



SUMMARY: AUDIT OF THE TRANSTEJO GROUP COMPANIES

In the Lisbon metropolitan area, the urban public transport system includes not only the road, metro and rail transport, but also the passenger waterway transport between the two banks of the Tagus river. Thus, following the audits of the state owned companies that provide urban public transport, in the city of Lisbon, in the bus and metro segment, which had already been conducted, the Portuguese Court of Auditors (Tribunal de Contas, hereinafter TCP) has decided to continue to address this subject matter – Transports – and, therefore, to audit the companies that provide, in the city of Lisbon, the urban public waterway passenger transport, in other words, Transtejo – Transportes Tejo, SA and Soflusa – Sociedade Fluvial de Transportes, SA, which make up the Transtejo Group.

Public waterway transport between the two banks of the Tagus river is relevant as it reinforces the public transport in the level of home/work commuting that occur in the region of Lisbon and because it works well as a necessary alternative to bridge connection, either for vehicles that as required by the traffic regulations cannot circulate there, or as prevention, in the event of impediment to vehicle circulation.

The temporal scope covered the financial years from 2007 to 2009, in addition to references made to June 2010, when the respective audit field work was carried out.

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

- The provision of waterway transport services, in Lisbon, included the operation of five routes between the two banks of the Tagus river, which was ensured by the previously mentioned companies, as required by their Statutes, although the provision of **public transport service was not consigned** by the State. In addition, according to the decision of the government, the companies of the Transtejo group were also able to provide passenger transport services on weekends and public holidays during extended hours at night. Nonetheless, **the obligation to provide that service had not yet been formally agreed**, and how and when those companies would be compensated for the costs incurred had not been defined either.
- Besides, as happens with the other transport companies, the State, going against the provisions laid down in Decree-Law 167/2008, of 26 August, **had not yet contracted the provision of the public service** with the companies of the Transtejo group, thereby contributing to the increased and continuing indebtedness of the companies, as a consequence of the State Budget underfunding. On the other hand, the companies of the Transtejo group **have not submitted to the State the proposal to procure the public service provision**, as determined by the Resolution of the Council of Ministers No. 70/2008, of 22 April.
- **There were no rules governing the passenger waterway transport industry**, although the regulatory function is attributed to the IMTT – Instituto da Mobilidade e dos Transportes Terrestres, IP, which has been performed with regard to the waterway transport when it is articulated with the land transport.
- By **merging the two companies**, both with the same core business, benefits, notably economic ones, would be brought and economies of scale fostered. The postponement of the decision of full integration of the two companies was justified because the companies keep different Company Agreements whose harmonization would increase the already existing labour conflicts, which were quite perceptible.
- **Official demand claimed by the Transtejo Group, and reported in the accountability documentation**, as happened with the other public transport companies operating in the region of Lisbon, **were found to be unrealistic and overstated**. In fact, the count of passengers resulted, in 80%, from surveys that dated back to





1989, and not from actual counts. Official demand reported by Transtejo was therefore almost 76% above the actual figures, and 20% in Soflusa's case.

- Thus, and in light of the foregoing, in the region of Lisbon, and contrary to what happened in Greater Oporto, where a revenue-sharing system was already implemented according to the validations carried out, **revenue was still being shared as a result of the sale of intermodals permits between the different providers based on data collected 21 years ago** and, therefore, completely unfounded in view of the demographic changes, the new polarities and the evolution of the specific supply of each collective passenger transport providers.
- On 31-12-2009, both companies were **totally short of capital; bank debt** totalled 99.4 million euros; there were **cash deficits**, they **lost financial autonomy and were dependent on borrowed capital**. In the 2007-2009 period, they accumulated **negative net results**, in the amount of 55.2 million euros, regarding Transtejo, and 13.2 million euros, regarding Soflusa.
- All **routes provided by the Transtejo Group were economically at a loss**, and this even worsened as the **declining trend of waterway public transport demand decreased**.

In light of the foregoing, the TCP **recommended** that the **State**:

- Merge Transtejo - Transportes Tejo, S. A. and Soflusa - Sociedade Fluvial de Transportes, S. A. in order to put an end to the inefficiencies arising from the maintenance of these two companies.
- Set on a contract basis the public service obligations with the waterway public transport operator, in compliance with Decree-Law 167/2008, of 26 August, notably those arising from the project "Lisbon by Night: Safe Mobility at Night". This contract should clearly specify the minimum supply criteria of these obligations, which should be founded on a transparent public funding model, contributing to the economic balance and the gradual independence of the company's external indebtedness.
- Entrust an independent entity with the regulatory function of the waterway transport industry.
- Correct the revenue-sharing criteria of the permits, by the different transport operators, either public and private, of the region of Lisbon, in order that the share-out basis in force no longer is based on quotas established by the outcomes of a 1989 survey, which remains already totally out of reality and that is penalizing public companies.

The TCP has **recommended** that the **Management Board**:

- Redefine supply, particularly that occurring in reduced supply timetables, seeking greater rationality between demand and supply to improve operating performance of all routes.
- Review, by restricting the policy of free transport allocation in the public transport network.
- Update demand figures based on the validations carried out in the network entry system so that these are the figures of the official and accountability documentation.
- Make efforts so that the investments are always effective in terms of economic and/or social return, thereby avoiding the waste of public money resulting from fruitless expenditure.

