



PROCUREMENT CASE STUDY: THE TENDER OUT OF MIKKELI'S PUBLIC TRANSPORT AND SERVICE TRANSPORT

WP 3

Mikkeli Development Miksei Ltd.



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| Abstract | This report describe tool 6. Procurement guidelines for OW products -case study: tending of local transport in the City of Mikkeli. |
| Keywords | Procurement; sustainability; biogas |
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1. Background information

This report describes the CityLoops case study considering a tender for public transport and service traffic in the city of Mikkeli. The current procurement contract for local transport service is expiring in the summer of 2021. The contract entered into force on 1.6.2016 and was the form of 3 + 1 + 1 years. Both option years were used and the current agreement expires on April 30, 2021. Initially, the idea was to use only the first option year, but the second option year was also used due to a delay in the procurement notification procedure (Special Sector Procurement Act, gross contract, TED notification). The contract supplier has been Soisalon Liikenne Oy, domiciled in Varkaus. The company's focus areas are the Varkaus region and the province of Southern Savonia. During the contract period, passenger numbers have been growing and the need to renew the content of the service has also emerged.

2. Stages of the procurement process

STAGES OF THE PROCUREMENT PROCESS

- Preparatory phase
- Local traffic report
- Tender planning process
- Pre-competitive decision-making process
- Procurement planning
 - Market dialogue
 - Choice of procurement procedure
 - Absolute eligibility requirements for suppliers
 - Mandatory conditions for providing the service
 - Propulsion requirement and its specification
 - Selection of competition criteria
- Tender out
- The contract period starts on 1.5.2021

3. Preparatory phase

Preparations for the new tender for local transport began in autumn 2018, and the city's procurement services (procurement expert Carita Hakkarainen) was immediately involved in the preparation. Liisa Heikkinen, a public transport engineer, Timo Rissanen, project manager, and Janne Skott, logistics manager, from the city were involved in the preparation. The external consulting company Ramboll Finland Oy, which is the supplier of the City of Mikkeli's framework contractor for design services was also immediately involved in the preparation.

During the preparation phase, the need arose to conduct a separate local traffic survey to take into account the changes in service levels and line changes. The study was carried out by the contract supplier Ramboll Finland Oy at the beginning of 2019. The subjects of the study were e.g. routes, capacity requirements and timetables.

4. Planning of the tender

The planning of the tender was started on the basis of the results of the local traffic survey. The need for changes which the survey and passenger data had raised into attention was taken into account in the planning process. The preparation of the tender documents was part of the consultant's work, ie the local traffic study and the preparation of the tender went hand in hand from the very beginning.

The key issues considered in the design were:

- gross contract
 - o the subscriber purchases the service package on a certain schedule and quality level
 - o In the tender the price of the service provided by the operator covers all transport costs.
 - o The subscriber is responsible for traffic planning and bears the ticket revenue risk.
- the requirements of the Clean Vehicles Directive (EU 2019/1161) on the addition of low-emission vehicles in public transport
- Strategic priorities and investments of the City of Mikkeli in biogas production and utilization of biogas to reduce the use of fossil fuels
- the number of buses was specified at 12 and the number of service buses at 2 (+ option 2)

5. Decision making process before tender out

The procurement documents prepared on the basis of the design work were approved by the preparatory working group in the Urban Environment Board on 21 May 2019. The tender was to be launched with the support of the Board's decision after the procurement documents had been finalized. At this stage, however, it was found that procurement should be put out to tender with using the principles of the Sectoral Procurement Act instead of the Procurement Act. The information was obtained from the decision of the Market Court related to the second procurement of transport services. It stated that, contrary to the general practice, public transport tenders should be published in accordance with the procedure provided for in the Sectoral Procurement Act instead of the procedure provided for in the Procurement Act. When the gross price contract was chosen as the contract model, this also meant that the pre-acquisition TED prior notice under the Special Sector Procurement Act had to be published at least one year before the tender was opened, so the procurement would not be completed before the end of the first option year. As a result, the schedule was changed so that the city also redeemed the second year of options and published a TED advance notice of the acquisition.

The procurement and the tender documents prepared for this purpose were again submitted to the Urban Environment Board for approval on May 26, 2020. The documents and the principles of the tender were approved and the publication of the contract notice was authorized by the Board. The new contract model was now the period from 1 May 2021 to 31 May 2026, ie a five-year fixed-term contract plus a 2-year option.

6. Procurement planning

6.1. Market dialogue

A market dialogue event was held during the preparation phase of the procurement. The invitation to the briefing was published in HILMA on 9 January 2019 and the event was held on 4 April 2019 at Mikkeli City Hall. During the discussion, the procurement was tentatively presented and the views of the operators were heard on the preliminary content and requirements of the procurement. Following this event, the acquisition was postponed by one year on the basis previously described.

Following the transfer of the contract, no new market dialogue was held, but tenderers were given the opportunity to ask questions about the content of the tender offers after

the publication of the tender notice. A large number of questions were asked and, given the number and content of the questions, it was considered that a new market dialogue event should have been held at this stage. The requirement for biogas and the question of the availability of appropriate equipment provoked much debate amongst the tenderers. As a result of the discussion, it was considered that the availability of the right technology for smaller service vehicles is challenging, so the biogas requirement for these vehicles was to be waived. It was replaced by a Euro6 emission requirement. For larger buses, the criticism was to why the biogas buses were considered more important than buses running on electricity. The argumentation for this was based on thinking that biogas buses supported the regional economy and the overall interests of the city group better, as well as taking into account the higher investment costs of electric buses.

6.2. Procurement procedure

An open procedure was chosen as the procurement procedure. The procurement notice was published on 05.09.2020 (EU notice, Special Procurement Act). The question / answer phase following the procurement notice was actively used for market participants. The dialogue took place through an electronic tendering system (Cloudia).

6.3. Absolute eligibility criteria

These requirements were set for the service provider:

- the company has a passenger transport permit in accordance with the Transport Services Act
- the company must meet the criteria and conditions set out in the Subscriber Liability Act
- the company's credit rating is RL 1 to RL 3
- the company has depot services in the domain or must provide an explanation of how they are organized
- the company joins the Kyytineuvo, a travel configuration system
- the tenderer commits to the terms of the draft contract in order to secure public transport also during exceptional circumstances (the so-called VAP decision must be applied for from the Defense Forces before the start of the contract period)
- An employment obligation was imposed on the operator. The obligation includes the employment of a total of three people in an employment relationship lasting

at least 6 months during a five-year period in the operator's organization in the City of Mikkeli

6.4. Mandatory requirements for the provision of the service

For the production of the service and its content, the following mandatory requirements were set:

- Commitment to the subscriber's payment and ticketing system requirements (Annex to the call for tenders)
- Commitment to line and schedule requirements defined by the subscriber (Annex to the call for tenders)
- commitment to the equipment requirements specified by the customer (eg min. Euro 5, average age max 8 years) (annex to the invitation to tender)
- propulsion requirement
 - at least 4 gas-powered buses in use at the beginning of the contract period (4/12)
 - both service cars are gas-powered (this requirement changed to EURO6 during the tender, due to problems with fleet availability)

6.5. Clarification of the propulsion requirement

The propulsion requirement was specified by the following requirements:

- the tenderer must attach to his tender a statement on the acquisition and commissioning of gas-powered equipment with timetables
- Gas-powered cars are required to use biogas.
- Natural gas can be used as a backup fuel in situations where there is a disruption in the availability of biogas.
- The actual amount of gas used must be reported every six months.
- bonus scheme: if the operator puts into service more than the minimum number of gas-powered buses during (or at the beginning of) the contract period, the service charge will be increased by 7.5% for the performance of the vehicle in excess of the minimum requirements
- additional bonus: In addition, if the operator introduces electric buses, the operating fee will be increased by 15% for the performance of these vehicles.
- sanction model: if the four minimum number of gas-powered buses are not put into service immediately at the beginning of the contract period due to a delay in delivery, the operating fee will be reduced by 7.5% for the performance of the

replacement vehicle. However, the price reduction will not be used if the delay in getting gas-powered buses into service is due to the availability of gas.

- In order to "avoid" a transitional period for the fleet requirement, operators were asked in the tender for a preliminary explanation of the timetable for the procurement and commissioning of gas vehicles (to be tentatively committed to the procurement of gas vehicles)

6.6. Tendering criteria

- price 100 %
 - public transport reference price, the total price of one year of service
 - The reference price for public transport consisted of three different unit prices: car day, line hour and line distance
 - for MOPPE service traffic (MOPPE 1 and MOPPE 2) own reference prices, the reference price was the price of the driving day

7. Putting up for tender

Local transport

- 47 companies consulted the tender documents in the tender system
- 3 companies submitted a tender
- Soisalon liikenne Oy was chosen as the winner
- comparison table [Liite Kyltk Vertailutaulukko 280159 paikallisliikenne \(1\).pdf](#)

Service transport

- 47 companies consulted the tender documents in the tender system
- 9 companies submitted a tender
- Soisalon liikenne Oy was chosen as the winner
- comparison table [Liite Kyltk Vertailutaulukko 280159 palveluliikenne \(1\).pdf](#)

8. Contract period

The new contract period will began 1.5.2021.

9. Additional information

Factors that influenced the process:

- the contractor of the current contract was actively involved in the planning of the renewal of the local transport service level, as the company has the best knowledge of field operations.
- In the spring of 2020, Harri Hakala, the Climate Coordinator of the City of Mikkeli, joined the working group (and brought many good views on propulsion options and the emission perspective)
- Biogas was chosen as a requirement not only because of the climate impact but also because of its regional economic impact: Support for local production, which is also the business of the city's own companies (production and distribution).

What was learned?

- a more active market dialogue and the resumption of dialogue before the launch of the tender would have been in place.
- but in the end everything went really well:
 - A better level of service was achieved
 - gas buses were introduced to the city transportation (the requirement can be extended in the next tender)
 - prices did not rise despite the previous ones (due to fierce competition and the a long contract period)
 - No one appealed against the procurement decision or appealed to the Market Court.



CityLoops is an EU-funded project focusing on construction and demolition waste (CDW), including soil, and organic waste (OW), where seven European cities are piloting solutions to be more circular.

Høje-Taastrup and Roskilde (Denmark), Mikkeli (Finland), Apeldoorn (the Netherlands), Bodø (Norway), Porto (Portugal) and Seville (Spain) are the seven cities implementing a series of demonstration actions on CDW and OW, and developing and testing over 30 new tools and processes.

Alongside these, a sector-wide circularity assessment and an urban circularity assessment are to be carried out in each of the cities. The former, to optimise the demonstration activities, whereas the latter to enable cities to effectively integrate circularity into planning and decision making. Another two key aspect of CityLoops are stakeholder engagement and circular procurement.

CityLoops runs from October 2019 until September 2023.



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