



SUMMARY: AUDIT OF CARRIS, SA.

This audit report is the second out of four carried out, which deals with the “Public Service provided by urban transport, in the Bus and Metro segments, in Oporto and Lisbon”, which resulted in a fifth global report that 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. 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 Urban Public Transport in Lisbon and Oporto;

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

In short, some of the **conclusions and recommendations** are provided below:

- In the pursuit of its public service mission with **growing quality standards**, CARRIS continued to operate in spite of being **technically bankrupt**, and **resorting to indebtedness and to other forms of funding** involving the payment of interest in order to continue with its operation. Nevertheless, the Portuguese Court of Auditors (Tribunal de Contas, hereinafter TCP) concluded that the company, in the five-year period under analysis, showed **increasing efficiency when managing its resources**, which is reflected on the **reduction of its negative operating costs**.
- There were **workers** from private passenger transport companies **who circulated unlawfully and without a valid transport permit**, and there was no estimate of non-collected income derived from that fact. In addition, CARRIS allowed its workers, their respective spouses and their school-age children to travel gratuitously, which represented, in 2007, 5.6 million euros of non-collected income. To that extent, the TCP has recommended that the Company’s Management Board should review its free-of-charge policy in the public transport network by applying appropriate restrictions and to be more effective when monitoring those who travel without a valid transport card/permit.
- In complying with Company Agreements, CARRIS granted a set of social benefits to its employees, among which, subsidies, supplements, medical care and bonuses, which, in 2007, totalled 8.2 million euros. In view of the impact of those costs in the company’s results, the TCP has recommended that, in future amendments of the Company-Level Agreements, CARRIS should consider to eliminate, even though in a progressive manner, the benefits, subsidies and bonuses that do not lead either to an increase in productivity or to the quality of performance.
- Over the years, the Portuguese State has been enforcing CARRIS to provide public service and to fix tariffs below the level 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** 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 this respect, once again, the TCP recommended that a Public Service Obligation contract should come into effect with CARRIS, which clearly and objectively specified the minimum mandatory requirements, particularly based on the qualitative aspects set forth in the Green Paper on General Interest Services published by the European Commission, on 21st May 2003, and relied on a fair and transparent public funding model.





- Overall, it has been found that CARRIS provided increasing quality service, even though with losses when older vehicles are used, readily accessible to persons with reduced mobility, satisfactory in terms of hygiene and safety, notwithstanding the Report's remarks that, according to the TCP, some particular aspects should be improved, among which the lack of a call centre, the fact that the Customer Ombudsman is not an independent body nor is it accessible to customers.
- The TCP has also found out that: i) the investments made by the Company in mechanisms that allow for better accessibility, were not enhanced due to architectural boundaries for which the local authorities are responsible; ii) little investment was made in the creation of parking lots outside the city, notably in Park & Ride system with good connections to the public transport network; iii) there was neither a common nor integrated strategy, which promoted complementarity between means and services of public transport provided by the different companies; and iv) it was not possible to say that there was an inter-modal system in the region of Lisbon.

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