

Article for SPUTNIC newsletter on the 4th WGM, MO cluster

The experts of the cluster Market Organisation discussed the relationship between the commissioning authority and the PT operators. The discussion was divided into the topics Public Service Contract (PSC), incentives within such contracts and monitoring schemes for the operator's performance. The discussions were spurred by several presentations of various experts covering experiences from Sofia to Gothenburg and from Amsterdam to Prague.

In spite of the undisputed benefits of Public Service Contracts there are still many cities within Europe who run PT services without a contract. Sometimes a contract exists but it cannot develop its full benefits, for instance because its duration is too short or because it stays a pure formality. The new EU Regulation 1370/2007 will hopefully improve this situation as it declares the existence of a PSC as mandatory which will lead to more transparency and improve the contractual relationships between PT authorities and operators. A proper PSC is also a condition for access to third party financing of investments.

When designing a PSC it is important to define the PT policy aims and the desired market organization (including the level of freedom to the operator). There exists a vast variety of different contract types in European cities and there is no single solution that fits all. Every contract has to be designed according to the local framework conditions.

Triggered by the increasing importance of quality issues in the PT market there is a clear trend to include incentives in Public Service Contracts. They can take the form of bonus or malus payments linked to quality or customer/revenue indicators, but also the threat of competition or the prospect of a contract prolongation can work as incentives to the operator. Incentives have to be designed carefully in order to make them work effectively and to avoid unpleasant negative side-effects.

A monitoring scheme should be part of any PSC. It serves at the same time as an instrument to control the fulfillment of the contract, as a basis for incentive calculations and is also part of contract management. Monitoring is also valuable for benchmarking purposes and the identification of quality and performance gaps. There are different methods for capturing monitoring data. Whereas direct performance measures are mostly used as a basis for penalties and customer satisfaction surveys are preferably used for bonuses, mystery shopping surveys can be used for both positive and negative incentives. CEN standards EN 13816 and 15140 on service quality and quality measurement are a good starting point for the development of monitoring schemes. The results of the monitoring should be made public in order to spur quality competition. However, in spite of the necessity of monitoring schemes the relationship between authority and operator should always be a cooperative one – for the benefit of the customer.