FLORENCE SCHOOL OF REGULATION

2ND EUROPEAN URBAN TRANSPORT REGULATION FORUM (EUROPANTRF)
“TENDERING URBAN PUBLIC TRANSPORT: PAST EXPERIENCES, FUTURE CHALLENGES”
A SUMMARY OF THE PRESENTATIONS AND OF THE DISCUSSION

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Forum Summary Document
Tendering urban public transport: past experiences, future challenges

A summary of the presentations and of the discussions during the 2nd European Urban Transport Regulation Forum (EURbanTRF) held in Fiesole on May 21st 2012

Abstract

The present document summarises the content of the presentations delivered during the forum as well as the ensuing discussion. This report is divided in two sections: summaries of the presentations and the synthesis of the debates.

Presentations were delivered by representatives of many different types of stakeholders, including transport authorities, operators, associations of stakeholders, other relevant actors, as well as by knowledgeable academics. Each of them offered his/her view on the state, challenges and future of tendering urban public transport, based on the following initial questions formulated by the organisers:

- What can we learn from the past experiences of tendering of urban public services? What has worked? What has not? And why?
- How does EC regulation 1370 affect the tendering procedures?
- What other challenges have emerged over the past 20 years that need to be taken into account when tendering urban public services?
- How is tendering of urban public services likely to evolve in the years to come?
- What can we learn from other sectors about the tendering of urban public services?

Tendering urban public transport has a rather short history and the exact tendering processes differ from country to country. The recent developments were necessarily steered by Regulation 1370/2007. However, as Regulation 1370/2007 leaves room for interpretations, there are no signs of a harmonised system, despite this legislation. The room for interpretation was reflected in the speakers’ presentations: all favoured the tendering of urban public transport, but assessed the state differently.

The presentations and discussions touched a wide range of aspects: past experiences, evolution of tendering, difficulties in establishing an appropriate process, differences among European countries, role of operators and transport authorities, and visions for the future of urban mobility. A reoccurring topic was the need for an intermodal system and the move towards integrated mobility services. This opinion was shared by all participants. However, Regulation 1370/2007 does not seem to be the right tool to achieve this goal.

The presentations from the forum can be found on the web page of the Transport Area of FSR. To open it, go to http://fsr.eui.eu, choose “transport” from the top menu bar and then open “policy events”. Clicking on the title of the forum will take you to the relevant page. Alternatively each presentation may be downloaded by clicking on the relevant icon in the first section of the present document.

The FSR-Transport team is happy to receive feedback and comments on this document, and our activities. To engage in a discussion please write to FSR.Transport@eui.eu.
Summaries of the presentations

The debate was kicked-off with the following research questions:

- What can we learn from the past experiences of tendering of urban public transport services? What has worked? What has not? And why?
- How does EC regulation 1370 affect the tendering procedures?
- What other challenges have emerged over the past 20 years that need to be taken into account when tendering urban public services?
- How is tendering of urban public services likely to evolve in the years to come?
- What can we learn from other sectors about the tendering of urban public services?

The following paragraphs include short summaries of each presentation, illustrating the main points made and matters treated, and have been compiled by the editors of this report. By clicking on a presentation’s icon or title you may activate an internet link taking you to the full presentation, when available. Presentations are hosted on the FSR website by permission of the authors.

In his introduction, Prof Finger started out by looking back on the previous forum on European Urban Transport Regulation held in Florence in October 2011. That event, he explained, initiated the Florence School of Regulation’s contribution to the ongoing debate on the regulation and the governance of European urban public transport. The forum discussed the role, functions and status of transport authorities, which is an important prerequisite for tendering urban public transport, the topic of the present forum.

The regulatory basis for tendering public transport is Regulation 1370/2007, which introduced the requirement of establishing a “Competent Authority” for rail and road transport. Besides the “Competent Authority”, it also demands a definition of public service obligations (PSOs) in public service contracts, and sets a maximum contract duration.

Prof Finger recalled that tendering public services is not limited to transport, there are also other sectors, such as water or waste, which can provide helpful lessons. The water sector, for example, still needs to define a solid and predictable legal framework, although national regulations are currently emerging. Water being an infrastructure industry as well, investments also play an important role: the most common solution to issues with investments is having a longer duration of the contract when the burden of investments is heavier.

By way of conclusion, prof. Finger presented the questions that emerge from the current situation and experiences with tendering urban public transport and that would help to guide
Mrs Avril took the opportunity to introduce the European Metropolitan Transport Authorities (EMTA) to the forum’s participants: EMTA’s main purpose is to serve as a platform to exchange experiences and knowledge amongst transport authorities (TA), as well as to act as a liaison with the European Commission. As the first speaker of the day, Ms Avril contextualised the situation in metropolitan areas by describing the forces working on TAs and operators.

Initially, she explained, urban public transport (PT) was considered as a public service – comparable to medical care – and thus all costs were covered with public money. The historic legacy in form of local circumstances, laws and historic operators makes every metropolitan area network unique. The legal framework – which sets tight boundaries to the local TAs – is generally created by national authorities based on Regulation 1370/2007. Despite the improvements compared to Regulation 1191/69, many questions remain unanswered, which delays its implementation.

In addition to the unsolved questions, new challenges emerged, such as climate change, the desire for a modal shift towards public transport, and the increased usage of commuter trains in urban areas. As an example of a Transport Authority looking for new solutions for these challenges, Mrs Avril discussed the purchase of the regional railways of Barcelona by the government of Catalonia, which calls for adjustments in the legislative framework. Also, the current financial and sovereign debt crisis challenges the system by causing severe public budget cuts, while the attitude of operators towards users is changing and passengers demand quality services.

To conclude, Mrs Avril quoted EMTA’s president, Hans-Werner Franz from the Verkehrsverbund Berlin-Brandenburg, in saying that the solution to future challenges is “doing [your] homework”. Urban PT actors have to focus on quality (punctuality, safety, services) and the implementation of fair competition, which can save money through tendering. To get there, it is necessary to set up quality standards, and sanctioning mechanisms, as well as to get rid of monopoly structures.
To begin with, Ms Ollier listed the multiple roles the International Association of Public Transport plays, and stressed that its perspective is not limited to Europe, nor to a specific stakeholder, as it represents the whole value chain (TAs, operators, etc.)

When speaking about competitive tendering, she said it is important to bear in mind that it is not an end in itself, but a means to achieving better cost control, efficient use of resources, and improved quality of service. The process of market opening is already going on, as cities begin to privatise their operators, and this trend is reinforced by the financial and sovereign debt crisis. Currently, the Regulation 1370/2007 is not fully implemented, and therefore its full impact is not visible. Many questions regarding tendering are addressed by this regulation. While some questions remain unanswered, UITP prefers not to reopen the legislation as negotiation processes would take too much time and create too many legal uncertainties.

The on-going changes in the market triggered different responses by different actors in different places: there were market entries by non-EU operators, horizontal or vertical mergers, the expansion of publicly owned operators into new markets, and very few completely new entrants. By describing the organisational models of awarding contracts (tendering, direct award, commercial services) in different European countries, Ms Ollier stressed the point that countries react differently to the EU regulation and follow a strategy which is suited best to their local circumstances; at the same time, this is accompanied by an increasing market concentration.

For the future, Ms Ollier advocated an integrated perspective on mobility. Only an integrated mobility solution will be able to compete with private cars, and competitive tendering can be a way of bringing innovation into the market.
Mr Möllmann presented the European Passenger Transport Operators (EPTO) as an organisation that favours competitive markets – a requirement for the membership is having won 80% of the business in a competition – and that works for a fair market development. In line with the previous speakers, he expressed his opinion that competition will help to control costs and increase the market share of public transport.

To underline how successful the tendering of rail services has been, Mr Möllmann described how in Germany, Sweden and the UK the number of passengers and their satisfaction increased, while subsidies were reduced over time. Also, the tendering of urban public services was a success from the point of view of costs, although the quality remains a problematic aspect. He said that the model needs to be rethought, because the operators currently do not fully capitalise on their knowledge of the customers’ wishes. Analysing the evolution of contracts, Mr Möllmann came to the conclusion that operators are willing to take more risks (for example by agreeing to net-cost contracts) as long as they can control the risks and the contracts/circumstances permit entrepreneurial freedom.

Regulation 1370/2007 sets the framework for tendering procedures, but also leaves a measure of freedom to the contracting authorities, for example the freedom to establish social and qualitative criteria and to establish the parameters for the calculation of compensation payment. However, Mr Möllmann saw a need for clarification and adjustments: interpretative guidelines would be helpful, the possibilities to award contracts directly should be limited, and a detailed assessment of the winning bid should be made available after each tender. He also agreed with the previous speakers: the tendering criteria should be defined locally, but always allow for the development of real competition.
Prof Ponti explained that competitive tendering became mandatory in Italy as early as 1991. However, local transport concessionaires, owned by public transport authorities (PTAs), could compete for the services as well. In other words, PTAs acted as the deciding institution, and as a bidding operator. As a result, 99% of the tenders were won by the incumbent operators. The current Italian government sent signals indicating that it would reform the system in order to encourage true competition. Political pressure, however, softened these ambitions, so Prof. Ponti thought true competition was unlikely to happen. Something similar happened with the level of public subsidies for the sector.

In order to explain these developments, prof. Ponti relied on the theory of regulatory capture. He pointed out how public transport companies and their employees are able to form a powerful lobby to resist change, while those who would benefit from reform – taxpayers and passengers – have much more difficulty creating pressure in the opposite direction. Sometimes the reason for this asymmetry is obvious: PTAs that compete for the tenders they themselves authorise being a case in point. At other times, the cause is structural: as long as urban public transport is funded with money that comes from the central government, regional voters have no incentive to force their local government to be frugal.

In the course of his presentation prof. Ponti also warned for the abuse of environmental and social criteria as an excuse for favouring the incumbent, arguing that such criteria should be treated with the utmost caution and transparency. He also argued that initially allotments should be small, with subsequent mergers allowed if economies of scale can be shown. That way, more entrants will be able to compete. Finally, he argued in favour of making rolling stock available to all competitors equally, a topic that was addressed in greater detail by Mr. Zerban later in the day.
In his presentation, Mr van de Velde focused on past experiences with the tendering of urban public transport concessions. He made a clear distinction between tendering routes/bundles and tendering (sub-) networks. He also assessed the evolution in contracting, where he made a distinction between functional and specified contracts, depending on the level of detail with which the contracting authority defined the service that was to be provided.

In his assessment, Mr van de Velde favoured the tendering of routes and functional contracts rather than networks or specified contracts. In both, the productive and cost efficiency are higher, they allow the transport authorities to learn and build up the necessary knowledge and capacities, and give the operators the entrepreneurial incentives to improve the functioning of the system. Tendering networks can be a difficult tool, with slow learning processes, and it has the danger of “winner’s curse” (in which the winning bidder makes unrealistic promises to get the contract awarded).

A lesson is that the conflicting rationalities between public authorities and commercial operators can create a difficulty in tendering urban public services. Such a situation can lead to inadequate contracts, with disappointing results for both sides. This consequently triggers an even more detailed specification in the next tender, ending up with a specified contract which impedes entrepreneurial innovations. To avoid this, all involved actors have to understand the rationalities of their counterparts well and organise properly.

Mr van de Velde argued that competitive tendering promotes productivity and cost efficiency, though political interference can reduce this potential. However, no clear statement on its effect on allocative efficiency can be made, because this depends on several factors: whether it is a gross- or net-cost contract, who monitors the planner, whether there is not too much political interferences and other factors. Finally, by touching on the evolution of tendering urban public transport in Sweden, Mr van de Velde showed that Regulation 1370/2007 leaves a margin for interpretation, and countries stick to their habits and follow the path they already intended to follow.
Prof Viegas dedicated his presentation to the analysis of the challenges in tendering urban public transport. His analysis is based upon the fact that, despite the good intentions and improvements of Regulation 1370/2007, it is an inadequate tool for developing urban public transport. For one, “it is directed at intermediate goods of urban mobility (public transport services) and not at the results of the mobility system”, and it also creates a barrier to innovation.

The usage of ICT in urban public transport, he said, can have important impacts on the relationship between passengers and operators, and help to create new services with a better fit to the requirements of current and potential clients. Tenders can be a form to promote innovation: authorities could go for operators who show the willingness to innovate. Also, risks can be shared through contractual arrangements.

Prof Viegas reminded the forum’s participants that in other tendering and contracting processes functional specifications are used instead of technical specifications. Having technical specifications in urban public transport tenders is a clear hindrance to innovation and gives operators little flexibility to react to (unforeseen) developments during the contracting period. For this reason, he proposed that transport authorities should tender for results and not intermediate goods (as many do at the moment). And these results should include: quality of access, social inclusion, transport safety and contribution to combating climate change. The advantages of having a results-based approach are twofold: it increases political accountability (policy goals have to be clearly defined and can be easily monitored) and it stimulates entrepreneurial ingenuity (bidders/operators have the liberty to explore different ways to achieve the goals).

In order to carry out his vision of integrated mobility services, Prof Viegas sees the existence of a “Urban Mobility Policy Council” – defining the intended results and setting the main guidelines – as a prerequisite for the functioning of such a system. (He discussed this Council in greater detail at the 1st Urban Transport Forum in 2011.) In such a setting, the candidates would bid for the “management of the overall urban mobility system”, presenting their proposed approach to achieve the results. In other words, the winning candidate would become the coordinator of the system, and (if necessary) subcontract the operations to other companies.

Prof Viegas concluded his presentation by stressing that Regulation 1370/2007 can be just an intermediate step towards an integrated system: “The major challenge is to get acceptance of the fact that the game has changed and the paradigm of play must change as well”.
Mr Quidort presented Veolia Transdev as a fully competitive operator, which favours competitive tenders, but recognises their challenges. By means of competitive tendering, he said, the public transport sector becomes more flexible, public spending reduces and the services become more customer-focused. In his line of argumentation, Mr Quidort also stressed the possibility for public transport authorities (PTAs) to develop their expertise as a consequence of establishing clear PTA-operator relationships. And tendering should not be limited to the pure transport aspect, but also include mobility services such as passenger information, call centres, and station management. This could be either managed by the operator (functional integration), or externalised.

In a nutshell, Mr Quidort sees the best design for tendering in having a net-cost contract, with integrated tendering and a multimodal regional PTA. Both the responsibility for revenues and integrated/intermodal services incentivise a more entrepreneurial approach. The multimodal PTA is an important factor, because having several independent transport authorities for different transport modes would not satisfy the need for integrating the system.

With respect to Regulation 1370/2007, results are ambiguous in Mr. Quidort’s opinion, due to the room it leaves for interpretation. Already open markets – such as the bus sector in France and the Netherlands, or the regional rail in Germany – are being consolidated, but on the other hand monopolies and closed markets – urban public transport in Germany and regional rail in France – continue to exist. In the French case this evolved into “contradictory” situation: the risks for the operator increased (net-cost contract, risks on investment), but at the same time the control by the authorities became more stringent, leaving operators little room for innovation.

A very important issue to Mr Quidort is the difficulty of mixing an open urban market with a closed rail sector, like in France. As noted above, such a situation – especially in combination with integrated tendering – favours integrated companies (generally, the incumbents), leaving little room for new operators. In addition to this challenge, the difficult financial situation in many European states will restrict service and investments, and shift the priorities of public transport authorities away from environmental aspects. Nevertheless, there seem to be positive developments such as the customers’ willingness to pay for a good and innovative high-quality service.
Mr Müller spoke on behalf of Swiss Postbus and provided a Swiss perspective on tendering public transport. He transmitted the message that Switzerland has a well-functioning public transport sector, and relies, due to historical developments, less on the competitive tendering of public transport than the EU.

To begin with, Mr Müller recalled that Switzerland is a small and densely populated country with no real big metropolitan area. Consequently the Swiss perception of urban public transport might differ from others, as urban transport comprises just the non-rail transport modes. Historically, the Swiss public transport sector was a liberalised market with competing private operators. Over time many of these private operators ran into problems and had to be saved by public authorities which became their owners. The result was a situation in which urban public transport is run by local public companies as monopolies (and Swiss Postbus is the dominant public operator of regional road transport).

Being a federal state, each Swiss canton regulates its own public transport sector, while the national government participates financially in the deficits and thus governs the regional and urban transport sector indirectly. Given that all major liberalisation initiatives failed in parliament, the government opted for small steps towards more competition, such as financial transparency and the tendering of new concessions. In fact, road transport concessions have to be tendered at the end if their current terms, but the legislation provides for possibilities of omitting public tenders, e.g. if certain Public Service Obligation objectives are met.

In his assessment of the Swiss transport system, Mr Müller praised the interoperability between operators and transport modes and the quality and comfort of the service. The users’ positive perception is reflected, he argued, in the increased number of holders of annual travel cards for public transport, and the increased share of public transport in average kilometres-per-day.

For the future, Mr Müller expected more tenders in the regional road, micro-urban and non-regular transport sectors, but no full liberalisation. This is due to several factors, such as the lack of outside pressure (EU) and the positive situation of Swiss public finances.
To start off, Mr Cesarini introduced the audience to the specificities of Italian railway liberalisation, which includes competition for the tracks in local passenger transport and competition on the tracks for long distance passenger (and freight) transport. When speaking about tendering and financing of PSO contracts, Mr Cesarini highlighted that Italian operators face an unstable regulatory framework, low and decreasing subsidies, and weak PSO contracts.

Mr Cesarini’s core message was that the changing regulatory framework in Italy (reforms in 1997, 2009 and 2012) and the short period awarded in the tenders do not create a welcoming environment for investments. The 2009 reform, which was based on Regulation 1370/2007, added a tool for defining subsidies for PSOs, which allows for better planning and scheduling of services and investments. But the new law 1/2012 abolished the possibility of contract renewal and forces the incumbent to provide services if tenders are not successful.

Also, when liberalising and tendering one transport mode, politics and authorities have to respect the interconnectedness between modes. The liberalisation of profitable long distance passenger transport before the liberalisation of the underfunded local passenger transport created difficulties for FS Italiane, which will be no longer able to cross-finance its activities to maintain service quality. In order to maintain services, a clear definition of universal services and a coherent model of contributions are necessary. So Mr. Cesarini concluded that reforming local and long distance passenger transport can cause severe problems for the economic balance of the whole rail sector and services, unless these reforms are coordinated carefully.
The view of the Transport Authorities
Tommaso Bonino, Technical Manager, SRM – Reti e Mobilità, Bologna

Speaking on behalf of Bologna’s public transport authority (SRM – Reti e Mobilità Srl), Mr Bonino shared with the forum’s participants SRM’s experience with the tendering and awarding of urban public transport concessions in the city of Bologna. The theme of his presentation was that reality is often very different from theory.

In 2010, Bologna organised its first competitive tendering process for urban public transport, opting to contract it as one single lot. While he had considered the possibility that he might receive only one bid, the actual outcome was even worse: he received only one expression of interest, by a new operator who was then awarded the contract. However, in actual fact the winning operator was not new, given that it emerged out of a merger of the six former incumbents.

Mr Bonino said that the regional and national legislation on this matter is actually moving in different directions. The new/incoming regional law foresees unification amongst operators (thus creating regional operators), and provincial lots. The new/incoming national law, however, liberalises single lines/services. In those circumstances, Mr Bonino described the current situation as a major and significant policy window for local authorities to reshape urban public transport in terms of design, quality, flexibility, integration and innovation. Ideally, they should be able to construct a system along the lines of the London system, where large players compete regularly over lots based on single lines or groups of lines, which are tendered based on a gross-cost risk sharing structure. However, Mr. Bonino was pessimistic about the possibility of realising such an approach in Italy in the near future.
Mr Zerban presented the experience with tendering suburban rail services in the region of Stuttgart. By way of introduction, Mr Zerban described the specificities of the tendered contract, which consisted of 6 suburban railway lines. In order to maximise competition, the Verband Region Stuttgart (VRS) (i) set up one lot without a need for investment in rolling stock on the part of the operator, (ii) offered to take the rolling stocks residual-value risk after the end of the contract, and (iii) tendered a gross-cost contract with possibilities for subsequent negotiations. In the tendering process the region received 5 requests for participation, and finally only one offer, by Deutsche Bahn. The negotiations with Deutsch Bahn resulted in a net-cost contract, and the operator purchasing the rolling stock (in contrast to the offer by VRS). Despite receiving the feedback that the VRS had done everything possible to create competition, VRS’s preliminary evaluation of the tender was that competition for a complex suburban railway system was objectively impossible, but now a basis is established for the next tender in 2028.

The requirement of high investments (e.g. the procurement of rolling stock) can be a barrier to fair competition in the tendering process. Purchasing rolling stock requires a high upfront payment. Moreover, rolling stock is normally tailored to the necessities of the region and cannot be used in many other places. Moreover, contract durations are usually shorter than the time need to amortise the rolling stock and shorter than the technical service life of the equipment. To avoid these types of difficulties the VRS put efforts in finding viable ways for both contracting partners. The first option is a take-back guarantee by the public transport authority (PTA), this requires close cooperation and transparency between the operator and the PTA, as conditions have to be agreed upon and the maintenance monitored. The second option, a “risk allowance” demanded by the operator in case it finances the rolling stock itself, requires that the incumbent operator provides services during a transitional period. This guarantees a smooth change of operators, in cases where the new operator has to acquire new rolling stock. A benefit of this option is that start-up costs are significantly reduced, as the previous operator can function as a subcontractor, while the rolling stock can be replaced gradually.

Mr Zerban’s conclusions from the Stuttgart case are that tendering processes take time, especially between awarding the contract and starting the service, and the best solution for a competitive tender in cases when new (tailored) rolling stock is needed, is to have the PTA offer to finance it.
Highlights of the discussion

The following paragraphs report briefly on the discussions that took place during the workshop. The debate is reported without identifying the authors of the remarks so as to comply with the Chatham House rule.

The report of the discussion has been organised around the following questions:
- What can we learn from the past experiences of tendering of urban public services? What has worked? What has not? And why?
- How does EC regulation 1370 affect the tendering procedures?
- What other challenges have emerged over the past 20 years that need to be taken into account when tendering urban public services?
- How is tendering of urban public services likely to evolve in the years to come?
- What can we learn from other sectors about the tendering of urban public services?  

What can we learn from the past experiences of tendering of urban public services? What has worked? What has not? And why?

After several years of experience with tendering urban public transportation, it can be observed that presently competition is not fully developed and that historic operators are still the main providers of urban public transport services. On the EU and national levels, there are various initiatives that are not aligned, such as the revision of 1370/2007, new proposals on concessions, the 4th railway package, proving that the legal framework for tendering in the sector is still evolving.

A lesson drawn from past experience is that tenders are a good tool for improving cost efficiency, but they do not necessarily benefit allocative efficiency. However, such improvements in cost efficiency were not observed in Italy, where tendering apparently increased operating costs while the quality of service decreased. In some cases the conditions set for the tender gave an advantage to the incumbent operator, making market entry practically impossible. Often, reasons for this are a lack of transparency and the strong ties between transport authorities and historic operators. However, transport authorities are in a learning process and improve their abilities with each tender.

In most European countries, the details of the tendering process are defined at the local level. The differences between tenders that are caused this way increase the operators’ preparation costs and complicate the entry of new competitors. Participants could not agree on whether the answer to this should be standardisation. Some favoured it, while others argued that every urban area has different needs and a standardised process cannot cover all. However, all participants agreed that in any event real competition should be encouraged. One participant discussed the Dutch approach: Transport authorities and operators, together, develop a standard text for tendering contracts (with few variations) and make it publicly accessible on a platform provided by the national government. This way, local authorities can voluntarily consult the documents and base their tendering document on this blueprint.

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1 The discussion among participants did not cover this question.

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How does EC regulation 1370 affect the tendering procedures?

As some of the speakers made clear, currently Regulation 1370/2007 is not fully implemented in all member states and therefore the whole extent of the impact cannot be assessed. However, the majority of participants stated at one point that the room for interpretation left in the Regulation makes it difficult to make a clear statement on the extent to which it affects the tendering procedures.

To a certain degree attendees appreciated the freedom given by Regulation 1370/2007, as tendering lots (and other aspects) cannot be predefined completely, if it is to be done efficiently. A best practices handbook – rather than solving the open questions through new legislation – seems most useful. It was generally confirmed that a ‘one-size-fits-all’ approach is not appropriate for urban public transport.

What other challenges have emerged over the past 20 years that need to be taken into account when tendering urban public services?

In its current format, the tendering process does not tend to foresee changes and developments, which might occur during the contract period. Like in many regulations or contracts\(^2\), the status quo is put into law and therefore the concessions are not always adequate to react to changes. Participants thus supported a move from specific contracts to functional contracts, with elements that reward operators who have a vision for the future of the system. In this context, one participant stressed that the introduction of tenders should be seen as an opportunity to review the system and find a way to modify unwanted habits.

Climate change became a major challenge in the last 20 years. The need to reduce the impact of climate change favours urban public transport, being a low-emission transport mode. In some cases, stakeholders push transport authorities and/or operators to adapt more environmental friendly policies, such as modernising the vehicle fleet. Tenders could integrate environmental friendliness and innovation as awarding criteria. However, this can also lead to cost inefficiencies due to political interferences, which happened in a Dutch case, as well as in various places in Italy.

The tendency of suburbanisation of cities has impacts as well. New lines might become necessary and the cost of services increase due to urban sprawl. A way of facing this challenge is to see transport as an integrated door-to-door service: public transport should be the backbone of the system complemented by other modes (bicycles, car sharing, multiple public transport modes).

Urban public transport is also challenged by the decreasing availability of public funds. This will force stakeholders to rethink the system and increase efficiency. However, participants were optimistic that tendering can help to increase efficiency and reduce costs, as long as operators are given entrepreneurial freedom.

\(^2\) Inflexible and outdated regulations were as well discussed during the 1\(^{st}\) European Postal Regulation Forum. Please [contact us](mailto:) to obtain the forum’s summary.
How is tendering of urban public services likely to evolve in the years to come?

The participants discussed many possible developments, focusing on what would be desirable for the sector. For example, it is wished that transport authorities and operators engage in active dialogue, so that both actors can contribute to the design of a functional network tailored to the passengers’ needs. As mentioned earlier, this is already the case in the Netherlands.

A separation of strategic and technical tasks was also advocated. Currently, the tendering process focuses too much on technical requirements (intermediate goods), rather than on the strategic goals that the contracting authority is seeking to promote. Functional contracts are common in other sectors and should be the way tendering should evolve in order to have innovative and customised services.

An advantage of functional contracts is that they open the door to integrated/intermodal transport systems. Many attendees saw integrated systems as the future of urban mobility, and found support for this in the high satisfaction rates of the users of Swiss public transport services.