

Summary

There are good reasons to believe that public transport provision on a fully commercial basis would result in a less comprehensive range and prices that are higher than is economically efficient for society. Public transport provision should therefore be dealt with in political assemblies, and in Sweden it is the task of the municipalities and counties to coordinate their resources within the jointly owned transport authority, one in each county or region. For about twenty years the majority of public transport has been competitively purchased. Opening the market to competition has probably enabled savings and can thus be considered a successful reform.

Elected representatives of the people at local and regional level thus take decisions concerning how much support should go to public transport, in competition with the resources required for health care, schools and social services. The transport authority clarifies and operationalises these requests and looks after the administration of procurement processes, as well as communications with the operator awarded the contract. The first aim of the report is to clarify how this decision-making and procurement process works and how its results can be described. This aim is descriptive and covers the main part of the memorandum. The second aim is to discuss the possibilities of improving governance and getting more transport for the money, or of needing to set aside less money for the same transport.

Three aspects of activities in the sector form the background to the study. One aspect is that the rise in passenger numbers using public transport has stagnated. In some regions, the number of bus passengers has even fallen in absolute terms. At the same time, the costs of transport are constantly increasing, which means that half of the costs of non-commercial train and bus transport is now being financed by tax revenues. The rise in costs is also paid for

through the constant increase in ticket prices relative to the prices of other products.

The second underlying factor is that, as of 2012, the market will be opened up to commercial companies and transport authority activities will be reorganised. A third aspect is the 'Doubling Project' being conducted by representatives both of buyers and contractors with the aim of doubling, by 2020, the number of passengers compared to 2006 levels. If the level of growth that was measured between 2005 and 2009 continues, passenger numbers will have doubled by 2022 at a cost that will be almost twice that of today. There is nothing to suggest that the imminent opening up of the market will change this trend.

The description of conditions in the sector leads to four key observations. The first is that decisions concerning the majority of key issues relating to the performance of public transport services are centralised to the transport authority boards and politicians in the region that have appointed them. This means that there is very limited use of the expertise of those who are closest to the service provision, i.e. those who are responsible for driving trains and buses. As of 2012, this responsibility will no longer be exercised in a state-owned limited company, but rather within a special government agency. This does not change the fact that elected representatives will continue to take decisions about bus routes and timetables, prices and even what drivers' uniforms look like.

A second observation is that there is no follow-up of the contracts that are procured and what effects the design of the contract and the remuneration have on costs, number of passengers, customer satisfaction, etc. The buyer's specifications about how transport is to be designed are thus determined without any prior knowledge about the expected consequences of the decisions. There are also many examples of new contractual arrangements being tested without a strategy for how they are to be evaluated. The lack of information also means that it is not possible to demand democratic accountability for how activities are managed.

One fundamental issue that has not been possible to resolve in the report is why, in a sector with increasing costs and stagnating demand, no information has been produced to help understand this trend. There is a major risk that institutional and organisational changes that are carried out without such understanding could have the wrong effect.

The third observation is that the public transport sector lacks inbuilt mechanisms for independent control and quality follow-up. The auditors play a marginal role concerning operations analysis and issues relating to the effectiveness of the policy levers used in the sector. As the local authorities rarely need to borrow on commercial terms, there are not the same audits of the operations' finances as are common in private companies. And as the public transport agency will not run the risk of hostile takeovers – which is a latent threat for badly run private companies – this mechanism will not give rise to systematic pressure on decision-makers either.

A fourth observation is that the conditions are different depending on where in Sweden transport is run. More than two thirds of travel takes place in the three metropolitan regions. If there were more detailed information about travel, it would probably emerge that the 15 largest cities account for a very large proportion of current travel. Therefore, public transport is essentially a metropolitan phenomenon. In this regard, there is reason to point out that the statistics available in this sector concerning transport and travel are associated with considerable problems relating to quality.

Policy proposals are formulated in the final chapter of the report. One fundamental prerequisite for the doubling of transport – or for making it possible to conduct activities in a way and on a scale that are economically efficient for society – is that decisions in the sector must be based on basic knowledge about the actual conditions. The first proposal is therefore that the agency given responsibility for public transport in the region must be a learning organisation. This means that it has to register costs according to agreements entered into and it must continuously measure actual costs, passenger numbers and transport supply during the period covered by the agreement. There is much to indicate that this can be achieved at very low cost. One complementary aspect of the need for a learning organisation is to establish an independent organisation for the whole sector with responsibility for systematic follow-up of the activities carried out. There is good experience of such organisations that independently audit activities in other parts of the public sector.

A second policy recommendation is to improve cost effectiveness in procurement processes. One way of achieving this is to establish a professional buying organisation that administrates procurement processes on behalf of each region. Instead of each

county carrying out its procurements itself at intervals of a few years, this kind of coordination could increase the probability of the buyer obtaining maximum return on the funds set aside, while remaining within the framework of political responsibility for allocation of funds and other circumstances that are important to the owners.

A third aspect of these changes is the creation of a new politicians' role that would mean a greater will to delegate decision-making on prices, supply and other issues that are key to activities. One example of how this can be done is to proceed from the three business models that have been developed within the framework of the Doubling Project and that in various ways distribute responsibility and risks between buyer and contractor. There is currently a lack of knowledge about how these models work and, in particular, what uses each model is best suited to. The new politicians' role could mean allowing systematic trials to be carried out that are evaluated before the new models are applied on a broad front.

The three business models involve, more specifically, control of activities being delegated to differing extents to the contractors. The report includes a study linked to the delegation issue. This study shows, in particular, that it is possible to reduce the environmental impact of transport while saving money for the buyers. This can be achieved by not determining which buses are to be used, but instead determining the emission requirements that must be fulfilled. This is a concrete example of one type of development project that has to be ordered by politicians and carried out in close cooperation with operators and officials in the regional authorities.

The report concludes with a brief discussion of who is the recipient of these recommendations. As a result of the responsibility for transport being delegated to the regions, there is no minister with operational responsibility for these activities. Instead, decisions about a change in governance have to be made in each of the regions that currently run and pay for transport. One important question is whether the regions can be persuaded, on a voluntary basis, to coordinate their activities in the manner proposed or whether some will choose to take advantage of the knowledge produced by others. The effects of previous structural changes in the sector suggest that legislative amendments are often needed to limit the risk of some regions opting out.