

Best Practice in Procurement of Commuter Rail Services

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INTRODUCTION

For economic and environmental reasons, increasing public transport use is a key goal of government. This paper examines evidence from international research into how governments can effectively procure commuter rail services for achieving their transport goals including growing patronage.

The research initially surveyed 21 cities in Australia and overseas on their arrangements for procuring rail services and monitoring performance. The second stage focused on the effectiveness of purchaser-provider arrangements with a view to identifying best practice. This stage consisted of a literature review and in-depth interviews of transport authorities, rail operators and rail experts in Australia and Europe.

The research identified successful practices in articulating transport goals into transport policies and strategies, governance and procurement arrangements, and noted trends toward:

- formal arm's length 'contracts' for both publicly and privately delivered transport services
- integrated transport and single transport authorities
- clear accountability for strategic, tactical and operational roles between purchasers and providers, and collaborative relationships between the two.

While there is no template for an 'ideal contract', the research established key elements and principles in developing and implementing effective contracts and performance measurement. In addition to a contract, the research identified other effective ways of increasing public transport use.

The New South Wales context

The New South Wales (NSW) Transport and Infrastructure (formerly Ministry of Transport) is the lead public transport agency of the State government. It provides funding for NSW public transport services and major capital works. The NSW government-owned public transport operators include:

- RailCorp which provides metropolitan passenger rail services via CityRail and long distance services via CountryLink
- Sydney Ferries which provides ferry services across Sydney Harbour and Parramatta River
- State Transit Authority which operates buses in Sydney and Newcastle.

The NSW Independent Transport Safety and Reliability Regulator (ITSRR) is the independent rail safety regulator for NSW. Its other key roles are strategic coordination of safety regulation across transport modes, and advising and reporting on the reliability and sustainability of funded transport services. The NSW Independent Pricing and Regulatory Tribunal is the independent economic regulator for NSW. It sets maximum prices for monopoly services provided by NSW government agencies including public transport services.

Recently, there have been significant changes in transport governance and procurement arrangements in NSW, aimed at delivering more integrated road and public transport services. In June 2009 the Premier of NSW announced a major public sector reform with the formation of thirteen super departments, effective from 1 July 2009. The NSW Transport and Infrastructure was established with primary responsibility for transport policy, planning and coordination functions as well as oversight of infrastructure delivery and asset management. All the functions of the former NSW Ministry of Transport, and all policy and planning functions of the Maritime Authority, Roads and Traffic Authority, RailCorp, State Transit Authority, Sydney Ferries, Public Transport Ticketing Corporation have now been subsumed into the new 'super' department.

The creation of NSW Transport and Infrastructure builds on recent changes to the governance arrangements for rail and ferry passenger services. From 1 January 2009, service providers RailCorp and Sydney Ferries have ceased to be State-owned corporations and have become NSW government agencies. The amended transport legislation¹ requires the establishment of contracts for regular rail and ferry passenger services. The contracts are to define the terms and conditions on which rail services and ferry services are to be carried out, and to set performance standards. For buses, the NSW Government introduced service contracts in 25 bus regions² in 2005 as part of its Bus Reform Program. The State Transit Authority was awarded contracts to operate in four Sydney metropolitan regions and in Newcastle. All other bus service contracts are with private operators.

Research rationale

As part of ITSRR's role of advising the NSW Government and reporting to the community on the reliability of public transport services, ITSRR initiated research on the procurement and performance monitoring of commuter rail services in Australia and overseas. The reasons for selecting this area of research were twofold. First, the focus on commuter rail reflects its importance as a central element of public transport in most of Sydney. Second, the research addresses the key issues for government in encouraging greater use of public transport. These issues are:

- procuring public transport services which are appealing to potential customers
- measuring whether the services provided meet the government's requirements.

¹ The *Transport Administration Amendment (Rail and Ferry Transport Authorities) Bill 2008* passed on 25 November 2008 and introduced amendments to the *Transport Administration Act 1988*, the *Passenger Transport Act 1990* and the *State Owned Corporations Act 1989* effective from 1 January 2009.

² There are currently fifteen metropolitan bus contract regions and ten outer metropolitan bus contract regions. It is anticipated that from 2012, there will be further consolidation of the metropolitan regions to eight.

The State government made a formal commitment to a high quality transport system in the *NSW State Plan* by identifying its transport priority of ‘increasing share of peak hour journeys on a safe and reliable public transport system’.

Methodology

The research was conducted in two stages. The first stage was a survey of 21 cities in Australia, New Zealand, Asia, Europe and North America. Background information on commuter rail procurement arrangements and performance monitoring practices was collected via interviews with senior representatives of transport authorities³ (*purchasers*), and from publicly available sources. The research included compilation and analysis of the key performance indicators used in the surveyed cities.

The second stage focused on the effectiveness of the commuter rail procurement arrangements based on the experience and learnings from eight selected Australian and European cities with purchaser-provider approaches similar to those in Sydney. The research aimed to identify best practices in procuring publicly delivered rail services. Stage 2 consisted of:

- a literature review of studies on effective ways of growing public transport use, documented theory and guidelines for effective implementation of the purchaser-provider model, and published reviews of commuter rail procurement arrangements
- in-depth interviews with three stakeholders in each of the eight cities, the stakeholders being senior representatives of transport authorities (*purchasers*) and commuter rail operators (*service providers*), and local rail experts. Two regional rail experts were also interviewed, one for Europe and one for Australia. The rail experts are mostly renowned academics
- attendance at two public transport international conferences, one held in Helsinki and the other in Queensland.⁴

PROFILE OF SURVEYED CITIES

The profile of the surveyed cities in terms of the nature of the railways, and the governance and procurement arrangements is summarised in Table 1. The highlighted cities in the table are those surveyed in Stages 1 and 2.

³ The term ‘transport authority’ is used in this paper to refer to the transport organisation which procures commuter rail services on behalf of government.

⁴ 5th UITP World Congress – *Public Transport: Moving People, Moving Cities* – Helsinki, May 2007, and Thredbo 10 – 10th *International Conference on Competition and Ownership in Land Passenger Transport* – Hamilton Island, Queensland, August 2007.

Table 1: Governance and procurement arrangements in surveyed cities

Surveyed city	Level of governance of purchaser	Ownership of service provider ⁵	Rail Service Delivery	Arrangement with provider
Sydney	State	State	vertically integrated	performance agreement
Adelaide	State	State	vertically integrated	franchise
Brisbane	State	State	vertically integrated	contract
Melbourne	State	Private	vertically integrated	franchise
Perth	State	State	vertically integrated	service agreement
Amsterdam	National	National	vertically separated	concession
Berlin	State	National	vertically separated	contract
London	National	Private	vertically separated	franchise
Milan	Regional	Regional	vertically separated	contract
Paris	Regional	Regional	vertically separated	contract
Stockholm	Regional	Private	vertically separated	contract
Zurich	State	National	vertically integrated	service agreement
Chicago	Regional	Regional	vertically integrated	funding arrangement
New York	State	State	vertically integrated	funding arrangement
San Francisco	Regional	Regional	vertically integrated	funding arrangement
Toronto	State	State	vertically integrated	contract
Washington DC	Regional	Regional	vertically integrated	funding arrangement
Auckland	Regional	Private	vertically separated	service agreement
Hong Kong	Regional	Private	vertically integrated	franchise
Singapore	National	Private	vertically integrated	licence
Tokyo	National	Private	vertically integrated	licence

Most of the surveyed commuter railways are vertically integrated⁶ and publicly owned. In Europe there is real separation in the relationship between the purchaser and the provider due to differences in the level of governance and ownership of the purchaser and provider. Government funding is required for commuter rail systems and procurement generally occurs at the second tier of government (i.e. state/regional level). While national governments contribute to funding of infrastructure capital works, there appear to be three distinct approaches to funding rail operations in the surveyed cities:

- most railways in Europe (except Amsterdam), Australia and Auckland receive operational subsidies from general government revenues
- funding for US railways comes from directly hypothecated taxes
- railways in Asia and Amsterdam get government funding for infrastructure but not for the day to day operation of the railways.

The survey found that while there are a wide variety of mechanisms that are used by government for procuring transport services, there is some form of formal documentation of what is sought and expected from railways in all cities, mostly in the form of contracts and franchises with a finite term. The word ‘contract’ is used in this paper in the general sense to mean a written agreement between at least two parties.

⁵ Paris and London both have more than one commuter rail operator. In these cities only one operator was selected for interview in Stage 2 (based on their availability). The other operator in Paris is owned by the national government.

⁶ The principal characteristic of a vertically integrated railway is that one organisation has responsibility for both train operations and infrastructure.

All surveyed Australian and European cities in Stage 2 have a formal arm's length service contract that covers government transport requirements and their funding. The two cities with private rail operators (London and Melbourne) have legally enforceable contracts. The remaining surveyed cities have contracts in the form of enforceable documents. However, in practice, contracts between government agencies are unlikely to be legally enforced.

EFFECTIVENESS OF ARRANGEMENTS

Patronage growth is a transport goal in all surveyed cities included in Stage 2 and all surveyed cities experienced significant patronage growth, ranging between 2% and 5% per annum, in the five-year period ending 30 June 2006. This finding is an indicator of effectiveness. However, none of the interviewees could demonstrate that increased patronage was due to procurement arrangements. The consensus view was that patronage growth was mainly attributable to economic factors and other factors outside the control of the transport portfolio such as population growth, urban sprawl, traffic congestion, and fuel price increases. Nevertheless, many specific contributing factors within the control of transport portfolio were cited by interviewees, including: marketing, single branding, introduction of integrated ticketing, changes in fare structures, improved service levels, improved passenger amenities, new rolling stock, and capital improvements. Three interviewees separately estimated 20% of patronage growth to be due to factors within the control of the transport portfolio.

Despite the lack of objective evidence, procurement arrangements were subjectively assessed as being effective. Interviewees representing the transport authorities and rail operators based this assessment on the nature of their working relationship, operator behaviour and attitudes towards the contract, and operator performance against the contract. The research also highlighted the importance of a contract for the provision of public transport services, regardless of whether the service provider is publicly or privately owned. The identified benefits were that contracts:

- reinforce transport objectives and focus management attention on transport priorities and customer issues
- clarify the roles and responsibilities of the purchaser and the provider
- enhance transparency and accountability for service provision
- provide clear specification of government requirements and expectations.

The view of both purchasers and providers was that performance was better than it would otherwise have been, had the contracts not been in place. This view was held despite the resistance from providers to changes (both in governance and in contracts) which resulted in authorities taking on more of the functions traditionally carried out by providers.

KEY ELEMENTS OF EFFECTIVE CONTRACTS

The form of the contracts in the surveyed cities has evolved over successive contract periods. Triggers for changes include local political changes, transport policy

developments, experience in private bus contracting, and the desire for continuous improvement and for achieving more effective relationships with service providers.

Findings from the survey and from presentations at the Thredbo 10 conference indicate that there is no 'ideal contract'. Each contract must be designed with its own objectives, specific circumstances and constraints in mind. However, at the minimum, best practice contracts typically include the following elements.

Transport objectives

One of the cited benefits of contracts was that they provide strategic direction to service providers and focuses their attention on the achievement of transport goals.

All surveyed contracts state the transport objectives and reflect these objectives in the contract design. That is, the contract's specifications of minimum service levels and standards, key performance indicators and targets, incentive schemes and compliance mechanisms, all reinforce the transport objectives. The inference is that transport objectives should be explicitly stated in the contract and all elements of the contract should reflect these objectives.

Contract term

There was no unanimous view on the ideal contract term. Service providers generally preferred longer term contracts as it gave them security of tenure. On the other hand, transport authorities and rail experts had a preference for shorter contracts because of the need for flexibility to respond to changing circumstances, policy developments and budgetary pressures.

The relevance of contract extension and termination conditions for contracts with public operators was questioned by five Australian interviewees. However, the conditions were considered relevant in Europe and for private sector contracts, where competitive tendering is a possible option in the event of performance failure.

Contract scope

One of the surveyed operators and one of the surveyed authorities, in discussing the views of operators, noted that it was important for the contract to cover all aspects of service (i.e. train operations and management and maintenance of infrastructure and rolling stock) to allow operators to have more direct control of factors that impact on train performance. A contract for vertically integrated railways should preferably cover both above-rail and below-rail services.

Roles and responsibilities

All interviewees agreed that transparency and accountability were enhanced by clear specification in the contract of the roles and responsibilities of the purchaser and the provider, with the purchaser clearly defining government requirements and the provider giving advice on how those requirements can best be met.

It may be useful to consider in this context the so-called STO model (Van de Velde 1999), a framework which defines three separate roles in public transport

procurement: strategic, tactical and operational. According to the STO model, the strategic role is the domain of government or of the purchaser and the operational role is the domain of the provider. Functions at the strategic level include development of urban plans and integrated transport networks. The operational role is the domain of the service provider and includes service delivery and associated functions such as staff rostering, rolling stock and station management. The tactical role includes specifications for the timetable and other aspects of service quality (e.g. information services), strategic asset procurement (e.g. ticketing systems, rolling stock), and fare setting. Tactical functions may be shared between the purchaser and provider, or be undertaken by one or the other.

Historically, service providers played a greater role at the tactical level but with the advent of integrated transport systems, transport authorities have taken an increasing role at the tactical level. These changes were met by resistance from six of the surveyed operators because of their diminished role and/or because of their concern that transport authorities lack the appropriate expertise.

Specification of services

The specification of the services to be delivered is a key inclusion in all surveyed contracts and was one of the cited benefits of contracts. There were differences of opinion though about the level of contract specification. For example, two service providers commented that a tight specification (e.g. one where the timetable is part of the contract) adds to administrative cost, stifles innovation and the ability to respond to changes in demand. A tight specification could also lead to potentially (unintended) perverse behaviour where focus of the provider becomes compliance with the contract, rather than customer service. On the other hand, all transport authorities and rail experts generally supported having a detailed specification due to the high level of government expenditure involved.

All surveyed contracts specify as a minimum:

- service levels (e.g. service frequency, hours of operation)
- service standards for other aspects of quality (e.g. train loading, personal safety and security, passenger comfort, provision of information)
- requirements for transport integration (e.g. timetable connections, provision of transport information).

Performance monitoring

Interviewees viewed performance monitoring as beneficial for identifying and solving problems. All surveyed contracts specify the conduct of regular management meetings on performance, operational, tactical and contract issues. Three interviewees commented that the meetings were more effective when the discussion focused on strategic and tactical issues, because of the opportunity to work together on resolving problems.

Six of the eight surveyed authorities conduct customer satisfaction surveys and four undertake 'mystery shopper'⁷ audit programs as means of monitoring contract performance. Two authority interviewees claimed that feedback to the operator from the authority's mystery shopper programs was effective in improving operator behaviour.

Reporting

Interviewees regard public reporting of performance as a means of demonstrating transparency and accountability. Five interviewees said they regard public reporting as an effective contract compliance mechanism.

All contracts specify the submission of regular reports that cover key performance indicators and statistics, with comparisons of performance against minimum service standards or targets. In six of the eight surveyed cities, indicators are measured from both the operational and customer perspectives. All surveyed cities require reporting of outcome and output measures of their transport objectives and of various aspects of service quality.

There is indirect evidence from the survey that the information needs of the transport authority are not limited to performance against service specifications. Although, not explicitly mentioned by interviewees, it can be inferred from the claimed capacity problems in most cities, that information for assessing present and future capacity is an important requirement in addition to information for monitoring contract compliance and measuring outcomes. The principles for developing useful performance measures, drawn from ITSRR's international research, are discussed in the section titled *Principles of Effective Performance Measurement* on page 10.

Contract compliance mechanisms

It was the view of interviewees that in order to sharpen the focus on transport objectives and to enforce the contract, there should be some form of reward for achieving desired results (e.g. financial incentives) and consequence for performance failure (e.g. financial penalties, passenger compensation, graduated cure regime⁸). There is, however, considerable debate about the effectiveness of incentive schemes and compliance mechanisms, particularly for publicly owned railways.

The incentives or penalties in surveyed contracts, which are typically in the range of 1% to 3% of total service provider turnover, were considered by five interviewees to be too small. Three public sector interviewees thought that incentive schemes were not appropriate because their effect was just to transfer money from one government organisation to another. Other concerns noted were:

⁷ Mystery shopping is a common tool used to measure the quality of service or to gather specific information about products and services. Mystery shoppers pose as normal customers performing specific tasks such as asking questions and making observations, and then reporting detailed feedback about their experiences.

⁸ Graduated cure regimes provide the transport authority a range of enforcement actions from an informal discussion with the operator, to the submission of a 'cure' plan, to temporary management takeover in running all or part of the service, and ultimately, to contract termination. They also provide the graduated process for putting in motion each course of action.

- schemes are too complex and inflexible and have high administrative costs
- minimum standards or targets are sometimes set beyond the ability of service providers to achieve, for example, if there are capacity constraints
- incentive schemes could have a perverse outcome, for example, a patronage incentive in a capacity constrained system can negatively impact on punctuality and customer satisfaction results.

Six of the surveyed service providers indicated that the public shame of performance failure or being penalised was more effective than the financial penalty itself. Public reporting of performance appears to be an effective supplementary mechanism for influencing operator behaviour.

One of the rail experts offered an alternative view, referring to the difference between a penal model and a public health model. In a public health model, the focus is on finding out the causes of the problem, and addressing and resolving issues together rather than on penalising performance failures.

Graduated cure regime provisions can be considered to follow the principles of the public health model because they require increasing involvement of the authority and the operator until issues are resolved. Three surveyed cities have such provisions in their contracts. Two interviewees in one of these cities commented on the importance of designing the graduated cure provisions appropriately, that is, with due consideration of the government's priorities (aspects which need attention) and factors that are within the provider's control.

Contracts in three surveyed cities require the provision of passenger compensation for failure to meet performance targets. Two interviewees from one of these cities considered their schemes to be administratively cumbersome but acknowledged that they provided some recompense for poor performance.

Mechanisms for review and variation

Interviewees supported periodic contract reviews and having contract variation provisions. All surveyed contracts have periodic reviews prior to the end of the contract period to assess the continued relevance of the contract terms and assumptions, and provisions for contract variations to allow for policy changes and unforeseen events.

Six interviewees commented that the contract review process resulted in improved contracts. Five interviewees supported independent reviews of contract effectiveness, that is, reviews conducted by a party independent of both the purchaser and the service provider.

Funding arrangements and fares

The survey did not provide a definitive finding on whether contracts should be on a gross or net cost basis.⁹ Individual circumstances appear to dictate the most

⁹ In gross cost contracts the service provider is paid an amount estimated to cover the cost of providing transport services. The transport authority collects the farebox revenue and takes the revenue risk. In net cost contracts the

appropriate basis. The local risk environment and other local issues have determined the choice of gross cost or net cost arrangements in the surveyed cities. Generally, cities with integrated fares and ticketing have gross cost contracts.

However, in all but one surveyed city the contract price is set at term commencement and is fixed, with indexation for inflation, for the term of the contract. All contracts include service variation provisions to allow for service changes, and define the fare structure and fare levels. In six of the eight surveyed cities, fare increases are linked to increases in the consumer price index.

There is also evidence from the survey that the control of fares should rest with the transport authority. Fares policy is an important tool for increasing and managing patronage with claims from nine interviewees that changes to fare levels or ticket products had contributed to patronage growth. Clearly, fares do influence transport demand and can therefore have a significant impact on contract effectiveness at least in terms of achieving the patronage objective.

PRINCIPLES OF EFFECTIVE PERFORMANCE MEASUREMENT

Performance measures provide a means for organisations to assess their success in achieving their objectives. In NSW and in many cities, increased public transport patronage is a key objective. Effective performance measurement can provide useful input into the development of policy options for achieving objectives and the measurement of policy impact.

For a government purchasing commuter rail services from a rail service provider, whether the provider is a public or private organisation, there are three key reasons for measuring performance:

- to measure compliance with the government's contract-specified service requirements
- to measure progress against transport objectives
- to inform transport policy.

ITSRR compiled and analysed the performance indicators used by transport authorities in commuter rail procurement arrangements in Australia and overseas, and identified a set of key principles in developing effective performance measures. These principles are that performance indicators should:

- be focused on the government's transport objectives, that is, they should measure what the government is trying to achieve. Ideally there should be at least one indicator measuring the achievement of each objective
- cover all three areas of service quality¹⁰ (Hensher, Stopher & Bullock 2003): amenity, timetable and operational performance: Aspects of amenity include passenger comfort, provision of information, personal safety and security while aspects of the timetable include service adequacy and timetable design such as

service provider collects the farebox revenue and takes the risk on revenue fluctuations. The payment to the service provider is based on the estimated total cost of operations less the estimated farebox revenue.

¹⁰ The categorisation is a grouping of service quality aspects identified by Hensher, Stopher and Bullock.

service frequency, stopping patterns, and connectivity. Aspects of amenity and timetable are aspects which governments can influence, and are therefore policy levers. Operational performance or how closely services operate to the timetable (e.g. train punctuality) are aspects which governments cannot influence directly but are important to customers

- measure aspects of service quality that are important to customers as they provide the biggest impact for achieving policy objectives such as increased public transport use
- preferably measure outcomes as they provide insight into the effectiveness of transport policies. Input, process and output indicators are useful measures of operational management but not for informing transport policy. However, where outcomes are difficult to measure, output measures may be useful
- preferably include subjective and objective measures. Objective indicators are commonly sourced from operational data while subjective indicators measure customer sentiment. Subjective indicators complement objective indicators
- be compared with benchmarks such as past performance, minimum standards, targets, industry standards or with performance of similar organisations such as through benchmarking.

Examples of useful outcome indicators for informing and measuring effectiveness of transport objectives and policies include:

- patronage growth, modal shift
- measures of customer sentiment from customer surveys and analysis of customer complaints
- measures of customer experience such as queuing time for tickets and a measure of customer delay¹¹ (NSW Independent Transport Safety and Reliability Regulator 2004).

Examples of useful output indicators of monitoring the railway's performance against the government's contract specification include:

- compliance with service obligations, for example, minimum service levels and standards
- measures of operational performance such on-time running and service cancellations.

KEY FACTORS ENABLING EFFECTIVE PROCUREMENT ARRANGEMENTS

Apart from a formal arm's length contract, there are other important contributory factors for growing patronage, a key transport objective. The other important factors are as follows.

¹¹ A measure of customer delay measures punctuality from the customer's perspective and could be used to complement the train-based on-time running measure. ITSRR has developed a measure which quantifies the impact of service delays and disruptions on customers. The measure is the average delay for customers, being the difference between their actual and scheduled arrival times at their destinations. ITSRR's 2004 report details how a measure of customer delay could be developed.

High quality services

In all surveyed cities, the transport objective of increasing patronage is articulated not only in the contract but also through specific policies and strategies such as programs of service investments for encouraging customers to use public transport. Specific examples of investing in high quality services in the surveyed cities are:

- improvements in customer service (e.g. increased service frequency)
- improvements in passenger amenities (e.g. smartcard ticketing, real time information systems, closed circuit TV, lighting)
- new rolling stock
- new infrastructure (e.g. line extensions, station upgrades, precinct development, modal interchanges).

Transport integration

Having an integrated transport system is a key transport objective, and all surveyed cities have implemented transport integration to some extent. Typical features of transport integration are:

- a public transport network covering all modes with coordinated services, connections and infrastructure (e.g. interchanges)
- a single customer-facing agency for selling tickets, marketing public transport, providing information services and handling complaints (e.g. Metlink in Melbourne, ZVV in Zurich)
- single branding of all public transport services (e.g. Adelaide Metro in Adelaide, TransLink in South East Queensland)
- ticketing covering all transport modes (e.g. SmartRider in Perth).

Further support for the effectiveness of transport integration comes from a paper presented at the Thredbo 10 conference which attempted to quantify the key drivers of patronage growth in South East Queensland (Streeting & Barlow 2007). The study concluded that while it was difficult to draw a definitive conclusion on the magnitude of the transport integration effect, the benefits of integration did make a highly significant contribution to South East Queensland public transport growth in the two years ending June 2006.

One aspect of transport integration mentioned by interviewees was having a consistent approach to procurement across all modes of transport. This does not mean having the same contract for all modes, but having a common structure and monitoring approach for all contracts, with each contract reflecting the overall public transport objectives. Three interviewees commented that having a consistent approach across modes made it easier to manage contracts.

Transport policy coordination across government

In six of the eight surveyed cities, the transport authority is a division of a government department that serves transport as well as several related government portfolios such as roads, urban planning or infrastructure. This structure allows for clear articulation and coordination of transport policy across government portfolios. Three interviewees commented on the importance of a seamless interface between

transport planning and urban planning, and the development of joint road and public transport strategies.

The literature review and presentations at the 5th UITP World Congress identified policies on land use and transport planning, and policies discouraging private car use, as contributors to the achievement of transport objectives. Examples of such policies are land use regulation, public transport friendly taxation policies, road pricing, congestion charging, driving and parking restrictions.

Single transport authority

In all surveyed cities, there is a single transport authority in control of most relevant policy and procurement functions for all public transport modes including setting transport policy, transport planning, providing integrated transport systems and procuring services (including fare setting). The newly created NSW Transport and Infrastructure has been set up to be the lead public transport agency of the NSW Government for transport policy, planning and coordination functions, and to be the single point contact for the State government on transport and roads.

There were no explicit comments from interviewees on the value of having just one organisation in control of all the procurement functions. Nevertheless, having a single organisation would appear to be a pre-requisite for transport integration, which was viewed by many as an important factor in increasing patronage. In five surveyed cities, the single transport authority was set up to provide an integrated public transport system.

There were, however, comments from five surveyed operators on the expertise of transport authorities. These comments were in the context of changes in arrangements where authorities took over some of the functions at the tactical level traditionally undertaken by operators. The implication is that effective procurement arrangements rely on the transport authority having the competence, resources and capacity to determine, monitor and establish the arrangements, and to undertake their roles in policy and planning.

Collaborative relationships

All interviewees agreed that good collaborative professional relationships between the purchaser and the provider were critical for effective contracts.

The experience of the surveyed cities in the evolution of their contracts indicates that:

- contracts are more likely to be considered effective if the purchaser and the provider have a collaborative relationship
- better contracts evolve over time – it is unlikely that the parties will ‘get it right’ the first time so it is important for the parties involved to review contracts regularly.

For example, the ‘franchise and forget’ model initially implemented in two surveyed cities failed. Further development of the contracts in those cities has involved a more collaborative approach between purchaser and provider.

It is important to note that the purchaser should always take the lead role in contract development. The collaborative arrangement should be one where the transport authority specifies requirements and the operator works with the authority to determine how these requirements might be met (e.g. rolling stock availability, turn-around points, staff rostering and other factors may impose some constraints on what services can be delivered). The relationship should always be one where the transport authority, as purchaser, determines what services it wants to purchase. The relationship should not extend to collaboration on awarding of the contract.

SUMMARY AND CONCLUSIONS

This paper discusses key elements and principles for developing and implementing effective contracts and performance measurement, and other key factors for increasing public transport use. The paper draws from a synthesis of evidence that includes procurement theory, experience and expert views from Australia and overseas, and a literature review on success factors for growing public transport. The elements and principles are discussed in the context of commuter rail but are nevertheless more widely applicable across a range of industries.

The research found that whilst there are differences in transport governance arrangements and industry structure in other jurisdictions, there are strong similarities in what constitutes effective contracts and performance measurement, and effective ways of growing patronage. While the contents of contracts must be shaped by local circumstances, at the very least they should be designed to reinforce the transport objectives, specify the government's service and reporting requirements, and measure intended outcomes on aspects of importance to government and the community. The contract is just one of many factors which constitute best practice procurement arrangements. Other important factors include transport policy (e.g. transport modal integration, high quality services), governance (e.g. single transport authority, transport coordination across government), and contract management (e.g. collaborative relationship between the purchaser and provider).

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