

Rail is included in the study only when it can be defined as "urban rail" that is rail services that are specified for PSO or PSC purposes to operate *wholly within* a metropolitan area. For the avoidance of doubt, where rail services that operate within a metropolitan area are bundled with services outside of that area, they are excluded from the scope of the study.

Questions	Response
Factors that determine the economic and financial performance of the public transport sector	
1 In your view, what factors determine the <u>economic</u> and <u>financial</u> performance of the public transport sector?	Factors influencing both include: the models for awarding transport contracts; the degree of integration across modes; the level of subsidy provided for infrastructure and running costs; fiscal incentives and disincentives for private car use and public transport uptake; the model of urban development (population density, planning and zoning rules); demographics; the public passenger transport market (diversity of operators on the supply side, for instance).
2 To what extent do you think that factors related to economic and demographic characteristics (e.g. population density) of a Member State determine the national performance of the public transport sector?	Potentially greatly; providing equivalent levels of service in a low-density or urban sprawl setting will generally be more difficult and costly than in high-density, clustered development, assuming other variables are the same.
3 To what extent do you think that factors related to the choices of the public (e.g. fares) in a Member State determine the national performance of the public transport sector?	An important factor here is not just the fare levels but also fare structures: off-peak versus peak fares; reserved versus open tickets, etc. Furthermore, we also need to consider the opportunity cost: how public passenger transport fares compare to private transport. In many economies, car use is comes at a high initial cost of purchase of the car, etc. whereas the subsequent marginal cost of an individual journey is relatively low; the price of a car journey also often fails to cover the external cost of such use. Public transport works to a completely different pricing model for the user, meaning that decisions as to which mode to take for an individual journey can be distorted in favour of the car.
4 To what extent do you think that factors related to the differences in infrastructure (e.g. age, quality) in a Member State determine the national performance of the public transport sector?	Member states with older infrastructure face a double disadvantage: the age of the infrastructure can incur greater maintenance issues and costs; earlier infrastructure developers may also not have had the opportunity to learn from the mistakes of predecessors.
5 To what extent do you think that factors related to the planning of services in response to demand in a Member State determine the national performance of the public transport sector?	Greatly. To take the example of the bus deregulation introduced in most of the UK in the 1980s, this has led to a cycle of rising fares and reductions in services, resulting in a substantial fall in fare-paying passengers, which further feeds rising fares and reductions in service. This is a vicious cycle that continuously impoverishes the public-transport offer and is in large part due to a failure (over-liberalisation) in the model of how services are planned.
Economic and financial impact of Regulation 1370/2007 on public transport in the EU	
6a What has been the <u>economic</u> impact (positive or negative) of Regulation 1370/2007 for contracts procured under a) direct award?	In the UK, rail contracts are largely awarded by competitive tender. Bus contracts are generally run freely by operators along commercially viable routes at such times as they feel they can make a profit; a limited number of supported bus services (for routes and times where a public subsidy is needed to incite operators to run them) are set up via competitive tender with a public-service obligation. So the impact of the 2007 regulation on direct award in the UK is likely to be nil, as we do not generally use this model, except in very limited and exceptional circumstances, such as where an existing rail contract awarded by competitive tender then has to be extended temporarily. Some of our members would, however, like to retain the possibility of returning to a direct-award model for rail contracts in the future and are concerned at the draft Fourth Railway Package's proposal to limit such direct award to contracts under €5m or 150 000 km annually.
6b and b) competitive tender?	Very likely none in the UK as we are not aware that the existing models for tendering rail contracts or for tendering supported bus services have had to be altered as a response to the 2007 regulation.
7a What has been the <u>financial</u> impact (positive or negative) of Regulation 1370/2007 for contracts procured under a) direct award?	See 6a above.
7b and b) competitive tender?	See 6b above.
8 Do you think that the implementation of Regulation 1370/2007 has resulted in:	
8i i. Fairer and more transparent calculation of compensation amounts? If so, please describe the impact;	We are not aware the regulation has had any impact on such calculations in the UK.
8ii ii. More adequately designed compensation schemes to cover public service obligations? If so, please describe the impact;	We are not aware the regulation has had any impact on such schemes in the UK.
8iii iii. Clearer definition of the authorities' policy objectives? If so, please describe the impact;	We are not aware the regulation has had any impact on such objectives in the UK.
8iv iv. More satisfactory organisation of the procurement? If so, please describe the impact;	We are not aware the regulation has had any impact on such organisation in the UK.
8v v. Stronger competition between operators? If so, please describe the impact;	We are not aware the regulation has had any impact on such competition in the UK.
8vi vi. More balanced contract terms between the authority and operator? If so, please describe the impact;	We are not aware the regulation has had any impact on such contract terms in the UK. Specifically on buses, in the UK there is a complete imbalance of terms between authority and operator. Bus operators outside London can establish services freely, and the authorities have no powers to integrate public-service obligations into such services. These commercial services therefore have the following failings: they only run on profitable routes at profitable times; fares are unregulated and therefore often expensive; and there is little imperative to coordinate services and fares between operators, leading to passenger confusion and sub-optimal performance. The overall result is a vicious cycle of decline of services, leading to decline in patronage, leading to further decline in service. There is perhaps something to be said, within the bounds of subsidiarity, for the EU to discourage such an ineffectual model of working. The 2007 Regulation does nothing, however, in this regard.
8vii vii. More innovation in transport services? If so, please describe the impact;	We are not aware the regulation has had any impact on such innovation in the UK.
8viii viii. Less political interference in the delivery of transport services? If so, please describe the impact;	We are not aware the regulation has had any impact on such issues in the UK.
Success factors	
9a Since the entry into force of Regulation 1370/2007, have any factors stood out as contributing <u>positively</u> to the economic / financial performance of transport operators under a) direct award?	See 6a above.
9b and b) under competitive tender?	See 6b above.
10a Since the entry into force of Regulation 1370/2007, have any factors stood out as contributing <u>negatively</u> to the economic / financial performance of transport operators under a) direct award?	See 6a above.
10b and b) under competitive tender?	See 6b above.
11a Since the entry into force of Regulation 1370/2007, which factors have contributed to a high quality public transport service under a) direct award?	See 6a above.
11b and b) competitive tender?	See 6b above.
Best practices	
<i>Case of contracts awarded directly</i>	
12 What best practices can you share regarding the way public service contracts are specified and designed in the case of contracts awarded directly?	See 6a above.
13 What best practices can you share regarding the way compensation schemes that cover public service obligations should be designed to promote efficiency, in the case of contracts awarded directly?	See 6a above.
14 What best practices can you share regarding the way compensation amounts are calculated for contracts under direct award?	See 6a above.
15 What best practices can you share regarding the way the performance of transport operators is monitored in the case of contracts awarded directly?	See 6a above.
16 What best practices can you share regarding the way that specification changes are implemented between the authorities and the operators in the case of contracts awarded directly?	See 6a above.
<i>Case of contracts awarded through competitive tender</i>	
17 What best practices can you share regarding the way public service contracts are specified and designed in the case of contracts awarded through competitive tender?	UK government has proposed over the years several new initiatives to try and counter the disadvantages of the free-access model of bus-service provision that prevails in the UK (outside London), outlined in section 8vi above. These include Quality Bus Contract Schemes (QCs), which would allow responsible authorities to decide where buses run, how often they run, what fares and tickets are available, what quality standards buses run to and what happens if things go wrong; bus operators would then have to bid to run bus services according to these criteria. However, there has been little or no roll-out of QCs because of very high hurdles and very complex processes involved in their implementation, with a very high risk associated with legal challenges by operators that could, effectively, have their markets taken off them under such contracts. An alternative to the QCs is a separate initiative: statutory Quality Partnerships (QPs). This is an arrangement whereby local authorities and bus companies enter into mutual agreements to provide services and infrastructure while retaining the free-access model of establishment. These have been more successful than the QCs. A more recent initiative, yet to be fully developed, is a proposed UK buses bill, under which Combined Authority (CA) areas (metropolitan areas) with directly elected mayors would be able to franchise bus services. CAs with directly elected mayors are a new model of governance UK government is keen to see UK cities adopt; the possibility of having greater powers over bus operators is one of many incentives to cities take up such governance.
18 What best practices can you share regarding the way compensation schemes that cover public service obligations should be designed to promote efficiency, in the case of contracts awarded through competitive tender?	
19 What best practices can you share regarding the way compensation amounts are calculated by public service operators for contracts awarded through competitive tender?	
20 What best practices can you share regarding the way the performance of transport operators is monitored in the case of contracts awarded through competitive tender?	
21 What best practices can you share regarding the way that specification changes are implemented between the authorities and the operators in the case of contracts awarded through competitive tender?	
Other	
22 The Commission is considering setting up a knowledge base related to Regulation 1370/2007. As far as you are concerned, what information would you like to see in this repository/database?	Examples of: approved public-service contracts; innovative methodologies for calculating public-service compensations; good practice in moving from one model of provision to a different one; where operators benefiting from direct provision in one geography have been barred from bidding for competitive tenders in other geographies.
23 Please let us have any other views you have on the impact of Regulation 1370/2007.	