

UNITAR Workshop
Plock September 3rd



Private Sector Participation in the Urban Transportation Management

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Transport Polska*



> *Veolia Transport: Profile*



Veolia Environnement 2007



2007 revenue: € 32.6 billion
319,502 employees
Operations in 62 countries



World leader
€10.9 billion

European leader
€6.9 billion

World leader
€9.2 billion

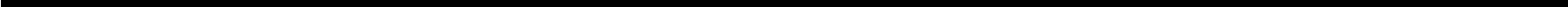
European leader
€5.6 billion

- **Part of Veolia Environnement**
- **Europe's leading private operator of public transportation**
 - > Urban public transit systems (buses, light rail, metros, taxicabs)
 - > Regional public transportation (coaches, trains, ferries)
 - > Mobility management services (mobility centers, ticketing...)
- **The partner of European industries for rail freight services and logistics**

Veolia Transport: Facts & Figures 2007

€5.6 billion revenue

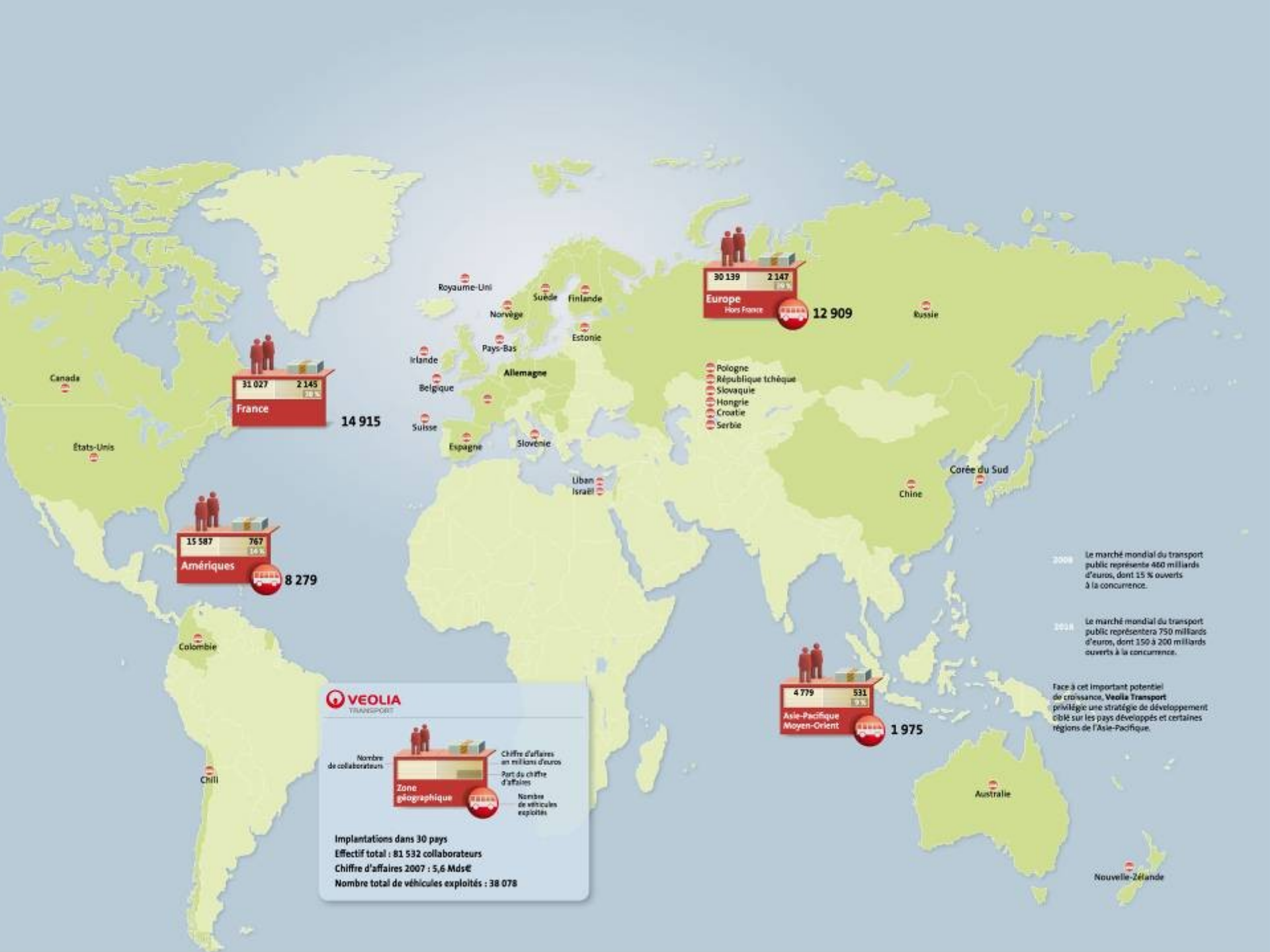
81,532 Employees



2.5 billion trips/year
5,000 public
authorities

30 countries





12 mobility solutions



Bus Rapid transit
268 km of routes
1.5 M trip/weekday



Coaches
9,450 vehicles worldwide



Trains
2,788 vehicles
315 M trip/year



Ferries
72 ferries
±10 M trip/year



Shuttle
± 1,500 vehicles
27 airports served in the US



Taxis
Operator and partner



Metros
535 vehicles
297 M trip/year



Light rail systems
13 systems operated
177 M trip/year



Bicycles
Self-service bicycles



On-Demand minibuses & paratransit vehicles
60 systems in France
33 systems in the US



Eurolines, International coach service
1,500 destinations in Europe



Buses
19,025 vehicles



> *Veolia Transport Polska*



Veolia Transport Polska 2007



Veolia Transport Polska	
Turnover million €	60
Employees	2,356
Fleet	
Buses	986



> *Urban Transportation management*




The delegated management model

➤ **The three options:**

- > **Direct management** by the public authority or through a publicly owned company ("in house" production)
 - > **Deregulation:** "market forces" to set the service
 - > **Delegated management:** regulated competition Delegated management: a trend supported by **European Institutions**
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Three options

- **Czech Republic: privatization + "Guaranteed Revenue Contract" (with risk on operating costs) for the operator**
 - **Slovenia: privatization + "Net Cost Contract" for the operator + km-subsidy**
 - **Poland: PPP companies + "Fixed subsidy" (full commercial risk) for the operator**
- ➔ **The trend: "delegated management" with competitive tendering**
- 



- **CSAD companies privatized**
- **Lines to be owned by the operator (concession)**
- **Operating contracts line by line with municipalities or regions with subsidies negotiated on a yearly basis**
- **Maintenance sub-contracted**
- **Municipal companies in the main cities: Prague, Brno, Ostrava, etc.**
- **Similar approach in Slovakia**



- **Acquisition of urban and regional companies (Maribor, Koper) after MBO**
 - ➔ **Privatization**

- **Urban transportation: contract with the municipality for a limited duration**

- **Regional transportation: concession with exclusive rights**
 - > State subsidy based on km
 - > Revenue risk for the operator

- **Next step: tendering services with regulated competition**



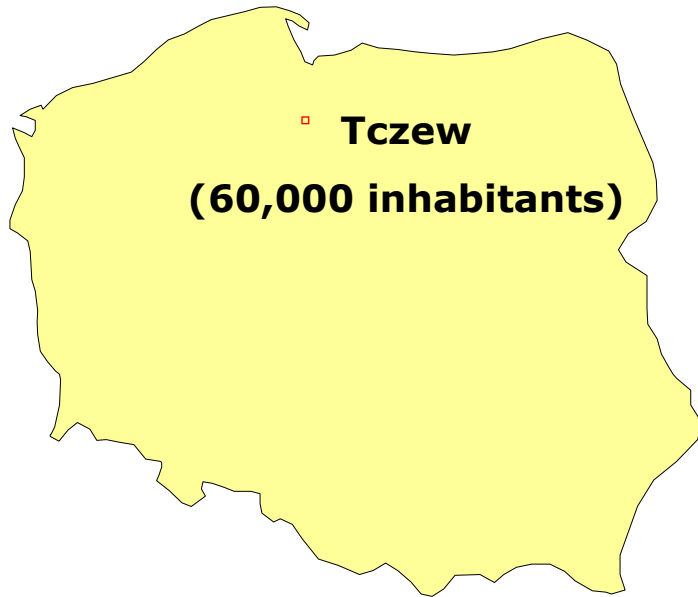
- **In a first step public-private partnership for ZKM**
 - > Private operator: 51 %
 - > Public authority: 49 %
- **Social agreements to secure employment, wages and working conditions**
- **Private company to invest in new rolling stock**
- **Commercial risk taken by the operator**
➔ **Compensation / with fixed public subsidy**
- **Main cities: "Scandinavian model" vs. "French model"?**
- **Middle-sized cities: privatization (Tczew)**



The "Tczew Model" of urban transportation



ZKM Veolia Transport Tczew




- 14 M passengers/year
- 2.9 M kilometers/year
- 14 lines
- 40 urban buses
- 126 employees (in which 92 drivers)



Key of the privatization's success: the "contractual system"

> 3 main contracts:

- > Operator – Unions: "social package"
 - > Investor – City: shareholders agreement
 - > Operator – City: urban services contract
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1st Step: choosing the investor

- **August 1999: launch of the "qualification" procedure**
- **October 1999: Connex Polska signs a social agreement with ZKM Tczew Unions.**

The agreement secures:

- > a 2 years employment warranty
 - > a level of wages
- 

2nd step: ZKM as a City-owned company and the urban services contract

- **June 2000: ZKM transformed into a share capital company owned by the City of Tczew (ZKM Sp z o.o.)**
 - **December 2000: ZKM Sp. z o.o. signs with the City a 8 years urban services contract**
 - **The contract sets:**
 - > the range of the transportation services
 - > the rolling stock needed to fulfill the contract
 - > the level of the subsidy (compensation for low fare tickets)
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3rd step: Shareholders agreement

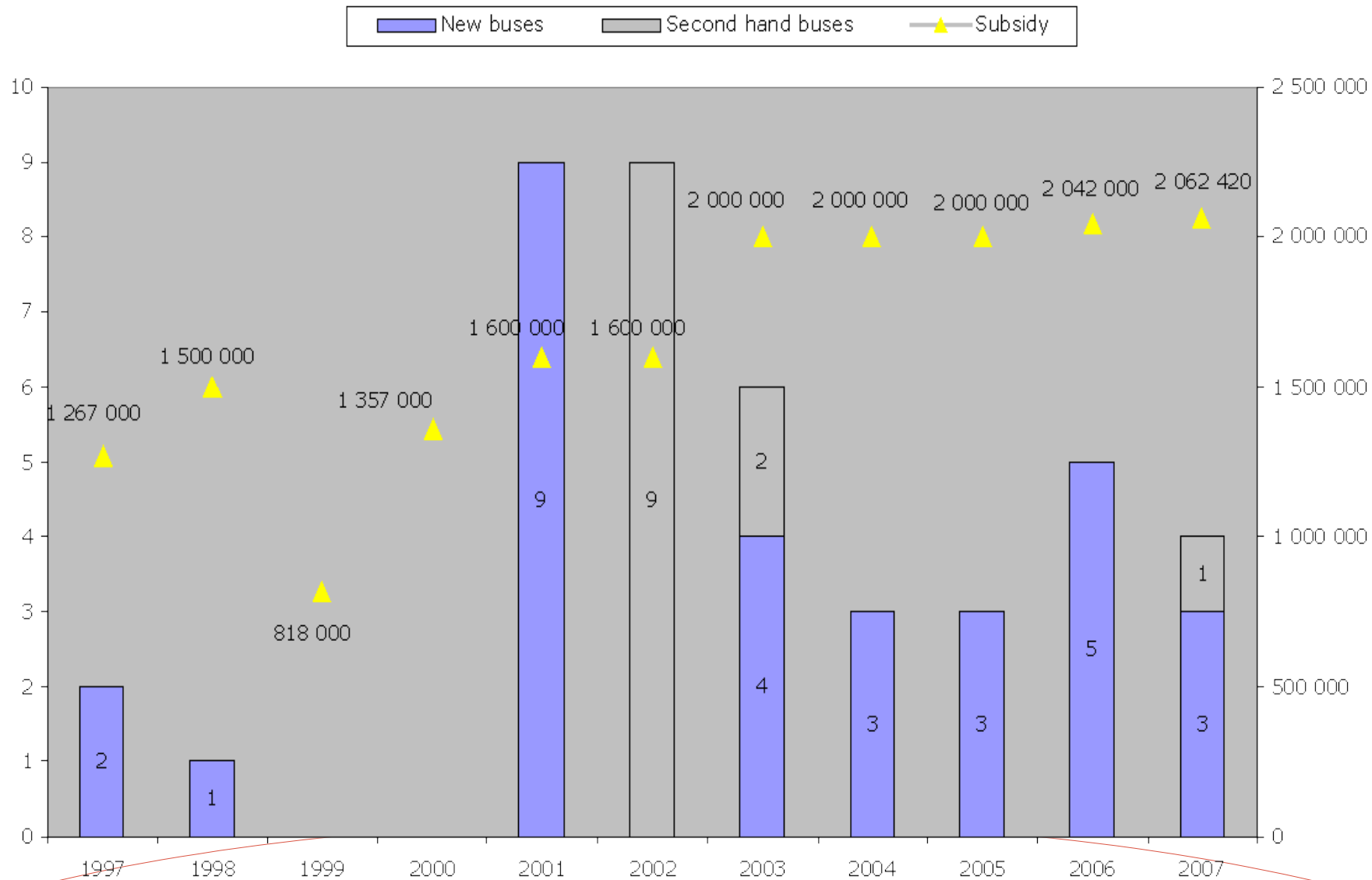
- **March 2001: signature of Shareholders agreement**

 - **The Shareholder's Agreement fixes among others:**
 - > rules of entering into Company by Investor Connex Polska
 - > partnership rules between City of Tczew and Investor – sharing the power in Company
 - > Investor's Investments Commitments (7 years investment plan) and securing of the commitments (system of penalties). Investor has committed to lower the average age of the rolling stock to a level of 8 years after the 3rd year of the contract
 - > rules regarding the tickets prices valorization
 - > rules regarding controlling by the City realization of commitments
- 

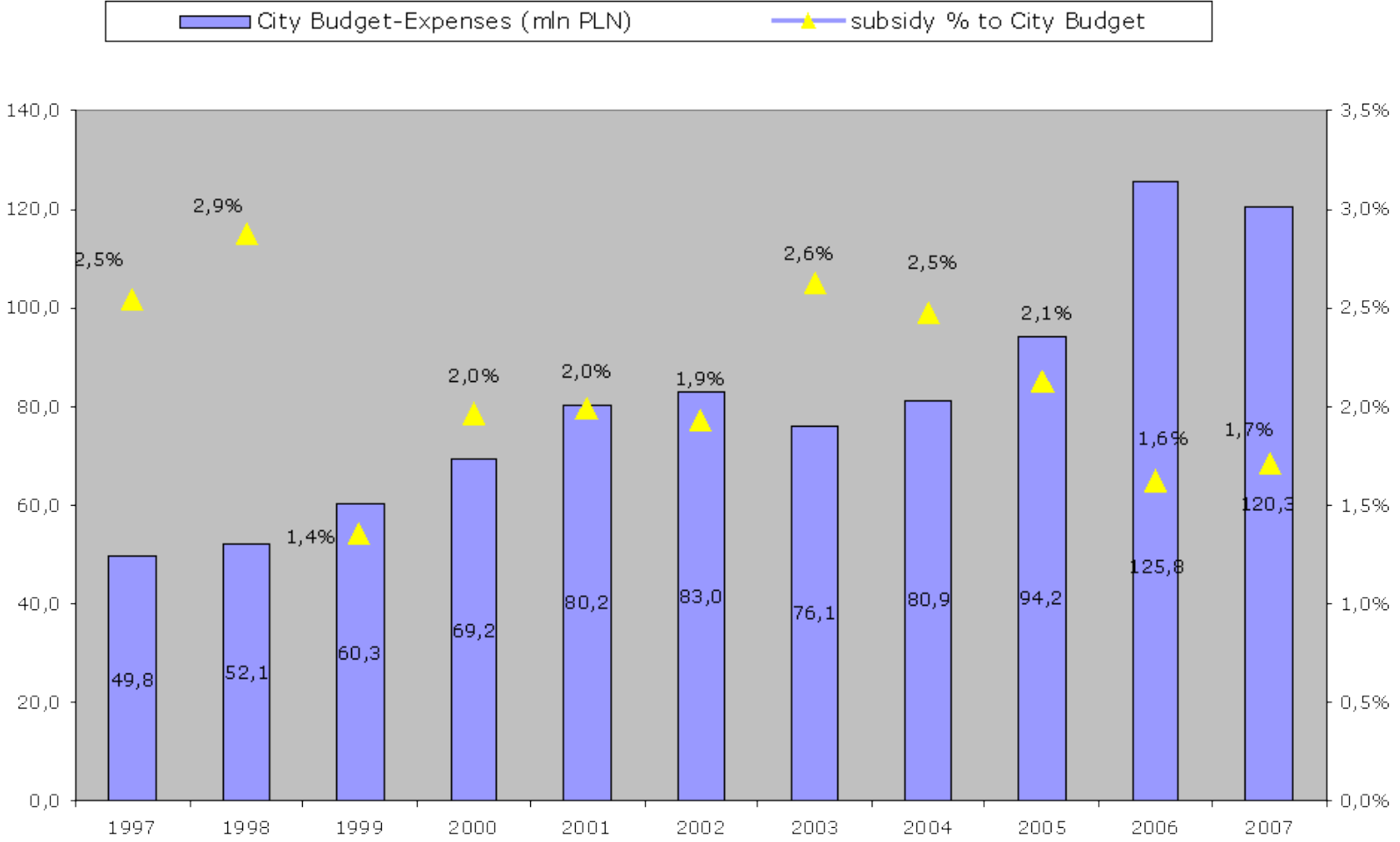
Company capital structure

- **July 2001: Connex Polska increases the share capital of the Company (cash) and takes over 51 % of the shares**
- **December 2001: 2nd increase of the the share capital and take over 61 % of the shares by Connex Polska**
- **March 2003: the City of Tczew gives free of charge 15 % of its shares to the employees (in accordance with polish Privatisation Law)**
- **July 2004: the City of Tczew sales back the rest of its shares according to the rules fixed in the shareholders agreement**
- **October 2003: Connex Polska buys back the employees shares**

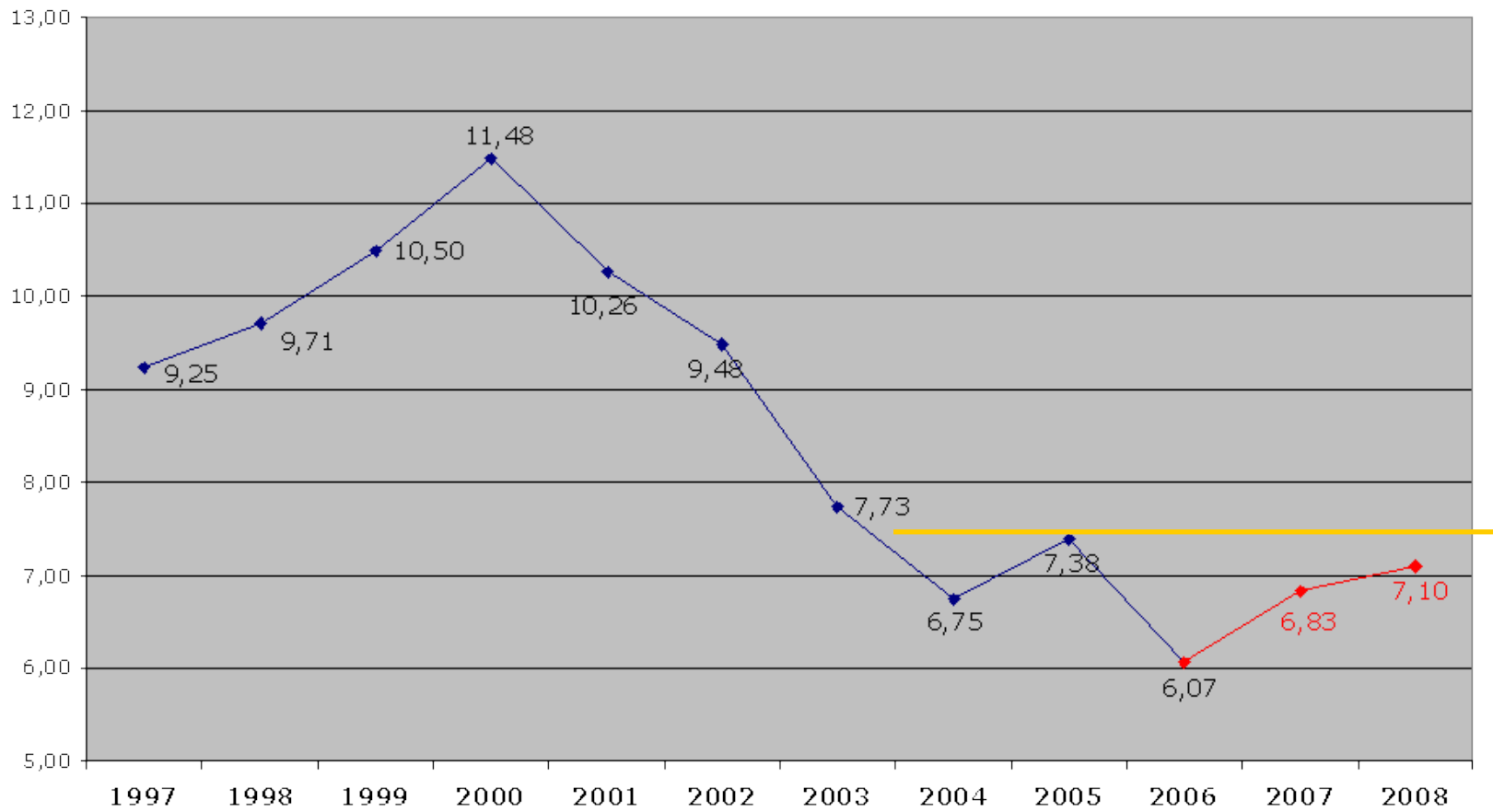
Bus and purchase subsidy




Urban Transportation cost - City of Tczew Budget



Average fleet age

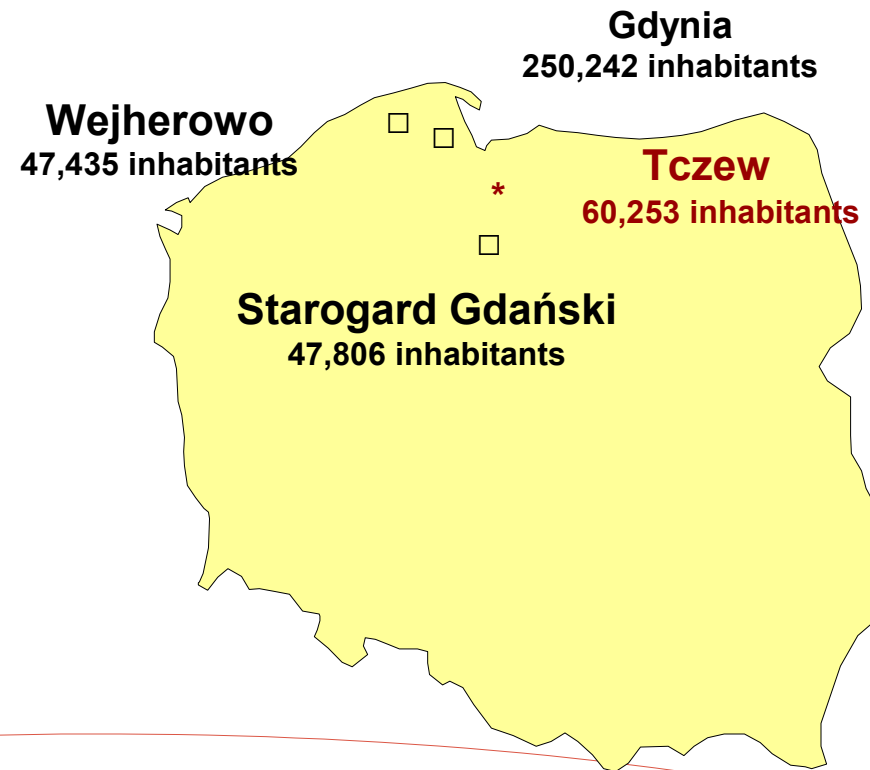


"Tczew Model" of urban transportation

- **100 % private - owned company**
 - **Being a part of an international Group**
 - **Executing urban transport services for local authority order**
 - **System of contracts securing full control of the City over:**
 - > transportation offer and service quality,
 - > entitlements to low fare and free of charge tickets,
 - > subsidies level,
 - > ticket price level,
 - > realization of high investment package.
- 

> Economic aspects in comparison with

- > Gdynia,
- > Wejherowo
- > Starogard Gdański



Comparison with "Scandinavian Model" (Gdynia)

Gdynia – City budget 2006

Total expenses	721 037 594
Total Expenses ZKM Gdynia	101 685 680
Total Incomes ZKM Gdynia	64 894 458
Difference	36 791 222

**Urban Transportation Cost
(% total budget expenses) 5.10%**

Tczew – City budget 2006

Total expenses	113 824 795
Urban Transportation-subsidy	2 042 000
Incomes	0

**Urban Transportation Cost
(% total budget expenses) 1.79%**

Source : *Biuletyn Informacji Państwowej - Urząd Miasta Gdynia*
bip.miasto.gdynia.pl


Source : *Biuletyn Informacji Państwowej - Urząd Miasta Tczew*
www.bip.bazagmin.pl/tczew

ZKM Gdynia = Zarząd Transportu Miejskiego = PTA of the City of Gdynia


Comparison with Wejherowo and Starogard Gdański

	<u>Wejherowo</u>	<u>Starogard Gdański</u>	<u>Tczew</u>
Legal structure	MZK Sp. z o.o. (100 % City owned Company)	MZK (City controlled company)	ZKM VT Tczew Sp. z o.o. (100 % private)
Number of buses	27	34	40
Single ticket price (PLN)	2.00	1.60	1.90
Total City Budget Expenses (PLN)	77,172,268	104,378,439	130,388,597
Urban Transportation Subsidy (PLN)	2,582,182	2,546,000	2,042,000
Urban Transport Cost (% of Total Expenses)	3.70%	2.44%	1.57%

ZKM VT Tczew - cons of the model

- **Long privatization procedure**
 - **High commercial risk for the Investor**
 - **Tight negotiations procedures**
 - **Risk of overcapitalization of the Company**
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ZKM VT Tczew - pros of the model

- > **100 % responsibility for the urban transport given to the Operator, with full control secured for the City on the transportation offer and the level of ticket prices (importance of the contractual system)**
 - > **very high investment plan (more than 65% of the rolling stock renewed after 3 years, 90 % in the 5th year)**
 - > **8-years contract allows optimization of operation and implementation of long term service quality improvements plans**
 - > **optimized and foreseeable cost of transportation for the City**
 - > **commercial risk on Operator side inclines to constant effort for improvement of the service quality**
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THANK YOU !



www.veolia-transport.com