

COMMon PROcurement of collective and public service transport clean vehicles

About this “Best” Practice Case

This is not exactly a Case that is generally referred to as “Best Practice”. The try to procure jointly failed. But exactly this fact is giving other public procurers a lot of insights. The case is describing what problems occurred and what the Consortium of COMPRO learnt from their experience.

Title: COMMon PROcuremetn of collective and public transport clean vehicles

Cluster Topic: Vehicles

Country: Germany/France/Italy/Sweden

Procuring Authority: Bremen, BSAG, Emilia Romagna Region, Gatubolaget, Isis, Nantes Métropole, Semitan

Procedure: Joint Procurement

Directive: 2004/18/EC

COMmon PROcurement of collective and public service transport clean vehicles

Key Points

- **Project (2007 – 2011) funded through the IEE (Intelligent Energy Europe) programme, to test ways to procure jointly and learn from the barriers and experiences.**
- **The goal was to create an international buyers' consortium of local authorities for the joint procurement of clean, collective, public service transport vehicles**

The French cities of Nantes and Angers carried out a joint procurement to purchase several articulated hybrid buses. The cities together drafted common technical specifications and officially published the procurement tender in June, which failed.

The Procurement Objectives

Brief description

In the last years the European Commission was more and more advertising cross-national joint procurement as a way to achieve fewer costs, through shared administrative resources, shared risks, aggregation of public procurement expertise and advantage of buying a larger amount, leading to higher bargaining power.

But is joint procurement actually leading to these achievements, or too complex to be performed?

Actual experience of public procurement of clean vehicles indicated that difficulties and barriers are often encountered during the process of a joint procurement. The projects PROCURA and COMPRO were “aimed at tackling these challenges. Both” were supported by the European Commission through its Intelligent Energy-Europe IEE Programme and were completed during 2009.⁹

Reasons for this procurement

The aim of the COMPRO project was very clear. By starting a common procurement of clean vehicles they wanted to favourer European homologations in the field of public transport and

⁹ EC on joint procurement: https://ec.europa.eu/transport/themes/urban/vehicles/directive/joint_procurement_en

achieve lower prices per vehicle through the achievement of a critical mass. “In a second time, the question of technological innovation and of the energy choice imposed itself as another potential incentive factor for grouped orders. The affair was tempting!”¹⁰ The consortium was aware that it could be very challenging.

“COMPRO has been paving the way towards the common procurement of clean buses at a European scale, thus contributing to enhance the development of the clean vehicles market (CNG and hybrid) acting from the demand side.”¹¹

Common procurement is in fact identified as one of the solutions to help the creation of a real European market for clean buses to the benefit of both the industry and the buyers but it also proved very challenging.

The Procurement Process

Prior to the publication of the tender, Nantes and Angers worked closely together to define their respective and common needs and aims, and thus determine the type of vehicle which would best fit the needs. Nantes Métropole and Angers Loire Métropole, together with their transport operators, Semitan and Keolis Angers respectively, decided to co-operate for the acquisition of innovative vehicles in order to share the benefits and the lessons of such procurement. Both cities wanted to experiment with sustainable and innovative vehicles for public transport. This procurement was therefore an ideal opportunity to test hybrid technology before potentially launching a larger procurement process. The tender document made an explicit reference to the European directive on the Promotion of Clean and Energy Efficient Road Transport Vehicles (2009/33/EC). It clearly stated that the vehicles should be hybrid (diesel-electric) articulated buses. Angers and Nantes received two offers and made their choice based mainly on two criteria: the price and the operability of the vehicles. Regarding environmental impact, pollutant emissions (CO₂, NO_x and PM) were included in the life-cycle costs. Each vehicle was purchased for €520 000 and financed by Nantes and Angers for their own respective buses. The local authorities received a €15 000 subsidy per bus from ADEME, the French Environment and Energy Management Agency.

The joint procurement process itself was a positive experience for both cities. They stress the necessity of close co-operation between the partners and an agreement about their respective objectives and agendas from the start (from www.eltis.org).

Cross-border joint procedure in short

Based on article 39(4) the cross-border joint procedure needs to fulfil following criteria:

- 1.) Two or more contracting authorities/entities from different Member States
- 2.) Joint procedure: Contract award, Framework agreement or Dynamic Purchasing System

¹⁰ COMPRO Project 2009, Final recommendations of the European project COMPRO, p.2 URL: http://www.motivanhankintapalvelu.fi/files/351/COMmon_PROCurement_of_Collective_and_Public_Service_Transport_Clean_Vehicles.pdf

¹¹ Same source.

3.) Cooperation agreement between CAs (or international agreement concluded between Member States)¹²

Pro and Cons of the joint procurement

There are some general pros and cons of this procedure. Positive aspects are that less process costs can be achieved, a better price can be gained, also exchange of good practice with authorities from other Member States is possible, in “difficult” markets the possibility to work together in order to change a market strategy (pricing) can help, etc. The clear negative side of the procedure is the complexity of procuring together with other entities. This starts already from the needs definition that has to be common and ends with aspects like the need of common standards and technological requirements. More about this can be read in the next part about the identified key barriers:

Key Barriers identified¹³

1. One barrier identified by the partners was the language. Public transport operators are not familiar with English, which would be needed to participate in the project and to identify terms and conditions for a common contract and possible future follow ups;
2. For their daily business, public transport operators need clear information of the cost benefits of common procurement: How much of the price of vehicles could be reduced? How much will the additional cost through extra administration, translations, etc. be? There was a lack of data concerning this.
3. The lack of experience with common procurement can lead to a possible lack of trust between cities/operators “that have to remit to an external body the purchase of their vehicles. All the practicalities related to procurement are also still unknown, i.e. who is responsible after the contract is signed?. Direct contacts and consolidated relations between cities buying together are therefore fundamental”;
4. It is not enough to have a common understanding of terms and be homogenising the demand concerning the product you want to procure commonly. Also the timing and budget of the cities allocated for their procurement is crucial. When do the cities want to buy?

“Cities customise buses according to customers, we are trying to customise the customers to a European standard!”

1: Quote from COMPRO Partners; COMPRO Project D3.4 - ASSESSMENT OF RECRUITING PROCESS, p. 8

Contract tendered

- The project was aiming to set up a common procurement of clean, collective public service transport vehicles, but the challenge did not work out.

¹²Locatelli , Feasibility study on joint cross-border public procurement <https://eu-smartcities.eu/sites/all/files/events/uploads/Feasibility%20study%20on%20joint%20cross-border%20public%20procurement.pdf>

¹³ COMPRO Project D3.4 - ASSESSMENT OF RECRUITING PROCESS, p. 8
https://ec.europa.eu/energy/intelligent/projects/sites/iee-projects/files/projects/documents/compro_assessment_of_the_recruiting_process.pdf

- At the end of 2012 just five buses were acquired in total, three for Nantes and two for Angers.

“The common procurement requires a high level of compromise. The risk is that the number of options left open for the common bus leads to buses estimated at a higher price than it would have cost if each buyer had been purchasing it independently.”¹⁴

Key Lessons Learnt

In the contract, the joint procurement turned out to be less practical even though there were potential benefits, e.g. saved cost by sharing cost for managing a tender process. However, such saved cost was rather marginal, particularly comparing with the tender itself (in this case, the budget for purchasing vehicles). There was an attempt to organise a joint procurement for a number of cities in the Ruhr area but at the end, the joint procurement was not executed.

However, the joint procurement was not feasible due to too many specific requirements from individual city authorities. Each OEM has many technical specifications for a vehicle. For example, the bus manufacturer MAN has 29 types of rare mirrors. Such specifications need to be selected by a procurer. Different procurers seem to have different views on those specifications. For example, different cities have different requirements for doors of a bus.

It was indicated that it is even less practical when cities from different regions to come together for common procurement for vehicles since operation environment, e.g. weather and road conditions, vary. In a Southern European country, air condition will be given higher priorities than heating, vice-verse in a Scandinavian country. Even for cities from the same region, the road conditions may be different. The height of curbs in a city will decide what kind of doors for a bus. Therefore, buses purchased for a city may be tailor-made for the city, which may such joint procurement less attractive for a public procurer.

Comments on the clean energy bus market

The market for clean energy buses is still a niche market that does not attract OEMs to manufacture different models (except VOLVO), particularly by comparing with electric private cars. There is an urgent need to create a bigger market which may be profitable to attract the investment from OEMs. Financing the purchasing clean energy buses is not a trivial matter. Comparing with many financing schemes in many member states to support purchase of electric cars there is no adequate financing supports from national ministries on clean energy buses even though such buses would have more significant contributions to reduction of local greenhouse emissions and air pollutions.

Lack of such finding schemes at the national level would result not only in slow implementation of clean energy buses, but also in losing global competition of clean energy

¹⁴COMPRO Project. Final Recommendations. P. 5

buses. For example, due to lack of suitable products, Amsterdam Schiphol Airport chose buses from BYD, the Chinese electric bus manufacturer.

Financing infrastructure/buying vehicles vs procuring services

The interviewee underlined that public authorities should shift their budget from financing infrastructure and buying vehicles to procuring services. A good example from Bremen city council is that instead of buying vehicles used by council staff, the council has an agreement with a car-sharing company to be able to access shared cars by council staff and the council pays for the usage. A cost-benefit study has shown that the council can save around 10% of cost per year by using shared cars without taking into account saved working hours. Since a car would require times for maintenance and adding patrols and driving a car often results in spending time on looking for a parking space. Using shared cars would result in saving working hours. If taking into saved working hours, 30% - 40% of cost saving can be achieved. The impacts of shared mobility on city's financing should be given more attention.

References and Further Information:

1. COMPRO Project D3.4 - ASSESSMENT OF RECRUITING PROCESS, p. 8

https://ec.europa.eu/energy/intelligent/projects/sites/iee-projects/files/projects/documents/compro_assessment_of_the_recruiting_process.pdf

2. Interview with a participating partner of the COMPRO Project

3. COMPRO Project 2009, Final recommendations of the European project COMPRO, p.2

http://www.motivanhankintapalvelu.fi/files/351/COMmon_PROcurement_of_Collective_and_Public_Service_Transport_Clean_Vehicles.pdf

4. More about joint procurement

<https://eu-smartcities.eu/sites/all/files/events/uploads/Feasibility%20study%20on%20joint%20cross-border%20public%20procurement.pdf>