



WG 3 Market Organisation

**9th and 10th October 2008, Prague, Czech Republic
4th Working Group Meeting on**

Contracts, Incentives and Monitoring

Part 5: Main Findings and Outlook

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Group Exercise

- Question:
 - **What are the main findings and the main outcome of our MO Working Group meeting?**
 - From the viewpoint of operators
 - From the viewpoint of authorities
- Discussion in two groups
 - Group building
 - Collection of main findings on flip chart
 - Short presentation of main findings on flip chart by group leaders
- Short Discussion /Round Table



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 kind of 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
- **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**
- **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 → contract management**
- **Different Monitoring approaches available:**
 - Measurement of performance indicators → used mostly for penalties
 - Mystery shopping → used for penalties or bonuses
 - Customer satisfaction surveys → used mostly for bonuses
- **Suitable indicators have to be constantly measured and the data needed collected**
- **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



Outlook: Available and planned Output

WG Market Organisation

Topic	Working Paper	Inquiry Results	Minutes WG Meeting (present.)	Best/Good Practice Collection	Guidelines and Checklists
Integration and tariff systems	available	available	available	available	in preparation
Institutional Framework / cooperation	available	available	available	available	in preparation
Innovative Financing Models	available	available	available	in preparation	in preparation
Contracts/ Incentives/ Monitoring Systems	available	available	in preparation	in preparation	in preparation



Overall Project Output

Available now:

- SPUTNIC website
- Background Papers to Cluster and Working Group Meeting Topics
- Minutes of the meetings
- Report D2: Challenges of the PT Sector
- Report D3: State of the Art Report
- 8 Public transport good practice case studies
- 2 Newsletters

Available by the end of the Project:

- Further good practice case studies
- Report D4: Best Practices and Recommendations
- Report D5: Policy and Research Recommendations
- Guidelines and checklists for PT operators and authorities how to deal with cluster topics
- Further newsletters



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Next Steps

- **Collections of Good Practice cases relating to PSC. Incentives and Monitoring** **End of 2008**
- **Developing of guidelines and checklists relating to all the cluster topics** **Spring 2009**
- **Input Report D4: Best Practices and Recommendations**
- **Input Report D5: Policy and Research Recommendations** **February 2009**
- **Plenary Meeting** **July 2009**
- **Final Conference**