Trafikförvaltningen
STOCKHOLMS LÄNS LANDSTING

Stockholm Public Transport

Iveta Sandström
Transport administration
Purchasing and Procurement Department

The Stockholm Region (County)

- 1 of 18 counties
- 26 municipalities
- 2 million people
- About 40,000 new inhabitants every year

Transport administration

Traffic Committee of Stockholm County council has responsibility for all public traffic and special traffic within county

- Traffic administration (PTA) has responsibility to manage and develop operation
- Traffic operates under tree brands

Stor Stockholms lokaltrafik

Waxholmsbolaget

Färdtjänsten

Spårvägsmuseet

Strategic framework for Transport administration

The Regional Development plan for Stockholm county (RUFS)
The Regional Traffic plan
Strategies
Guidlines

The Transport Administration plans, orders and monitors

- All transport services are provided by private transport operators and procured by the Transport Administration in competition
  - Subway, commuter train, light railway, tram buss and boat
- The Transport Administration's focus is on overall planning, ordering and monitoring of transport services, while transport companies are responsible for the detailed planning, deliveries and primary customer contacts

Short about our traffic

18 billion SEK
cost for traffic operations and maintenance

3 million boarding's/day
78%
satisfied customers

99 %
of traffic runs on renewable fuels

80%
market share in the morning rush hour

Short about our infrastructure

900 000 m^2 real estate

1 000 rolling stock

470 km tracks

270 stations and 30 depots

6,2 billion investments/ year

Vision

”An attractive, sustainable and growing Stockholm region with the freedom of citizens to shape their own lives and make critical decisions”

The Stockholm region's challenges

- The strain on public transport is increasing which leads to:
  - Greater need for investment and development
  - Increased costs
- A fundamental issue is that:
  - Public transport can be developed by at least the same rate as population growth
  - The whole transport system is planned so that public transports market share will increase

Stakeholders in collaboration

”Stockholmers”
Citizens and travelers, voters and tax payers

Municipalities

Stockholm County Council Assembly

Transport Administration

Company's
Vehicle, el, telecom

BUSINESS STRATEGY

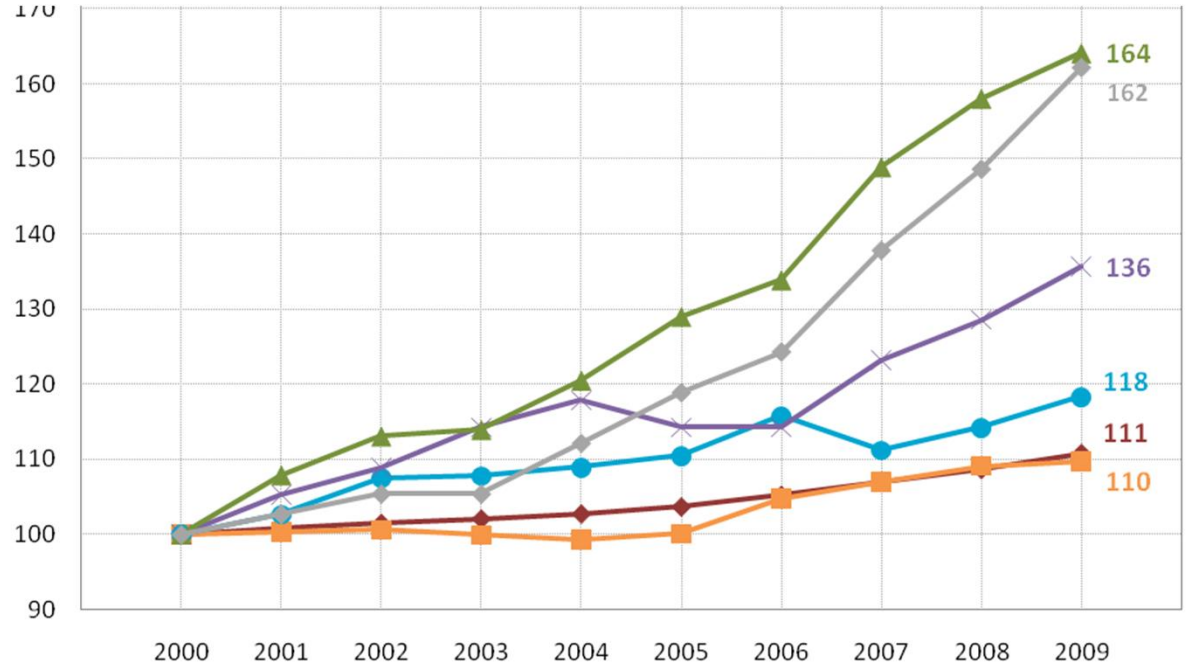
Trafikförvaltningen
STOCKHOLMS LÄNS LANDSTING

History - from inhousing to outsourcing

- 1993 – 2002
  - From "inhouse" to outsourcing
  - Main target – lower costs
    - Lowest price in tenders
  - Contracts based on production
  - Tendering effect -10% reduced cost

- Results of early procurements
  - Contracts where underpriced
  - Focus only on cost reduction
  - Poor quality
  - Did not align with all our targets
  - Lack of customer focus
  - Lack of revenue focus
  - Lack of systematic work and focus on
  - enhancing the system efficiency

History – lack of correlation between cost increase and # passengers



Total cost

SL employees

Customer satisfaction

Traffic supply

Population

No of Passengers

- Costs, SL employees but also customer satisfaction has increased during the period 2000-2009
- The number of passengers has not increased enough in relation to costs, percentagewise to population the mode share has not increased perceptibly

Our business strategy

Create and develop businesses to meet our goals

- Strong branding
- Increased revenues
- Business founded on an understanding of supplier perspective
- Payment model that create incentives for the supplier to meet our goals
- Life cycle perspective

Optimize responsibility and risk sharing to maximize value for money

- Increased responsibility to supplier
- Correct risk sharing (to the part that can manage the risk best)
- Keep control of strategically important assets
- Functional requirements
- Seek collaboration when potential to increase efficiency

Trafikförvaltningen
STOCKHOLMS LÄNS LANDSTING

Development of traffic operation contracts – our 25 year perspective

1991 — *2000* — *2011-today*

BUSINESS STRATEGY

	1st generation	2nd generation	3rd generation
CONTRACT LENGTH	Short 3 years	Longer 5 + 5 years	Long 10 (Bus) or 10+4 (Railway)
REMUNERATION/ PAYMENT MODEL	Production –kilometers, hours and vehicle LOW customer focus LOW revenue focus	Production with incentives on customer satisfaction MEDIUM incentive share (bonus) on customer perceived quality	Verified paid boarding's (VPB) or production HIGH incentive share passengers and revenue perceived quality
DEMANDS AND RISK SHARING	PTA vs.”The operator” Hard factors, specific technical demands	PTA vs.”The operator” More functional demands	”Proactive business partners” More responsibility and risk

What do we want to achieve?

Attractive journeys

- Satisfied customer
- High punctuality
- Reliable traffic

Efficient journeys with low impact on environment and health

- Increased mode share
- Sustainable and environmentally friendly

Accessible and coherent region

- Accessible for all
- Accessible region

"Economy in balance"

- Cost effectiveness
- Secure revenues

Free translation of our goal model

Bus contract business structure

CONTRACT INCLUDES

- TRAFFIC OPERATIONS OF AREA
- ANALYSIS, PLANNING AND LOCAL MARKETING
- BUSES OWNERSHIP /FINANCE
- BUS MAINTENANCE
- DEPOT MAINTENANCE
- BUS SHELTER MAINTENANCE

REMUNERATION /PAYMENT MODEL

=

” Operator is reimbursed based on how many customers board the bus with a valid ticket”

We call this VPB – Verified Paid Boardings

→

- Revenue and cost efficiency focus
- Customer focus

↓

- Attractive traffic solutions
- Increased ridership

Railway contract business structure

CONTRACT INCLUDES

- TRAFFIC OPERATIONS OF SYSTEM
- STATION MAINTENANCE
- VEHICLE MAINTENANCE
- DEPOT MAINTENANCE

EXCLUDES

- VECHICLE OWNERSHIP /FINANCE
- TRACK MAINTENANCE & SIGNAL SYSTEMS

REMUNERATION /PAYMENT MODEL

=

"Operator is reimbursed based on production (train complemented with vehicle km) as well as heavy incentives on percieved customer satisfaction"

→

- Cost efficiency focus
- Customer focus

↓

- Attractive traffic solutions
- Increased ridership

Contracting in large areas and/or systems with a "whole system" network approach

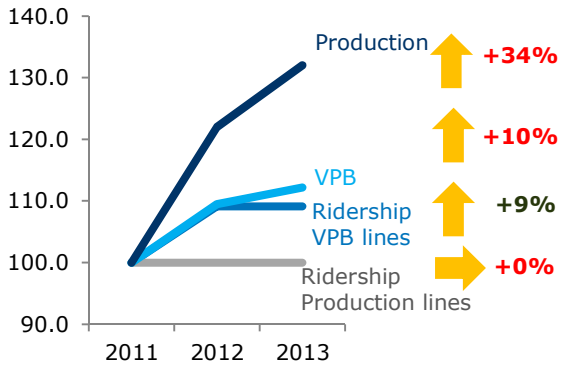
- Bus contracts are tendered in geographic areas, often one or several municipalities
  - Including lines within the area
  - In some cases another PTO line can "cross" within another PTO area
  - Depots are strategic infrastructure and important factor
  - *Economies of scale vs. competition (in tender and over time)*
- Rail contracts are tendered as a whole "system"
  - All connected lines/tracts within the "system" for example Metro, a light rail line
  - In one case connected in one contract with bus areas (E20) bus areas, light rail and tram
  - *Impact of infrastructure limitations and business risk*

Our network approach is to strive for large contracts (but retaining competition) with big responsibilities (and incentives) for the PTO. To create strong functional demands and drivers to collaborate, plan together from a "whole journey" approach in order to create a better service for the customer – "one ticket one journey"

Analysis of our ”oldest” bus contract displays positive results (from 2011)

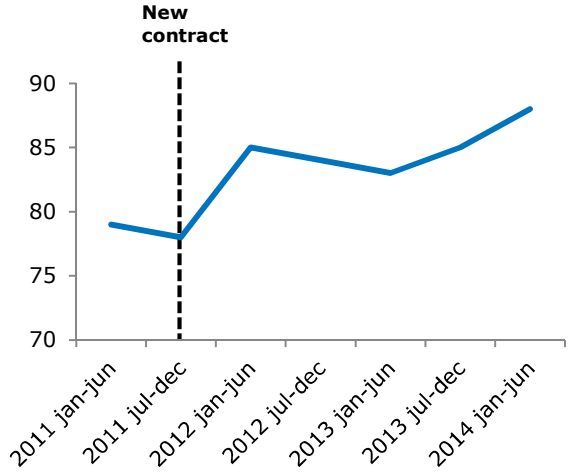
Increased cost efficiency

- Costs of production lines has increased with 34% but without increased ridership
  - *We have financed traffic services that do not generate new revenue*
- Costs of VPB lines has increased in line with the increased ridership



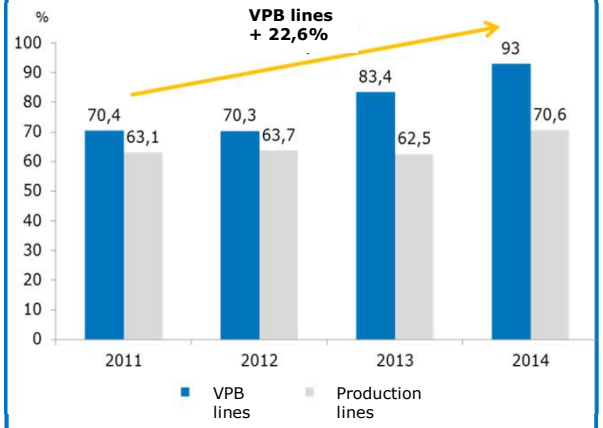
Increased customer focus

- Customer percieved quality has increased from 79% to 88% during the contract period



Increased revenue

- **#** of validated tickets has increased since the start of the new contracts, the increase is 22,6% on the VPB lines



Risks in VBP contracts

RISK	Mitigation
Low density lines with high social benefit are reduced	Limit the freedom to reduce traffic by requirements about minimum number of departures
Crowded vehicles	Requirements on maximum use of standing capacity in vehicles
Unnecessary changes for passengers	All suggested changes must be analyzed and approved by PTA
Lower level of direct control for PTA	Important for PTA to analyze the needs and to set the right requirements to avoid need for changes during the contract life time

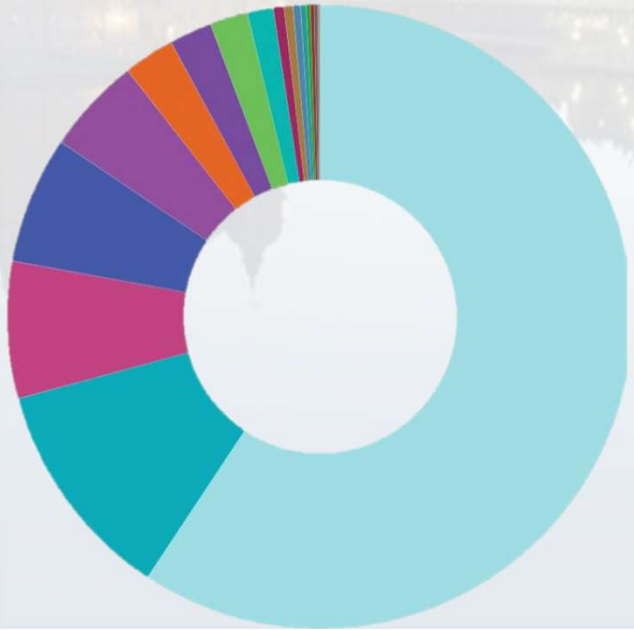
Conclusions along the way

- By steering with **functional demands, goals and larger economical incentives**, and at the same time give **freedom within boundries**, we can really release the market force and create more **customer value**
- … AND at the same time create more **economic efficiency**
- It is not easy! It is **a process** internally, and externally. Control mechanisms are necessary!
- It is important to work hard in **early stages**!
- **Dialogue**, as open as can be, with the market, municipalities, customers/organizations are vital!

PROCUREMENT

We are a big procurement authority

- Volume: ~21 billion SEK
- Number of suppliers : ~1780
- Number of procurements: ~70
- 59% of all category spendency is for Traffic services



Traffic operation contracts in ”active business development” 2011-2016

E20 (block 1) – Bus area & tram system
Tvärbana, Nockebybanan, Saltsjöbanan,
Bus area Bromma,
Solna/Sundbyberg, Bromma

E20 (block 2) – Bus area & tram/light rail system
Roslagsbanan, Bus area Norrort

E21 – Tram system
Spårväg City & Lindingöbanan

E29 – Boat (areas)
Stockholm archipelago

E26 – Special transport (several)

E22 – Bus area
Stockholm City and Lidingö

E28 – Bus area
Järfälla, Upplands-bro

E23 – Bus area
Tyresö, Haninge and Nynäshamn

E27 – Bus area
Södertälje and Nykvarn

E24 – Commuter train system (all lines)

Contract value about 8.5 billion €
total during the coming 10 years

Traffic procurement process

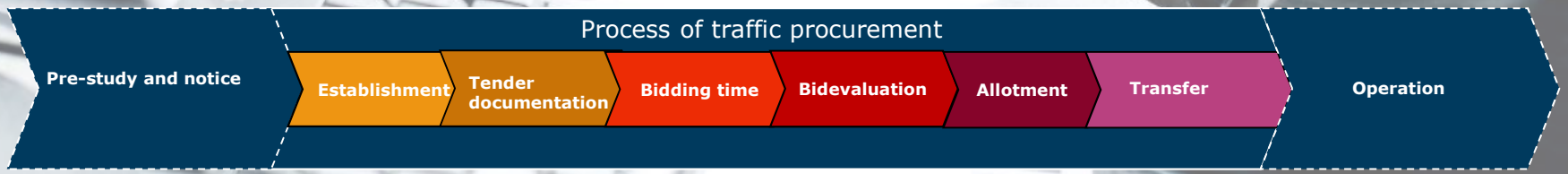
- A traffic procurement takes about 1,5 years
- A traffic contract runs approximately 10-15 years

Input
- Notice and PSO decision
- Experiences
- Pre-study

Procurement process

Output
- Contract
- Education
- Experiences

Part deliveries
- Procurement decision
- Qualifying decision
- Tender documents
- Contract decision



Dialogue with supplier market and bidders

- Strategic dialogue in-between renderings
- Pre-tendering dialogue
- Dialogue under tender process
- Follow up dialogue

Good quality on request for proposal → Good quality on bids → Business on good quality


Areas of responsibility PSO/PTA
Traffic production
Traffic management
Cooperation
Security and safety
Traffic planning
Customer service
Rapports
Revenue Assurance
Follow-up
Traffic information
Technical systems
Marketing & Brand
Contract phasing
Personnel and training
Maintenance of depots and stations
Handicap availability
Vandalism
Passenger environment
Operations and organisation
Social sustainability
Maintenance of vehicles
Environment & Energy

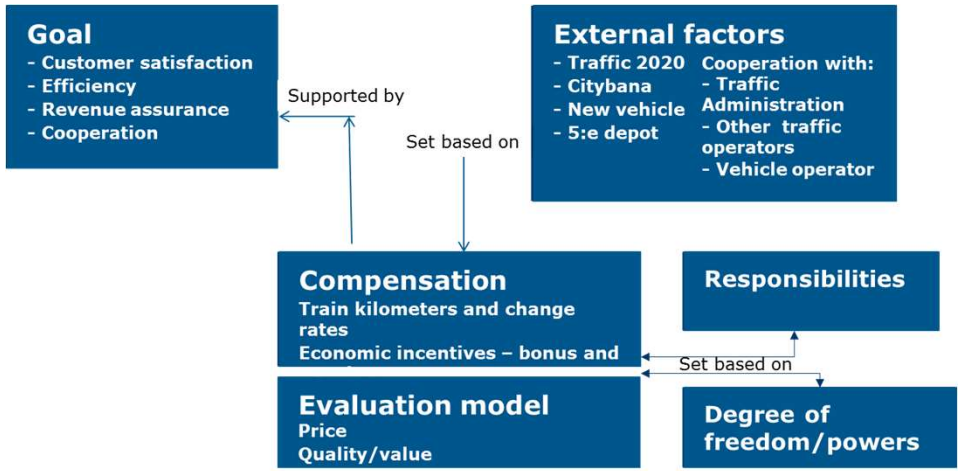
Special commitments

- The Transfer of staff
  - In accordance with Law on employment protection (national) shall the selected public service operator take over staff previously taken on to provide services
- Global Compact
  - The selected public service operator shall follow Global Compact rules and work in accordance with FN:s convention on the Rights of the Child
- Bank guarantee or guarantee from Parent company
  - The selected public service operator shall submit the bank guarantee or the guarantee from parent company for fulfillment of all commitments
- Collective agreements between social partners/labor conditions
  - Not decided yet. Rights to define a lowest level for salary, vacation and working hours

Bid evaluation model (1 of 2)

- Main principles
  - Evaluation of both tender price and quality of service
  - Selection of evaluation model (components/criteria) based on business model (usually connected to goal)
  - Markups on price for lack of quality (approximately 15% of sales of the year)

Evaluation model Commuter train procurement

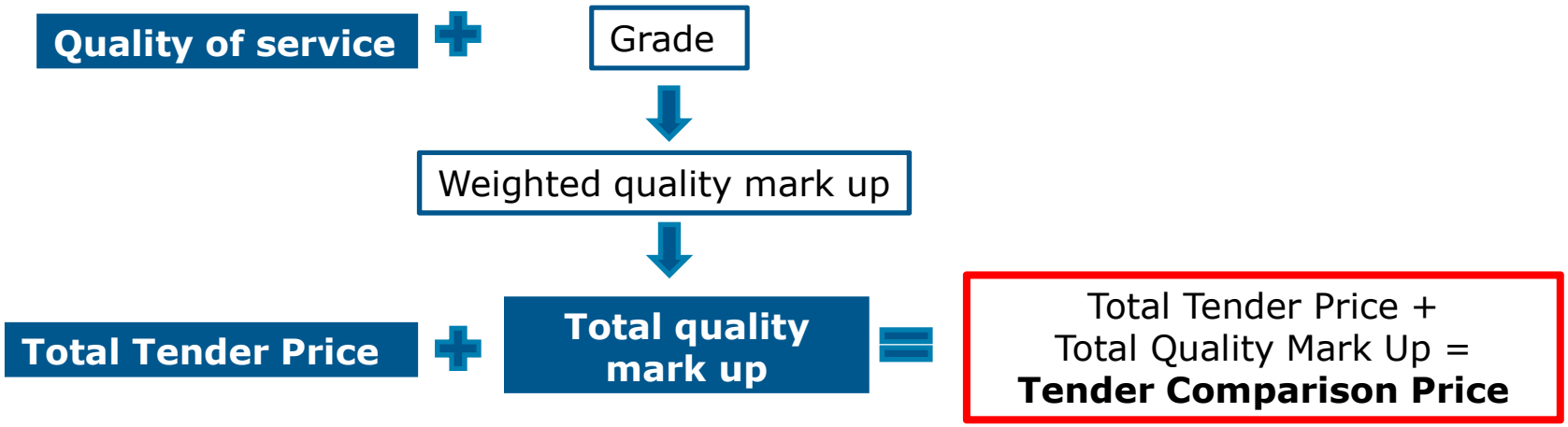


Total tender price	Quality of service
▪ Yearly price for specified level of production ▪ Prices for scheduled preventive maintenance ▪ Unit prices for production changes	Bidders solutions to meet targets: – Customer satisfaction (30%) – Costs and resource efficiency (30%) – Revenue assurance (30%) – Cooperation (10%)

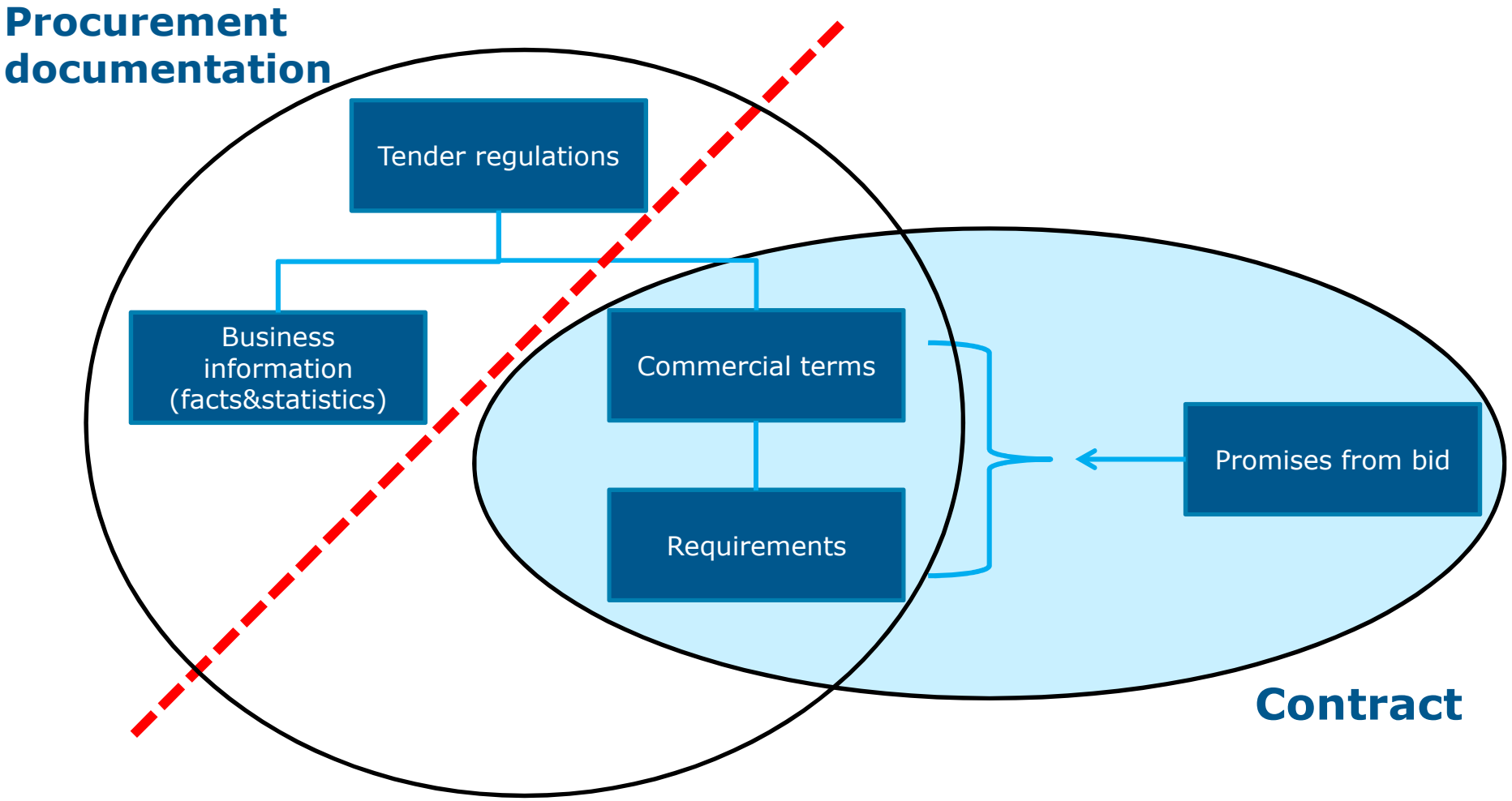
Rating	Quality mark up, MSEK
6 – Excellent	0
5 – Very good	65
4 – Good	200
3 – Satisfactory	400

Bid evaluation model (2 of 2)

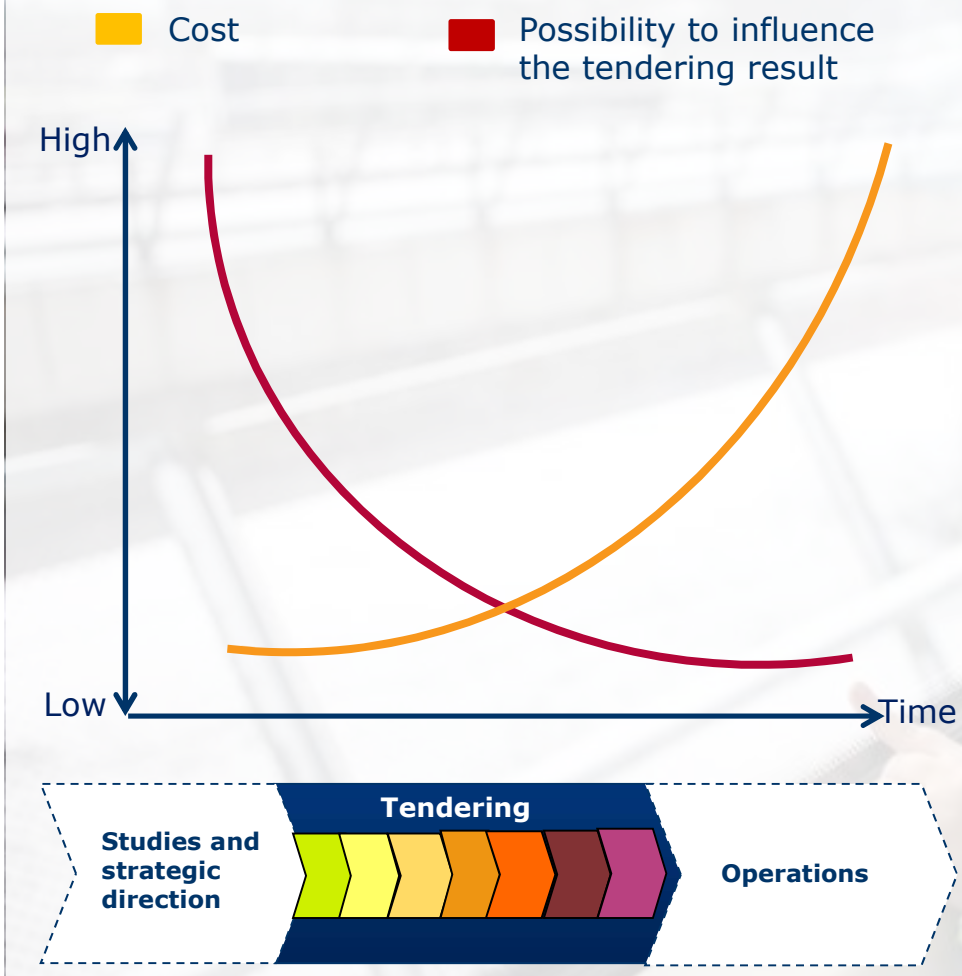
- Generation of Tender Comparison Price
  - The Total Quality Mark Up is added to the Total Tender Price resulting in a Tender Comparison Price
  - The tender with the lowest Tender Comparison Price is considered the financially most advantageous and will be awarded the contract



From Procurement Documentation to Contract



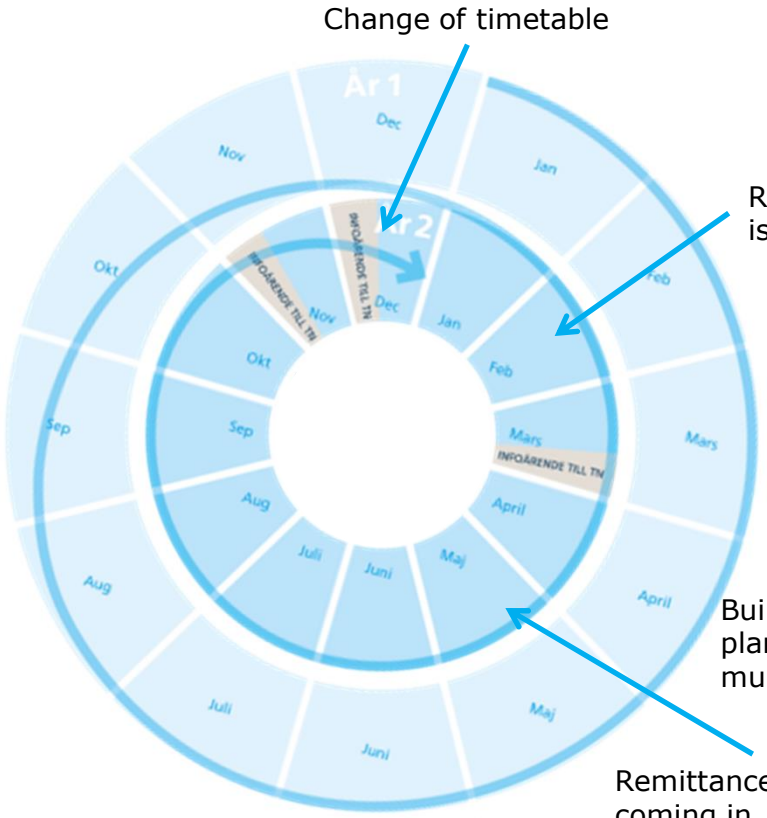
Put emphasis on the early stages

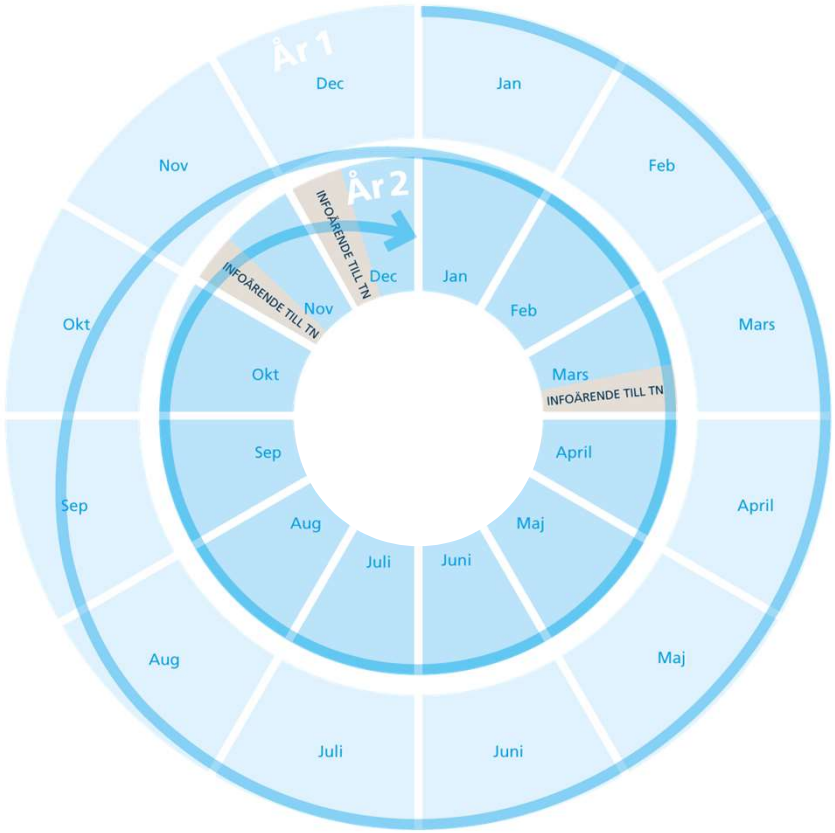


Procurement

TRAFFIC PLANNING

Traffic planning process





År 1

Våren

- TF genom SCB samlar in kommunala bebyggelseplaner

September

- Samhällsplanerare lämnar över information om bebyggelseplaner till busstratger (SU)
- Busstrateger lämnar över information om behov av förändrad trafik till TA bussplanerare

Oktober (för trafikstart ca 14 månader senare)

TA bussplanerare lämnar över information till TU

- Trafikförvaltningen förser trafikutövaren med information om kommunala bebyggelseplaner

Hösten

- Trafikutövaren /Trafikförvaltningen tar fram förslag på förändringar utifrån bl. a resandestatistik, kommunala bebyggelseplaner, strategier, synpunkter.

December

- Trafikutövaren skickar förslag på förändringar till Trafikförvaltningen

År 2

Februari

- Trafikförvaltningen skickar remiss med trafikförändringsförslag till kommuner och organisationer för tillgänglighet.

Maj

- Remissinstanserna lämnar remissvar till Trafikförvaltningen
- Trafikförvaltningen förser Trafikutövaren med remissvaren

Juli

- Trafikförvaltningen skickar offertförfrågan till Trafikutövaren

Augusti

- Trafikutövaren skickar offert till Trafikförvaltningen

September

- Trafikförvaltningen beställer trafiken

December

- Trafikstart för normaltidtabellen

Trafikförvaltningen
STOCKHOLMS LÄNS LANDSTING

2017-12-05

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Mats Ellman | Strategic Development |
Business Development

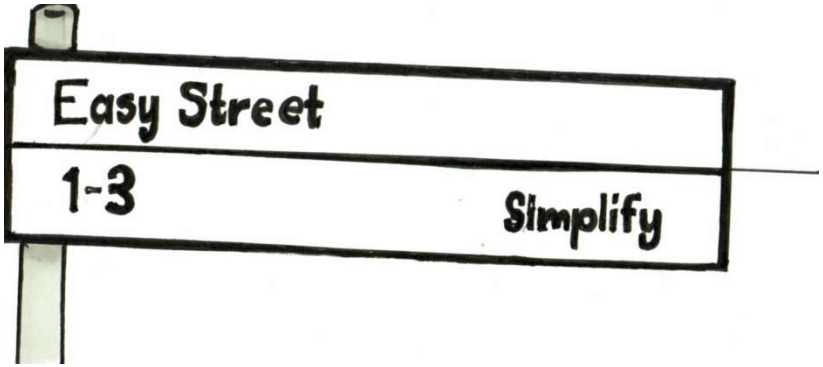
HOW TO DECIDE ON FIXED FARES, NEW TICKET CATEGORIES AND PRICES FOR SL-TRAVELERS?

(MATS ELLMAN | MARKET STRATEGIST | SALES
STOCKHOLM COUNTY COUNCIL | TRAFFIC DEPARTMENT)

VISION AND GOALS

A clear vision for the mission

- Vision
  - A ticket system that is characterized by simplicity and is easy to use



Clear goals of the mission

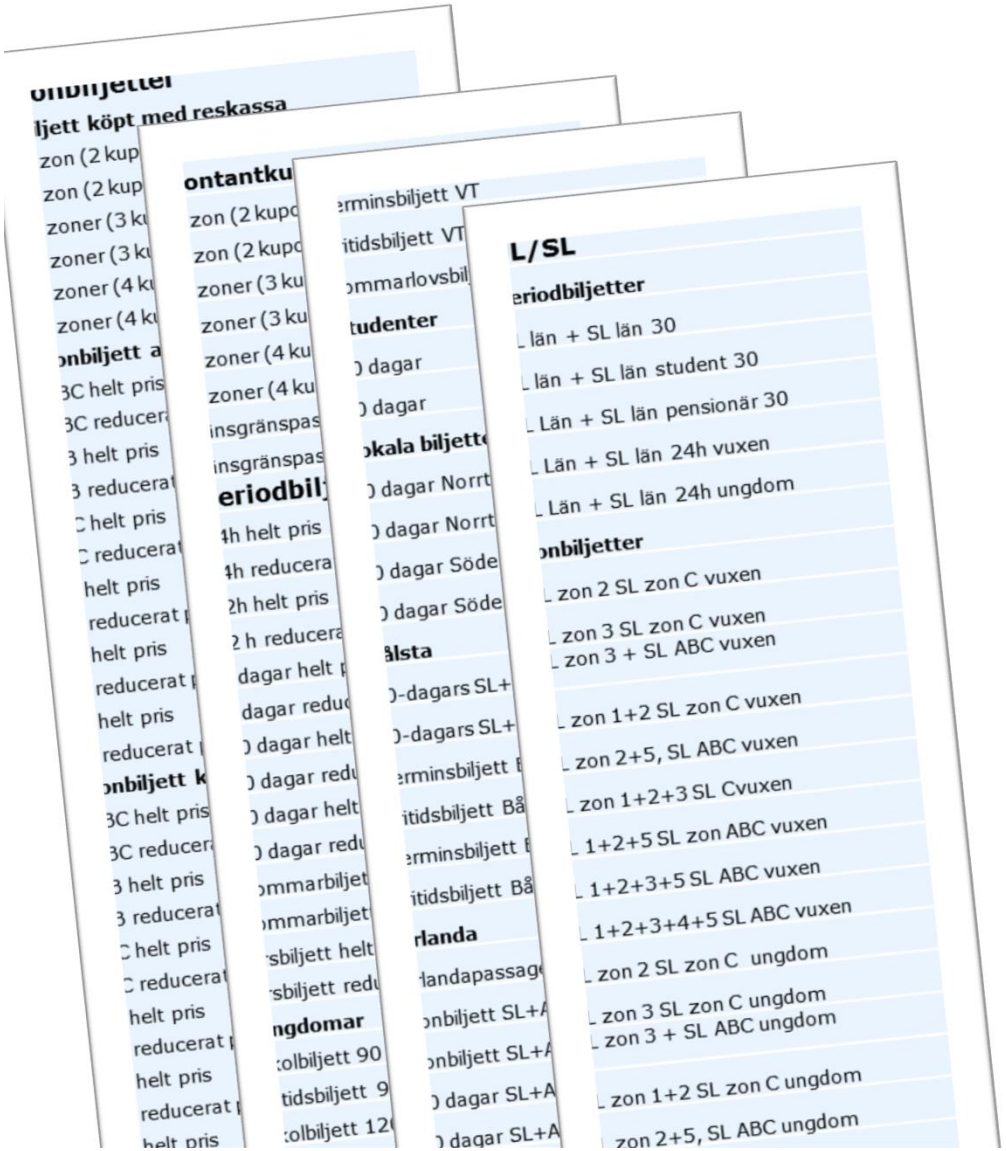
- The traveler should experience that it is easy to use public transport
- More people will choose to use public transport
- A balanced economy

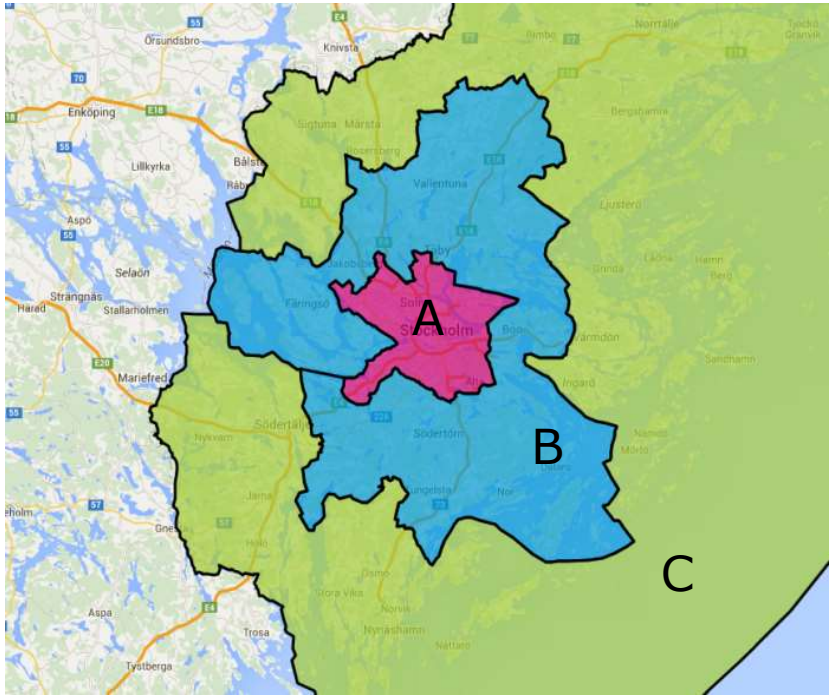
BACKGROUND, CHALLENGES AND KEY QUESTIONS

TODAY,
SIMPLICITY IS
MORE THAN A TREND,
IT IS A NECESSITY !

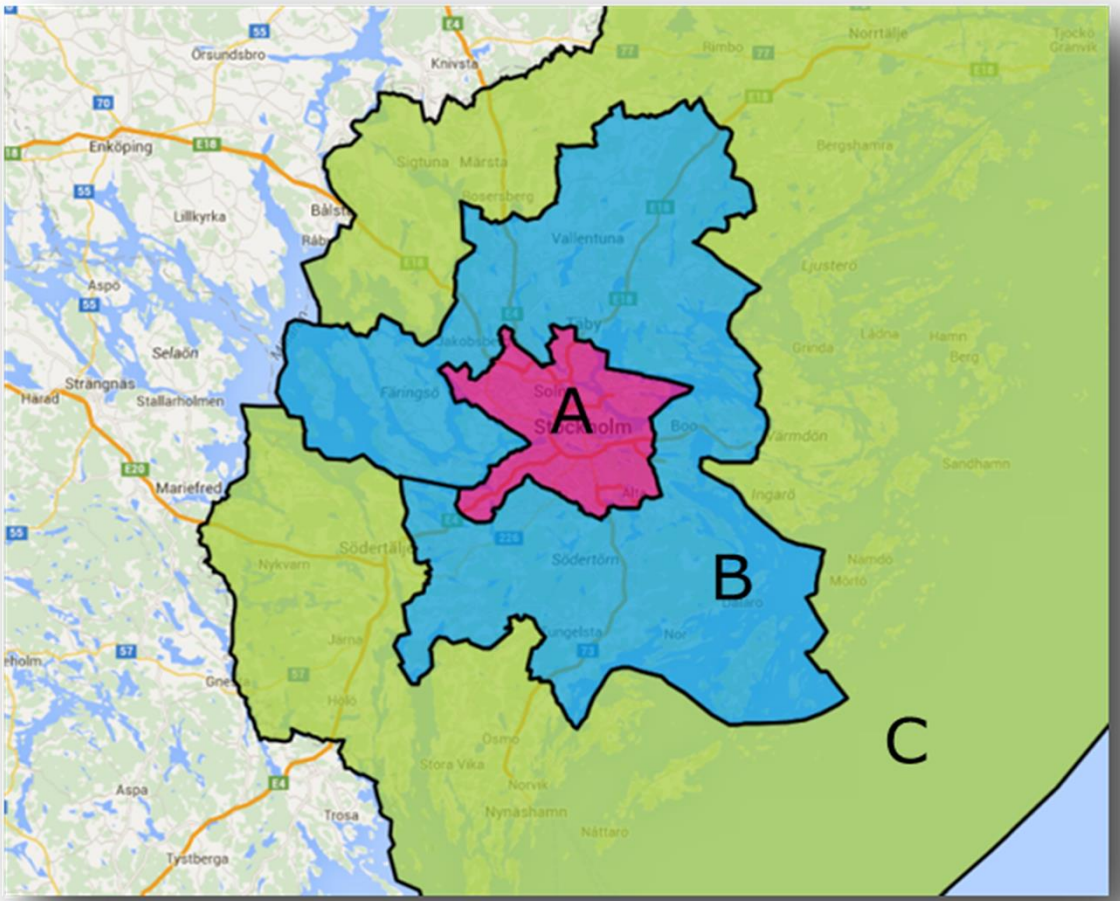
As we are redefining our priorities and seeking to enjoy only the best of our experiences, it is necessary to eliminate daily stress and compensate the complexity of our modern lifestyles.

100+ different tickets and 3 zones

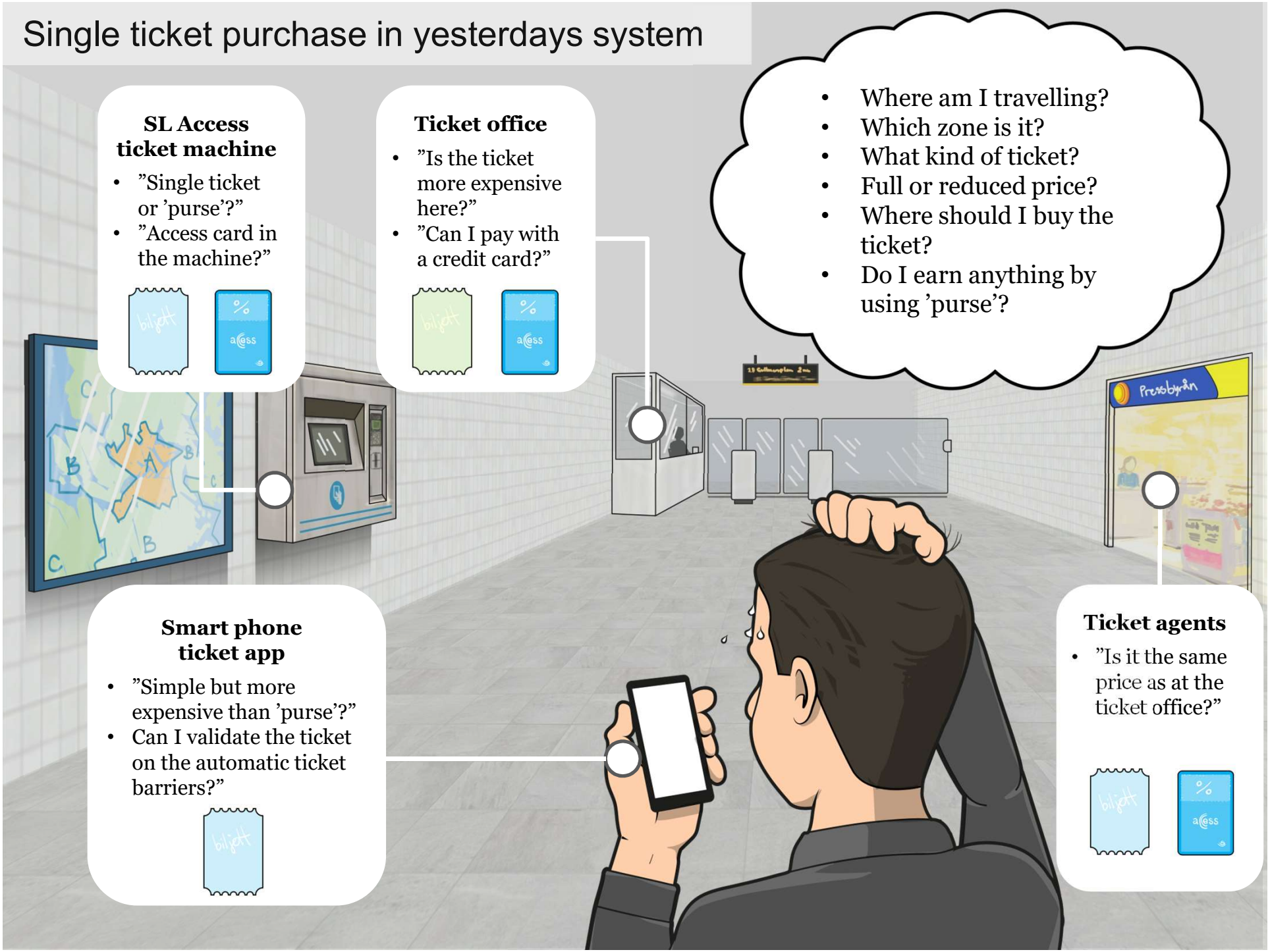




The ”challenge” for single ride tickets



Single ticket purchase in yesterdays system

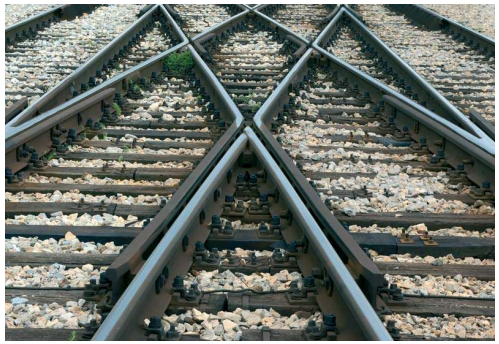


THE STUDY

Parliamentary study ->2015-2016
The scope

- Fare collection system
  - Zones or no zones?
  - Distance?
  - Time?
  - Traffic modes (two different today; sea vs land)
  - … as well as validation systems (open, check in, check in/check out)
- Price levels and effects
- Price logics, rebate structures etc.
- Ticket systems & Payment systems

Two main tracks in the scope



- What is possible to do?
  - Improve the current fare system
    - Flexible zones
    - Offer season tickets for different zones
    - Check-in / Check-out as a method for validation
    - Improved information and technical support
  - Adopt and inset a flat rate for single journey tickets

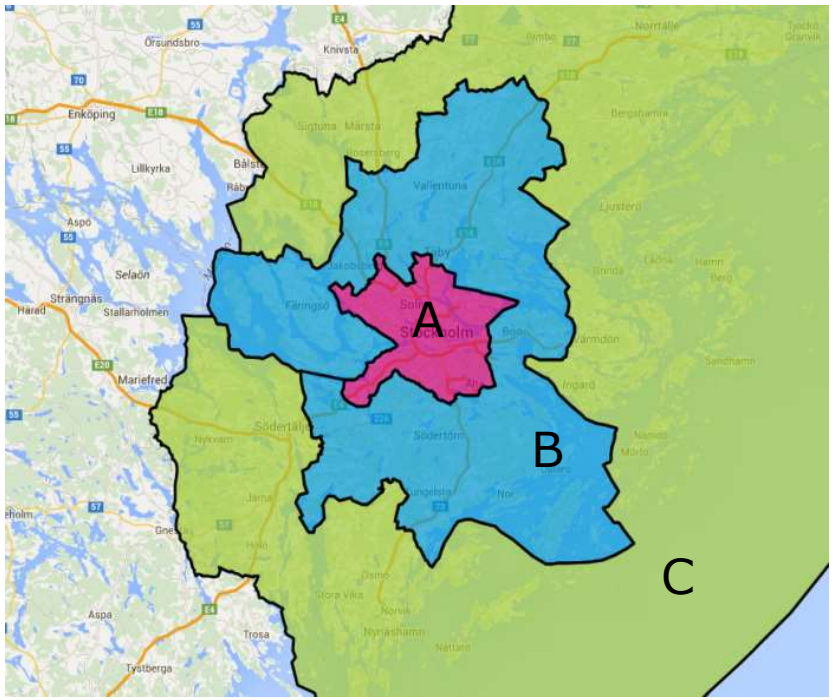
The results of our studies concluded that the introduction of a flat rate is that which has the greatest impact for the traveler

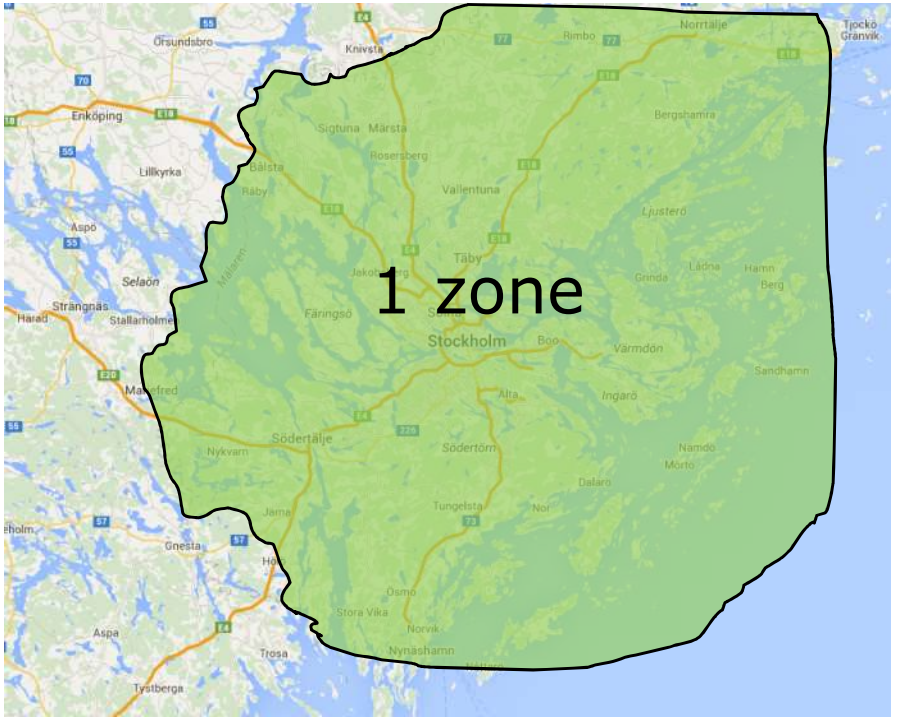
How did we do it?

- Asked the customer
- Investigated and asked other PTA's
- Calculating fares and risk
- Analyzed and presented the different alternatives
- Kept the politicians in the loop

THE RESULTS

The solution for all ticket types…





The customer perspective

”A simple journey”

Customer's choice of ticket - “Yesterday”

Customer's choice of ticket - Today!

Prices before and after introduction of one zone fare and price adjustments (examples)

Tickets paid with "reskassa" (travelpurse)		New price
1 zone	25,00 SEK	30,00 SEK
2 zone	32,50 SEK	
3 zone	50,00 SEK	

Tickets bought in the app, from a vendor or at vending machine		New price
1 zone	36,00 SEK	43,00 SEK
2 zone	54,00 SEK	
3 zone	72,00 SEK	

Approx. 2-3 SEK are the effects of a flat rate, additional adjustment of the price depends on the price increase

Prices before and after introduction of one zone fare and price adjustments (examples)

	2016	2017
Travel purse 1 zone	*Zone based rate*)*	*Flat rate*)*
Adult	25 SEK	30 SEK
Discounted	15 SEK	20 SEK
Single ride ticket 1 zone	*Zone based rate*	*Flat rate*)*
Adult	36 SEK	43 SEK
Discounted	20 SEK	29 SEK
Monthly pass 30 days.	*Flat rate*)*	*Flat rate*)*
Adult	790 SEK	830 SEK
Discounted	490 SEK	550 SEK

*) Same price applies regardless of the sales channel, except if ticket is bought from conductor

1. Ticket fare reductions for specific groups of society.

- *What is the system of fare reductions in Sweden like?*
  - *They are different in every county and commercial operators make their own rules that can be changed without further notice. In Stockholm County youths <20, adult students, elderly >65 years and people receiving pension are in title to reduced fares*
- *Which groups of society can use public transport for free or receive ticket price reduction?*
  - *No groups are in title to use public transport for free, except kids <7/12 years in company of some one who is paying for a ticket. Groups that are in title to special transport (elderly, disabled etc.) can use the public transport without extra cost.*
- *Do municipalities offer their own ticket price reductions in public transport or are the all fare reductions regulated from national government?*
  - *There are no nation government who decides about fares or the reductions, neither generally the municipalities as public transport are organized in counties witch typically consist of several municipalities*
- *How do public transport authorities count people using fare reductions and who compensates reduced prices to public transport operators?*
  - *The operators in Stockholm county receives the same compensation regardless who is travelling*
- *Which institutions are in charge for controlling the whole system?*
  - *The board of the county counsel, the transport administration and the government all depending of the matter/subject.*

2. Ticket revenue collection.

- *Do all revenue from public transport tickets is possesion of public transport authority or do they belong to public transport operators? If all revenue goes to PTA, what is the system like, how they are distributed to public transport operators?*
  - *In Stockholm the revenues belongs to the PTA. The operators receives compensation according to the contract.*
    - *A part of the contract could be based of the number of paying passenger as an incentive model.*

3. Ticketing system maintenance.

- *This question is about the maintenance costs of a given public transport ticketing system. How is it in Västtrafik? If one counts, how large is the share from every sold ticket, which goes to maintenance costs of the ticketing system?*
  - *In Stockholm it all depends trough which sales channel that have been used.*
    - *We monitor fixed and variable costs.*
      - *Fixed costs vary between 0,00%-2,50%*
      - Variable costs vary between 1,00%-15,30%
      - The majority of the tickets are sold at a cost of approx 3,00%

Vision

”An attractive, sustainable and growing Stockholm region with the freedom of citizens to shape their own lives and make critical decisions”


Thank you!
iveta.sandstrom@sll.se