THE ROLE OF PUBLIC TRANSPORT – AND IT’S FINANCING

RAGNAR NORBÄCK, CEO NOBINA GROUP
THE ROLE OF PUBLIC TRANSPORT

- Enables all people to travel without owning a car, at stable price and timetable
- Make residential areas accessible
- Facilitating new enterprises and working areas
- Reduces negative impact on environment
- Reduces congestion
- Reduces need of parking places
- Reduces personal injuries
- Reduces need of infrastructure
POSITIVE EFFECTS FOR SOCIETY

- Larger working regions
- Attracts inhabitants
- Increased living areas
- Generate GNP growth
- Improves environment
- Generates geographical and social balance
BENEFITS FOR THE TRAVELER

- Reliability in its own mobility
- Easy access, efficient and price worthy
- Adapted to my needs
- Freedom
HOW DO WE SOLVE THE EQUATION?

- Larger working regions
- Attracts inhabitants
- Increased living areas
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NORDIC SOLUTION TO THE EQUATION

- A Public Transport Authority, PTA, has a legal exclusivity for all public transport within its region
- PTA has the responsibility for organizing a well functioning public transport
- The PTA design and decide specific contracts for the execution of selected parts of the public transport
- The PTA award these contracts to an operator, in public tenders
- PTA organize terminals that connects commercial transport

It’s all about contract terms!
KNOWN FACTS: COSTS ARE INCREASING

One reason: Contract recommendations are not followed

Outlook report from Bussbranschens Riksförbund, BR.
<table>
<thead>
<tr>
<th>What improves passenger satisfaction?</th>
<th>What improves number of passengers?</th>
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</thead>
<tbody>
<tr>
<td>Comfort</td>
<td>Relevant transport system</td>
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<tr>
<td>Punctuality</td>
<td>Knowledge</td>
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<td>Price</td>
<td>Timetable</td>
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<td>Driver behavior</td>
<td>Easy access</td>
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<tr>
<td>Relevant information</td>
<td>Status</td>
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KNOWN FACTS: PEAK TIME EFFECT

- All buses are full at peak time
- All new public transport passengers will travel in peak time
- Attracting new passengers into public transport without spreading the peak will make cost explode
- Contracts must deal with changes in travel patterns

It's all about contract terms!
HOW CAN WE DOUBLE THE VOLUME OF PUBLIC TRANSPORT WITH NO PRICE INCREASE?

- Increase the part of bus driver time when transporting passengers – from today 65% to 72%
- Improve cabin factor from today ~18% to 25%
- Improve nr of hours per day when buses are in use from today ~7 hour/day to 10 hour/day
- Prolong the life cycle of a public transport bus: reconditioning and environmental friendly engine upgrade, at 5% cost of buying a new

It’s all about contract terms!
HOW DIFFERENT CONTRACT TYPES COMBINES SOCIETY INVOLVEMENT WITH CONTRACT DETAILS

Society involvement

HIGH

LOW

Contract details

LESS

MORE

Net contract

Incentive contract

Gross contract

Commercial traffic

Source: Stenerik Ringqvist
AN EFFICIENT USE OF TAX MONEY REQUIRES ATTENTION TO CONTRACT AND TENDER TERMS!

- Has all PTA Board members understood the contract terms?
- Has all PTA Board members understood the tender conditions?
- Have the PTA management described all deviations from contract and tender recommendations for PTA Board?
- Has there been an independent study of what extra costs and extra benefits these contract and tender terms will cause for the coming 8 years?
- The need for national supervision is at this moment under investigation

It’s all about contract terms!
RIGHT CONTRACT LEAD TO RIGHT DIRECTION

- Contract design should be based on research and best experience
- Contract evaluation is key to contract design
- Well designed contracts will
  - Reduce cost
  - Increase nr of travelers
  - Improve positive effects for society
- Contracts which combines city planning, regional needs and operator experience works better than others
- Contracts which combines payments for production with payments for nr of travelers works better than others

It’s all about contract terms!
CONCLUSIONS

- Public transport **combines** the effect for **society** with benefits for the **traveler**
- Appreciated public transport is beneficial **even for those who are not using it**
- Cost of public transport will **increase more** than nr of passengers in existing contracts
- *Known facts* and experience are not easy to find and not always used
- **Contract terms and tender conditions requires far more attention in the future**
We need:

- International research that establish facts.
- Contract follow up and effect analyses
- Contract terms and tender requirements decided at highest level.