



## SUMMARY: AUDIT OF STCP, SA.

The Portuguese Court of Auditors (Tribunal de Contas, hereinafter TCP) has deemed it appropriate to evaluate whether the transport networks and the appropriation of public financial resources would be having a positive effect on the improvement of the environment, on the quality of public transport and on the growing shift of customers from private cars and therefore, whether there was a favourable cost/benefit analysis.

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

- 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. 12/2010: Audit of Metro do Porto, SA (Oporto’s urban public light-rail system);
- Audit Report No. 16/2010: Global Audit Report of the Urban Public Transport in Lisbon and Oporto;

The **temporal scope** of the audit of STCP, SA covered the financial years from **2003 to 2007**, in addition to references made to September 2008, when the respective audit field work was carried out.

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

- In the pursuit of its **public service mission with growing quality standards**, STCP continued to operate in spite of having an **increasingly widening of its exploration deficit**, being **technically bankrupt** and also using indebtedness and other forms of funding involving the payment of interest to continue with its operations.
- Over the years, the Portuguese State has been enforcing STCP to provide public service by fixing tariffs below the levels required to compensate for operating costs. Nevertheless, and simultaneously, the State has recurrently funded the company in an inappropriate manner, by **not contractualizing public service duties** and, as a consequence, not assuming a sustained obligation of its funding. In addition, **it has not restored its Share Capital**, as provided for in article 35 of the Portuguese Companies Code. In view of these observations, the TCP has recommended Public Service Obligation contract should come into effect with the company, by clearly specifying minimum mandatory criteria of those duties and that it should rely on a transparent public funding model, taking into consideration either the costs that must legitimately be supported by the State Budget, or the re-establishment of the Company’s operating balance. In addition, it recommended that, in due time, the Share Capital should be restored, therefore bringing back STCP’s financial situation.
- The 1948 **Rules and Regulations Governing Car Transport** appeared to be **inappropriate** in view of the competition principles and the current demands in terms of quality of general interest services, whose preference criterion suggested seniority matters instead of service quality ones (frequency, comfort, hygiene, safety) that the operators proposed to provide. In this sense, the TCP has recommended that the said diploma should be revised and updated, by ensuring that it would become an agile and effective tool for granting public transport service concessions, taking into consideration the qualitative aspects set forth in the Green Paper on General Interest Services, published by the European Commission, of 21<sup>st</sup> May 2003.





- With regard to qualitative aspects underlying the Public Service provided, STCP provided increased quality service, operated a modern and comfortable fleet, easy accessible in particular for persons with reduced mobility, very satisfactory in terms of hygiene and safety that was committed to strengthening communication with its customers and increasingly investing on greater proximity to them.
- Nevertheless, aspects with room for improvement have been identified, of which STCP's fragilities should be pointed out, in terms of the regularity of the service provided, which resulted from the lack of motivated crew due to the considerable absenteeism rates; the lack of full complementarity of the services provided by the operators that adhered to the inter-modality systems of the metropolitan area of Oporto; inadequacies were clearly visible at the level of reclining places and the frequency between the light-rail metro (Metro do Porto) and the buses (STCP), among others. In light of the foregoing, the TCP has recommended that a strategic plan should be formalized in view of the mobility of the metropolitan area of Oporto, so that the State-owned Businesses that integrate the inter-modality system of the metropolitan area of Oporto shared the planning and definition of business strategies.

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