Tendering and decentralization of regional rail passenger services in the Netherlands

Experience up to date (1997 – 2005)

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2. Introduction

- Tendering of regional rail services has short history in NL
- Since 1998 on an experimental basis decentralization and tendering of regional rail passenger services
- Since 1st January 2005 the Law for Passenger transport is also valid for the regional rail passenger transport: Since then an official and juridical basis for the tendering and decentralization of regional rail services.
3. The Dutch situation (1)

- Dutch rail network embodies network length of 2811 kilometres;
- 2064 km. electrified and 924 km. have only one track. 390 stations.
- Only a small part of this network is competitively tendered (6%).
- ProRail is the operator responsible for the building and maintenance rail infrastructure, the division of rail capacity and the rail management on the whole Dutch rail network.
- “NS”, Netherlands Railways is the operator for the passenger services on the main network. NS has realized a growth in passengers in 2004 of 1.8% and of 4% in 2005.
4. The Dutch situation (2)

- Responsibility for regional transport decentralized as much as possible
- Central government determines main national goals and funds the Regional Authorities (RA’s)
- Central government has handed out a concession for the operation and maintenance of the railway network to ProRail until 2015.
- Central government has handed out a concession to NS until 2015 for passenger services on the main railway network
- **Aim** of the decentralization and tendering in the NL: “a better, more effective public transport”.
- Realizing gains in efficiency is also a goal, but not the most important
- With decentralization: the same level of subsidies as before;
- RA’s incentive to improve the quality of services or cut the cost maintaining the same quality or level of service
- The RA’s are responsible for the tendering procedures
The Dutch experience up to date

- 13 regional rail passenger services were decentralized (approx. 8% of the heavy rail transport) and
- 10 services were competitively tendered.
- Mainly services in the Northern and Eastern part of the Netherlands
- 7 tendering procedures mainly focused on a minimum-subsidy and 3 on improving the quality/quantity of supply.
## The Dutch experience up to date

<table>
<thead>
<tr>
<th>Regional Authority</th>
<th>Nr of Services</th>
<th>Years of Decentralization</th>
<th>Year of Tendering</th>
<th>Duration of Current Franchise (in years)</th>
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<tbody>
<tr>
<td>Friesland</td>
<td>2*</td>
<td>1999</td>
<td>2004</td>
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<td>Groningen</td>
<td>3**</td>
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## The Dutch experience up to date

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<thead>
<tr>
<th>Region</th>
<th>Contract</th>
<th>Start Year</th>
<th>End Year</th>
<th>Duration</th>
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<td>Extra Supply second time</td>
<td>New Rolling Stock first time</td>
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The Results

• The results are quite good

• Either a gain in quality or quantity (f.i. higher frequency) or new rolling stock

• or the winning operator has subscribed for a substantial lower financial compensation (20 - 50% !) to supply the same level of service.
Which rail transport companies operate in the Netherlands?

- NS
- Syntus (partly owned by NS and Connexxion)
- Arriva (formerly Noordned) and
- Connexxion
- Other rail operators which have made bids in the tendering procedures are Connex and ‘Stadsvervoer Nederland’ (partly HTM).
Conclusions on Decentralization

• In Gelderland, Groningen and Friesland a better connection between regional policy and local needs has been established

• The RA’s have taken their responsibility for their policy in this field

• The decentralization has realized gains in efficiency.

• Despite decentralization in the first years still requests of local authorities for extra funding from the central government.

• RA’s have had to learn a lot about these new responsibilities. The lessons are very valuable
Conclusions on the Introduction of tendering

1) Competition has resulted in a substantial increase in supply and a substantial improvement of the efficiency (cost/revenue-ratio) of the rail part of the regional transport

2) Tendering of regional rail services has led to a larger efficiency gain (20 - 50%) than directly awarding the contracts (0 – 10 %).

3) The money saved by improving the efficiency in regional rail transport in most cases been used to improve the level of service

4) The policy goal of increasing the number of public transport passengers has not been realized in most cases, except by Syntus
Conclusions on the Introduction of tendering

5) The aimed improvement in cost/revenue-ratio has been realized in the regional rail sector.

- 6) The transport companies focus more on the demands of the RA’s and not so much on the demands of the passengers.

- 7) There have been only a very small number of public transport innovations in the research period.

- 8) In a few cases (Gelderland, Twente) the RA’s have succeeded in realizing a better integrated public transport system (one multimodal transport company).

- 9) The number of people employed in the whole public rail transport sector has not declined.
Conclusions on the Introduction of tendering

10) The supervision/monitoring by the RA’s on the execution of the regional franchises has to improve

• 11) There is a need for agreements made before the contract is finalized for in between changes in the original offer

• 12) Time lag in original NL-subsidizing system has been solved (now fixed)

• 13) The experiences with the optimum location of the “development function” of public transport are not unequivocal.

• 14) Small/medium size TOC’s are very capable to offer passenger services for this scale of tendering.
Conclusions on the Introduction of tendering

15) Period of franchises without the investment in new rolling stock is normally 5 or 6 years.

- 16) Where there is commitment TOC in investing in new rolling stock the period of the franchise has been extended up to 10 or 15 years.

- 17) RA’s very often demand the introduction of new rolling stock.

- 18) Obligation to take over all personnel: no real problems. TOC’s capable to improve efficiency and implement necessary changes.
Conclusions on the Introduction of tendering

19) In many tendering procedures for regional bus services the assessment criteria supply-related instead of demand-related. This way no substantial or corresponding increase in passenger-use.

20) Incorporation regional rail services in intermodal tendering procedures leads to more effective and more efficient public transport systems.

**Rolling Stock**
- Many RA’s demand new and accessible rolling stock.
- International market second hand rolling stock with good accessibility for the disabled is very limited.
- Recently RA’s realized that it is not possible to implement new rolling stock if this preparation period is too short.
- A couple of RA’s gained insight that it is better and more efficient if they will choose one new standard type of rolling stock.
What was done the right way?

- The results are quite good as far as efficiency, supply and the kind of services that has been offered in the bidding procedures are concerned.

- All franchises have received a better offer than status quo and the experience with Groningen and Friesland indicates that the larger the franchise, the better the offer.

- No transport companies are excluded from the tendering procedures with the exception of those municipal transport companies whose own services still not have been tendered.
1. What was done the right way?

The Dutch government has recently (December 2005) decided on the basis of the earlier mentioned evaluation studies that it will:

- Continue implementation of competition (tendering procedures) in regional areas in public transport in the Netherlands;

- Continue to give as much responsibility as possible to the regional authorities in this process. Custom-made public transport-systems are required given the existing regional differences.
2. What problems were encountered?

The problems that were encountered in the tendering of regional rail transport are:

- A still great dependence on the incumbent NS (f.i. NS owns existing rolling stock; rail ticket-integration is only possible via renting ticket vending machines from NS; the revenue-settlements have to be made by NS);

- Very small licenses (only 1 rail service) make it difficult to get a good offer or to include new rolling stock (f.i Valleiline/2005);

- The admission procedure for new light rolling stock laid down and executed by Prorail was not clear.
3. What adjustments were made or are being considered?

In general the system of tendering and decentralization of regional public transport works satisfactory. On the basis of the evaluation studies the following adjustments are/were made:

• a limitation of the number of “indirect” personnel that has to be transferred if another transport company gains the bid;

• central government stimulates the introduction of a chipcard for ticketing in the whole public transport system by 1.1.2008.

• Implementation of a more flexible and transparent admission-procedure for new, lighter rolling stock; documentation on existing procedures and applied criteria for admission of new rolling stock have been published and spread among RA’s and the TOC’s;

• central government stimulates the cooperation between the different RA’s and stimulates the search for one new, lightrail standard type of rolling stock with respect of its position and responsibility.