Strategy for competitive tendering of rail passenger traffic in Norway

Senior rail transport adviser Dagfinn Berge

Information and consultation meeting March 10th 2016
Contents

 Objectives, aims and requirements for the competitive tendering of rail passenger services in Norway

 Tender framework and opportunities

 The prequalification and tender processes
The objective of competitive tendering

«Through a process of competitive tendering, the Government wishes to enable train operators to compete on equal terms to deliver passenger train services to the public.

This will support the rail transport sector, where competition to deliver cost-efficient and good services will lead to more satisfied customers and better return on Government investments and efforts in the purchase of passenger train services.”
Requirements for the competitive tendering

• All domestic rail passenger services within Norway will be tendered.

• Safety and security standards in passenger transport must be at least as good as today.

• Punctuality and regularity standards must be at least as good as today.

• Seamless transfers between the different public transport modes should be at least as good as today.

• Regulations concerning Transfer of Undertakings will apply to all tenders.
Benefits from the competitive tendering

- More bidders for contracts will ensure a more transparent pricing and ensure that government pays the market price for rail passenger services.
- Improved offerings to customers through increased innovation and knowledge transfer between train operation companies
- Increase in customer satisfaction, punctuality, regularity, service and customer information
- Increase in demand due to improved offerings and increase in customer satisfaction
- Better cooperation between stakeholders within the public transport sector
Competitive tendering

- **Objective**
  - achieve a better customer experience at market price

- **Attractive rail services**
  - For customers
  - For bidders
  - For the government
  - For other stakeholders

- **Bidding for the market**
  - Minimum public service obligations defined by railway directorate
  - Operator responsible for revenue
  - Public subsidy
Fair competition

- **Structural changes**
  - All rolling stock will be transferred from NSB to a separate government owned rolling stock company
  - Joint system for sales and ticketing
  - Maintenance and real estate activities split from NSB

- **Equal access to key information and production factors**
  - Revenue, traffic and ticketing information
  - Rolling stock, infrastructure and production facilities
  - Employment information
Timetables

- The Invitation To Tender (ITT) will include a minimum service timetable. This will mainly be built on the level of the existing offering to customers:
  - Frequency/number of departures per day/hour, peak/off-peak traffic relevant to the service will be stated in ITT.
  - Slots into and out of Oslo will be predefined.

- The rail operator together will take part in the annual timetable process, led by the Infrastructure Manager. The competent authority will, if necessary, support the process.

- The current timetable process is described in the Network Statement.
Rolling stock

- The competent authority will define which rolling stock is to be used in the Invitation To Tender (ITT).
- The ITT will include the service and maintenance history for each rolling stock unit, as well as the maintenance program for the rolling stock fleet.
- Rolling stock lease agreements will be negotiated by the competent authority, and will be a part of the ITT.
- The train operator will have the opportunity to make alterations on the rolling stock, as defined in the ITT and lease agreements.
Rolling stock maintenance

- Train operators are legally responsible for the maintenance of the trains they operate. Thus it is envisioned that train operators are free to choose how the rolling stock is maintained, as long as it is according to rules and regulations.

- The train operator will be able to affect the maintenance programme according to agreements with the rolling stock owner.

- The train operator is responsible for securing rolling stock maintenance, either by in-house staff or through contract with third-party maintenance provider.

- The competent authority will make maintenance locations available, but the train operator may choose whether itself or a third-party maintenance provider leases the fixed assets.
More about the contracts

- Standardised contracts as far as possible
  - Changes notified in Invitation To Tender
- Net cost contracts, generally
  - Train operator will be responsible for marketing, sales and revenue
  - Gross cost contracts where net cost contracts are not suitable
- Contract duration
  - 8 – 10 years
  - Optional extension (for competent authority)
Appropriate risk allocation

• Risk to be allocated to the party that best can affect it
  • Revenue to operator
  • Inflation adjusted subsidy
  • Further details on economic risk allocation to be provided in the Invitation To Tender

• Train operators or their parent companies will be required to provide a performance bond

• Infrastructure availability
  • Tender offers to be assessed on reasonable assumptions about infrastructure availability and quality
  • A performance regime will be established to compensate for disruptions and incentives high levels of punctuality and regularity
Integration with the other public transport services

• Cooperation and through-ticketing agreements with regional public transport bodies will be carried forward to new operators.

• The competent authority will secure cooperation and through-ticketing agreements. These will be part of the Invitation To Tender, which the bids shall be based on.

• These agreements are the basis for the minimum integration offering that shall be maintained throughout the contract period for the rail tender.

• The train operators may choose to improve the integration offering as long as this does not impact the economic position of the passenger rail service contract.
Two invitations to tender in 2017

Rail Passenger Service tender 1: “South”
- **Sørlandsbanen line:** Stavanger - Oslo
- **Jærbanen line:** Stavanger - Egersund
- **Arendalsbanen line:** Arendal – Nelaug

Rail Passenger Service tender 2: “North”
- **Dovrebanen line:** Oslo – Trondheim
- **Raumabanen line:** Dombås - Åndalsnes
- **Rørosbanen line:** Hamar – Trondheim
- **Trønderbanen line:** Melhus – Steinkjer
- **Meråkerbanen line:** Trondheim – Storlien (S)
- **Nordlandsbanen line:** Trondheim – Bodø
- **Saltenpendelen line:** Bodø – Rognan

Both of these tenders are net cost contracts
The pre-qualification and tendering processes

- There will be established a general pre-qualification scheme, which will give access to all tenders within a set time frame.
- The pre-qualification and tendering processes will be carried out electronically via www.togkonkurranse.no
- Prequalified bidders are responsible for keeping the prequalification documentation up to date
- Each invitation to tender will be available to all bidders that are pre-qualified at the date of release, if they have expressed their interest.
- The pre-qualification and tendering processes will be in Norwegian
Principles for the pre-qualification scheme and the bidding processes

<table>
<thead>
<tr>
<th>Pre-qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Announcement of a general pre-qualification scheme</strong></td>
</tr>
<tr>
<td><strong>Pre-Qualification Process Document</strong></td>
</tr>
<tr>
<td><strong>Application for pre-qualification</strong></td>
</tr>
<tr>
<td><strong>Approved</strong></td>
</tr>
<tr>
<td><strong>Prequalified bidder for Traffic package 1, 2 and 3</strong></td>
</tr>
<tr>
<td><strong>Prequalified bidder for Traffic package 2 and 3</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tender 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Announcement of passenger rail service concession contract # 1</strong></td>
</tr>
<tr>
<td><strong>Min 12 mths</strong></td>
</tr>
<tr>
<td><strong>Invitation to tender to prequalified bidders</strong></td>
</tr>
<tr>
<td><strong>Offer</strong></td>
</tr>
<tr>
<td><strong>Contract Award</strong></td>
</tr>
<tr>
<td><strong>Min 12 mths</strong></td>
</tr>
<tr>
<td><strong>Start Operations</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tender 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Announcement of passenger rail service concession contract # 2</strong></td>
</tr>
<tr>
<td><strong>Min 12 mths</strong></td>
</tr>
<tr>
<td><strong>Invitation to tender to prequalified bidders</strong></td>
</tr>
<tr>
<td><strong>Offer</strong></td>
</tr>
<tr>
<td><strong>Contract Award</strong></td>
</tr>
<tr>
<td><strong>Min 12 mths</strong></td>
</tr>
<tr>
<td><strong>Start Operations</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tender 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Announcement of passenger rail service concession contract # 3</strong></td>
</tr>
<tr>
<td><strong>Min 12 mths</strong></td>
</tr>
<tr>
<td><strong>Invitation to tender to prequalified bidders</strong></td>
</tr>
<tr>
<td><strong>Offer</strong></td>
</tr>
<tr>
<td><strong>Contract Award</strong></td>
</tr>
</tbody>
</table>
Pre-qualification criteria

The purpose of the pre-qualification is to limit entry to genuine bidders. The process will be carried out electronically, but the requirements and time frame will also be published on Doffin/TED. To prequalify bidders must fulfill minimum criteria, such as:

- The bidder must have a **solid financial and economic position**.
- There must be a **corporately distinction** between activities protected from competition and other activities, to avoid cross-subsidization from rail services that are not exposed to competition.
- The bidder must be **authorized as train operating company** in Norway or be able to establish that it will be able to attain such an authorization with sufficient probability.
- The bidder must show that they have the **competence and capacity** to deliver rail passenger transport services.
- **Declaration from the owner(s)** behind the tender/application, if the bidder is a planned or newly established business.

Detailed and final requirements will be available at [www.togkonkurranse.no](http://www.togkonkurranse.no) from April 2016.
Additional information

• Current and historical information about the services and traffic in the tenders will be made available to prequalified bidders.

• The information will be made available at the earliest opportunity through www.togkonkurranse.no

• This information does not constitute a part of the ITT, but will be provided to enable prequalified bidders to learn about the markets in question.
The Invitation To Tender

The Invitation To Tender will be made available to all prequalified bidders at the date of release. The ITT and its attachments will contain:

- Description of the tender documents and the competition process
- Tender requirements
- Processing and assessment of the tenders
- Evaluation criteria
- Agreements that the selected service provider is obliged to use
- Agreements that the selected service provider has a right to use
- Information about the Transfer of Undertakings, including human resources
- Description of infrastructure, and development plans within the contract period
- Market and operations data
- Draft contract between competent authority and train operator
**Preleminary schedule**

<table>
<thead>
<tr>
<th>Prequalification</th>
<th><strong>Prequalification from April 2016</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rail Passenger Service tender 1:</strong> “Sør”</td>
<td></td>
</tr>
<tr>
<td>Prior Information Notice February 2016</td>
<td>Invitation To Tender February 2017</td>
</tr>
<tr>
<td><strong>Rail Passenger Service tender 2:</strong> “Nord”</td>
<td></td>
</tr>
<tr>
<td>Prior Information Notice February 2016</td>
<td>Invitation To Tender May 2017</td>
</tr>
</tbody>
</table>