

# Contracting: an international perspective

## APTA Rail Conference

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# Keolis in a few words

- Major public transportation group
- 52,000 employees, \$ 6B in annual revenue
- Ownership 70% SNCF, 30% Canadian pension fund
- Pure transportation player: O&M
- Managing integrated, multi-modal networks

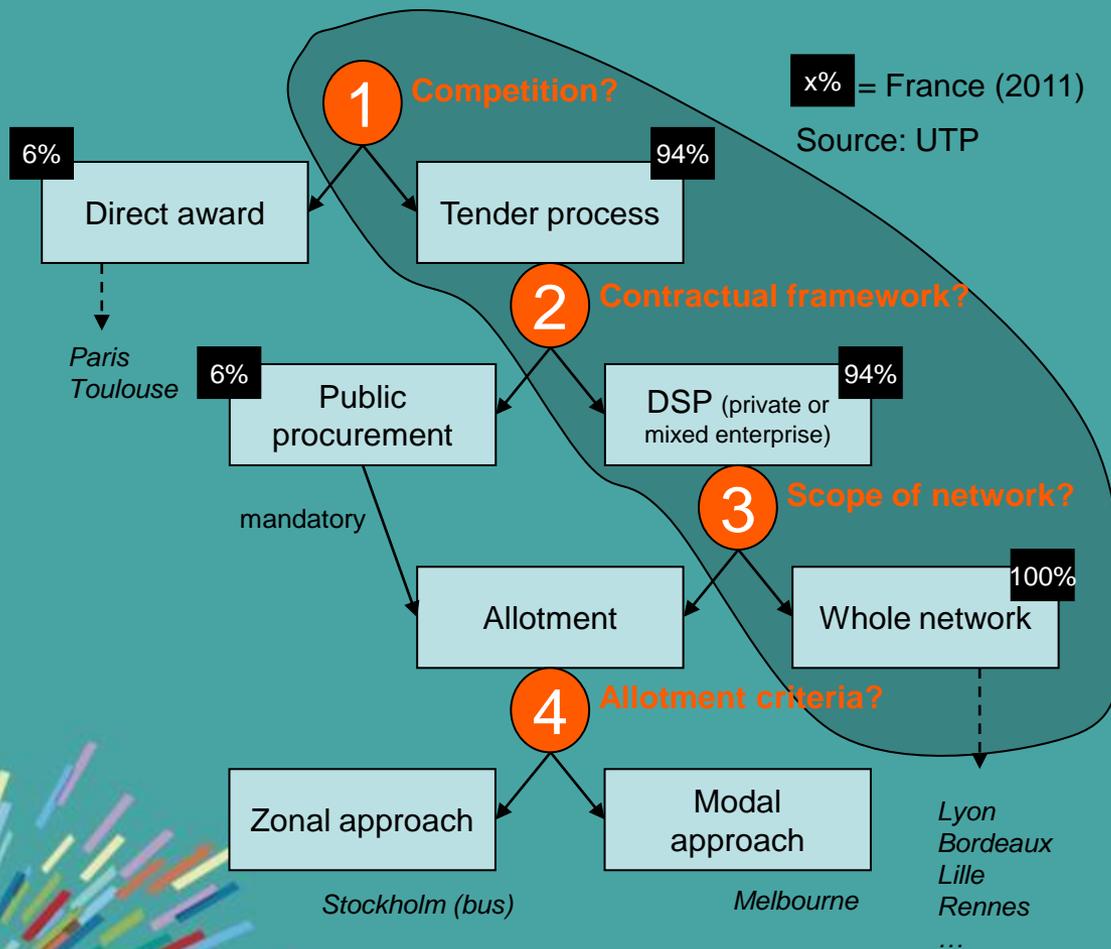
# Significant experience with national and international public transport authorities

- Operating in 13 countries
- 55% of revenue generated in France, 45% abroad
- Keolis France: market leader in urban transportation
- Keolis worldwide: regional and urban services
  - Trains in UK, Germany, USA (VRE)
  - Buses in Belgium, Canada, Sweden, Dk, USA (KTA)
  - Light Rail & metros in Australia, UK, Norway, France, India
- Managing diverse contracts in diverse regulatory environments

# The French system (urban transportation)

- In France, passenger rail transportation is operated by SNCF-French national railways. Opening to competition in 2019
- Most urban networks are contracted by a Public Transport Agency to a private operator. Only few cities have public sector operation
- The whole network is a single contract. No further competition once contract is awarded
- Sophisticated tendering mechanisms with incentives but also risks for operators

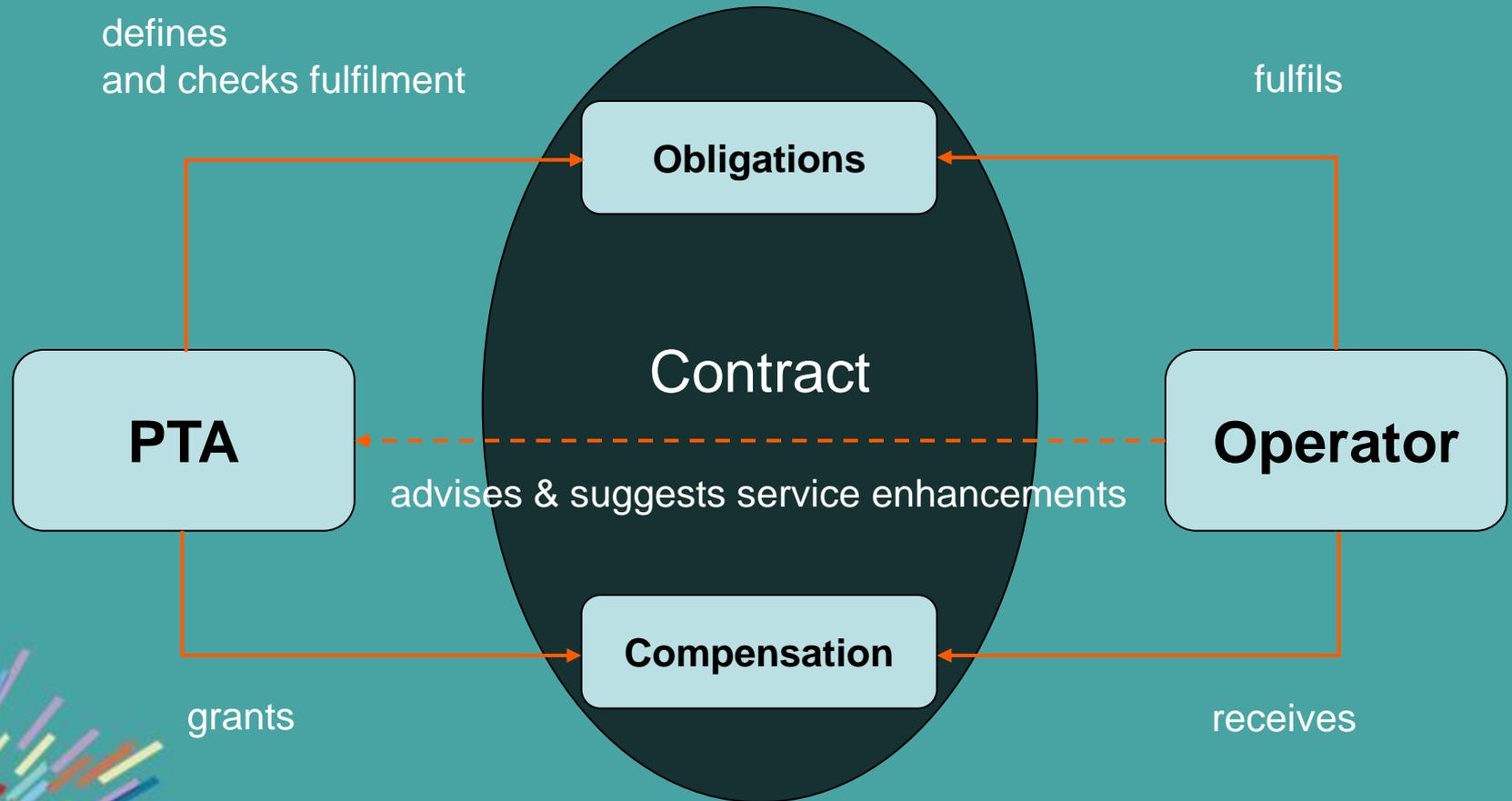
# Competition helps PTAs and operators work out value for money together



## High degree of competition

- Since 2005, around 30% of contracting agencies have changed contractors
- Some PTAs switch from in-house to external contractors and reversely (scarce)
- Average duration of contracts: 7 years
- Ca. 70% of contracts include incentive schemes

# Strong PTAs & strong contractors: each actor playing its part



# Roles and responsibilities

## PTA

- Defines needs for public transport services
- Owns all assets (infra, RS)
- Sets objectives on quality
- Sets fares
- Defines level of financial compensation
- Generally ensures investments
- Checks quality of service delivered
- Defines risks allocation & related contract

## CONTRACTOR

- Delivers services according to contract
- Manages staff and I.R.
- Manages customer relations and marketing
- Ensures maintenance of RS and assets
- Suggests service enhancements and subsequent contract changes (innovation)
- Is incentivized to grow customer satisfaction and ridership

# Relationships – O&M

- Operational cost risk lies entirely with the operator
- Revenue risk lies with the operator, but if the PTA does not apply the proposed fares, a compensation mechanism applies
- Operator receives reimbursement for reduced fares for some groups (students, seniors, disabled...)
- Operator takes fare evasion risk
- Maintenance cost risk is with operator in the short term, with PTA in longer term on upgrade, renewal

# Example: Lyon

- Six-year contract, total revenue \$ 2.3 B
- 50% operating cost coverage from fare revenue
- Fares US\$ 1.85 for 1 hour, US\$ 68.05 for a month
- Over 400M boardings p.a. in a city of 1.6M people
- 64% of this is now on segregated rail modes– up from 1% in 1977
- A very strong partnership where common focus is on growing market share of PT

# Example: Lille

- 7-year contract 2011-2018
- Total contract revenue: \$ 2.4 B (fixed lump sum)
- 1,1 M residents
- Fully integrated network with door-to-door services: P&R, on-demand transport, bike-sharing schemes (6,000 bikes & 210 stations) car-sharing, car-pooling
- Objectives: + 55% patronage increase between 2011 & 2017 – from 162 M trips p.a. to 242 M trips p.a.
- PTA commits to new infrastructure funding (doubling metro capacity, etc.)
- Revenue risk lies entirely with the operator

# Financing issues are an opportunity for a more mature relation

- A lack of resources forces both PTAs and operators to investigate the entire urban mobility scheme
  - Consistency of policies between modes?
  - Real level of public financial contribution?
  - Do all stakeholders benefiting from public transport services participate in their financing?
- PTAs' budgetary constraints invite operators to re-engineer their expertise and work in partnership.

# Lessons learned

- The best regulated urban transport market is generally achieved with a strong operator serving a strong agency, with both working in partnership
- Competitive process with comprehensive negotiations can ensure the best value for money: releasing a new RFP helps drive out inefficiencies and stimulates innovation
- Most valuable expertise of operators consists in adapting services to clients' needs : Think Like A Passenger
- Transport networks are all the more efficient as the political authority has a systemic vision beyond the sole transport issue







Merci beaucoup!

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