



**Sveriges Bussföretag**

Ett förbund inom **TRANSPORTFÖRETAGEN**



## The Swedish Doubling project

- a way to develop the market for tendered public transport in cooperation between public authorities, traffic operators and other stakeholders. Using recommended standards for the tendering process in the procured public transport is one prioritized tool to reach the goal of a doubled market share for the public transport.

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## **Abstract**

The Swedish public transport sector started in 2008 a form of partner co-operation in order to double public transport. It is being conducted by the Swedish Public Transport Association, the Swedish Bus and Coach Federation, the Swedish Taxi Association, the Association of Swedish Train Operating Companies, the Swedish Association of Local Authorities and Regions (SALAR), the Swedish Transport Administration and the governmentally owned company Jernhusen (Partnersamverkan, 2017).

A doubling of the public transport market share produces major benefits for society. The goals are to significantly reduce carbon dioxide emissions and to increase energy efficiency throughout the entire transport system. A doubling will also give better road safety, less congestion and a transport system that offers equal opportunities. Public transport also contributes to growth and regional development.

A tool for reaching the goal of double the travels with public transport is to develop recommended standards for the tendering process in the procured public transport. The tools today cover models for tendering contracts, recommendations for technical demands on buses, recommendations for environmental demands and recommendations for commercial demands in contracts. The recommendations are adopted by the national federations in the sector. Even if they are just recommendations and no obligations, the use of the documents and recommendations are increasing. The name of the project is Avtalsprocessen/The contractual process and it's today one of the prioritized projects within the joint work of The Swedish Doubling Project.

The sector means that by using common and agreed standards, the costs for the procured tendered traffic will be less. The reasons for this is for example that if the bus companies can use the buses in different regions there will be less demand for "extra fleets" in each region and buses can be moved from one region to another when contracts are over.

Every year the Swedish Bus and Coach Federation follows up the development and use of the joint recommended standards for the tendering process in Sweden. Following this reports, you can see a slightly positive trend, even if the process is quite slow, mainly due to the long contract periods for the tendered public transport. When the Swedish Bus and Coach Federation examined the contracts started in 2014, it was found that the industry has taken a leap forward regarding compliance with the industry's own recommendations. However, the cost increase 2007-2013 of 39.4% was significantly greater than the increase in traveling of 17.0%. But the image is particularly varying between the counties/regions (Bussföretag, 2017).

The question for this paper is if the joint work has and will – and then how - contribute to a more efficient procured public transport sector and help the sector to attract more travelers.

## **Introduction**

The Swedish public transport market started early with public procurements, already in the 90s (Alexandersson, 2010). As the praxis developed both public transport authorities and bus



companies looked for a way of using common experiences and to make the best out of the resources. Due to the fact that the different local transport authorities developed their own way of doing things, the market became fragmented (Nilsson, 2011).

Parallel to the work of implementing EG 1370/2007 the Swedish political discussion also included the role and efficiency of the local public transport authorities and the possibilities for the private public transport companies to be a stronger part in the development of the future public transport sector.

All those circumstances did establish a ground for the joint work with the standards in the Avtalsprocessen/The contractual process in the joint work within the Swedish Doubling Project.

On the projects website (Partnersamverkan, 2017), the Avtalsprocessen/The contract process is described as follows:

- The core of Avtalsprocessen/The contractual process is the recommended work process, with an inherent driving force to gain more customers in a resource-efficient manner. The process leads in a transparent and confidence-creating way to the most appropriate type of agreement in relation to the goals you want to achieve. It is a step by step process according to a well-thought-out process, where it is necessary to continuously reflect on and take a position on various issues.
- Avtalsprocessen/The contract process is based on proven practice and, in addition to the process description of call talks and requirements, clearly shows how to place functional requirements instead of detailed requests, which in turn increase the cost of public transport. By comparison, one can usually imagine that it is usually cheaper to choose a standard passenger car, albeit with some options, than a custom built car.
- Avtalsprocessen/The contract process description and the documents are based on best practice in the industry, tuned into working groups with representatives from both public clients and companies as well as audited by lawyers. As all industry organizations in Swedish public transport participated actively in the work, represented by both members and officials, the material is solid. Through its "industry" organization, individual companies, large and small, have also had the opportunity to influence extensive industry development for a healthy business.
- The advantages are that one focuses on proven cost-effective methodology and does not have to invent own solutions every time. For the public purchaser, it provides financial housing and the individual entrepreneurs need not worry about uncertain cost developments in the long-term contracts that characterize public transport.
- The contract process is aimed at a broad audience. It is important that politicians as well as officials at different levels in the various agencies, organizations and companies of the industry have good knowledge of how the contract work should be conducted in order for the agreements to play the role they must have as a strategic tool for increasing travel and market share.
- The material including work process and model agreement is free to use.

In order to establish a consensus on the types of contracts to be used, the Avtalsprocessen/The contract process has resulted in the development of three basic types of agreements.

In cases where there is a basis for commercial traffic and the local public transport authority and the transport company agree that the responsibility will largely be on the transport company, and

if a company is prepared to assume significant commercial responsibility and a commercial risk, it is recommended that the parties meet upon procurement a service concession agreement which means that the transport company has a large influence over supply and pricing. Continued, this is also referred to as net contract.

If the stakeholder, mainly the local public transport authority, sees a potential for the traffic company to increase travel with active marketing efforts, etc., they can use a reimbursement linked to the number of travelers, known as travel incentive agreements. It is also proposed that production or gross agreements - which is the most common form of contract in Sweden today - are used in cases where the client needs the main responsibility for specifying an assignment, which means that society takes the bulk of the financial risk. The purpose of the model agreements is to create a safe and commercial platform for the parties, thus providing the conditions for a common approach that leads to common goals.

Whichever of these agreements is used, there is also a recommendation to write a supplementary Collaboration Agreement. The purpose is to limit the risk that an agreement between a local public transport authority and a traffic company is affected by the fact that another party, for example by an infrastructure holder such as a municipality, changes the basic starting points for the activities agreed by the parties. If, for example, the municipality decides to make a street to a walking street, that might force the traffic company (for example a bus company) to let the bus take another, maybe longer, route. That might lead to more fuel consumption, less travelers and longer working time for the company's bus driver. If the municipally has signed a Collaboration Agreement they might think twice before doing that.

## **Material, methods and demarcation**

The method of this report has mainly been studying literature such as public reports and reports from the national federations in the Swedish public transport sector. Focus has been on describing the development and the results of the joint work within the Doubling Project.

This report does not look into the conditions and structure of the Swedish publicly organized public transport market. It concentrates on the experiences of standardization tools for the procurement process in the publicly organized Swedish public transport market.

## **Theory**

The reasons for public intervention in the public transport sector is several. Public transport as a whole, does not have the characteristics of a market with effective competition, even if parts of it can have so. Public transport for daily commuters could have the possibility to grow on a total commercial market. Services for school children, disabled persons and inhabitants in rural areas might not. Therefore, there is several reasons to believe that public support for such activities can contribute to higher welfare than if the business is totally conducted to commercial terms (Nilsson, 2011). Other reasons is linked to the society's demand for liveable cities, less congestion and political goals for reduced climate threats.

The system of organizing public transport within the western world today is mainly competitive or in-house tendering or public procurement. In the UK, outside London, there is a totally deregulated marked where the public intervention is limited so social services (UITP, 2017).



In Sweden the domination system of organizing public transport is by public procurement. Since the start of those public procurements in the 90s (Alexandersson, 2010), the sector has developed and best practices has been shared. The step towards a joint work for standards build on best practices was established with the joint project Partnersamverkan in 2008 (Partnersamverkan, 2017).

Standardization has been used in several sectors in order to achieve efficiency and transparency. In the report “Vilka faktorer finns bakom ISO seriens omfattande spridning” (Anna Bud, 2008) the authors in order to gain a better understanding of the factors behind the extensive spread of the well-known ISO 9000 series, have chosen theories that characterize successful recipes. The theories chosen relate to the fact that successful recipes have common features of being: authoritative, theoretical, productive, timing, harmonizing, dramatizing and individualizing. In addition, theories about the legitimacy of standards are used and where and what ideas are spread. These elements are the part of the independent variables that affect the success of a prescription, which is the dependent variable. This theory can also be applicable on the Avtalsprocessen/The contract process.

## **Results**

Each local public transport authority has unlimited control over the design and execution of the procurement procedure. If a local public transport authority consider the recommendations given in the centrally designed documents in the Avtalsprocessen/The contract process to be inaccurate, or if you have not agreed to such agreements, there are no mechanisms to force the counties to implement the recommendations made in agreement between the parties.

The report on "More Functional Procurement in Public Transport (Fler funktionsupphandlingar i kollektivtrafiken)" (Federation, 2017) makes a complete review of all new contracts between local public transport authorities and bus companies in 2016. Best is the contracting local public transport authorities to make use of the recommended “Vehicle Requirements in Bus 2014 (Bus 2014”, if you look upon all the documents in the Avtalsprocessen/The contract process. The Swedish Bus and Coach Federation underline that this is important because it is only when the sector have fully standardized demands for buses in procured public transport traffic increased purchasing costs can be minimized. This leads to reduced costs that make it possible to invest in more traffic in order to attract more travelers through a larger and relevant range.

The proportion of procurement that follows or almost follows the index recommendations is 90 percent of all the contracted Swedish public transport traffic, which is an improvement over previous years. Good index terms are extremely important. Not only for the transport companies, but also for local public transport authorities. Using indexes that take into account the actual cost trend reduces companies' risks with the agreement, which means that carriers do not need to take care by placing more expensive bids. Index regulation will ensure that agreed business terms are maintained throughout the term of the agreement. It benefits both traffic companies, local public transport authorities and travelers.

Despite this breakthrough, however, the Swedish Bus and Coach Federation in their report (Bussföretag, 2017) notes that public transport costs continue to increase in Sweden and that the need for more standardization has increased rather than decreased.

The increased costs in the publicly organized Swedish public transport sector is something also observed in a report made by The Swedish Association of Local Authorities and Regions, SALAR named “Kollektivtrafikens kostnadsökningar – en överblick” (Sveriges Kommuner och Landsting / The Swedish Association of Local Authorities and Regions, 2017).

The reasons for the increased costs are, among other things, that more traffic has been put in place to give travelers better service, that contracting local public transport authorities do not succeed in setting functional requirements for accessibility and environment in bus traffic, and that many contracting local public transport authorities focus on rail traffic instead of bus traffic even in sparsely populated and rural areas where train traffic is more expensive than bus services.

## **Discussion**

Public transport is identified as one of the tools for a future liveable and climate friendly society all over the world, especially in cities. For example, in the Swedish transport policy, decided by the Swedish Parliament, it is stated that the conditions for choosing public transport, walking and cycling are to be improved (Riksdag, 2017). The non-governmental industry organizations within the Swedish public transport sector works to fulfil the intentions and want to improve the conditions for choosing public transport. As the majority of the public transport traffic in Sweden today is run by public contracts in a competitive tendering structure, the process for public procurements within the Swedish public transport sector is vital in order to be able to fulfil the intentions of the Swedish transport policy.

As the stakeholders within the Swedish public transport sector in several years have developed the process for public procurements in the sector, the need for best practices and joint recommended standards were something that a lot of leading persons in the business saw a demand for when the project Partnersamverkan started (Partnersamverkan, 2017). As the recommended standards within the project Partnersamverkan has become more and more accepted, there is now a challenge to prove that this work will make a contribution to reduce the ever higher costs within the public transport sector. If successful, the sector can choose how the total resources can be used to get even more people to use public transport - preferably twice as many! Due to the last follow-up reports, the sector is hiding the right way (Bussföretag, 2017).

The key factor to reach the goal of total loyalty is to use some of the concepts used in other successful standardization projects. It means that the work has to be authoritative, theoretical, productive, timing, harmonizing, dramatizing and individualizing. The work also has to gain a high score of legitimacy and make sure the ideas of and behind the Avtalsprocessen/The contract process are spread to the whole sector, preferably by ambassadors of leading persons in the sector. In order to achieve that, the project has to have a high sense of “star quality” as well. And to combine standardization work with “star quality” is a challenge!

## **Conclusion**

The Swedish Doubling project with it’s Avtalsprocessen/The contract process is a way to develop the market for tendered public transport in cooperation between public authorities, traffic operators and other stakeholders. To use recommended standards for the tendering process in the procured public transport has to be one prioritized tool to reach the goal of a doubled market share for the public transport, as the majority of the Swedish public transport is



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organized in a competitive tendered structure. And if the sector wants to reach shared goals about efficiency and doubling of the market share on a national level, they need to use and share best practice.

The challenge is to gain almost 100 per cent acceptance for the Avtalsprocessen/The contract process, as standardization demands loyalty from everyone in order to become just standardization.

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