



# **Competitive Tendering in Local and Regional Public Transport in the Netherlands**

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## Abstract

*This paper reviews evidence on the performance of urban public transport governance regimes in place in the Netherlands over the past 15 years. The national government decided to move from a system of ad hoc subsidy payments to one with more decentralised government control and tendering, though approaches varied across Jurisdictions. In each jurisdiction, the government agency determines the services required; in major urban areas, services are delivered by the public operators, while elsewhere services are delivered by private operators selected through competitive tendering. The available evidence suggests that the reformed system has delivered good customer satisfaction and cost effectiveness – even in jurisdictions without tendering – though no positive influence of the reform on ridership could be established.*

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This paper summarises 15 years of experience of the Netherlands with a competitive tendering regime of area contracts introduced in local and regional public transport in 2001. Unlike the competitive tendering regimes introduced elsewhere in Northern Europe in the preceding years that focused on production efficiency, the new Dutch regime aims to stimulate innovation in service design. A wide variety of approaches have developed since but in most cases operators do bear responsibilities for service planning and marketing. As such the Netherlands has acted as a laboratory for different approaches to contracting integrated public transport networks from which others can learn.

This paper starts by presenting the regime introduced in 2001, comparing it to the pre-existing regime. This is followed by a presentation of the available quantitative evidence on the outcomes of the reform in term of performance. The paper closes with a general and more qualitative assessment of the reform.

## **Competitive tendering and decentralisation**

Local and regional public transport in the Netherlands was historically based upon the principle of free market initiative. The reform introduced with the enactment of the Passenger Transport Act 2000 (Wet Personenvervoer 2000) turned this regime upside down. Local public transport is since subject to contracting under competitive tendering by local transport authorities. This was accompanied by a decentralisation of the regulation of public transport services from central government to regional authorities.

### **Before the reforms**

#### ***A profitable business***

Until the 1960s regional public transport in the Netherlands was generally a profitable business. Regional and urban public transport was carried out by private and public enterprises running under a licence granted by the national government. The state-owned Dutch Railways (NS) provided all rail services. There were no structural subsidies for public transport. From the 1960s onwards rising labour costs, combined with increasing suburbanisation and car usage, made public transport unprofitable. 1969 was the first year in which losses by public transport were compensated by the national government. From 1974 onwards, the national government started subsidising companies structurally, while losses kept increasing. A nationwide ticket and zonal fare integration system was introduced in 1980 (*strippenkaarten* and *sterabonnementen*) according to which public transport fares and tickets (single tickets, multi-ride tickets and seasonal passes) were integrated at the national level and determined by the Minister of Transport, allowing using the same ticket and fares anywhere in the country.

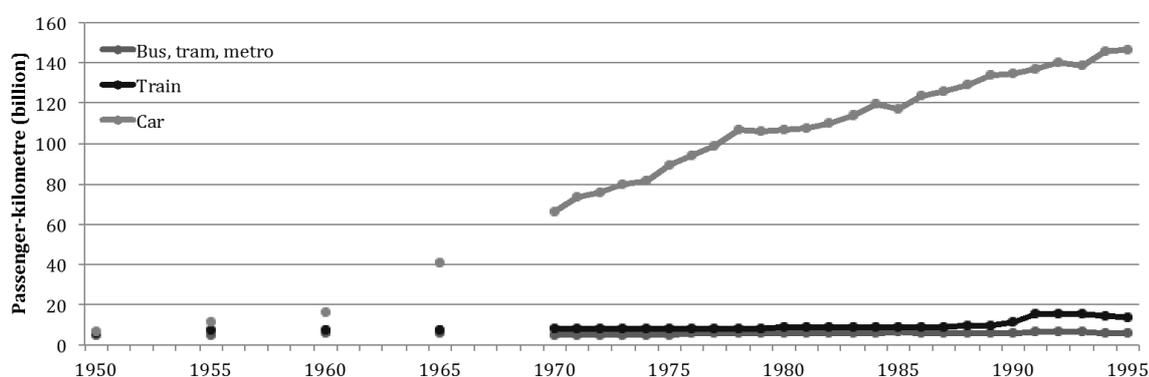
#### ***Growing deficits and other problems***

More control on the growing deficits was introduced with the 1988 Passenger Transport Act by implementing a lump-sum subsidisation regime, replacing the earlier practices of deficit reimbursement, in an attempt to increase efficiency. The responsibility for control of urban transport was shifted towards the larger municipalities while regional transport remained under the responsibility of the ministry. All subsidies originated directly or indirectly from the Ministry of Transport who often fine-tuned the

complex subsidisation regime moving from a supply norm base, to a passenger-km base and finally a passenger revenue base. It was also crippled with exceptions and time lags that further weakened its incentive power.

The growing car traffic and the ensuing congestion problem were seen at the end of the 1980s as main issues to be tackled. Figure 1 shows that although public transport had by the beginning of the 1990s managed to keep its market size compared to the 1950s, its market share had sharply decreased (as in many other countries) from about two thirds of the market in 1950 to about half of the market in 1960 and only 15% of the passenger-kilometres in the Netherlands by 1993 (10% for the train and 5% for the rest of public transport). That share was however higher in larger urban areas, where it was estimated to be at around 30%.

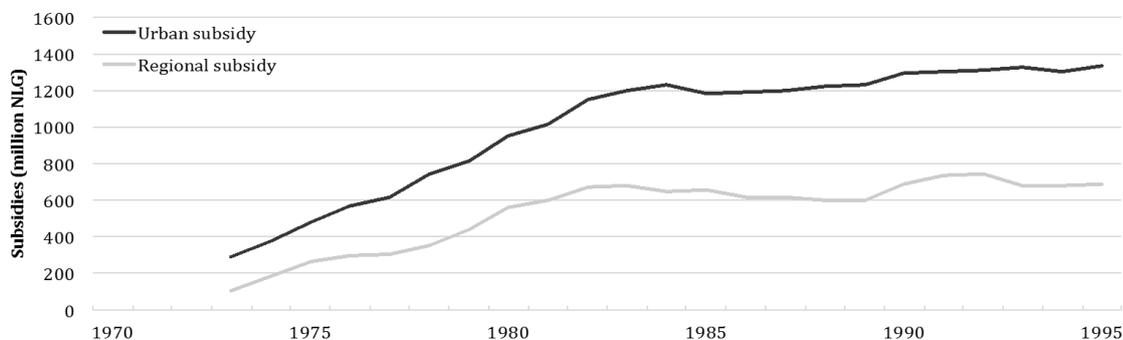
Figure 1. Passenger kms in the Netherlands 1950-1995



Source: CBS

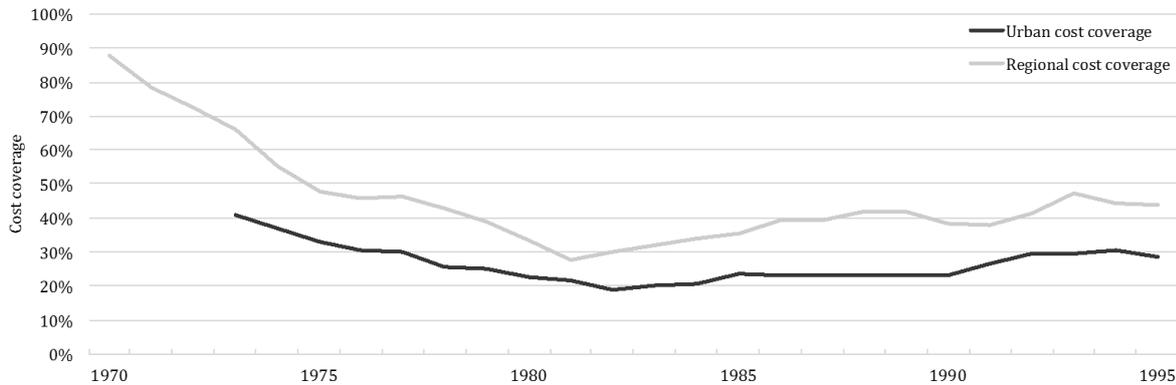
Further problems were observed at the time, such as the high and growing level of subsidisation of the sector (Figure 2) while public transport market share kept decreasing, and operators were perceived to lack customer focus. At the same period, public transport's cost-covering ratios decreased (Figure 3) while a fast increasing amount of subsidy was spent to maintain services. Although this deterioration slowed down or even stopped after 1980 when the system of deficit covering was replaced by lump sum subsidies, the continued decline in public transport's market share rendered the high subsidisation level increasingly problematic from a political point of view, in particular in a period where national government was imposing further budget cuts to the public sectors.

Figure 2. Subsidies to public transport 1970-1995



Source: KNV

Figure 3. Cost-covering ratio Dutch public transport 1970-1995



Source: KNV

### *The road to reforms*

The Second National Transport Plan (established between 1988 and 1991) required the Ministry to develop policy measures aimed at a more selective car usage and at an increase of the modal share for public transport in overall mobility. In that context, the Ministry constituted in 1991 an advisory committee charged with the preparation of advice for such a governance reform of the public transport sector, tackling the perceived inefficiency and aiming at generating modal shift from car to public transport.

In line with the spirit of the times, the close relationships between transport companies and governments and the absence of competition between operators were seen as major causes of the poor performance of the sector. The Committee recommended that operators should be made responsible for determining and marketing services, in an attempt to put the customer at the centre of all concerns and considering that the transport operators were the actors best able to judge how to provide and market services that would be competitive to the car. The introduction of competition was seen as an important instrument to reach this goal, but unlimited competition on the street was seen to be incompatible with maintaining an ordered and integrated public transport supply. The granting of ‘concessions’ through competitive tendering was therefore preferred.

The Committee’s recommendations also included a decentralisation of the control of public transport towards regional transport authorities – a suggestion that fitted with the decentralisation tendency that existed in other sectors of public policy. This would logically have fitted with a decentralisation of public transport funding to local taxation but Dutch local authorities have traditionally only very limited taxation powers and this was not amended. Funding therefore remained as direct transfers from central government to regional authorities.

### *Opposition to reforms*

While the Committee had increasingly become convinced of the efficiency problems that were present in the sector, observers in the sector did not all share this opinion. Furthermore, there were concerns both on the side of authorities and on the side of operators as to the extent to which competitive tendering could be usefully introduced in public transport; a scepticism that was mainly based on scant information on foreign reforms and the growing experience with tendering abroad. Trade union pressure, in particular in the larger cities, grew against the idea of competition in the public transport sector, while

there was also a tendency for left-wing parties, both at the national level and in cities owning a municipal operator, to oppose the idea as well.

### ***Competition, but no market initiative***

The Committee's recommendations were ultimately implemented via the Passenger Transport Act 2000 (Wet Personenvervoer 2000). This reform was presented as the 'introduction of the market' (in Dutch: *de invoering van marktwerking*), while it is probably more precise to state that the possibility to use true market forces was abolished by this act. Indeed, the traditional market initiative based authorisation regime, in which operators were in principle entitled to autonomously create services, but that had become ossified in the meantime, was replaced by a regime in which authority initiative to create services stood central. The market element was introduced through the obligation put upon the newly designated transport authorities to use competitive to award to operators exclusive (i.e. temporary monopolistic) contracts called 'concessions' under Dutch law.

### **After the reforms**

The Passenger Transport Act 2000 implied a move from public operation under government regulation to competitive tendering organised at the regional level. Fourteen regional authorities are currently responsible for local and regional public transport in the Netherlands. Their responsibilities include bus, tram and metro services and some regional train services operated mainly on branch lines of the national train network, while the State is the transport authority responsible for national rail services, including both intercity services and most local train services operating alongside those services.

Public transport has since been organised according to exclusive public transport contracts to operate bus (for a maximum of 10 years) and/or regional train services (maximum 15 years). There is a mandatory competitive tendering of these contracts under a regime that aims to utilise the operators' creativity and knowledge by giving them at least some service design freedom. However, national rail and the 3 largest cities with a municipal operator do not have competitive tendering obligations.

### ***Policy goals of the reforms***

The two main goals of the reform were: increasing the attractiveness and usage of public transport especially in urban areas, and reaching a higher degree of cost coverage by passenger revenues (in 2000 the cost coverage was approximately 35 % and the aim of the Act 2000 was to reach at least 50 %).

For this purpose, one of the important ideas behind the Act was to give service design freedom to the operator in the context of competitive tendering procedures; in this way, the operator's knowledge and creativity was to be used to reach the aforementioned goals. This idea was also related to another goal of the Act which was to professionalise the public transport sector in such a way as to avoid excessive authority interventions based on short-term political issues that would only hamper the realisation of long term policy goals.

### ***Coping with different interests***

The four largest cities were originally temporarily exempted from mandatory competitive tendering. Arguments for the exemption were varied: organisational difficulties in transferring the ownership of the municipal operators, relative inefficiency of these operators and – consequently – the need for a longer time to adapt to the new setting, political support for public ownership, trade-union opposition to competition, and that the greater complexity of public transport in main cities (large volumes of passengers, coordination issues between different modalities, etc.) would argue against an easy transfer

to a tendering regime. This was followed by several radical policy changes meant first to implement a tendering obligation in those cities as well, but this was – ultimately – replaced by a freedom of choice. As a result, tram and metro services are not tendered in Amsterdam, Rotterdam and The Hague, while buses services are tendered in Rotterdam and The Hague but not in Amsterdam. Only in Utrecht all services have subsequently been tendered.

The Act protects the rights of the operational staff: a contracted operator has to take over the operational staff from the former operator. The strong trade-union power in the sector, and some political support, managed to guarantee these protections.

Passenger’s advocate organisations have a legal position: authorities and operators have to consult these organisations at defined moments, including during the tendering process and when designing a new timetable. In most areas, a permanent regional consultation structure between authority, operator and passenger organisations has been implemented in order to deal with this.

### ***Features of competitive tendering***

The competitive tendering procedures are currently organised by each of the transport authorities: 12 provinces and 2 transport regions (Amsterdam and Rotterdam/The Hague)<sup>1</sup>. The authorities are free to decide on the division in contracting areas. This has led to a situation in which the Netherlands is currently divided into 55 contracts for bus, tram, metro, fast ferry and/or regional rail (down from about 72 contracts in 2005). The winning public transport operator receives a temporary monopoly right (usually 8-10 years for bus services, up from originally 6 years, and 15 years for rail concessions). This exclusive right has to be submitted to competitive tendering. This obligation was introduced gradually after 2001 to reach currently all public transport services outside national rail and the main cities.

While operators are to be selected in a competitive tendering procedure, the Act leaves considerable freedom for authorities to define the way in which services are contracted. Through this, the reform aimed at concentrating the authorities’ interventions in setting public transport ‘aims’ through – preferably – a functional definition of service aims (strategic level), and tried to discourage them deciding on ‘means’ such as the location of specific stops, routes, etc. (tactical level). Such an approach was deemed necessary to counter the tendency within some city councils to overvalue the needs of the last single underprivileged passenger and to undervalue the needs of the majority.

### ***Many contract forms***

The past fifteen years of experience with contracting and competitive tendering in Dutch public transport have seen the development of a broad spectrum of contracting formats. These vary in a number of respects, including:

- Level of service design freedom given to the operators during the tendering procedures;
- Level of service design freedom given to the operators during the contract period;
- Type and scale of the incentives given to operators to ensure the achievement of the transport policy aims;
- Size, length and scope (bus and/or train) of the concessions and
- Selection and awarding procedure.

Three typical cases exemplify the range of contracting formats that have developed:

- *Gross-cost contracting*: the operator has no service design freedom, the authority fully specifies the services to be provided (although the operator could suggest service improvements), the operator does not carry any revenue risk but he is stimulated by some financial incentives related to service quality criteria (e.g. customer satisfaction);
- *Net-cost contracting*: the operator is granted some service design freedom during the awarding procedure and during the contract, the minimum service requirements are specified by the authority in a functional way, the operator carries revenue risk, the operator is granted a fixed annual contractual payment ('subsidy');
- *Superincentive contracting*: the operator is granted a substantial level of service design freedom during the awarding procedure and during the contract, the minimum service requirements are specified by the authority in a functional way (i.e. services to be produced are specified according to a set of accessibility norms that have to be realised for a specific population, area or town, rather than according to routing and timetable to produce), the operator carries revenue risk and is stimulated to grow ridership by powerful financial incentives related to realised ridership, the contract does not in principle include any fixed annual payment.

## Evidence on the outcomes of the reform

### Service level and quality

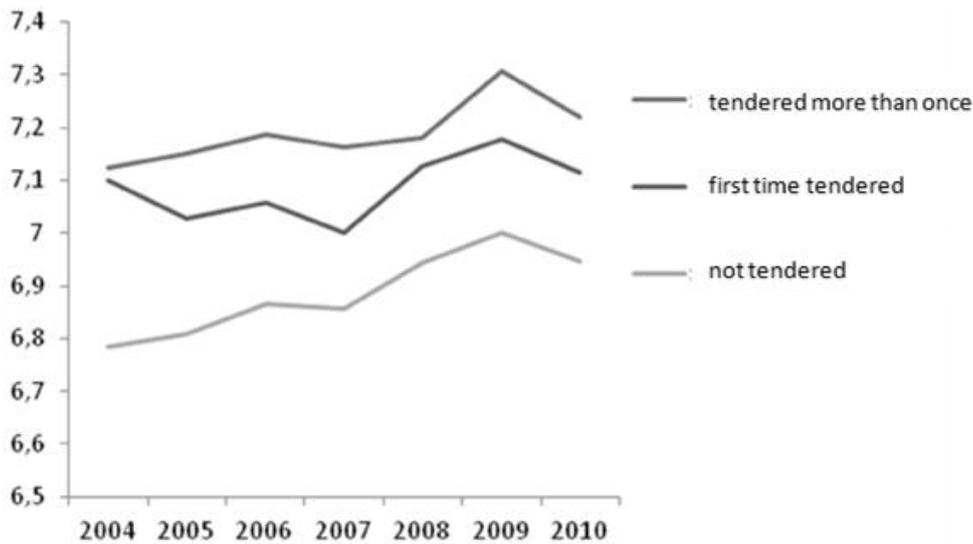
#### *Service level up as a result of tendering*

The number of service kilometres in local and regional public transport increased by 13% between 2000 and 2010 and by almost 17% compared to its lowest level in 2004. Service kilometres increased strongly after the first round of tendering of concessions (2001-2004) as a consequence of the public transport authorities maximising supply under the existing subsidisation budgets received from central government. Later, after the second or third rounds of tendering the increase of supply was much reduced with the joint effect of the refinement of the award criteria and the effects of national budget cuts (Twijsstra Gudde & MuConsult, 2005; KpVV, 2011). Some concessions were not tendered (yet) and showed an increase of the number of service kilometres that was less than average: some 8% between 2000 and 2009 (KpVV, 2011).

#### *Perception of service quality higher in tendered areas*

Customer satisfaction, based on yearly surveys, is higher for concessions tendered more than once (Figure 4). Note, however, that non-tendered concessions also show an increasing trend in satisfaction, which could be an illustration of the power of the threat of competitive tendering in general, causing a more customer oriented attitude by both authorities and operators, even in regions where tendering did not take place (Mouwen & Rietveld, 2012).

Figure 4. Overall customer satisfaction on 1-10 scale



Source: van Buiren et al., 2012

### *Other service aspects*

The reform also had several other impacts on service:

- A national ticketing and passenger information system were already in operation before reforms took place. This was maintained after the introduction of the reforms.
- Some bus lines travelling over longer distances and crossing concession borders, however, were cut at concession borders causing an additional interchange for passengers.
- Fare integration was reduced as a consequence of reform, but this was part of one of the aims of reform to allow for more decentralised, tailor-made, fare regimes. The possibility of having more differentiated fare regimes was facilitated by the gradual introduction of a national chipcard system.
- A redesign of network and services took place as a result of the reform in rural areas, leading to a better integration of bus and train services. Instead of direct but slow and infrequent bus services between rural communities and the nearby city, bus services now connect directly to the regional train line that functions as the backbone of the network. Frequencies went up and total travel time was reduced in spite of the need for an extra interchange. In a later stage, Demand Responsive Systems were also integrated into this model.
- Another innovation was the general usage of comfortable low-floor buses that provide easy access for passengers and a gradual improvement of environmental standards; both improvements were stimulated (or imposed) by the tendering and contracting regime.

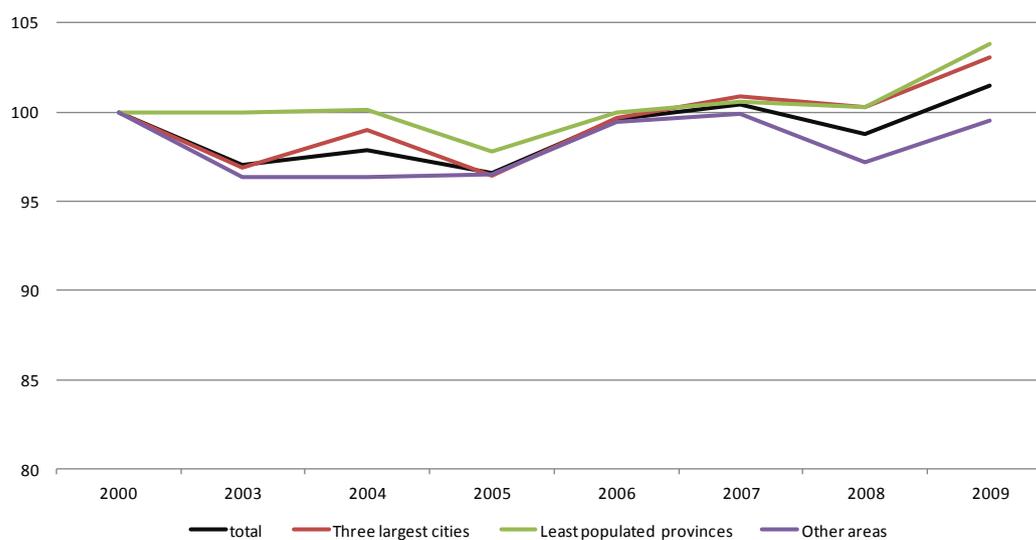
## Ridership and mode share

### *Ridership remained more or less stable*

One of the policy goals of the reform was to increase ridership and, thus, the share of public transport in overall mobility. This did not materialise. Total ridership with local and regional public (expressed in passenger-kilometres) remained stable between 2000 and 2009. The figures for the 2009 and 2011 period show a 6% growth, but it is unclear whether this is real growth or the effect of the new data collection base resulting from the introduction of the national chipcard. While the gradual introduction of the chipcard resulted in advantages for customers and operators, it also led to structural changes in time series that have not yet been clarified. This also explains why no national data on ridership data has been published since 2011. Since service levels increased stronger than ridership (as described in the previous section) service efficiency gradually decreased.

Figure 5 shows the overall development of ridership comparing three sub-segments of the market: the three largest cities Amsterdam, Rotterdam and The Hague as well as the four least populated provinces (Groningen, Friesland, Drenthe and Zeeland) show a growth of 3 to 4 per cent between 2000 and 2009 whereas the rest of the market shows a decrease of 1 per cent. There is no clear relationship between these developments in ridership and the organisational reforms that took place. Other drivers have proven to be more significant in explaining these ridership trends.

Figure 5. Development of local and regional ridership 2000-2009



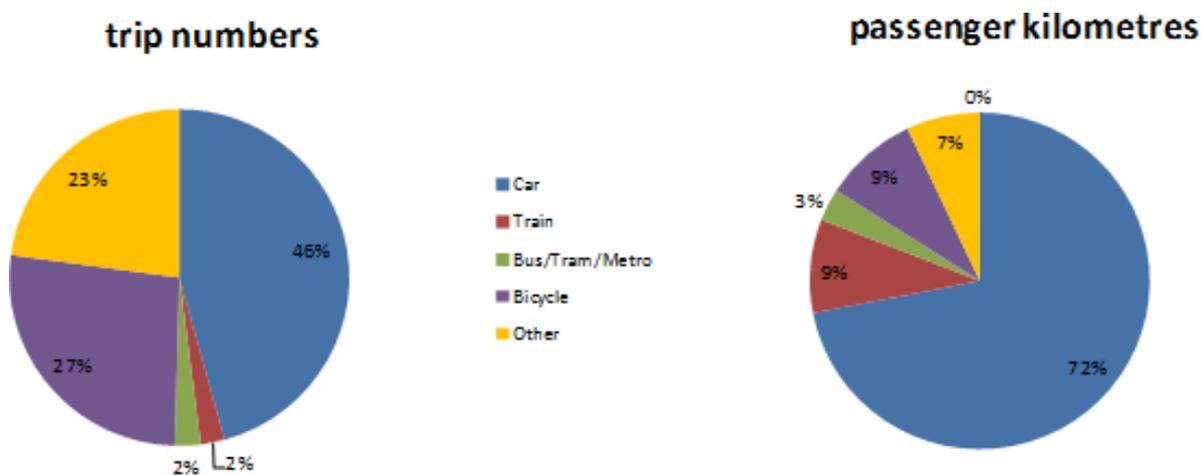
Source: KpVV, 2011

The vehicle occupancy rate, defined as the number of passenger-kilometres per service kilometre declined over the years, from 13.3 in 2000 to 11.8 in 2009, which shows that ridership has not risen in proportion to the increase of service levels. Note that there are large regional differences in vehicle occupancy rate. In the three largest urban areas Amsterdam, Rotterdam and The Hague, the occupancy rate in 2009 was twice as high as that in the more rural provinces of the country.

### *Modest share of public transport in overall mobility*

Figure 6 shows the modal split in 2014 in the Netherlands. Public transport has a share of around 12% of passenger-kilometres (9% for rail and 3% for bus, tram and metro combined). Expressed in trip numbers, the share of public transport is even lower: 4% (2% rail and 2% bus, tram and metro) (KiM, 2015). At the national level these figures have hardly changed over the past decade. However, the modest overall share of public transport usage should be put in perspective by looking at different submarkets. There we see that public transport accounts for 40% of all trips above 10 km during morning peak to the five large cities (Amsterdam, Rotterdam, Den Haag, Utrecht and Eindhoven), (KiM, 2012). One major explanation for the modest position of public transport, which is typical for the Dutch situation, is the strong competition not from the car but from the bicycle. This applies especially for travel on shorter distances and within urban areas. Figure 6 shows this very high share for bicycle trips (27% in 2014). Some smaller and medium-sized cities show even higher shares up to around 40%. Besides bicycle usage, the existence of a Travel Pass granting students free travel on public transport is another typical Dutch phenomenon, accounting for one quarter of all public transport ridership.

Figure 6. **Modal split in the Netherlands in 2014**

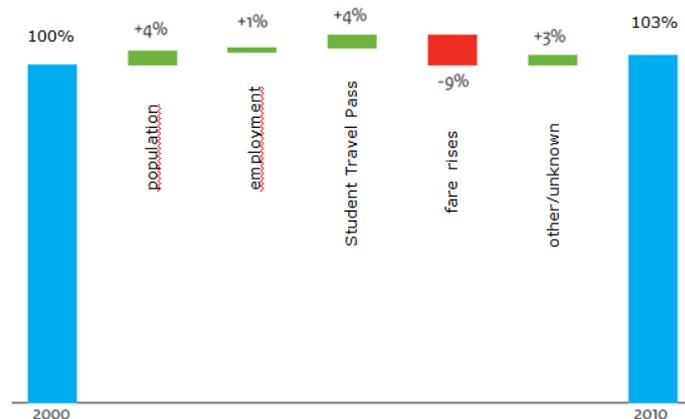


Source: KiM, 2011

### *Effects of reform surpassed by other external drivers*

Figure 7 details the influence of some key variables on the 3% ridership growth for bus, tram and metro that took place between 2000 and 2010. Population and employment growth accounted for a 4% and 1% increase respectively. The usage of the Student Travel Pass accounted for a 4% growth due to the strong increase in numbers of students. However, total ridership remained more or less stable over the decade because of the strong increase in travel fares that led to a reduction of ridership by 9%. No clear effect of the organisational reforms and related service improvements can be identified. It should be noted, however, that this general national picture may very well be different in specific areas or at specific times.

Figure 7. Explanatory variables for the 2000-2010 development of ridership



Source: KiM, 2011

## Financial aspects

### *Revenues up in recent years*

Revenues of ticket sales went up from EUR 689 million in 2005 to EUR 857 million in 2010, a 24% growth in current prices and a 15% growth in constant prices of 2005. This growth is much stronger than the growth of ridership due to relatively large fare increases over the years (Koopmans et al., 2013).

### *Operating costs down*

The operational efficiency of public transport companies has improved: the unit cost per ‘vehicle service hour’ (the cost of operation of one vehicle during one hour of service, which represents the standard operating cost unit used in the Netherlands) has decreased between 2005 and 2009 by 1% (metro) and 21% (bus services in rural areas). These developments occurred both in the case of competitive tendering and direct awarding. The decrease of unit costs seems to be smaller after the second round of tendering compared to the first round shortly after the reform in 2001 (Twijsstra Gudde, 2010). This finding applies only to the direct operational costs. Additional costs of public safety measures, infrastructure maintenance and investments are usually excluded from this measure.

### *Differences in cost effectiveness*

Recent and on-going research shows that a large variation in cost effectiveness can be related to a number of competitive tendering features (Niaounakis et al., 2016). In this research cost effectiveness is defined as the ratio between passenger services supplied and the sum of subsidies and passenger user costs. This research concludes that, when corrected for external factors, local and regional public transport is more cost effective in the case of tendered concessions than in directly awarded concessions; a result which the study links to the lack of competition in the latter type of concession. Furthermore, it concludes that the optimal length appears to be either quite short or on the contrary fairly long, as concessions with duration of 5-6 years appear 10 to 20% more expensive than concessions with a duration of 3 or 10 years. Another finding of this research is that net cost contracts seem to lead to more cost effectiveness, in line with the expected benefits of such contracts, now used in the majority of new concessions. Also the use of bonus systems for various quality aspects seems to lead to better cost effectiveness.

### ***No clarity about subsidy levels***

Although regional authorities are responsible for the provision of public transport within their territory, the funding for public transport operations is mainly provided by the national government. Regional authorities receive a yearly sum based on (among others) population density. The total budget for 2012 amounted to some EUR 2 billion and had increased by 26% in real terms compared to 2005. This central government fund is not earmarked for public transport: regional authorities have the right to use it for other transport related expenditures. Unfortunately no public data is available on the part of the fund actually used for subsidising local and regional public transport, but it is estimated to be about 62% (Hilferink & Poppeliers, 2010). Besides the central fund regional authorities also use other resources for financing public transport in their regions, but here too no complete and public overview of these expenditures exists.

## **Assessment**

### **Is the reform considered a success?**

The reform can in general be considered a success, even if some issues warrant further attention and improvement. Several lessons appear out of the experience from the last years. First of all: there is no panacea. Each type of contracting leads to different challenges and problems. Some problems from the starting of the regime seem to have been overcome while other issues have perhaps not yet been fully resolved. The current regime delivers good public transport and the successes, mistakes and disappointments have led to learning while the resulting diversity of approaches provides a considerable potential for further knowledge sharing.

The new regime works well:

- Coming from a non-competitive and lower efficiency levels, unit costs went down.
- The quality of public transport has significantly improved during the last 15 years of tendering, with an increase in supply and a growing customer satisfaction over the years.
- The newly-created transport authorities have spent more effort than under the former regime in developing explicit public transport policies at a more strategic level, stating general goals and priorities.
- The reform maintained – or perhaps even improved – the ability to plan and integrate services across modes (bus and regional rail in particular) while combining this with private sector cost control and innovation.
- The reorganisation of the suppliers' market at the start of the new regime provided for enough competition in a first phase.

At the same time, there are also a few concerns:

- Tendering has not led to the increase in ridership and modal share that was hoped for.
- Authorities tended to be rather prescriptive in terms of services to be provided, especially in the first years after implementation. This eased off later on but there is continued concern about the lack of flexibility of contracts and disappointment about the level of innovation in the sector, which leads some to a decreased support for tendering.
- Transfer and exchange of experience between transport authorities is organised, even though there is probably more experience to share than what the authorities ultimately manage to exchange.
- The regime works well from the points of view of legality and fairness to competitors. There is strong competition between bidders – even if their number is limited – and competitors are treated fairly. At the same time, one must observe that there are numerous court cases linked to tendering procedures, which is a source of concern, but this is more linked to the high stakes for the operators linked to larger and lengthier concessions than to real issues linked to the tendering regime itself.
- Unrealistically low bids have occurred, but this problem seems to have been solved by improvement to various aspects of the tendering procedures and learning on the side of operators.
- The former revenue apportionment regime (distributing the revenues of the *strippenkaart*) was a cause of barriers to entry due to its lack of transparency. This was considerably eased with the introduction of the national chipcard system, but some concerns remain, in particular in relation to the extent of passenger counting data that should be made available to bidders and in relation to the revenues from the Student Travel Pass.
- The level of expertise of authorities in contract formulation and contract management (monitoring, enforcement, partnership) represent main challenges in the approach chosen in the Netherlands, much more so than in ‘simpler’ contracting approaches such as that used in incentivised gross-cost route tendering (such as in London or large parts of Scandinavia).

Other issues are mixed:

- The evolving contracting practices have themselves had mixed impacts on the suppliers’ market. The average size of a contract has increased over the years, both in area covered and in contract length. This was linked with giving operators more revenue risk and service design freedom. Several contracts have also become multimodal (regional bus and regional rail). This all increased the barriers to entry for small operators while it attracted large – but few – multinational operators. It also increased the stakes for those operators, leading to tendering-related court cases as they defend their market shares, which in turn tends to generate what some perceive to be an exaggerated focus on legal and procedural issues in the context of tendering and contracting.
- As competitive tendering is likely to be more successful in the presence of a level-playing field or for other reasons related to local political acceptance of service changes, some authorities limit service design freedom during tendering, focussing rather on giving functional design freedom during the contract.

- Recent contracts have reduced operator risks, e.g. replacing fixed price approaches with negotiated business case approaches for service changes, which should lead to lower bid prices, but also requires additional contractual management knowledge on the side of the authority.
- Contract design and contract management are not always aligned, and a similar problem can take place on the side of operations. This is related to operators and authorities tending to have different teams involved during the bidding phase and the operational phase, which tends to hamper mutual understanding and successful cooperation during operations.

### **Is there pressure for further reform of the market?**

The fact that the wide range of contract forms, incentives and enforcement mechanisms used have not yet fully eradicated all disappointments should also lead to questioning whether authorities do not expect too much from the public transport markets and contracted private operators, projecting their own social aims on what they expect should be the markets' possibilities and operators' motivation. These concerns should not mask that the current tendering and contracting regime allow for a wider range of approaches than what is currently put in practice.

Besides this, several developments induce to question and reconsider the position of traditional public transport and the way it should be organised. Some technical innovations may not be favourable for the future position of traditional public transport services, such as the development of self-driving car and the growth of shared modes (cars, bicycles) and non-traditional taxi services (such as Uber). The same is true for some social trends such the ageing of the population together with a strong growth of car ownership and usage among older population segments.

This has led to more attention being paid to developments in markets situated 'above' or 'below' traditional local public transport services. There is, for example, continuing pressure for integrating flexible transport services for passengers with disabilities into regular public transport, even though this has not proved very successful so far. What seems more promising is the integration of new small-scale transport services to replace regular bus services on routes with very little passenger demand. Another challenge on this side of the market is the innovation in competitive non-traditional modes and the strong increase of the usage of electric powered bicycles. At the other end of the market, some suggest also giving more space for autonomous commercial entry by reducing the level of exclusivity of contracts. This idea is strengthened by the recent appearance of coach services on longer distances on Dutch roads, following the German deregulation of that market. This leads to question whether further reform towards more market-initiative is needed in order to stimulate innovations and new combinations, or whether the present system can be adapted to accommodate future challenges. No clear answer can be given to this question yet.

## Notes

<sup>1</sup> Further urban authorities had also been granted the powers of transport authorities in the first stage of the reform. This was later centralised at the level of the provinces.

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