

Abstract

Bus line services : cost price and contract award to operators

The Flemish Parliament requested the Court to examine the Flemish public transport company VVM-De Lijn's method of cost price calculation. The Court has also checked whether VVM was using this cost price method to compare between each other the prices of the contracts concluded with operators at the end of 2002. In the last few years VVM has made headway in working out a usable system to calculate cost prices notwithstanding a few remaining shortcomings. However, this system came a bit too late to play a significant part when it went to renew the lease contracts tendered in September 2002. The renewal process went off smoothly, but the resulting cost price was 8% above estimate. Also of note is a certain amalgamation of market players.

Audit

Since 1997 the Flemish Parliament had requested a comparison audit of the cost price of the bus services under VVM's direct management and the cost price for subcontracted line services. Such a comparison could only be achieved if VVM had first introduced adequate double-entry accounting and computer information systems and worked out a calculation cost method. In 2003 VVM finally developed a usable system, which the Flemish Parliament wanted the Court of Audit to examine.

Problems of infancy

The Court of Audit has ascertained that the new information systems provide the basic information needed for an adequate cost price calculation as well as detailed information regarding the distances covered in kilometres, the number of kilometres on a per route basis, the average hourly wages, the fuel consumption, the maintenance and repair time, etc. However, some problems remain. Sometimes the calculation is not uniform and up-to-date guidelines are not available for certain system components. The method focuses mainly on comparing cost prices with the operators and the Court has found it suitable for this purpose. But it also believes VVM should examine whether a number of direct and fixed operating costs are (not) taken into account, such as fixed costs linked to maintenance centres, workshops and depots.

Subcontracting process

Following a test phase in autumn 2002, the cost calculation system was made operative from January 2003 ; this was a bit too late for the final evaluation of the tenders submitted by candidate operators for the execution of 79 lots. Tenders had already been submitted to the board on 30 September 2002 so that a comparison between the tender prices and the internal cost price of transport services operated by the VVM itself had proved impossible to make.

Outdated cost price reference

As VVM intended to use the price criterion to assess the tenders, it calculated a specific reference cost price per procurement, which was an estimate based on known parameters. The various components of the reference cost price came from a formula which the Court had found outdated, unreliable and not transparent in a previous audit. Eventually in 2003 VVM made do with an 8% rise in tender prices compared to January 2001.

Respect of competition rules

In September 2002 VVM awarded the 79 contracts after market consultation by negotiated procedure with the publication of a system of qualification. In its capacity of public utility company VVM was allowed to use this mode of procurement. The way VVM managed the system of qualification can be considered as satisfactory. Competition was not restricted. Besides, contracts were awarded without any notable problems.

Criteria Weighting

The evaluation procedure was not completely finalized beforehand though. In the absence of specific specifications otherwise, a 50-50-weighting of the criteria for price and quality would have been the normal rule but the evaluation committee applied an 84-16 relationship. Verification was hampered by the lack of detailed accounts of negotiations or awardings. Apart from a few details, the bids appear to have been evaluated and compared properly.

Amalgamation of market players

As the aim was to prevent an amalgamation of market players, the tender specified that a single market player could not be awarded more than 5% of the lots. Although VVM formally complied with the 5% rule, the Court of Audit could notice a certain amalgamation of market players, due to the fact that several operators were owned by the same shareholders.

Cost price

The ultimate price increase was another 8% above estimate, partly as a result of the specifications stipulated. However, it can also be ascribed to budget constraints, so that these last few years the price increases claimed by operators could not be granted.

The minister's response

The Flemish Minister of Mobility informed the Court on 20 December 2004 that she found the Court's analysis detailed and well documented, that VVM would heed its recommendations and had already introduced several improvements.