

**REQUEST FOR EXPRESSIONS OF INTEREST  
(CONSULTING SERVICES – FIRMS SELECTION)**

**COUNTRY:** CROATIA  
**NAME OF PROJECT:** SUSTAINABLE CROATIAN RAILWAYS IN EUROPE  
PROJECT  
**Loan No.:** 8500-HR  
**Assignment Title:** Assessment of Public Passenger Transport Services by Rail in  
Croatia and Design of Public Service Contract

**Reference No.:** SUCRE-HZI-CS-CQ-08

HŽ INFRASTRUKTURA d.o.o. has applied for financing from the World Bank toward the cost of the Sustainable Croatian Railways in Europe Project and intends to apply part of the proceeds for consulting services.

The consulting services (“the Services”) include the following consulting services to be provide to Ministry of Maritime Affairs, Transport and Infrastructure (MMATI) and Ministry of Finance to structure the Public Service Contract (PSC) in order to make reasonable obligation by State budget i.e. in the PSC between the Government and operating company HZ Passenger Transport (HZP).

The consulting services (“the Services”) include an Assessment of Public Passenger Transport Services by Rail in Croatia and the Design of a Public Service Contract. The detailed Terms of Reference for the above referenced consulting services are posted on the website of HŽ INFRASTRUKTURA d.o.o. at [www.hzinfra.hr](http://www.hzinfra.hr).

HŽ INFRASTRUKTURA d.o.o. now invites eligible consulting firms (“Consultants”) to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services. The shortlist criteria are:

1. Company profile, organization and staffing
2. Details of experience or similar assignments undertaken in the previous ten years, including a reference list providing information on name of assignment, cost, duration, location, client, and contact details for enquiring references as relevant. A list of major contracts on provided services which are by type and quantity comparable to the activities which are the object of this EoI and which were provided in 2015 and during the nine (9) years previous to that. At any stage of procurement is possible to require to submit proof of all these elements.
3. Confirmation of availability of the Key Experts with the required qualifications as indicated in detail in the terms of reference:

- **Project Manager, 8 persons-months**
- **Travel survey and demand analysis expert, 8 persons-months**
- **Costing expert, 8 persons-months**
- **Expert in the marketing and delivery of quality in railway passenger transport, 8 persons-months**

The objective of the Consultancy Services is to assist the Government of Croatia (Ministry of Maritime Affairs, Transport and Infrastructure and Ministry of Finance) to structure the Public Service Contract (PSC) so that those obligations deemed essential and affordable by the State budget are retained in the PSC between the Government and operating companies while other services are terminated and that incentives are included in the PSC to increase the value for money provided under the contract. The specific objectives of the Consultancy Services are:

- Evaluation of the passenger railway transport position and outlook of the transport market in Croatia;
- Projection of railway passenger demand, both local and long distance, under several fare and service scenarios over a period of 10 years;
- Correlation of railway passenger transport services with the travel requirements of the population and the Government's capacity to grant the necessary subsidies;
- Identification of the extent, type and service level of railway passenger services, indicating separately the commercially viable services, and subsidized railway passenger services that are consistent with the State's budget for the PSC, including the provision of road transport services under the PSC as an alternative when practical;
- Reducing passenger railway transport service costs.

The implementation period of this assignment is 8 months from the Contract start date.

The Expression of Interest must be accompanied by a completed Contact details. One original and two copies and CD of the Expression of Interest in English shall be submitted to the Client in an envelope marked Expression of Interest for HZ INFRASTRUCTURE d.o.o. for:

#### **Assessment of Public Passenger Transport Services by Rail in Croatia and Design of Public Service Contract.**

The attention of interested Consultants is drawn to paragraph 1.9 of the World Bank's "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014). ("Consultant Guidelines"), setting forth the World Bank's policy on conflict of interest. In addition, please refer to the following specific information on conflict of interest related to this assignment as per paragraph 1.9 of Consultant Guidelines.

Consultants may associate with other firms in the form of a joint venture or a sub consultancy to enhance their qualifications. The "association" may take the form of a Joint Venture or a sub consultancy. In case of a Joint Venture (JV), all members of the JV will be evaluated jointly for the purpose of short listing and shall be jointly and severally liable for the assignment and shall sign the contract in case of award is made to that JV group. Interested consultants should clearly indicate the structure of their "association" and the duties of the partners and sub consultants in their application. Unclear expression of interests in terms of "in association with" and/or "in affiliation with" and etc. may not be considered for short listing. Keeping one expression of interest per firm as principle, a consultant firm may decide whether it wishes to participate as a sub consultant or as an individual consultant or as a partner in a joint venture. Please note that a firm shall submit only one expression of interests in the same selection process either individually as a consultant or as a partner in a joint venture. No firm can be a sub consultant while submitting an expression of interests individually or as a partner of a joint venture in the same selection process. A firm, if acting in the capacity of sub consultant in any consultant or JV, may participate in more than one consultant, but only in the capacity of a sub consultant.

A Consultant will be selected in accordance with the Selection Based on the Consultants Qualifications (CQS) method set out in the Consultant Guidelines.

Further information may be obtained at the address below during office hours 0800 to 1500 local time.

Expressions of interest must be delivered in a written form to the address below (in person, or by mail, or by fax, or by e-mail) by the 7, June. 2016, 1400 local time.

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HŽ INFRASTRUKTURA d.o.o.



**Croatia**  
**Ministry of Maritime Affairs, Transport and Infrastructure (MMATI)**

**Terms of Reference**

**Assessment of Public Passenger Transport Services by Rail in Croatia and  
Design of Public Service Contract**

***1. Background***

1. Railway still represents a significant share of traffic and has a strong potential in Croatia, in spite of a recent decline. Croatia's railway share of passenger traffic remains above EU average with 31 percent of public transport of passengers.
2. The Government has implemented a major railway sector reform in 2012, compliant with the EU Directives. Two regulatory bodies, respectively overseeing traffic safety and standards, and the fair access to the market, had been established earlier in line with EU regulations. In June 2012, the Ministry of Maritime Affairs, Transport and Infrastructure (MMATI) adopted a five year restructuring plan for Croatian Railways Holding. Three independent entities have been created - HZ Infrastructure (HZI), HZ Cargo (HZC) and HZ Passenger Transport (HZP), limited liability companies owned by the Republic of Croatia.
3. Large investment programs are planned for the modernization of the railway infrastructure in Croatia. For railway investments under EU funds—and any other investment—to be sustainable, it is important that railway passenger transport be promoted with a modern managerial, marketing, and financial culture. A competitive and attractive railway passenger transport industry will ensure that better utilization of railway infrastructure assets is achieved and that the economic rationale for these EU-funded investments is supported.
4. In compliance with EU directives and practices, all passenger transport services by rail must be organized as commercial services and for achieving this goal the Public Service Contract (PSC) is a vital tool used by the governments. Both the government and the passenger railway company must be prepared to define and to manage PSCs that are tuned for the specific conditions of the market.

***2. Objective of the Consultancy Services***

5. The objective of the Consultancy Services is to assist the Government of Croatia (Ministry of Maritime Affairs, Transport and Infrastructure and Ministry of Finance) to structure the Public Service Contract (PSC) so that those obligations deemed essential and affordable by the State budget are retained in the PSC between the Government and operating companies and other services are terminated and that incentives are included into the PSC to increase the value for money provided under the contract. The specific objectives of the Consultancy Services are:

- Evaluation of the passenger railway transport position and outlook of the transport market in Croatia.
- Projection of railway passenger demand, both local and long distance, under several fare and service scenarios over a period of 10 years.
- Correlation of railway passenger transport services with the travel requirements of the population and the Government's capacity to grant the necessary subsidies.
- Identification of the extent, type and service level of railway passenger services, indicating separately the commercially viable services, and subsidized railway passenger services that are consistent with the State's budget for the PSC, including the provision of road transport services under the PSC as an alternative when practical.
- Reducing passenger railway transport service costs.

6. The following are the expected final outputs of the Consultancy Services:

- Analysis of the travel demand
- Separation of the commercial railway passenger services from the PSC.
- A proposal for PSC supported subsidized services.
- Identification of performance indicators for the PSC, realistic cost reduction measures for HZ Passenger Transport (HZP), and the desirable extent, level and quality of the rail passenger services over the next 10 years.
- Monitoring tools for HZP performance and for the flow of funds between the Ministry and HZP

### ***3. Tasks to be performed by the Consultant***

#### **Task A – Passenger Travel Demand Survey and Training of Client**

7. The objective of this task is to gain knowledge of the rail passenger service customers both in their social economic characteristics and in their specific needs, so as to obtain an accurate segmentation of the demand served, for each category of trains (services), by using modern techniques of market segmentation.

8. Based on a cost-effective combination of different survey techniques (origin-destination surveys, on-board surveys, etc.), the Consultant shall estimate the number of journeys made in Croatia using different modes of transport (car included) in order to quantify the modal split of passenger transport, identify key travel patterns and characteristics, and obtain a clear picture of the positioning of HZ Passenger Transport (HZP) in the travel market of Croatia. The Consultant shall determine the passenger travel demand and services (travel purpose, frequency, trip profile, modal choice, origin-destination, etc.) and correlate travel demand for railway transport services



with socioeconomic attributes of travelers, customer behavior profiles, railway service levels, fares, subsidies, price elasticities, etc. (passenger travel demand analysis).

9. In addition to providing information for travel demand analysis, train on-board surveys should also help:

- a) monitor the quality of the service as perceived by customers;
- b) monitor the needs of the customers;
- c) identify strengths and weaknesses of the railway passenger services as seen by its customers;
- d) monitor the “key performance indicators” (KPIs) that are or will be included in the Public Service Contract.

10. The Consultant shall develop and produce an adequate benchmark for the main indicators (modal split of land transport, density of railway, rolling stock, passenger traffic, etc.) using different railway undertakings in the European Union.

11. In the context of this task, the Consultant should also train the Client (on-the-job and structured training) to carry out this type of traffic survey and analyses of the railway passenger transport. The Consultant shall organize at least two structured training sessions to transfer the know-how to the Client’s experts, one session at the beginning of the demand analysis, and a second session at the end to share and comment the results of the analysis and the lessons learned.

#### **Task B – Identification of types of viable railway passenger services**

12. The Consultant shall assess the current passenger services provided by HZ Passenger Transport (HZZP) versus the demand of the market. For this purpose the Consultant shall:

- Conduct the analysis of railway demand segmentation based on the results of the surveys.
- Carry out the railway passenger demand projection for the future on a medium term horizon.
- Assess the current provision of railway passenger services by HZ Passenger Transport (HZZP).
- Develop a costing model to assess costs and revenues by train.

13. The performance of operating passenger transport services by HZ Passenger Transport (HZZP) shall be assessed considering for each category of trains, the number of trains scheduled, the number of seats offered, the volume of passengers transported, and the volume of passenger-km. The ratio of each category of trains in total services provided in terms of capacity offered to market, passengers transported, and revenues collected will be analyzed and proposals for improvement will be elaborated.

14. Traffic forecast for the next 10 years should be carried out for different services, fares, and subsidies scenarios. Forecast must take into consideration the factors presented below which shall be included in the proposed model for analyzing the “elasticity” of the demand vis-à-vis different factors:

- a) evolution of some key socio-economic and economic variables;
  - b) performances of competitive modes such as car and bus;
  - c) Services quality characteristics: travel time, frequency, comfort, fares.
  - d) Brand identification: Intercity, Regional, Commuters, etc.
15. In order to carry out this task, the Consultant shall conduct the analysis in such a way that:
- a) The methodology and its implementation can be easily understood by personnel unfamiliar with complex models or operations research;
  - b) The Client is able to update the forecast. For this reason the forecasting method should use mainly data easily and freely available to the Client.
16. The Consultant shall generate the list of commercial and non-commercial passenger transport services for each route and each category of trains, based on the model proposed by this task. The commercial passenger transport services should cover by their own revenues the full operating costs, the investments, and the payment of track access charge without any financial compensation, and their operation is not subject of the PSC.
17. The non-commercial passenger transport services shall be assessed based on a set of criteria for prioritizing the services proposed by the Consultant in order to identify the transport services eligible for being part of PSC (i.e. ridership, cost coverage from fares, acceptable level of financial compensation from the state).
18. For the non-commercial passenger services which are not eligible for being part of the PSC according to the proposed set of prioritization criteria, the Consultant shall analyze and propose alternatives based on comparison of operating costs of bus, mini-bus, or van operated services. The Consultant shall clearly identify for these services the appropriate modes to be used, whether they can be commercially provided without subsidies, and in the case these services require subsidies, the Consultant shall propose public service contracts for these alternative road transport services.

#### **Task C – Establish a database and procedures for monitoring railway transport services**

19. The Consultant shall elaborate the set of instruments for the monitoring of railway passenger services provided under the PSC, including customer satisfaction. It will be used as support to the PSC for planning and implementation of a model of costs and revenue per train, able to link to a specific train. The database should include be able to allocate the costs for operating the planned trains according to the agreed time table on each major line and each category of trains. At the same time, the revenues per categories of trains and per specific train should be easily provided by the database (profit/load factor and profitability analysis for each category of trains and each major route).
20. The allocation of costs per category of train and per train will take into consideration a number of variables proposed by the Consultant, as distance, speed, running time, periodicity, etc.



21. International experience in the field of rail passenger services shall be used to define the architecture of the database, the methods of feeding it with data, and the definition of dedicated queries for obtaining the necessary information for monitoring the provided services vis-à-vis of scheduled program.

22. The Consultant shall formulate recommendations for improving the quality of data and the collection of necessary information for better functionality of the database.

#### **Task D – Cost optimization in passenger services**

23. The Consultant shall carry out a cost analysis of HZ Passenger Transport (HWP) to: (i) determine the total operating costs and allocate these costs to each train, (ii) estimate the profitability of each train based on the revenues collected, (iii) calculate the PSC compensation requirements, and (iv) provide a plan to reduce the overall costs for the provided services. The analysis shall be developed for each category of cost (staff, track access charge, fleet, maintenance, overhauls, fuel, electricity, etc.).

24. In order to propose a plan for cost reduction, the Consultant shall assess the costs for each of the operational processes and the productivity per process, including at least the following:

- a) Driving trains – productivity of drivers
- b) Train crews – productivity of crew
- c) Locomotives, coaches, DMUs, EMUs – productivity per type of asset
- d) Maintenance of fleet – productivity of maintenance process
- e) Fuel and energy for traction – specific consumption per unit of traffic
- f) Cleaning – productivity of cleaning
- g) Distribution system of tickets – productivity of system

25. Based on the analysis of the costs per processes the Consultant shall propose methods for optimization of processes at HZ Passenger Transport (HWP) to reduce substantially the costs and to increase the productivity of assets and staff. Benchmarks with other railways in the EU shall be used to set up appropriate targets for HZ Passenger Transport (HWP) in cost reduction and productivity increase for each major activity: (i) driving and crews, (ii) fuel and energy, (iii) maintenance of fleet, (iv) organization of shunting activities, (v) ticketing and distribution system.

26. The determined costs per process shall be allocated per train based on proposed drivers of cost allocation proposed by the Consultant. On the basis of the results of cost analysis per process, the Consultant shall provide a forecast of the costs for the next 10 years for an unchanged offer of services. Compared with the revenues per each category of trains, the necessary compensation under the PSC shall be determined.

#### **Task E – Elaboration of multi-annual Public Service Contract (PSC)**

27. The Consultant shall develop a revised PSC based on the findings of the assignment and in full compliance with the relevant EU regulatory framework. The model proposed shall ensure that



there are mechanisms to assess the performance of the service provider and of the government as client ordering the services, and that the PSC can be adjusted to make sure it is fully compensated for all the duration of the contract.

28. The proposed PSC shall include clear provisions concerning realistic investment plan to improve the quality of the rolling stock and the impact of potential delays in acquisition of new fleet.

29. The Consultant shall propose the new PSC based on finding balanced solutions based on fair allocation of risks between the two parties signing the agreement considering the following aspects:

- a) The Public Authority (MMATI and MoF) contracting transport services and the Rail Operator providing the services have opposite interests; the MMATI and MoF want to buy maximum level of services with minimum price while the Rail Operator wants to reduce its risks and make reasonable profit.
- b) The Rail Operator cannot influence substantially the levels of market revenue due to tariff policy and tough competition from other modes.
- c) The PSC shall be audited annually to make sure the Rail Operator makes reasonable efforts to reduce its costs, and that its rate of return is reasonable.
- d) The new PSC shall contain provisions addressing at least the following major topics: (i) the object of the contract, (ii) definition of service to be provided (frequency and schedule of trains, train stops, composition of trains), (iii) duration of the agreement, (iv) tariffs to be applied, (v) financial compensation formula, (vi) liability of infrastructure manager for the major disruption of traffic on the railway network, (vii) quality standards and penalty system.

30. The provisions of the proposed PSC shall take into consideration the findings of the Task D regarding the cost optimization and gradual targets for their implementation. The Consultant shall propose a simple but comprehensive control and monitoring system to be included in the PSC taking into account the last trends in the company performance on selected quality factors, such as: regularity, punctuality, commercial speed, fare evasion rate, volume of tickets sold, etc.

31. In close consultation and cooperation with MMATI, the Consultant should prepare all relevant documents needed for the Government's approval of the PSC contract and inclusion of the PSC contract and findings of this assignment in the State budget.

#### **Task F – Monitoring tools**

32. The Consultant shall analyze the flow of funds between MMATI and HZP and make suggestions for its improvements. This should include, but not be limited to, better supervision of the use of funds by HZP, approval mechanism for the use of funds, and HZP reporting to MMATI (and MoF).

33. The Consultant should prepare and implement monitoring tools for MMATI that should simplify and digitalize the above procedure. The tools should enable MMATI to have a better insight into operational and financial performance of HZP at any given time and in any required form. The monitoring tools should also include HZP monitoring by KPIs that will be included in the Public Service Contract and that are developed in parts A and D of this assignment.

#### **Task G – Marketing planning**

34. The Consultant shall elaborate a marketing plan for the Client (or rail provider) to increase the competitiveness of rail passenger services and consolidate their market share. This shall be done by:

- a) Analyzing the falling trend of the demand for rail services related with the performance of service providers (demand and competitive analysis) and identification of actions required to invert the trend.
- b) Competitive positioning of rail passenger services in the market on major business lines considering the customer satisfaction survey and market needs.

### ***4. Execution of the Consultancy services***

#### **4.1. General organization**

35. The Consultant will report to a Steering Committee composed of representatives of the MMATI, MoF, HZ Infrastructure and HZ Passenger Transport (HZP) coordinated by a high level staff of the MMATI. The working language of the Consultant will be the English language, and reports will be written in English and translated into Croatian.

#### **4.2. Logistic and timing**

36. The services will be carried out in Zagreb and in the field, including visiting the facilities and the main routes for passenger services. The Client will ensure the logistic support for the Consultant during its contract.

37. It is expected that the Consultant would start its services after the signing of the Consultancy Contract. The duration of the Contract is estimated at 8 months. The contract will be time-based.

#### **4.3. Required expertise**

38. The consultants' team must consist of experts corresponding to the project tasks and their qualification must be acceptable for the client. A general professional experience in the field of the activity should be at least 10 years. The profile of the key experts of this assignment is as follows:

#### **Consultant's Project Manager:**



Professional competence and experience:

- a) Minimum 10 years experience in the railway industry.
- b) Good knowledge in the demand analyses, surveys, marketing and management.
- c) Experience in railway restructuring is desirable.
- d) Organization of travel demand and marketing analyses, minimum 3 projects.
- e) Involvement in introducing management information systems, minimum 2 projects.
- f) Development of the market driven services and marketing strategies in public transport services, minimum 3 projects.
- g) Knowledge in negotiating PSC between government and railway transport services provider.

The project manager shall be working for 8 months on the project and is based in Croatia at least 70% of that time.

#### **Key expert 1: Travel survey and demand analysis expert**

Professional competence and experience:

- a) Minimum 10 years in travel demand analyses and travel demand surveys
- b) Carrying out travel surveys and travel demand analyses and modeling; minimum 3 projects
- c) Development of commercial and marketing activities in public transport; minimum 2 projects.
- d) Carrying out passenger satisfaction surveys

The expert in travel surveys and demand analyses will be working on the project for 7 months and stay in Croatia 80% of that time.

#### **Key expert 2: Costing expert**

Professional competence and experience:

- a) Minimum 10 years in public transport;
- b) Experience in programs for reducing the transport costs and in railway restructuring.
- c) Implementing the measures for reducing costs in public transport, minimum 3 projects;
- d) Establishing the costing information systems in the railways, minimum 3 projects;
- e) Calculation of the operating costs in passenger transport, minimum 5 projects;

The costs expert will be working for 7 months in the project and stay in Croatia 80% of that time.

### **Key Expert 3: Expert in the marketing and delivery of quality in railway passenger transport-**

Professional competence and experience:

- a) Minimum 5 years of experience in marketing and collecting information on user satisfaction;
- b) Implementation of the information systems in railway passenger transport;

The marketing expert will be working for 4 months in the project and stay in Croatia 80% of that time.

**Other experts:** The CVs for experts other than the key experts are not examined before signing the contract. These should not be included in the tenders. The consultant may employ other experts and supporting personnel at his discretion as the work requires.

#### **4.4. Assignment Administrative Arrangements and Deliverables**

The client of this TA is the Ministry of Maritime Affairs, Transport and Infrastructure (MMA TI).

39. The consultant will prepare all reports as described in the above task descriptions and as summarized in the table below in English and Croatian, and will additionally make these reports available electronically. All hard copy reports will be sent to the Client for further distribution to the key stakeholders including the World Bank.

40. The reports to be written and sent by the Consultant to the different involved parties of the Project are the following:

<b>Deliverable</b>	<b>Timing</b>
Inception Report	Contract start date + 1 month
Task A	Contract start date + 3 months
Task B	Contract start date + 7 months
Task C	Contract start date + 7 months
Task D	Contract start date + 5 months
Task E	Contract start date + 8 month
Task F	Contract start date + 8 month
Task G	Contract start date + 8 month



<b>Deliverable</b>	<b>Timing</b>
Final Report	Contract start date + 8 months

The expected planning of the tasks is presented in the chart below:

Months	1	2	3	4	5	6	7	8
Inception Report								
Task A								
Task B								
Task C								
Task D								
Task E								
Task F								
Task G								
Final Report								

41. The Consultant shall prepare an Inception Report providing a management overview of the assignment, and will address organizational technical aspects of the assignment. The purpose of this exercise is to refine the approach described in these ToRs. The Consultant will comment in detail on how the objective of this assignment will be best addressed within these Terms of reference. Based on this assessment, the Consultant will prepare a technical report that describes the refined work program and possible changes to the assignment's Terms of Reference.

42. The Consultant shall organize weekly review, progress and coordination meetings with the Client's key contact points in charge with the implementation of the results of the consultancy services and bi-monthly meetings with the Steering Committee presenting the findings, the proposed solutions, and the scheduling of the next activities.

#### **4.5. Assignment Location**

43. The assignment location is Zagreb, Croatia. Some work of the consultant team may be provided at the home offices of the team with the consent of the Client.

#### **4.6. Resources Provided by Client:**

(a) Relevant Studies:

- Transport Development Strategy of the Republic of Croatia (2014-2030)
- Strategy plan of MMATI ( 2014-2016)
- Master plan of the company HŽ Putnički prijevoz d.o.o. – Strategy programme (2015-2020)
- Croatia Spending Review 2015
- Operational analyses and information developed by the Ministry and HZP relevant for the assignment

(b) The following resources will be provided by the Client:

- Suitable Office Space. The Client will provide adequate office space and furniture for the consultant team.
- Local Telephone Access. The Client will provide the consultant with local telephone and internet service in the office.

**4.7. Resources provided by the Consultant:**

- Computers and Printers for Own Use and Report Production. The consultant will provide all required computers and printers for their own use and all report production.
- Translators/Interpreters. The Consultant will provide all interpreters and/or translators that might be required to undertake the assignment.