



Experiences of tendering of rail public service contracts in Sweden

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Railway network in Sweden

- 11,904 km of railway tracks in use
 - 81% electrified
 - 30% double or multiple tracks
- Generally multi-purpose use:
 - long-distance passenger services
 - regional passenger services
 - freight services





Swedish railway liberalisation – some milestones

- | | |
|-------------|---|
| 1988 | Vertical separation of track infrastructure (Banverket) from operations (SJ)

Decentralisation of responsibility and resources to regional public transport authorities |
| 1990 | First tenders for regional passenger services |
| 1993 | First tenders for interregional (long-distance) passenger services) |
| 1996 | Deregulation of freight services |



Swedish railway liberalisation – some milestones (contd.)

- 2001** Separation and corporatisation of SJ's divisions, creating:
- SJ AB (passenger traffic)
 - Green Cargo AB (freight traffic)
 - Jernhusen AB (real estate)
 - Euromaint AB (passenger rolling stock maintenance)
 - Swemaint AB (freight rolling stock maintenance)
 - Unigrid AB (IT services)
 - Trafficare AB (cleaning services etc)

Euromaint, Swemaint, Unigrid and Trafficare were later privatised



Swedish railway liberalisation – some milestones (contd.)

- 2007** Market opening for night trains and chartered trains)
- 2009** Market opening for weekend traffic and international passenger services
- 2010** Banverket is merged with the Road Administration to form the multi-modal infrastructure manager Swedish Transport Administration (Trafikverket)

Market opening for domestic passenger services, with full effect from December 2011
- 2012** New law on public transport (affecting interface between tendered services and commercial services)



Current organisation of the Swedish railway sector – some characteristics (1)

- Institutional vertical separation between infrastructure and train operations
- National multi-modal authority Trafikverket (Swedish Transport Administration) is the main (80%) rail infrastructure manager, with strong focus on procurement from external contractors
- Train operating companies (or other organisers of train services) apply for paths and pay track access charges
- Horizontal separation between passenger and freight operations
- Railway stations owned/managed by several different actors; the most important ones by real-estate company Jernhusen
- Decentralised responsibility for regional passenger services to 21 PTA:s (controlled by municipalities and counties with their own taxation power)



Current organisation of the Swedish railway sector – some characteristics (2)

- Most regional passenger services (and some long-distance) depend on subsidies and are procured by means of competitive tendering, resulting in contracts between PTA:s and train operating companies
- Tendered regional passenger services:
 - The procuring authority typically provides the rolling stock
 - The authority decides on fares and collects the revenues from fares
- Freight services and commercial (primarily long-distance) passenger services are subject to open access competition
- Open access passenger services:
 - Train operating companies have their own rolling stock
 - No price regulation, i.e. operators decide on fares and collect all revenues from fares

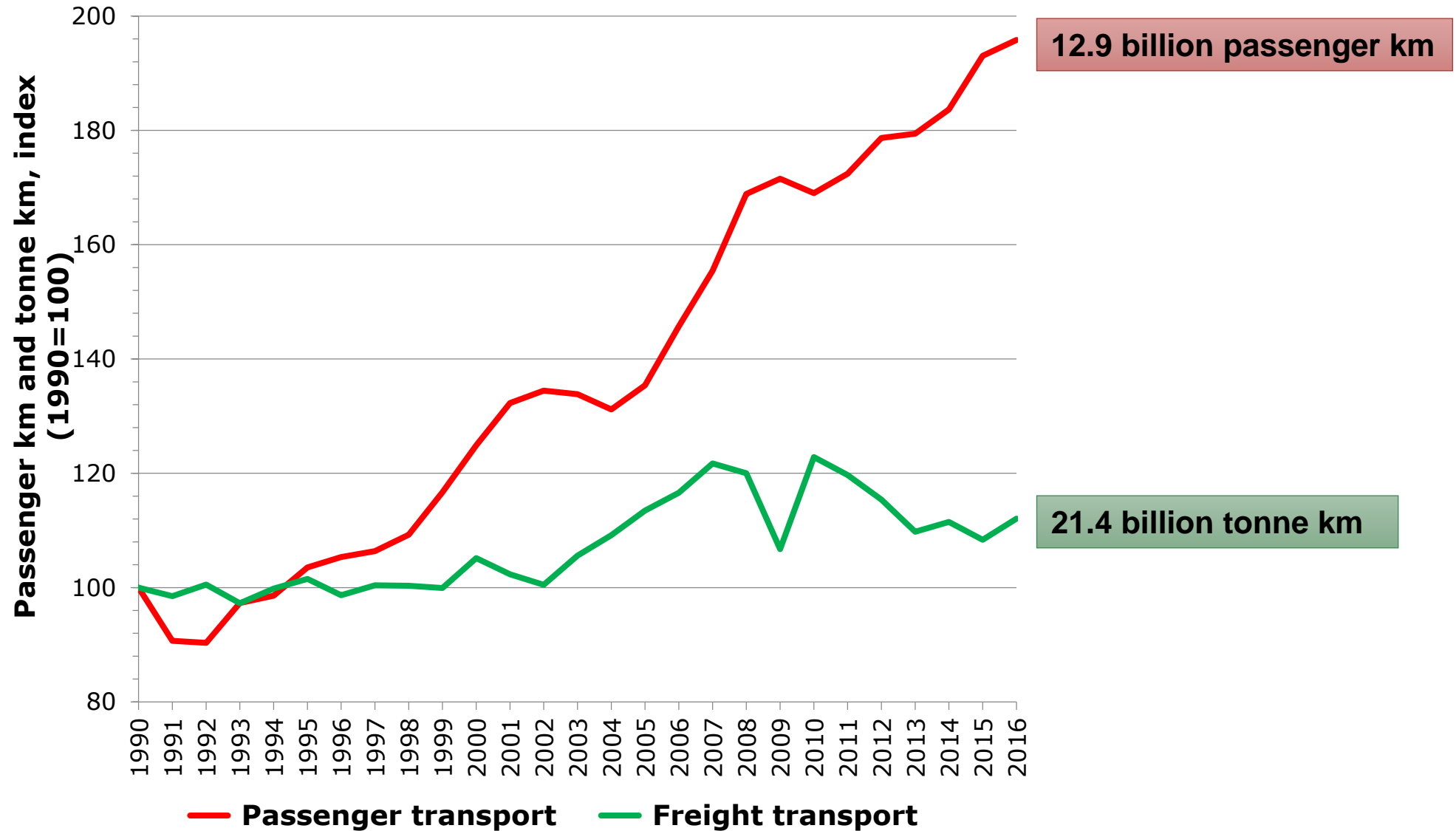


Experience and effects of reforms

- Increased investments in rail infrastructure
- Strong local and regional commitment to develop passenger services
- Strong growth in demand
- Improvements in (for example) productivity and safety
- Innovations, new pricing models
- Punctuality a recurrent issue of concern
- In recent years, a decrease in average speed of trains (mainly due to capacity constraints)
- Appearance of several new entrants, reducing the market share of the incumbents
- Tendering leading to reduced need for operating subsidies but also cases of strategic bidding
- Increased supply and falling prices following open access competition

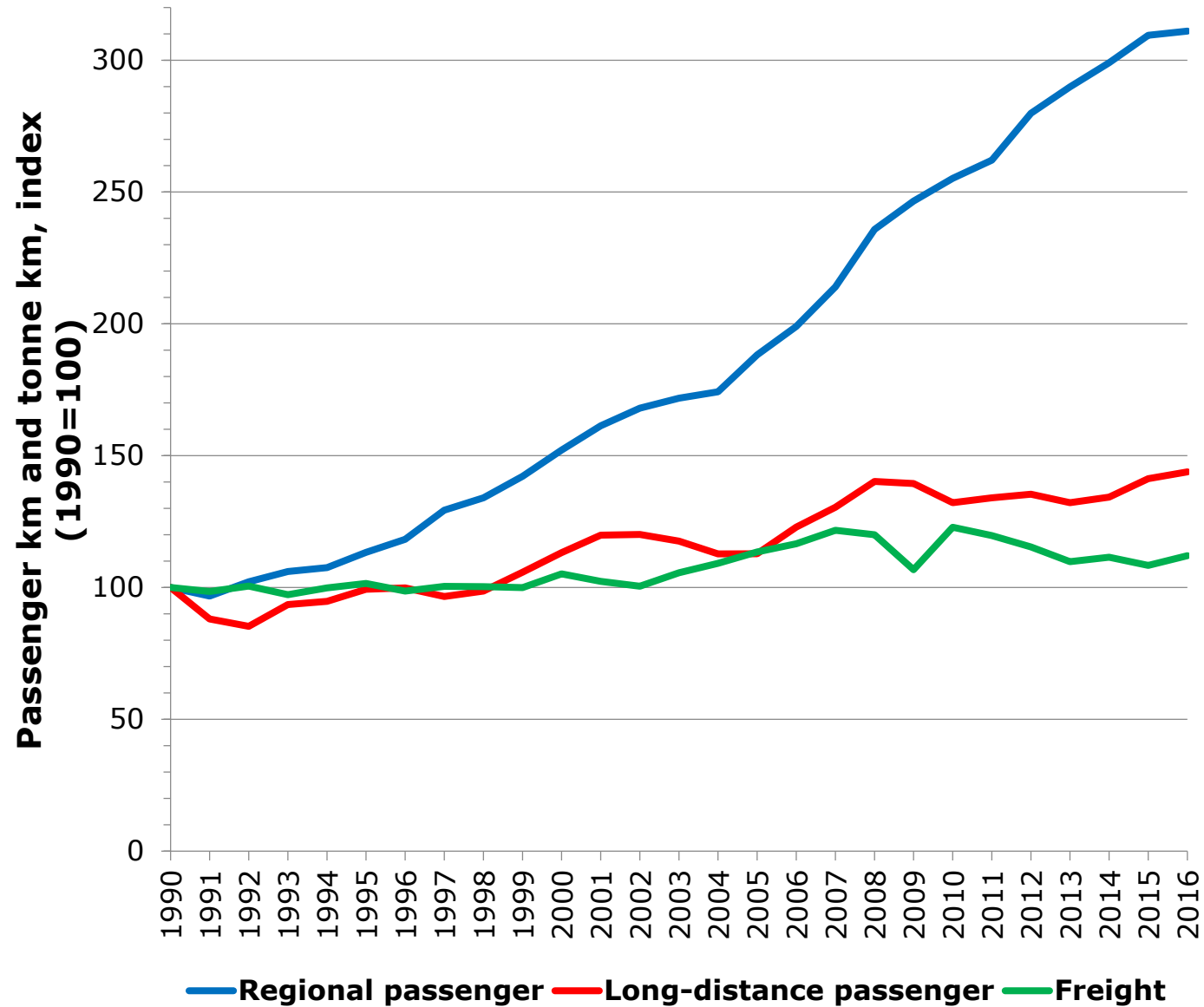


Development of demand (1)





Development of demand (2)

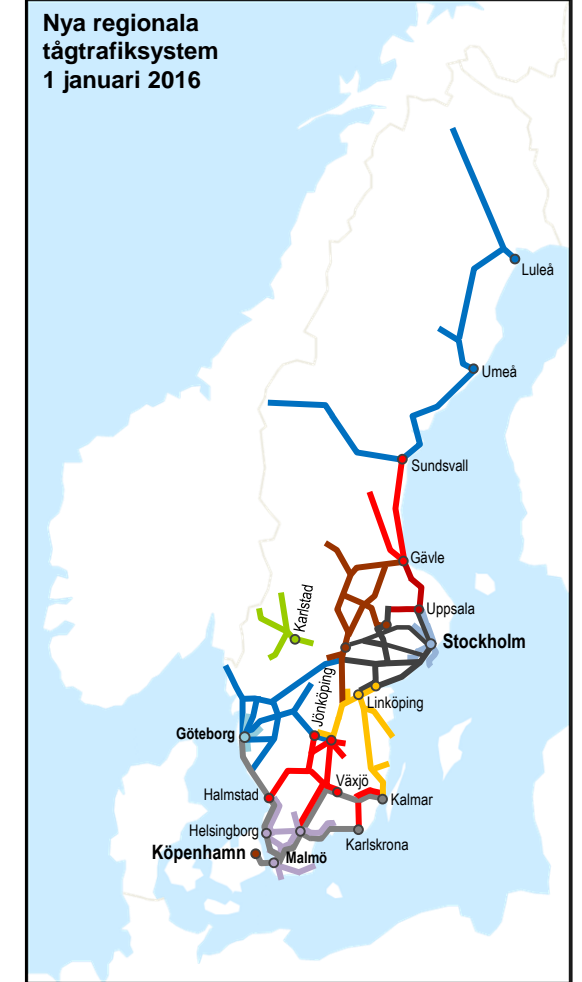
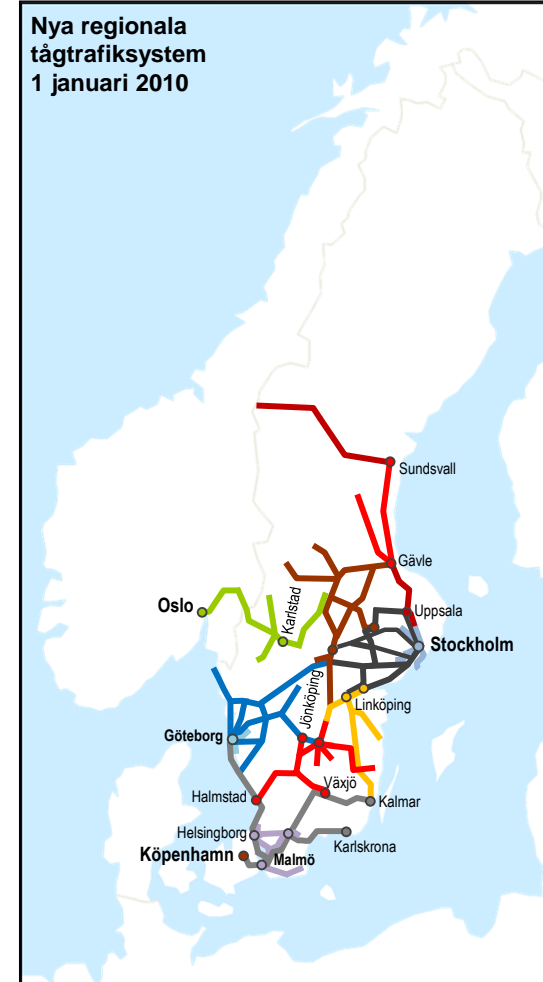
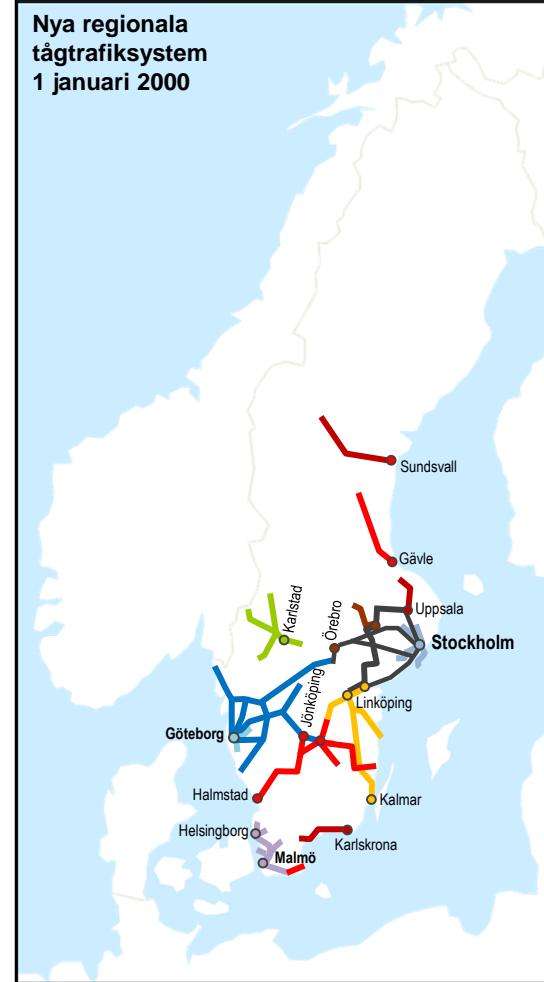
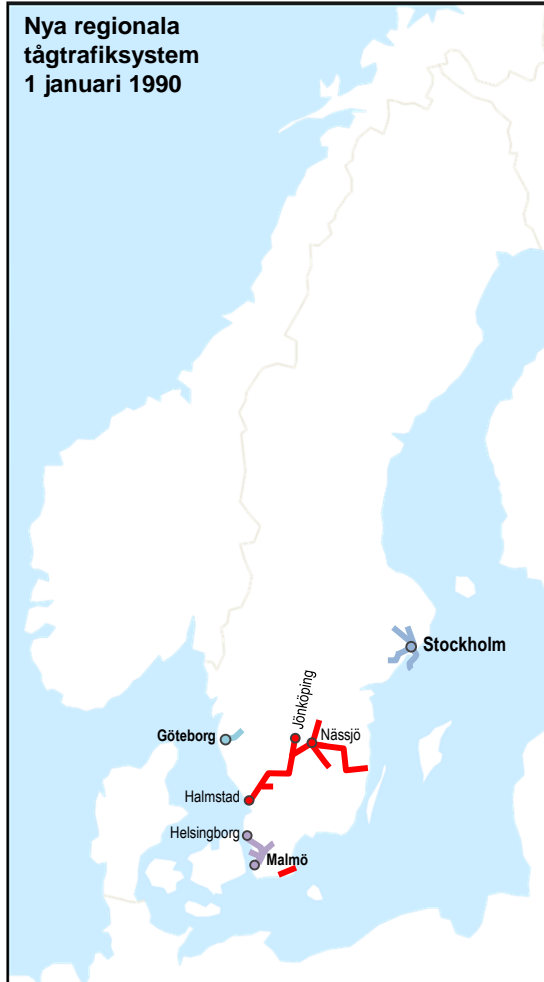


Source: Trafikanalys



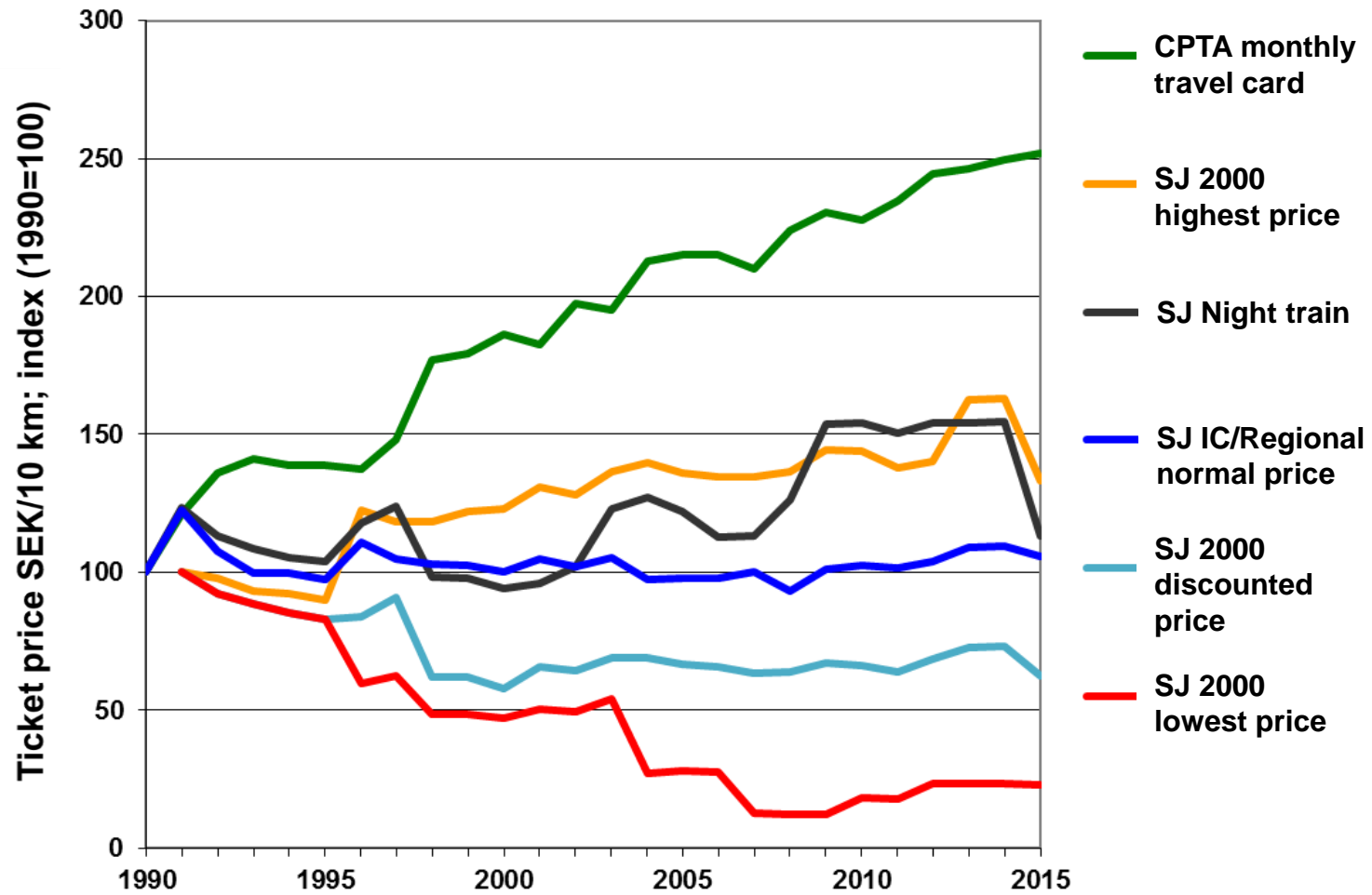
Regional train systems 1990-2016

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Ticket price development



Source: Nelldal et al (2015)



Experience from competitive tendering (competition for the tracks)

- In the early tenders, there were typically only 1 or 2 bidding train operating companies
- Later common with 3 bidders or more (sometimes 5-6)
- Contract periods have increased from 1-3 years to 5-8 years
- Competitive tendering of train services has resulted in considerable reductions in costs / reduced need for subsidies (10-25%)
- The cost reduction effect has typically been most evident the first time a certain traffic is tendered, followed by a diminishing effect in subsequent tenders and sometimes even higher costs
- In some cases, strategic bidding or faulty calculations have been matters of concern



Collective agreements and labour issues

- Mid 1980s (before reform process):
 - “Constitutorial employment”, life-time employments
 - Common retirement age: 60 years
 - Several sector-specific and local special agreements
- Restructuring of sector and increased competition in 1990s-2000s:
 - Gradual “normalisation” of conditions, including increase of retirement age
 - Corporatisation of SJ’s divisions included an overhaul of collective agreements and shift to retirement age of 65
 - Rising salaries due to lack of staff in competitive and expanding market



Tendered (PSO) services and change of contractors

- Some prominent earlier examples of “bad takeovers” (e.g. Citypendeln in 2000)
- Today, in general handled as “transfer of business” (sometimes required by procuring authority)
- Current employees being offered new employment with same or similar conditions
- Informal principle of never downgrading a collective agreement
- Transfer facilitated by means of treating contracted services as separate business units or legal entities



Studycase from Skåne

Train operation and maintenance together in one agreement

Including replacement trafik och customer services

Agreement for cooperation

- Developing the business
- Shared responsibility for the timetable
- Marketing and communication

Contract period 8 year

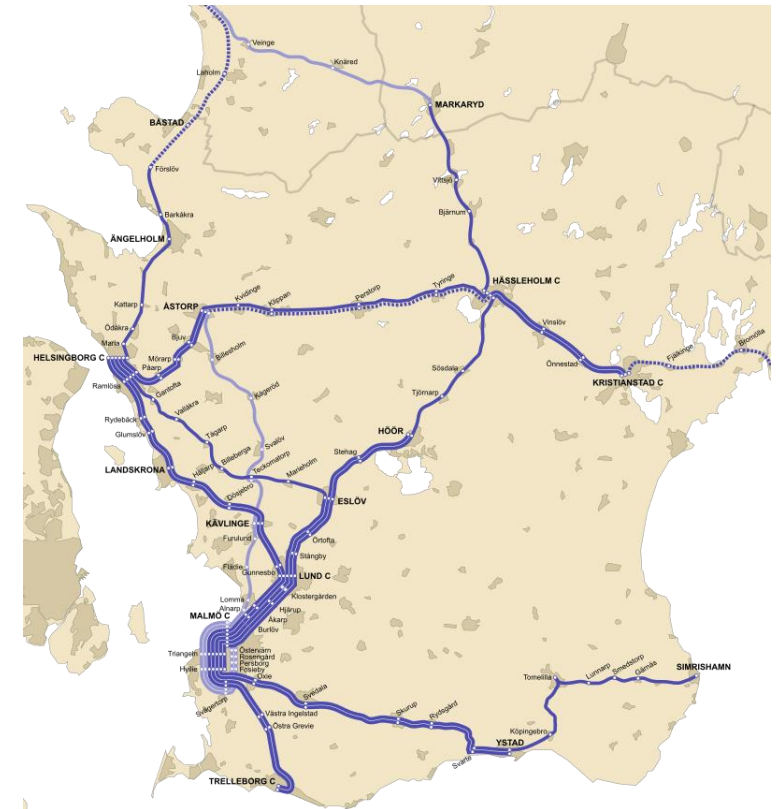
Total cost of contract:

Incentive

- Travel incentive 20%
- Quality incentive 10%

Penalty

- Quality





Evaluation

- The economically most advantageous tender including both price and quality (70/30)
- The price was evaluated by:
 - Total price for the production
 - Price for change of the production
 - Warrents

Summed up to a comparion price
- The quality was evaluated from 16 criteras by the tenderer ability to plan and implement the assignment
- The evaluation of quality was build on a assessment of the information in the tender



Success factors

- Good advancement
- Good schedule
- Project team with knowledge and experience and they part the whole process, from the beginning to the evaluation
- Close dialog with potential bidders before procurement, listen and take consideration to the operators knowledge and requests
- Well processed business model - use the operators knowledge and requests
- Well processed RFI, be generous with information about the procurement
- Make lots of time for evaluation and document carefully during the whole process



Thank you for your attention!

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