



## SUMMARY: AUDIT OF METROPOLITANO DE LISBOA, EPE.

This audit report is the third out of four carried out, dealing with the “Public Service provided by urban transport companies, in the Bus and Metro segments, in Oporto and Lisbon”, which resulted in a fifth global report, which gathers together the main conclusions and recommendations brought by the individual reports:

- Audit Report No. 23/2009: Audit of STCP, SA (Oporto’s urban public road transport);
- Audit Report No. 30/2009: Audit of CARRIS, SA (Lisbon’s urban public road transport);
- Audit Report No. 12/2010: Audit of Metro do Porto, SA (Oporto’s urban public light-rail system).
- Audit Report No. 16/2010: Global Audit Report of Urban Public Transport Network in Lisbon and Oporto.

The **temporal scope** of audit of Metropolitano de Lisboa, EPE covered the financial years from **2003 to 2007**, in addition to references to December 2008, when the respective audit field work was carried out.

In short, the Portuguese Court of Auditors (Tribunal de Contas, hereinafter TCP) **concluded** that,

- The public service provided by Metropolitano resulted from the statutory obligation, of 1978 (DL 439/78, of 30<sup>th</sup> December), which lacked provisions on qualitative criteria, and from it **Public Service Duties which had not been contractualized with the Portuguese State**. In addition, the State had neither defined specific guidelines for the company, nor had it even celebrated management contracts with the company.
- Without generating enough income, with an **inadequate public funding** and with a **heavy cost structure with staff**, the Metropolitano was dependant on funding from the banks to support its operational deficit and make investments.
- The **allocation of income** from intermodal and combined cards/permits, among public transport operators, was made **on the basis of a 1989 survey, which was profoundly inadequate** and that chiefly benefitted private operators. Only in 2008 and because of that grid, the Metropolitano de Lisboa failed to collect 12 million euros.
- At the time, **there was a little restrictive free transport service policy in force** at the Metropolitano, relying: i) on Company Agreements, which favoured its active and inactive staff and respective relatives; ii) on Reciprocal Free Agreements, with regard to Alike Companies, which did not have however a reimbursement system, over which the “user pays” principle prevailed, the latter was assumed by the beneficiary company of that gratuity; and, finally, iii) on Agreements between Workers’ Committees, which, against the organizational guidelines and the provisions set out in the Law, led the Traffic and Supervision Agents to adopt a permissive behaviour in terms of an illegal circulation of workers of private transport companies.
- Contrary to the provisions contained in the accounting standards applicable to the company, it **had not included in its accounts the depreciation of Long-Term Infrastructure**, and over-appreciated in value the assets and stated operating costs lower than the real ones.
- Even though the Metropolitano de Lisboa is under-financed and technically bankrupt, it has met its **general interest service with growing quality standards**, and **implemented a consolidated and demanding quality evaluation mechanism of its public service**, making it known as a company aware of its customers’ needs and concerned with improved quality of its services.





The TCP's main **recommendations** to the **State** were that:

- It should contractualize with Metropolitano de Lisboa its public service obligations based on a transparent funding model, which takes into consideration the company's costs, which should be rightfully supported by the State Budget and restore the company's operating balance, allowing it to reverse the trend of growing dependency on the external indebtedness.
- It should define the specific strategic guidelines for the company and promote the celebration of management contracts with public managers of that Company.
- It should clarify the company as regards which Public Domain Assets that, according to the law, are allocated to the activity of the Metropolitano de Lisboa, particularly in what concerns ownership of Long-Term Infrastructure, by defining expressly and formally whether those are covered by that classification or not.
- It should make a final revision of the revenue sharing scheme from the inter-modal and combined cards/permits to the different public and private transport companies, operating in the Lisbon area, in order for the scheme in force to stop being based upon quotas established through a 1989 survey, which is already inadequate to the reality as it has been in force for almost 20 years.

The TCP's **recommendations** to the **Management Board** were that:

- It should revise its free-of-charge transport policy in its public transport network, by implementing restrictions to it, and to effectively implement internal mechanisms to fight against illegal circulation of workers of private transport companies.
- The other recommendations addressed to the company focus on more specific issues regarding the quality of the service provided, such as a timely investment policy in order to provide all the network and the rolling stock with good access conditions to people with reduced mobility; the promotion of construction of parking lots outside the city of Lisbon and the development of the Park & Ride system, the centralization of the relationship with the customer in only one area geared towards such purpose, among others.

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