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**ARE WE DOING IT WRONG OR DO WE EXPECT TOO MUCH?
FORCES THAT PUSH AUTHORITIES TO BECOME PUBLIC
TRANSPORT DESIGNERS**

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ABSTRACT

This paper presents a number of reasons that are responsible for the disappointment of authorities in their operators' efforts to develop PT to the advantage of their travellers. The lessons drawn in this paper are based upon the competitive tendering experience of the authors and upon the results of meetings organized with parties involved in competitive tendering and aimed at exchanging lessons. There appears to be three main causes: (1) there is freedom for the operator, but the contract is bad, (2) there is freedom for the operator, there is a good contract, but there is no market and (3) there is freedom for the operator,

but the operator is not able to use it. The paper concludes with a few perspectives for improvement.

INTRODUCTION

Several transport authorities in the Netherlands tend to have an increasingly detailed influence on the design of the public transport services they contract out in compulsory competitive tendering procedures. This forms a contrast to one of the original aims of the introduction of the competitive tendering regime in the Netherlands, which was to make use of the operators' closeness to the passengers to devise more attractive passenger transport services under a competitive tendering regime.

The authors of this paper have advised several passenger transport authorities in the Netherlands in the context of their public transport competitive tendering procedures. This paper presents some of the hindsight that results from this experience and integrates it with the results of meetings that were organized between authorities, operators and advisors to exchange experiences on competitive tendering in public transport in the Netherlands.

SHIFT IN THE RESPONSIBILITIES ON THE TACTICAL LEVEL

The Dutch public transport regime was revolutionized by the introduction of a competitive tendering (further abbreviated to 'CT') regime in 2001. Since then, the Dutch public transport legislation (Passenger Transport Act 2000, further abbreviated to 'PTA2000') requires passenger transport authorities to establish public transport policy goals, to define concession areas and, gradually, to organize CT procedures to award exclusive concessions for up to 8 years in the bus sector and 15 years in the railway sector. One of the ideas behind the Passenger Transport Act 2000 was to give freedom to the operators at the tactical level. They were considered to be best suited to design the product such as to meet the needs of the passengers (Twijnstra & Gudde and MuConsult, 2005).

Major differences between authorities have appeared after a few years of practice as far as the amount of freedom given to the operators at the tactical level¹ is concerned (van de Velde et al., 2008). Some authorities tend to give operators as much freedom as possible within the established transport policy context (Stadsregio Amsterdam, Zuid-Holland, Limburg). Others try to control service specifications by designing the PT services themselves (Groningen-Drenthe, Noord-Brabant). Obviously, as authorities are forced to award public transport contracts competitively according to the PTA2000, they cannot design the PT-product at the operational level. This remains a task for the operators, being the party dealing directly with the passengers.

These differences in approach that were described in earlier papers (van de Velde and Pruijboom, 2005; van de Velde et al., 2008; Veeneman et al., 2007) continue to evolve, even after 9 years of competitive tendering experience. We see shifts in

¹ The 'tactical level' refers to service design (routes, frequencies, fares, vehicle design, etc.), i.e. determination of 'means' as opposed to the 'strategic level' which refers to deciding on public transport 'aims' such as policy goals in terms of accessibility, modal share, etc. The 'operational level' refers to operational management, including crew and vehicle rostering, facility and vehicle maintenance and the like (van de Velde, 1999).

different directions: some authorities who used to give freedom to operators were disappointed and now want to control more aspects of the tactical level, while others that did not do so have now decided to give more freedom.

We will first sum up possible reasons for disappointment by authorities. Secondly, we will present a few of the solutions that authorities currently develop and we will try to ascertain whether this might lead to a reduction in future causes of disappointment and to an improvement in the relation between authorities and operators. This will provide a short analysis of the degree to which these solutions could contribute to reversing the trend of authorities increasingly becoming public transport designers. Finally we will draw some conclusions and perspectives.

POSSIBLE REASONS FOR DISAPPOINTMENT

We will focus on the former of the two evolutions stated above as this movement is contrary to the general idea behind the PTA2000. These authorities tried giving freedom to operators but were disappointed with the results. Their perception of the problem is that the operator is not trying hard enough to develop the PT product and to attract new customers. The Province Of Gelderland mentions in the strategy paper: “Nevertheless there is a discrepancy between the expectations of the province and the activities of the PT companies. The province expected more of the PT companies; they did almost nothing at their initiative and at their costs. Especially regarding marketing and communication our expectations were higher, despite the requirements in the Terms Of Reference. PT companies are focused on projects that improve the ROI of the concession” (Provincie Gelderland, 2009).

Their reaction is to become public transport designers themselves in a latter competitive tendering round.

But is this perception sufficient to tackle the problem? What is the real reason for the apparent lack of action by the operations? And is taking over these responsibilities by authorities the right solution for the problem?

In this chapter we suggest some reasons that lie behind this disappointment and the ensuing development. On the basis of our advisory experience, we suggest the following three main categories to distinguish possible reasons for disappointment by authorities:

- Contractual reasons: the contract provided too little freedom and/or effective incentives for the operator;
- Market reasons: the development potential of the concession area was too small for development to effectively take place;
- Organizational reasons: cultural differences between authorities and operators, and/or incompetence by the operator.

Each of these will be presented below.

Contractual reasons

One of the possible reasons for disappointment is that the *actual* freedom given to the operator is smaller than what the authority *aimed* for due to an excessive number of requirements imposed upon the operator. Another possible reason for disappointment about lack of action by transport operators is that contracts may *give* freedom to the operator, but lack *effective* incentives. Each of these possible reasons will be detailed below.

No freedom due to a large amount of requirements

Some authorities want to give freedom to the operator, however, their contractual demands are so high that the remaining amount of effective freedom is actually very small.

This phenomenon is very much related to a search for certainty, especially by those actors (civil servants, local actors and regional politicians) involved in a tendering procedure who do not grasp how a contract can provide high quality results while leaving many issues seemingly unspecified and thus creating in their eyes a lot of uncertainties.

In the end, regional politicians as part of the authority are politically responsible for the results of a contract. The easiest way to be certain of the results is to increase the specification of demands in the contract. This is often stimulated by local politicians and consulted local actors (such as user groups, etc), feeling the same responsibility and being anxious of losing a bus line, a bus trip or a bus stop. As a consequence, the specification of so-called ‘social aims’ by the authority can become overwhelmingly important in contrast to general quality and accessibility aims of the services to be produced. The province of Gelderland: “The freedom that the PT companies formally have, according to the Terms of Reference, is actually limited due to the intensive influence by both municipal and provincial politicians.” (Provincie Gelderland, 2009)

Put differently, politicians are sometimes more interested in realizing or defending a concrete result rather than in creating a contract that makes best use of the respective knowledge of operators and authorities in realizing traveler needs. Civil servants who then attempt to prepare optimal documents for the tendering and the operations are thus restricted by ‘their’ politicians, which limits the potential effect of the set of incentives they have devised for the contract. This phenomenon was recognised by several authorities within a research project called “*Beter Bestek*” (literally “*Better Terms of Reference*”) (Van Kooij et al., 2009). Within this project initiated by the Dutch Knowledge Centre for Transport (KpVV)², authorities, operators and consultants exchanged for three years now their experiences on CT.

Another element is that in many cases, the combination of current passenger demand and available roads effectively leaves very little freedom for designing the public transport network differently. For example, in our experience when tendering the Leeuwarden urban network in 2006, the general idea was to give service design freedom to the operator during the competitive tendering process to redesign the

² This centre is managed and financed by national, regional and local authorities in the Netherlands.

network. Operators participating in the tender could win a significant amount of awarding points by doing so. However, the resulting network was almost identical to the network before tendering. Looking back at it, there were few or no other possible networks that could serve the current passenger demand in an effective way.

The city region of Rotterdam also had this experience in tendering the Voorne Putten area for the first time. As there is only one main road axis having separate bus lanes, all operators effectively suggested a very similar network. The winning operator offered one important new connection to Rotterdam but this turned out not to be such a success as buses had substantial delays caused by traffic jams on the highways used by this new bus line. When the number of passengers eventually decreased, the operator and authority decided to stop this connection.

A question that should be asked in relation to the idea of having operators suggesting new network designs during the competitive tendering process, is that it is perhaps not realistic to expect that in a short period of time an operator would be able to design a completely new network that would be much better than the current network that has gradually been developed and re-adjusted over decades. A second question then, is whether negotiations during the awarding procedure would be better suited to make networks evolve. This option, however, is currently not allowed by Dutch tendering regulations applicable to public transport contracts.

Not the right incentives in the contract

A second reason for disappointment about lack of action by transport operators could be that contracts may *give* freedom for the operator, but lack *effective* incentives to induce the operator to use this freedom.

One of the reasons that seems to lead to this situation is the traditionally rather low levels of cost coverage in the Netherlands. Passenger revenues cover on average about 40 % of total production costs (including vehicle investments and excluding any form of subsidization). Moreover, in the Netherlands, the pricing framework is fixed, so the operator has little freedom to increase fares. This means that even in contracts where the revenue risk is allocated to the operator, about 60 % of its income comes from the authority. In most cases this income is (more or less) fixed in a lump sum payment. Consequently, alternative incentives are likely to be needed to stimulate the operator towards (re)developing the transit network and product with the (potential) customer in mind as marginal costs for additional services are in these circumstances likely to be higher than marginal customer revenue. This is especially true regarding developments where additional rolling stock or staff is needed, such as for new lines as well as more service during peak hours.

The problem, however, is that in our observations authorities appear not very likely to include significant incentives in their contracts. In one case that we experienced, although the authority intended to include some major incentives related to passenger growth, passenger satisfaction and operational quality, this desired level of incentives was at the same time deemed to be 'politically impossible', as politicians and the public would have tended to regard such incentive as 'presents to the private profit of the operator'. The regretful conclusion is that allowing private companies to make profits on the basis of payments from the public purse is seen as undesirable and 'out-of-the-

question', even when doing so would actually help improving the quality of public transport for the same amount of money.

The interviews held within the 'Beter Bestek' project also tend to corroborate this (Van Kooij et al., 2009). The project showed that parties involved in tendering are still searching for the right incentives, i.e. incentives that fit their contractual context. This is true even after about 8 years of CT practice in the Netherlands, when most authorities have tendered all their concessions once or more, allowing them to gather experience with various contractual incentives. Two illustrations can be given.

One experience often heard is that operators do not do more than the services with which they won the contract. Even bonus incentives on quality aspects measured by customer satisfaction do not appear to lead operators to invest more in satisfying their customers. Operators then claim that the bonus is too small to compensate the investments needed. In other words: it is not profitable to improve customer satisfaction. Operators also claim that they can sometimes hardly influence customer satisfaction in the degree needed for a generate a bonus as the realisable change is only a small fraction on a scale of 10 in circumstances like the Netherlands where customers tend to be rather conservative and seldom give more than a seven even when service is good. This could also very well mean that service is indeed good and hard to improve in a degree that would make a difference in the eyes of the passengers.

A second experience is that of the province of Noord-Brabant, which is now known in the Netherlands for its attempt to design the PT product as much as possible itself after a sequence of disappointments contracting and in using CT. After last – successful – CT, the Provincial Council decided to set up an enquiry committee to “analyse the facts with the 2005 and the 2006 CT and to prevent similar mistakes from happening again” (van de Velde et al., 2008). One of the concluding observations by the Committee was that “the authority provided too detailed a program of requirements for the services to produce and attempted, in legal and procedural terms, to work too much exactly according to legal requirements. Sticking strictly to these aims, the Province eliminated any space it had for adaptation during the procedure.” A lack of trust by the authority in the operator stimulated the authority adopt to a formal stance, resulting in legal aspects dominating the process as well as ignoring useful signals from operators before and during the tender. Van de Velde et al. (2008) conclude that much of this illustrates the lack of attention paid to the ‘relationship factor’ (is the nature of the contact between the parties such that adequate business can be realised?)

Market reasons

Another main reason for disappointment can be a mismatch between market development expectations and real market possibilities. There are two main issues that can play a role here: there is not market in the first place, and counterproductive policies by the authorities involved.

There is no market in the first place

Authorities expect operators to develop transport services during their contract. This is also the idea behind the PTA2000. However, in practice not every area has as much

demand growth and service improvement potential. Here we see a danger for exaggerated expectations. This is especially true on the countryside where the main goal of public transport is to provide a minimum service for inhabitants to be able to travel to social and economic activity locations. The number of inhabitants, the concentration of people living in these areas, the degree of sprawl of households as well as activity locations, often make it harder to provide profitable PT services, or services with a high level of cost coverage: not enough people are travelling and they do so in too many directions, i.e. with little bundling of flows, leading to a weak PT territory.

In addition to this, some of the actions of the authorities may hamper the development of those few existing undeveloped market potentials. Most PT authorities state, e.g., that their concessions consist of economically important bus lines as well as of (many) unprofitable 'social' bus lines. Implicitly, they expect some form of cross-subsidisation between these lines. As they want to maintain the level of social services, that they perceive to be potentially 'threatened' by competitive tendering when service design freedom is given to the bidders, authorities formulate numerous requirements to maintain those 'social' services. The tragedy is that this tends to exhaust such a significant part of the available PT budget that little space is left for the operator to improve services on the heavier corridors. This then leads to a disappointment on the side of the authorities that expect that such lines would be developed further as they are perceived to be 'profitable'. In our observations, PT authorities that specify the share of socially and of economically important connections within a contract area, may have a more realistic view on both routes with better market perspectives and those that need social protection. This can lead to a situation where, even in a rural area, new markets can be found and developed, if the Terms of References are appropriately written.

A realistic market forecast is indeed needed to be able to develop an effective set of incentives during the CT procedure and the concession period. The province of Overijssel has recently tendered the Mid-Overijssel area. Overijssel too was disappointed about the performance of the incumbent: "The concessionary turned out to be insufficiently focused on customer and provincial interests, impeding our attempts as a province to effectively and efficiently implement our public transport policy." (Dijkstra and Verheijdt, 2009). Mid-Overijssel is mostly a rural area, with only two cities (Deventer and Zwolle). Therefore, Overijssel did acknowledge in the current invitation to tender the fact that the scope for change in PT product is poor. This is why Overijssel asks operators to supply the current network and timetable while focusing during the contractual period on building up a relationship aimed at developing the services together with the operator, using each other's strengths. More about this further on.

Counterproductive policies by authorities

A focus on road infrastructure, and a sprawling spatial planning which is more geared towards automotive mobility reduce the potential market for public transport. Such spatial developments, facilitated or influenced by regional authorities, can easily be counterproductive to effective PT. The most familiar examples of such effects did occur in so called VINEX-areas, others are large-scale business areas located at highway view locations.

VINEX is the name of the national Strategic Spatial Plan which encompasses several new large locations to build residential areas. These locations used to be rural areas or industrial zones (even an air strip) and are situated in, but mostly just outside existing main cities. Although PT availability was one of the key aims, PT unfortunately often only started operations after a significant part of housing development had been realized (RIGO Research en Advies and OTB Delft, 2007). As a result, new residents are forced to use their cars for the lack of PT alternative. Inhabitant usually do not reconsider their mobility choice when PT becomes available as this tends to take place only when people change their location of work or living or when household characteristics change. As a result, the effectiveness of the investment in PT in these areas is lower than would have been the case if it had been available earlier on.

What is more problematic, is that bus and tramlines in these areas appear to be mostly connected only to the adjacent city centre, while a large part of the mobility of these new housing areas is not radial (going to that city centre) but tangential (to other surrounding urban and suburban areas that are closer to these new housing areas). This situation can be exemplified by areas such as Carnisselande (next to Rotterdam, but closer to Europoort Harbour and the city of Dordrecht) and Leidsche Rijn (next to Utrecht, but close to the highways to Amsterdam, The Hague and Rotterdam). This rather historical focus on the urban centre of the territory of the authority, when dominating the contractual relationship with the transport operator, may prevent operators from developing services serving this new demand. Here too, the consequence may be a disappointment on the side of the authority when PT usage remains relatively low despite the investment effort made.

Another distressing element is that regional governments sometimes invest a lot in PT while few or no incentives are being developed to increase the number of inhabitants around those PT-corridors. To be profitable and to offer a high quality standard (high frequencies and fast connections), these corridors would need a large number of passengers (Eerdmans et al., 2009). The lack of coordination between PT development and spatial planning (especially the realization of higher densities) leads to a situation where spatial density around these corridors does differ from that in regular Dutch villages.

Another counterproductive measure often encountered is that provinces or municipalities, who are responsible for the maintenance of roads, tend to improve traffic safety by slowing down traffic as part of a nationwide road safety program (Duurzaam Veilig) (Dijkstra, 2009). The unfortunate side effect of this, is that it also reduces the speed of public transport using the same roads. Municipalities do not feel responsible for the accessibility and speed aims of public transport set at the provincial level. Provinces appear to experience difficulties in coordinating and to aligning the interests of PT operators with those of road managers.

So, it seems that authorities on the one hand overestimate market for PT and on the other hand take measures that reduce the market potential for public transport. This is counter-productive towards the policy goal of improving public transport as an alternative to car mobility set by (partially) the same authorities. This might be one of the reasons that the share car mobility takes in total mobility remained roughly the same over the last 10 years. So, authorities themselves might be part of the explanation why they are disappointed in the result of their tendered PT network.

Organisational reasons

Cultural differences and other organisational reasons can also be causes of disappointments about the performances of PT contracts.

Cultural differences between authorities and operators

Operators are sometimes perceived by authorities as being ‘evil’, while authorities do not always understand the way operators act. It was striking to see during the sessions and interviews organized for KpVV (the aforementioned “Better Bestek” project) that most authorities reported being disappointed in the attitude of an operator (Van Kooij et al., 2009). One of the examples given was that operators sometimes seek to find not-in-service trips that can be transformed into scheduled trips, apparently leading to additional services and possibilities for people to travel, however at times and places utterly uninteresting for customer usage. Authorities regard this behavior as being ‘evil’, while it may be the only way for an operator to increase its turnover or profit in a concession. Other incentives that would align the goals of the authority and operator, could have lead to behavior that would also be beneficial towards passengers.

While authorities try to realize policy aims concerning accessibility, mobility, social connectivity and environmental improvements, operators are stimulated to compete with each other to win tenders. Operators try to do so while minimizing risks within modest profit margins. A clear distinction between these two parties is described in a nutshell by Van de Velde (2008) who sketches authorities and operators as coming respectively from Venus and from Mars, focusing on the following:

Venus	Mars
<i>Politicians</i>	<i>Operators, commercial parties</i>
‘Peace’	Chances
No fuss	Risks
Travelers / Customer	Money

There are also several knowledge management issues related to this. One of the keys lies in the authority’s staffing. The problem is that some authorities lack CT experience. Several authorities use CT in PT only once in a couple of years and staff is moving on. Thus tendering PT is not always a core activity. This also impacts on the quality of the contract as mentioned in the first part of this paper. In contrast, operators have more experience with CT because they participate in more tender processes than authorities.

In some cases, the authority does not seem to have the manpower to fulfill the role it has set to itself or has the idea that the necessary skills can be somehow ‘automated’. This way of thinking is unfortunately forgetting about the necessary commercial ‘feeling’ to be successful in this market. For instance, the province of Noord-Brabant decided to tender a contract in which the authority takes care of service design. At first they tried to build an own software program called “De digitale vervoerarchitect” (‘the digital public transport architect’) which should compute an ideal network and timetable by making estimations about the demand for public transport. However, the project was cancelled a few years later because the costs of the system appeared to exceed the modest estimated

increase in efficiency of such a newly designed network (0 and 5% per year). Besides that the Province also reports that “the last year and a half we have gained more experience with designing the PT network on the tactical level with other instruments” (Corbeij, 2008), adding to the belief that they could carry out the task internally. However, after one year of operations, the province is still dealing with the problem of not having enough experienced manpower to do so (van de Velde et al., 2008).

Another knowledge management issue is that authorities (civil servants and politicians) often do not know what some of the contractual requirements they formulate actually cost. This means that decisions are mostly not based on a cost benefit analysis between alternative measures, but on ‘common sense’ of individual policy makers and politicians. For instance, a decision to use PT to stimulate mobility of deprived people is mainly triggered by minimizing protests of people and (local) politicians caused by – for example – bus lines being removed from the network.

Operator fails

It is not only the authority not understanding how an operator acts. Operators do also fail in practice, although this is sometimes partly caused by the authorities themselves. For example, in one of the first tendered contracts (BRU Noordwest, Utrecht region), the concession had a mix of connecting lines using the A2 highway for 20 kilometres, city-regional lines and social service lines. The number of travellers increased in the years before tendering, but decreased after tendering.

Some say that the main explanation lies in the choices of the organizational form. In the Utrecht region case, the operator was not able to use the freedom it had during the concession because of its own organizational form. All activities for carrying out the contract took place within the concession area. This seems positive at first sight as it enables the company to keep in touch with things happening in the concession area. But it turned out to be negative because, as some say, there were too few experienced employees to deal with daily practice and changes within and problems with the area itself.

The same happened in the concession called Veluwe, part of the province of Gelderland. The operator of this concession, BBA Connex, did suggest realistic proposals for development of the area, but some say that due to lack of attention by both the operator and the authority, nothing was realised despite the existing possibilities for improvement.

However, a side note has to be made. Because these tenders were two of the first CT cases in the Netherlands, competition was substantial and experience at the operators was limited. The winning bid for the contract of BRU Noordwest was financially tight, as stated by Van de Velde and Pruijboom (2005). Such a tight contract is not likely to be very effective towards the authority’s goals, as the operator is not likely to take risks and make further investments for new developments, but will rather try to cut costs. This situation can be found in more contracts, as stated by Dijkstra (2009).

ALTERNATIVE SOLUTIONS

Most of the experiences presented here corroborate the conclusions of a paper that was also presented at the last Thredbo conference and in which the authors stated that (van de Velde et al., 2008) authorities often have too high expectations about how actively operators will develop services and that this mismatch is caused by:

- “political influence constraints on service supply”
- “contractual incentives often proved to be too weak”
- “budget cuts during the contract”
- lack of trust – “Longva and Osland (2007) stated that tendering has to rely on thin-trust relations”
- “the incentives given by the bid valuation model were not always clear nor properly reflecting the Terms of References and transport policy aims”, and;
- “authorities seem to have too little knowledge on the cost consequences of many of their choices, obligations and wishes in the context of CT”.

The authors give a few lessons “that authorities could use to improve the set up of their CT procedures, contracts and relation with operators”:

- “*Aligning aims between authority and operator*: Stanley et al. (2007) already underlined the importance of accepting the legitimacy of each other’s goals as authority and operator. One should add that in the contractual design this can be supported by aligning those goals through incentives.”
- “*Using control or cooperation to set-up the relationship*”: aligned incentives “can form a basis for cooperation” as both parties have an interest in reaching each other’s goals.
- “The awarding model needs a strong penalty for underperformance in order to balance the tendency to overbid in (the rather strictly mathematical) awarding models (used in the Netherlands).”
- “Qualitative judgments provide an attractive element to diminish possibilities of strategic bidding.”
- During the concession period “incentives should focus the operator more on the authority’s needs during the concession.”

In practice some authorities try new ways to design their relation with operators, some in line with the lessons stated above. For these authorities, for instance the ‘OV Bureau Groningen Drenthe’ (already functioning and further engaged into organisational improvements) and the province of Overijssel (tendering several of concessions in the second half of 2009), the disappointment and the perceived urge to develop PT services led to the development of new forms of cooperation.

The OV Bureau Groningen Drenthe is set up as a cooperation between two authorities (the provinces of Groningen and Drenthe). This organization exists for several years now. They make their choices on the tactical level while the operators can almost only make choices on the operational level. An operator can come forth with ideas however. This case is an example of aligned, non-conflicting, incentives and of an authority having acquired manpower organized effectively to carry out its tasks at the tactical level.

Differently, Overijssel requires operators to participate in so-called development teams. In this way operators have to think about new initiatives, marketing and promotion campaigns, and so on. Note that the authority is also part of this development team. This is meant to ensure a better fit between the aims of the authority and the operator during the service development process that should take place during the contract. The operator and authority thus can use each others strengths to compensate weaknesses. Daily operational issues are not discussed in the development team, so the focus of the development team can be aimed at projects for improvement. Several financial incentives are in place to stimulate active co-operation by the operator, including a bonus on ‘team attitudes’; while on the other hand the authority will take over some of the financial risks from the operator (including fuel prices, etc.) (Dijkstra, 2009). Although this forced cooperation could lead to mutual understanding, it remains to be seen whether this form of partnership anchored in a tender document will lead to large leaps. Other authorities are now also setting up development teams, including the province Gelderland.

CONCLUSIONS AND PERSPECTIVES

We started this paper by stating that several Dutch PT authorities tend to have an increasingly detailed influence on the design of the public transport services they contract out in compulsory competitive tendering procedure – as meant by the Transport Act 2000. Several authorities state to be disappointed by the (lack of) efforts by the operator to develop PT to the passenger’s wishes. These authorities perceive the problem as the operator not trying hard enough to develop the PT product and to attract new customers. Taking over responsibilities by authorities might work (as is seen in the case of the OV Bureau Groningen Drenthe), although it is not in line with expectations by the PTA2000, which was to make use of the operators’ closeness to the passengers to devise more attractive passenger transport services under a competitive tendering regime.

We questioned what the real reasons for this disappointment are and whether taking over these responsibilities by authorities is the right solution for the problem. We then used this to make a first examination of solutions now being developed by public transport authorities and to see whether these will contribute to reversing the trend of authorities increasingly becoming public transport designers.

In short, we suggested that there can be mainly three reasons for disappointment, and we illustrated these points with several examples taken from the practice of the past few years:

- **There is freedom, but the contract is bad.** We have seen intentions to give freedom for the operator which in practice are minimized by excessive requirements, a striving for certainty from the side of politicians, and also real freedom with too little incentives;
- **There is freedom, there is a good contract, but there is no market.** The number of inhabitants that could switch to public transport can be much smaller than an authority may be aware of, furthermore regional governments may inadvertently reduce the chances for public transport successes with counterproductive spatial planning and uncoordinated road management;

- **Organizational and cultural issues.** We have seen cultural differences between authorities and operators leading to mismatches. And although this paper, and earlier published papers, focus on the role and competence of the authorities, we have also seen that the operator is also not always able to use its freedom, mainly because of lack of manpower.

So, we may conclude that while authorities sometimes perceive operators to be ‘evil’ and only interested in cost-cutting, there may be a wide range of reasons for their disappointment. In some cases these causes can be eliminated by a better contract and more importantly by a better understanding. Aligning goals by means of financial incentives is needed in order to get a working and trusted relationship between authority and operator.

It is good to observe that authorities are getting a better grasp of the tendering ‘game’ and are developing new solutions for their disappointment. The recent trend of development teams, as seen in Overijssel, is an interesting development that may lead to a better relationship between authority and operator. It will take a few years, though, before we can see the results of this development.

This paper is based on experiences with tendering and learning from feedback and interaction between authorities, operators and consultants. The analysis of our experiences are stated in this and earlier papers. We hope that this paper will be helpful in the further analysis to be conducted by all parties to thoroughly improve the authorities’ contracts moving towards less (unexpected) disappointments.

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