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A business model for the doubling of public transport

*How should public transport be developed in
order to double its market share?*

An outline concept as a basis for discussion.

Summary

Stockholm, 30 April 2009

The new business model is one of the sub-projects within the Joint Action Group for a Doubling of Public Transport. This is the first outcome of the group's work – an outline concept for a new common business model for the public transport sector. The purpose of the concept is to create discussion within the sector and to gather views and proposals as a basis for the continued work. Consequently, the project group responsible for producing this outline concept welcomes the views and comments of readers.

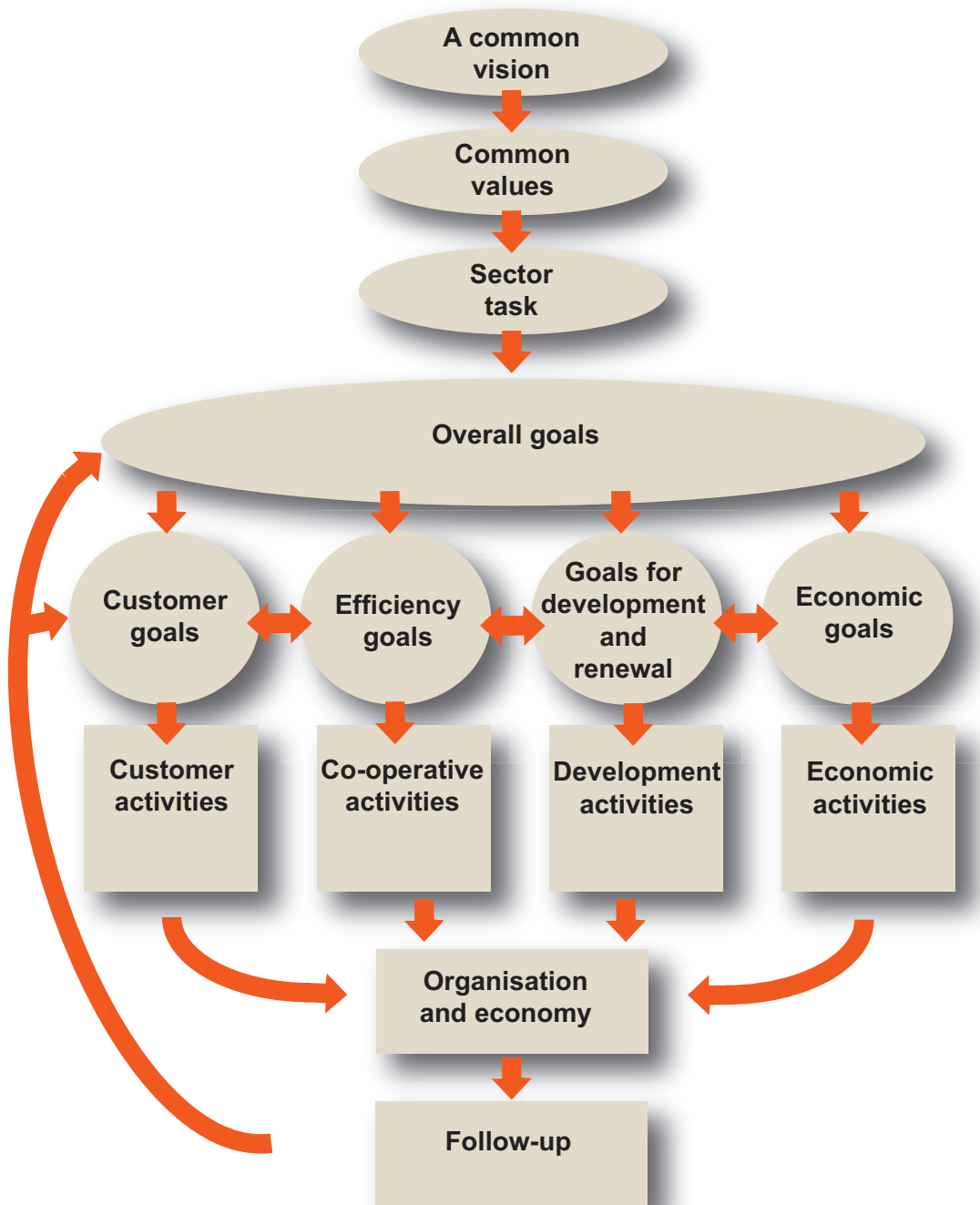


Figure 1. Basic diagram of the new business model.

Summary

The principal message of the project group in their outline concept is that public transport must be rapidly advanced to the “next development stage” and be recognised as a modern innovative sector. It is a matter of raising the importance of the passengers among all players who are involved in developing public transport by having an overall view of the customers’ needs and moving the decisions closer to the passengers. It is also a matter of preserving public transport as an integrated system with demands for a high level of system efficiency. All this requires effective seamless co-operation between the various sector players.

The basic starting point in the outline concept is a common vision which means that public transport shall be a self-evident part of the travel on offer in a sustainable society. Public transport must quite simply be so good that people have a real chance every day to choose between an attractive and competitive system of public transport and using their own cars. It is only then that public transport will become a natural part of our own travel options, and only then that it will be possible to double the market share of public transport – which is the overall objective.

With this as a basic starting point, the project group has established concrete goals and activities in order to achieve the objective. In order to implement this integrated action plan, there is a need for greater insight and knowledge, co-operation, innovation and good examples to indicate the right approach. Greater diversity is also required in the range of transport offered, which will give passengers a greater freedom of choice. There is also a need for a more strategic purchaser role with less detailed management and greater professional freedom for the operators and common driving forces to increase travel volumes.

The project group proposes that Regional Plans for Sustainable Travel should be developed in which assessments are made of how public transport will be developed in various sections of large natural labour market regions – regions that better match current and future travel patterns than do the present counties.

It is a question of co-ordinated traffic and infrastructure plans in which public transport constitutes a natural part of community development as a whole. The plans shall be long term and be updated annually with a broader overview every four years. They shall be decided on the regional political level, where the responsibility rests for ordering or procuring public transport, but they shall be drawn up jointly by the purchaser, operators, local authorities, transport authorities, passenger organisations and other interested parties in the region.

In the plans, an identification shall be made of the market potential in different parts of the region. It shall be made clear which type of transport the players judge as offering the greatest potential to be operated on a commercial basis without having to be subsidized by society, and which transport will require the support of society. The project group has worked on three different type areas.

In certain areas with a large passenger base (type A), there should be sufficient potential on certain routes and lines or in certain districts to allow the operators to run transport services on entirely commercial grounds. However, in the opinion of the project group this market is not particularly large, i.e. approximately 10 per cent at present with a potential of perhaps 20 per cent.

In the second type of area (type B), there is at present no potential for commercial transport, but there could well be so in the future depending on building development trends and the growth of society in general. It is in this area where most of the traffic is to be found. In the third type of area (type C), it will always be necessary for society to guarantee a certain basic transport provision for the people living in the area. This applies in particular to rural and sparsely populated areas.

The project group proposes that those operators who are procured in the different parts of a region should be given overall responsibility for the transport. Agreements may be different in different areas, depending on the proportion of commercially viable traffic. On the other hand, all agreements should as far as possible be based on function and system responsibility with incentives that are based on trip volume in order to drive development in the direction of doubling targets and the demand for system efficiency.

The group recommends a type of service concession agreement with variable trip volume-based remuneration to the operators that is high enough to stimulate their business performance and their willingness to invest in new products and services for customers. Also, agreements need to run for longer periods than at present. At the same time, a clear framework is needed on the purchaser side in order to safeguard the social benefit of public transport.

Commercial transport cannot be viewed in isolation from the transport that is purchased by society, but must instead be part of the integrated public transport system that is safeguarded by the purchaser from both a customer perspective and based on the demand for efficiency in the public transport system as a whole. The reason for this is so that citizens will experience a sense of security in that they are both able and can afford to undertake their necessary journeys, not least to and from work and education.

In this type of area, the project group therefore proposes that society, in its agreement with the operator, should purchase the traffic that is necessary in order to meet the needs of passengers to travel within the entire area in a co-ordinated and well-functioning public transport system. This is one of the group's principal messages in its report in order to create stability and predictability for the passengers.

Once the traffic has been procured and contracted, the project group proposes that there should also be free access to the entire market for other operators. The reason for this is to create the necessary preconditions for even greater freedom of choice for the passengers by allowing a greater diversity of operators where there is sufficient potential for it. The increase in competition

for passengers will also apply pressure on those operators with whom the purchaser has entered into agreements in the different parts of the area, and will encourage them to constantly endeavour to be even more efficient.

As a whole, the proposal advanced in the outline concept involves major advantages for all parties. It is the passengers who are the real winners since they can reckon with a wider range of services and a higher quality. The operators will have a greater opportunity to develop their operations on business lines by adapting their products and services to suit the passengers' requirements. The purchaser will assume a clearer strategic role when it comes to determining the basic prerequisites for the transport. For society as a whole, it creates the conditions necessary to achieve important social goals in connection with the environment, safety, etc.

According to the project group, this clear division into roles provides a sound basis on which it will be possible for public transport to be the strategic instrument that is needed in order to meet the goal of a doubled market share.

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