



CITY OF GDYNIA

GDYNIA, POLAND

Public service contracts in transport**Background/context**

The city of Gdynia has been a leader in establishing a market of regulated competition in public transport in Poland. Since 1994 ZKM has been the public authority responsible for market organisation, marketing, distribution of tickets, contracts and payments for operators. There is one common tariff system for nine operators (eight bus and one trolley bus operator). ZKM services the city of Gdynia and a few neighbouring municipalities. The annual volume of supply is approximately 19.5 million vehicle-km (2008), of which 25% is being realised by trolleys. The total fleet in use includes 227 buses, 85 trolleys and 19 midibuses.

The market is dominated by municipal operators, however tenders show there is also a high capability of private companies to deliver the desired quality of services at competitive prices. Public transport in Gdynia is strongly challenged by individual motorisation – at the end of 2008, individual motorisation rates exceeded 550 cars per 1,000 inhabitants, which limited the economic effectiveness of public transport and meant more compensation had to be paid from the city budget.

The city is very active in gaining EU funds for the develop-

ment of the trolley system. In 2007 one of the municipal operators also introduced the first CNG articulated buses. The strategy of increasing the volume of CNG buses will be continued in the next years.

Description of the case

Up to 2008, short-term and medium-term contracts (up to four years) dominated on the Polish public transport market. Nowadays public transport authorities sign contracts with terms up to eight years for bus services and 15 years for tram and urban rail services (i.e. Warsaw).

It is the public transport authority (ZKM) that decides on the scope and level of quantity and quality of services. Therefore gross-cost contracts are used, as they support the regulatory power of ZKM.

Because gross cost contracts can tempt the operators to focus on solely on costs instead of quality, the monitoring system introduced by ZKM is indispensable for sustaining a high level of service quality. The monitoring system is connected with a malus system including penalties for failure to deliver services, lack of punctuality, inappropriate rolling stock, poor behaviour of drivers, etc.

The monitoring system covers reliability (completeness), punctuality and rolling stock (numbers of low-floored and articulated vehicles, fleet age, number of entries, number of ticket validation machines, cleanliness, presence of identification and passenger-information systems). Information is provided via systematic and daily random checks (i.e. ticket availability on board, punctuality, mystery shoppers). An important part of the monitoring system is a market-research study carried out every two years among citizens of Gdynia.

Signing a long-term, gross-cost contract entails certain risks for the operator because of the instability of the market environment (fluctuation of oil prices, exchange rates, level and dynamics of inflation and salaries, etc). If the contract includes penalties for delays, congestion on the city's main roads creates an additional risk for the operator.

To reduce the operator's long-term risks, ZKM decided to index the compensation per vehicle-km, the basis for calculating the value of the long-term contract. Elements determining this rate in long-term contracts in Gdynia are average vehicle speed, wage levels, oil and energy prices and the consumer price index (CPI).

By including vehicle speed as a factor in the compensation, the city's transport policy (which is beyond the operator's control) is taken into account. Contracts with indexation have been employed since 2008. Where new vehicles are involved, contracts are signed for eight-year terms, while for older rolling stock the term is 4 years.

Legislation and policy issues

Steps are taken at the municipal level, because regional railway operations are subordinated to self-government administration on the regional level.

Results

The use of medium-term and long-term public service contracts enables:

- stability and continuity of public transport services; and
- the availability of external resources for fleet modernisation from financial institutions under long-term contracts.

By linking compensation to factors beyond the operator's control, the risks for operators decrease, which lowers barriers to market entry for potential new bidders.

Indexing operator compensation to vehicle speed means city shares risks connected to future congestion.

Thanks to the monitoring system, the quality of public transport in Gdynia is high even with gross-cost contracts.

Problems

Legal and formal problems as well as some economic risk is connected to the future financial situation of the funding authority (public budget). There are some specific problems with contracting in-house operators (national level).

Transferability and success factors

The approach is quite transferable. Almost any city can create its own, individualised set of factors for indexation of compensation paid per vehicle-km, depending on local conditions and situation.

Lessons learnt

Permanent monitoring based on a marketing information system as well as a proper organisational structure (ZKM includes a department of traffic control and regulation enabling permanent control and monitoring) are key to ensuring high quality public transport.

Conclusions

Gross-cost public service contracts are still an important tool for delivering high quality public transport services, with one important caveat: they require sound a sound monitoring system, including traffic control and a wide-reaching and complex market-information system.

Indexation of compensation payments to parameters such as vehicle speed facilitates planning and decision making for operators interested in entering the market.

The risk of congestion should be transferred to the public body representing city authorities, which are responsible for the overall sustainable transport policy of the city or metropolitan area.

References and contacts

Contact persons: Prof. Olgierd Wyszomirski and Dr. Marcin Wolek

Institution: Department of Transportation Market, University of Gdansk

Address: ul. Armii Krajowej 119/121, 81-824 Sopot, Poland

Mobile: +48-609-685-215

Email: mwol@wp.pl