing region	SAD Nove Zamky, a.s.	01.02.2010 – 31.12.2015	3.5
Kosice self-governing region	Eurobus, a.s.	01.01.2009 – 08.12.2017	4
	SAD Michalovce, a.s.		
Bratislava self-governing region	Slovak Lines, a.s.	01.01.2009 – 31.07.2017	4

# 3. PUBLIC TRANSPORT PROVISION IN THE SR

✘ Railway passenger transport (the direct award of contracts)



**Competent public authority**  
 Ministry of Transport, Construction and Regional Development of the SR

**Service operator**  
 ZSSK, a.s.  
 RegioJet, a.s.

**Contract duration**  
 January 2011 – December 2020  
 March 2012 – December 2020

# 4. CONTRACTING IN PUBLIC PASSENGER TRANSPORT ABROAD

City	Contract with:		Contract for:		Contract period (years)	Incentives for:			
	gross cost	net cost	route or bundle of routes	network		quality	Number of passengers	environ. protection	realised perform. [km]
Budapest *		x		x	8				
Dublin	x		x		5+5		x		
Brussels *		x		x	5		x		
Amsterdam *		x		x	5				
Haarlem		x		x	2	x	x		
Grenland		x			5		x		x
Stockholm	x			x	5+5	x			
Halmstad	x			x	8		x		
Sundsvall		x		x	6	x			
Elmshorn	x			x	5		x		
Frankfurt/M	x			x	6	x		x	
Munich	x		x		6-7				
Warsaw	x		x		10				
Krakow *	x			x	8/14				
London	x		x		5+2	x			
Manchester		x	x		5				
Adelaide	x			x	5+5		x		

\* Direct award

# 4.1 IMPACT OF COMPETITIVE TENDERING ON THE COSTS OF PUBLIC AUTHORITIES

✘ The result after the 1<sup>th</sup> round of competitive tendering

Country	City	The start and gradual introducing competitive tendering	Unit cost savings in %
Great Britain	London	1985 – 2000	51%
	Rest of GB	1986 – 1999	54%
Norway	Lillehammer	1994	21%
Sweden	Stockholm	1989	20 % – 32 %
	Helsingborg	1992	27%
Finland	Helsinki	1995	17 % – 34 %
Denmark	Copenhagen	1990 – 2002	24 %
Netherlands	Amersfoort	2002	37 %
Italy	Rome	2001	8 %
Australia	Perth	1995 – 1998	22 %

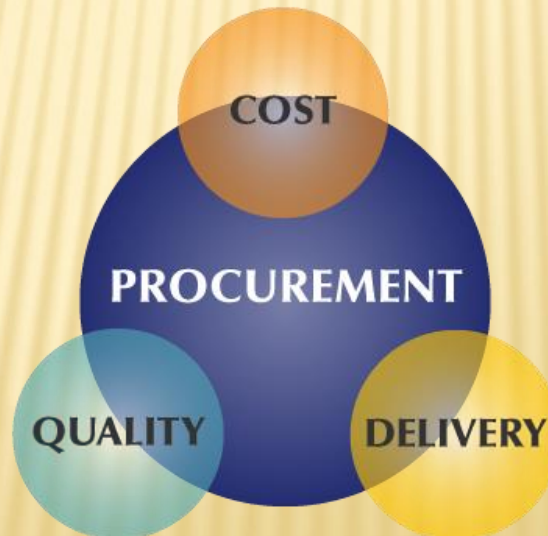
# 4.1 IMPACT OF COMPETITIVE TENDERING ON THE COSTS OF PUBLIC AUTHORITIES

✘ The results of subsequent rounds of competitive tendering

Country	City	Gradual introducing competitive tendering	Increase/decrease compared to the 1. rounds
Great Britain	London	2000 – 2001	58% – 63%
	Rest of GB	1998 – 2002	10% – 20%
Norway	Lillehammer	1996 – 2000	45%
		2000 – 2001	33%
Finland	Helsinki	1997 – 1998	1 % – 3%
		2000 – 2001	9% – 15%
Denmark	Copenhagen	1990 – 2003	-13%

## 5. PROPOSAL FOR PUBLIC PROCUREMENT OF PUBLIC TRANSPORT SERVICES IN THE SR

- ✘ A procurement process is complex and consists of several procedural steps
- ✘ There is no experience with the process in the SR



# 5.1 THE NEED FOR A CHANGE IN COMPETENCIES IN TRANSPORT SERVICE PROVISION

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- ✘ Problem: fragmentation of competencies, separately compiled plans of transport serviceability (bus and railway passenger transport)
- ✘ Recommendation:
  - + transfer of competencies in railway transport to particular self-governing regions
  - + one plan of transport serviceability for the given territory (railway + bus transport)

## 5.2 PROPOSAL FOR COMPILING PLAN OF TRANSPORT SERVICEABILITY

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- ✘ Problem: Slovak legislation does not address in detail what a plan of serviceability should include.
- ✘ Recommendation: to supplement the plan with following information:
  - + identification of objectives and local constraints
  - + definition of the risks (including inflations) in public transport and its allocation between parties
  - + determination of a contract type and scope
  - + definition of the minimal service quality
  - + ways of controlling and monitoring, including determination of incentives for a service operator

# 5.2.1 IDENTIFICATION OF OBJECTIVES

## Determination of strategic objectives

### Transport policy

- ensure mobility,
- improve the overall traffic situation,
- road safety,
- increase the share of public transport
- reliability of services.

### Social policy

- Concessionary and discounted fares for:
- people with low incomes,
  - young and elderly,
  - people with reduced mobility,
  - pupils and students.

### Environmental policy

- emissions reduction,
- noise reduction,
- efficient use of energy (vehicles with lower consumption).

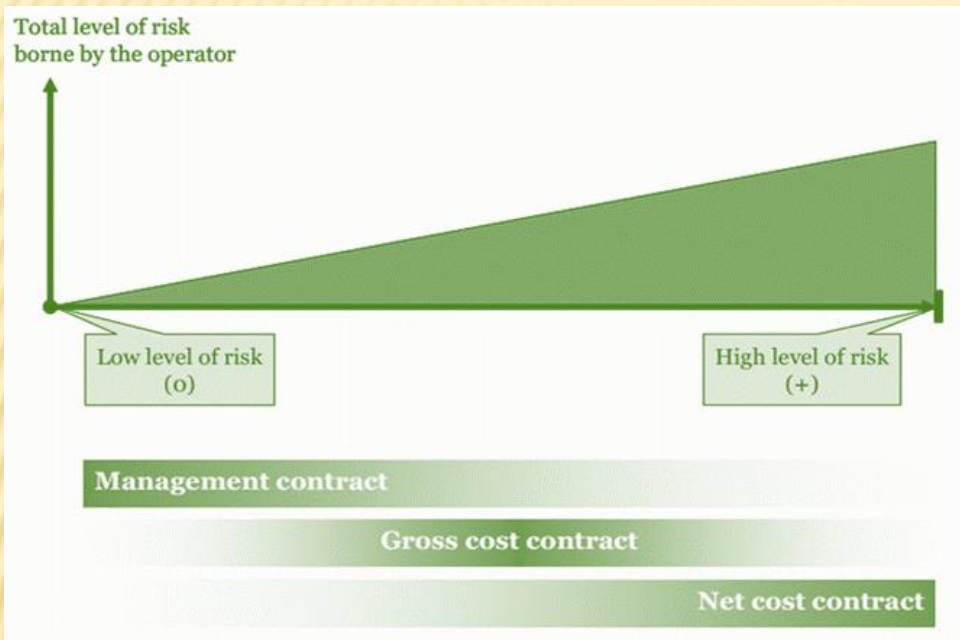
### Structural and economic policy

- support for small and medium enterprises,
- land use policy,
- determination of infrastructure capacity.

### Budgetary policy

- willingness to take risks,
- funds to fleet renewal.

# 5.2.2 RISK ALLOCATION AND TYPE OF A PUBLIC SERVICE CONTRACT, SCOPE OF THE CONTRACT



Van de Velde (2008)

Revenue risks assumed by:	Cost risks assumed by:	
	public authority	service operator
public authority	Management contract	Gross cost contract
service operator		Net cost contract

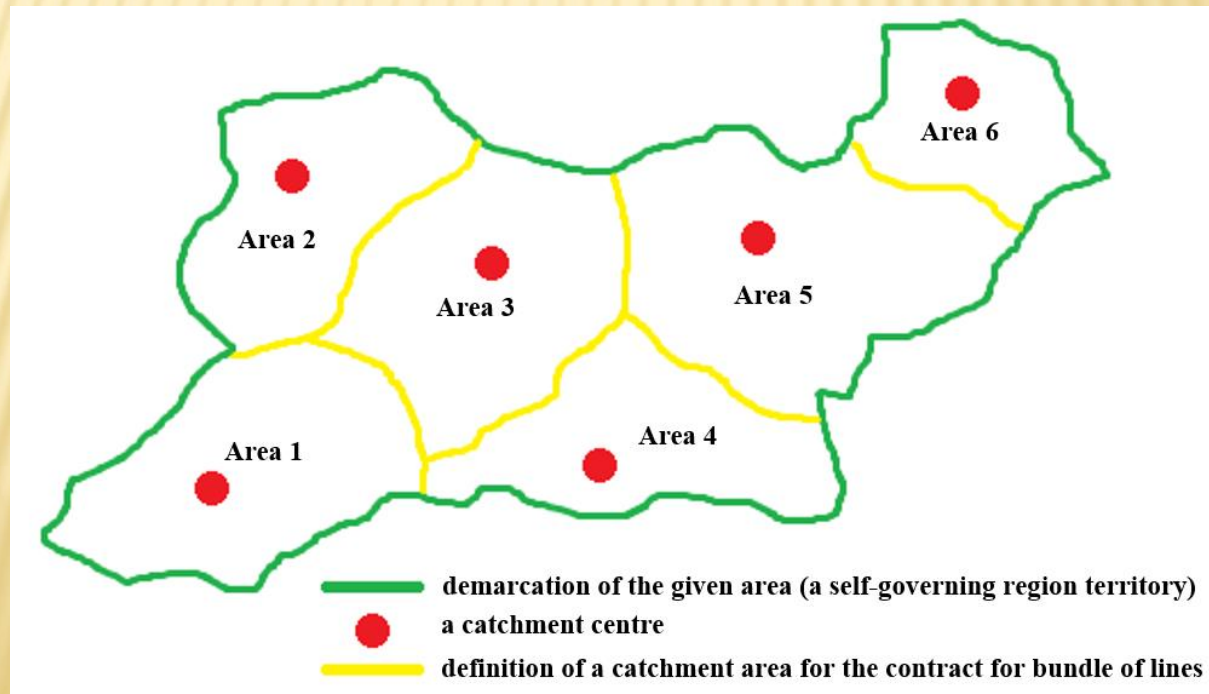
## ✘ Scope of contracts:

- + Route contracts
- + Network contracts
- + Sub-network contracts

## 5.2.2 RISK ALLOCATION AND TYPE OF A PUBLIC SERVICE CONTRACT, SCOPE OF THE CONTRACT

### ✘ Recommendation:

- + the use of gross cost contracts
- + to gradually start with competitive tendering of selected lines (contracts for a bundle of lines) i.e. the contract of a small scope
- + to create a bundle of lines in terms of operational and spatial coherence (on the basis of catchment centres of a given region)

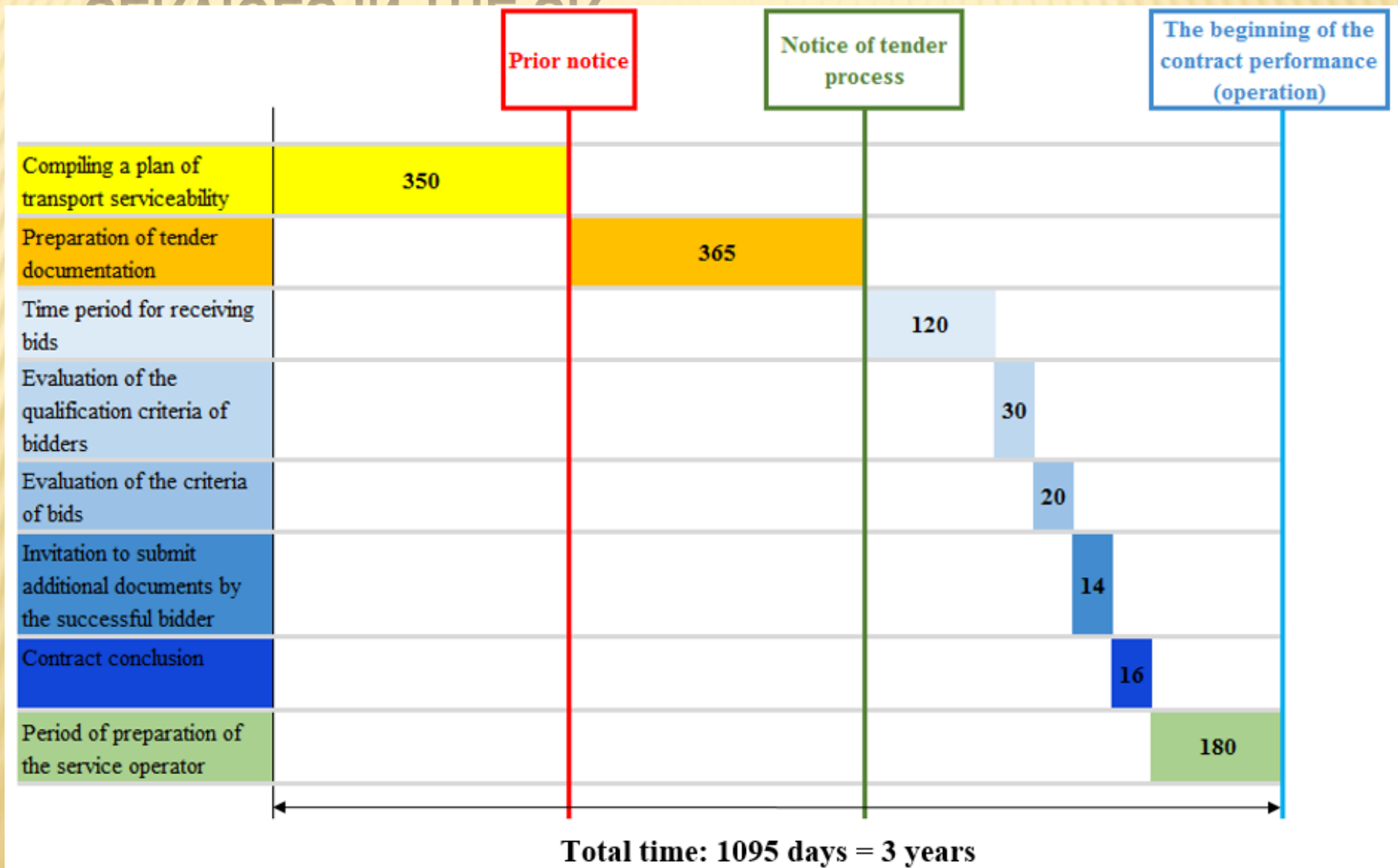


## 5.3 PROPOSAL FOR TIME SCHEDULE FOR PUBLIC PROCUREMENT OF TRANSPORT PASSENGER SERVICES IN THE SR

- ✘ Time schedule of competitive tendering process itself

Time period for receiving bids from bidders	120 days
Opening envelopes: part "Others" + evaluating qualification criteria of bidders + compulsory documentation about the process	30 days
Opening envelopes: part "Criteria" + justification of very low price + compulsory documentation about the process	20 days
Invitation to submit additional documents by the successful tenderer	14 days
Concluding the public service contracts	16 days
<b>Total</b>	<b>200 days</b>

# 5.3 PROPOSAL FOR TIME SCHEDULE FOR PUBLIC PROCUREMENT OF TRANSPORT PASSENGER SERVICES IN THE SR



# 6. CONCLUSION

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- ✘ The need for funding public passenger transport is constantly growing in the SR, in particular in suburban bus service
- ✘ Competitive tendering appears as an appropriate mechanism, the introduction of which can bring cost savings
- ✘ The need for addressing weaknesses in public passenger transport, e.g.:
  - + Legal framework
  - + Fragmentation of competencies
- ✘ Procurement is a very complex and time-consuming process

# THANK YOU FOR YOUR ATTENTION

