



Quality and public transport service contracts

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Abstract

Service contracts are the natural method to set bilateral commitments. In transport service context, public authorities and transport operators have different goals, therefore regulation plays an important role especially failing competition. After a brief description of the most important regulatory procedures, we focus our attention on the quality framework in service contracts. In recent years the inclusion of quality requirements in contracts is becoming common practice, especially when adopting price cap regulation. This paper suggests a criterion for service quality definition, measurement and integration in contracts for the production of socially valuable transport services. Using choice-based conjoint analysis to analyse customer preferences we estimate the passengers' evaluation of different service features and calculate a robust specification of a service quality index from the customers' point of view. A case study demonstrates the procedure to follow for measuring service quality in local public transport differentiated by geographical service segments.

Keywords: Service quality; Stated preferences; Service contracts.

Introduction

Public authorities and transport operators are both involved in the provision of public transport services. There is a contrast between the social goals of the former and the private ones of the latter. Private firms maximise profits without considering social welfare. Regulation plays an important role especially failing competition. Service contracts are the natural method to set bilateral commitments. A contract between the authority and the operator constitutes the instrument to induce firms in naturally non-competitive markets to act in line with social targets. Only in a few countries in Europe, the relation between authorities and transport operators are not regulated by a service contract.

The question of regulatory procedures has generated an extensive literature. The traditional rate-of-return (ROR) regulation has been examined by many authors (Averch

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