



SUMMARY: AUDIT OF METRO DO PORTO, SA.

The Portuguese Court of Auditors (Tribunal de Contas, hereinafter TCP) has decided to carry out audits of State-Owned Businesses, which provide urban public transport services, in the metro and bus segments, in Oporto and Lisbon: Metro do Porto, SA; STCP, SA; Metropolitano de Lisboa, EPE e CARRIS, SA. This report is the last vertical audit report carried out in those four companies, which covered the financial years from **2003 to 2007**, in addition to references made to October 2008, when the respective audit field work was carried out. Without prejudice to more detailed reports resulting from each of the four audits, the TCP has also elaborated a fifth report, which is global and 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. 07/2010: Audit of Metropolitano de Lisboa, EPE (Lisbon's urban public underground railway);
- Audit Report No. 16/2010: Global Audit Report of Urban Public Transport Networks in Lisbon and Oporto;

In short, the TCP **concluded** that,

- Globally, Metro do Porto **provided very satisfactory and effective public passenger transport services**, and, thanks to it, the metropolitan area of Oporto was growingly gaining customers for public transport, with the inherent impacts in local quality of living.
- Nevertheless, the company was **short of capital**, in a **loss-making situation**, with its **debt growth in excess**, because the construction of the Light-rail system of the metropolitan area of Oporto and its operation were chiefly based on indebtedness, which, if it is not kept within the reasonable and affordable limits, will push Metro do Porto into an unsustainable economic and financial situation, even jeopardizing the quality parameters with which the public service of which it is responsible has been provided, and also the effectiveness of allocation of public money already undertaken in this transport system.
- Aware of the importance of this issue, the TCP has made recommendations to the government, in its capacity of shareholder and entity responsible for it. According to it, its intervention with regard to Metro do Porto should contribute to future network expansion projects relying on coverage rates of operational costs and on a funding model which, in the long run, makes the respective business viable.
- Law No. 28/2006, of 4th July regarding the **penalty scheme that applies to violations** occurred in public transport **showed penalizing insufficiencies** for non-intentional or non-guilty law-breaking customers; that's why it damaged credibility of public transport and put obstacles to customer loyalty. Thus, the TCP recommended that the Government, in its capacity of entity responsible for the legislative function, should review that law and therefore amend its inefficiencies and adapt it to real circumstances under which most public transport providers operate, with a view to get a fairer and more effective penalty system.
- The Portuguese State **had not contractualized** with Metro do Porto **its Public Service Duties**, or even the respective funding scheme, which influenced the widening of this company's deficit. In addition, the State had not, until December 2008, celebrated management contracts with the public managers of Metro do Porto. Once again, the TCP has made recommendations so that the contractual gap at issue should be resolved.
- In turn, Metro do Porto, under a sub-concession arrangement for the exploration of the Light-rail system of





the metropolitan area of Oporto and the operation of the *Elevador de Guindais*, has entered into a detailed contract, with its concession holders, specifying the requirements of supply, namely in terms of service quality. The company **scrutinized, permanently and thoroughly, those quality requirements set in the sub-concession contracts and applied penalties whenever necessary**, which contributed to the maintenance of quality standards that characterized the public transport service provided.

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