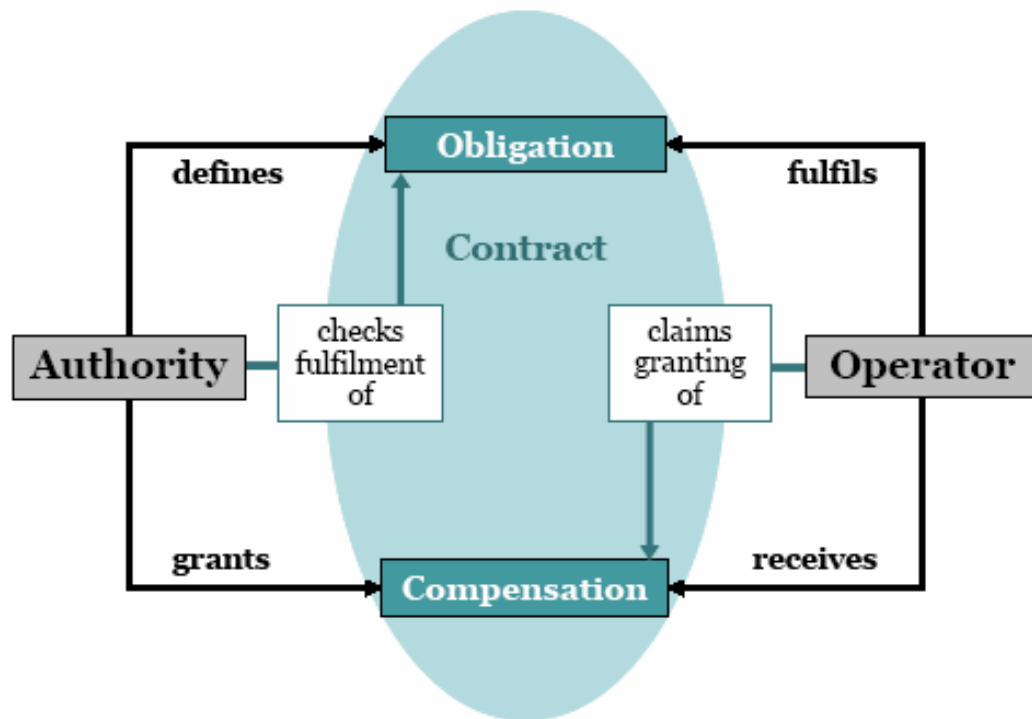




# Scope of WG3 Market Organisation Meeting: Contracts, Incentives and Monitoring

- Working group meeting focus
  - contractual relationship between the commissioning authority and the operator
- **Public Service Contracts** according to the new EU Regulation
- **Incentive schemes** to improve efficiency and quality
- **Monitoring schemes** to control the fulfillment of the contract

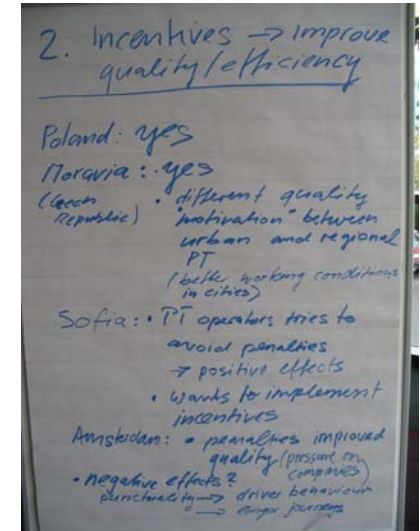
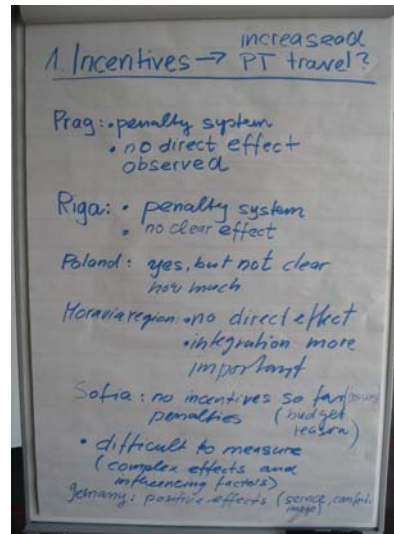


(source: inno-v et al.)



## MO Experts

- Experts from
  - Bulgaria (Sofia)
  - Croatia (Zagreb)
  - Czech Republic (Prag, Brno)
  - Germany (Berlin)
  - Latvia (Riga)
  - Luxemburg
  - Netherlands (Amsterdam)
  - Poland (Warswa, Gdansk)
  - Sweden (Stockholm, Skövde)
  - Switzerland (Zurich)
- Covering
  - Authorities, Organising entities, Tariff Associations, Public Transport operators, Consultancies, Research Institutions, EIB





## Important questions discussed

### PSC

- What is a good PSC? What different types of PSC exist and how are they used according to their strengths and weaknesses?
- What are the advantages/disadvantages of a PSC?
- How to set up and implement a PSC?

### Incentives

- How can incentive contracts improve quality and efficiency of PT operation and services?
- What kind of incentives are suitable under certain framework conditions?
- What are the barriers and success factors when implementing incentive contracts?

### Monitoring

- What monitoring systems can improve quality and efficiency of PT services?
- What kind of monitoring systems are appropriate under certain framework conditions?
- How to set up and implement monitoring schemes?



## Outcome relating to Public Service Contracts (PSC)

- **A PSC should always put in place**
  - Still a lot of situations in urban areas without PSC or not suitable PSC (too short duration, no proper indexation of compensation, etc.)
- **New regulation 1370/2007 on PSC leads to more transparency and stimulates to optimise the contractual relationship**
  - more transparency on rights, obligation and compensation
  - inclusion of quality standards in PSC's is not mandatory (except direct award)
- **No “Best Solution” for a contract type**
  - Different options as gross cost, net cost and management contracts
  - Good solution could be between different contract types
- **Before drafting the contract it is important to define the policy aims and the service design (considering the local framework conditions)**
  - Important for the integration of quality aspects and monitoring
  - Influence on contract type and the allocation of risks
- **Proper PSC is essential for financing of investments (long term perspective)**
- **Important success factors for good PSC**
  - Fair allocation of risks
  - Proper Indexation of compensation
  - Consider PT Transport policy aims



## Outcome relating to Incentives

- **Pure gross cost contracts do not stimulate good quality but seem to work together with quality incentives**
- **Clear trend to implement incentives in PSC's**
  - increasing importance of quality
  - limited number of net cost contracts
  - Municipality should define the required quality level
- **Penalty schemes more common than bonus schemes**
  - partly due to regulations and limited funds for bonuses
  - Bonus schemes usually related to customer satisfaction surveys
- **Prolongation of contracts could also be an incentive or threat to tender out**
- **Positive effects of incentives schemes**
  - Positive effects on quality and efficiency
  - Unclear effect on modal split but estimated to be positive
  - Some incentives too small to generate desired effects
- **Be aware of potential negative effects of incentive schemes**
  - Punctuality → speeding by drivers or adaption of timetables (longer travel times)
- **Important success factors**
  - Credibility of incentives and sanctions is important
  - Use only indicators which also can be affected by the operator
  - Incentive requirements should not lead to too high costs
  - Win-win situation (not only penalties but also bonuses)



## Outcome relating to Monitoring

- **Monitoring should be part of the PSC**
  - Instrument to control the fulfillment of contract
  - Basis for penalties and bonuses
  - Part of contract management
- **Different Monitoring approaches in use:**
  - Measurement of performance indicators → used mostly for penalties
  - Mystery shopping → used for penalties or bonuses
  - Customer satisfaction surveys → used mostly for bonuses
- **Choose indicators which have a direct influence on ridership and revenues**
- **Monitoring is also valuable for benchmarking and identification of quality and performance gaps**
- **Find the right balance between costs and benefits of monitoring approach**
- **Important success factors:**
  - Consider CEN standards EN 13816 and 15140 for selection and measurement of quality indicators
  - Cooperative relationship PTA-PT (the main aim is not to control but to reach quality/efficiency aims)
  - Common understanding and agreement on measurement and assessment methods
  - Quality competition supports the motivation to improve quality
  - Results of quality monitoring should be open to public
- **More work should be done relating to calculation of bonuses/penalties (CBA)**