

# **Developing a new and more attractive regional public transport offer in Central Denmark Region**

## **A Policy Learning Platform peer review 6-7. November**

### **Final Report**



#### **Brief presentation of the beneficiary and its motivation to host a peer review**

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Central Denmark Region was the host and beneficiary of the peer review. Central Denmark Region is one of five regions in Denmark and covers the middle of Jutland. The regions' responsibility is within the areas of health, psychiatry, social and regional development.

Today Central Denmark Region use a large amount of money on the regional public transport. We believe we can make more sustainable mobility in our region by using this amount of money in a smarter way.

The citizens' needs for transport has changed over the last years and the passenger numbers have been declining for several years outside the larger cities. The Corona pandemic of course affected this. But the trend had started years before the pandemic. After the pandemic the numbers shows that the passengers are returning to the public transport – and for the regional public transport the numbers are a bit better than before the pandemic. But generally, the downward trend remains a reality in rural areas and smaller communities that are remote from major bus routes and railways. Overall, analyses show that most people prefer the car, especially outside the larger cities.

So, we believe that the public transport needs to evolve. Examples from other European countries show us that a way to go could be to combine more mobility offers in the public transport offer and to use another form of contract with the private operators than we are used to in Denmark in the public transport area. The fundamental idea is to transfer a larger portion of the responsibility for organizing, planning, and executing the integrated public transport service to private operators in the market. This also includes that the operators should assume increased risk for passenger revenues.

Therefore, we applied for a Peer Review at Interreg Europe Policy Learning Programme to learn from others who have made the

transition from gross contracts to net contracts, or who is using net contracts and where several forms of mobility are combined.

Our motivation was to learn and be inspired by how others are working with public transportation. Our hope was to hear examples of how to work with net contracts, which also combines at least two forms of mobility, and which works in an area outside of the larger cities.

## **Specification of the policy challenge encountered**

Our current Regional Development Strategy sets the direction for – among other things – the regional public mobility in our region and how we must work for more sustainable mobility in the region. Most people in the Central Denmark Region relies on the use of car to their transportation. Our goal in Central Denmark Region is to increase sustainable mobility in our region, which means less people using cars to their transport. Therefore it calls for a development of a new and more attractive regional public transport services to convince citizens to make less use of their cars, and to better meet our citizens mobility needs by exploring ways to combine more mobility offers beyond the traditional buses in a new and more attractive public transport offer.

To do so we wanted to look on how to tender public transport in a new way, where the private bus operators have a greater co-responsibility. The idea is that the private bus operators are involved in the planning of where and when the busses should drive and get a share from the income from the potential passenger growth. This form of contract thus however also entails, that the bus operator takes a larger risk – if no more passengers get on the bus, they miss out on their share of the increased passenger revenue. And it is a risk for the region and traffic company because they have to give up some (or most) of the responsibility. And with it, control.

Therefore one of the thematic block was about procurement frameworks: Net vs. gross contracting and incentives for operators. And our questions were:

- Experiences with gross vs net contracts in rural regions
- How net contracts work for public transport, who is responsible for what and what is the process for a net contract tender.
- How to incentivise operators to care about ridership increase.

We were also looking on the possibilities to integrate different transport offers e.g., car-sharing, shared bikes and/or DRT with the traditional public traffic like buses and trains. And would like to hear about examples in an area outside of the larger cities.

Therefore the second thematic block was about integration of different transport modes at regional level. And our questions were:

- Present your integrated public transport offer in your territory
- How can operators of different mobility services work together under an integrated mobility offer?
- How are costs and revenues shared in your integrated mobility offer?
- How is the citizen reaction and acceptance of your integrated mobility offer?

## **Participants**

- *Members of the beneficiary organisation*
  - o Lene Jørgensen, Central Denmark Region
  - o Peter Hermansen, Central Denmark Region
  
- *Local stakeholders involved*
  - o Christina Meiner Tästensen, Midttrafik (regional traffic company)
  - o Signe Borup, Midttrafik
  - o Troels Tofte Hansen, Skanderborg Municipality
  - o Malene Kofod Nielsen, Northern Region of Jutland
  - o Henrik Grell, COWI (consultant for Central Denmark Region)
  - o Maria Helene Louwrier, Central Denmark Region's EU-Office
  
- *Peers*
  - o Jenny Milne, JLM & Scottish Rural and Islands Transport Community (SRITC), UK
  - o Nuno Alexandre Cunha, interoperability platform Minho Access Point, PT
  - o Roger Pyddoke, Swedish National Road and Transport Research Institute VTI, SE
  - o Thorsten Haas, Main-Tauber transport company VGMT, DE
  
- *Interreg Europe team*
  - o Katharina Krell, Thematic Expert on Greener Europe and More Connected Europe, Interreg Europe Policy Learning Platform
  - o Antoine Duquennoy, Lead Manager, Interreg Europe Policy Learning Platform
  - o Simon Hunkin, Thematic Expert on Greener Europe and More Connected Europe, Interreg Europe Policy Learning Platform

## **Policy Recommendations**

The following are the recommendations that are most relevant to our context and further work with the policy challenge.

### Procurement frameworks: Net vs. gross contracting and incentives for operators and Consider working differently

The peer review showed us that there is a trend away from net contracting in public transport procurement outside of cities. Examples of both Austria, Germany, Sweden, and Norway showed this. In Scotland they include both net and gross in tenders, but operators choose gross – they do not want to take on the liability.

The peer Roger Pyddoke from VTI shared a study based on experiences in Skåne in Sweden where the aim was to double the number of trips between 2006 and 2020 via passenger incentives. They used incentive contracts but with relatively small degrees of freedom for the bus operators - they were only involved in timetable and marketing.

The study showed no statistically significant effect on ridership. And a sister study showed that incentives must be coupled with more freedom for operators and incentive needs to be higher.

Roger shared with us afterwards his research paper *Has collaboration contributed to goal achievement in Swedish public transport* by Roger Pyddoke and Karin Thoresson. Here we re-read Rogers presentation about how collaborative contracting between public transport authorities and bus operators has been presented as a successful method for reaching public transport policy goals for ridership growth, but that the study of two Swedish regions and two contracts showed, that more delegation may not necessarily have led to increased goal achievement, and the paper questions whether collaborative contracting has contributed to ridership increases.

Therefore net contracts in public transport outside the larger cities can not be recommended to achieve passenger growth.

In stead the peers recommended to consider working differently.

The peers concluded that the private sector is not automatically better or more creative when it comes to increasing ridership than public authorities. The private operators are not necessarily the best for solving the problems, the public authorities are probably better positioned.

For private operators to really care proactively about ridership, incentives to be creative must be significant and operators must have the freedom to change the system including routes, service levels and prices. And that is most likely not what the public authorities wants.

The peers recommended to build incentives into gross contracts instead and to involve the private bus operators more. A collaboration approach to transport planning could harness the intimate operational knowledge of the reality in each line and lead to optimized decisions, e.g. replace a formal bus line by a flexible solution. The more collaborative planning process should include drivers, operators, user representatives and key stakeholders.

And to look at factors outside the contract, such as car-restricting measures and improved bus road space, which might be more effective in increasing the number of passengers.

The peers also recommended to base the solution-finding process on goals and needs and later in the process look to find the right technology and solution. To this they recommended these focus-questions:

- Attention to users:
  - o What do users want and need?
  - o What is the added value for users?  
Maybe values beyond getting from A to B.
  - o Consider unintended consequences.
  
- Attention to policy makers:
  - o What is the societal vision that the transport strategy should serve?  
It is e.g. reduce climate effect? Inclusion? Social welfare? Coverage?
  - o Clarify the vision – make the targets concrete.

#### Integration of different transport modes at regional level

The peer review showed us there are not many examples of integration of new forms of mobility with traditional public transport in rural areas in EU. Most examples are/were pilots and many have been abandoned after project-funding was over.

Successful models include the community – they know the market.

An example, that unfortunately couldn't join the peer review, is from Flanders in Belgium. Luckily Interreg Europe Policy Learning Platform had arranged a study visit to Flanders in October, where a representative from Central Denmark Region attended. Interreg Europe Policy Learning Platform also told about this example at the peer review.

In Flanders they have managed to introduce car-sharing in their territories. Integration is physical: so-called "Mobi-Points" bring physically together bus stops and car-sharing and bike-sharing stations. The experience shows, that each shared car takes between 3 and 10 private cars off the street.

Some of the key lessons from Flanders is a new scheme need time, so we need to adopt a long-term approach. Location is crucial, the right placing of the cars is the most important decision. And critical mass is important, 1 car alone does not start a successful scheme.

Beside the key lessons from Flanders, the peer review also recommended to take stock before planning the next steps – look at all the good things you already have in Denmark. And that we should do a trial/pilot before changing the contractual framework.

## **Possible calendar of implementation**

We will use the learning from the peer review in our coming pilot project.

In a current tender we have made room to a pilot project on two regional bus routes where the winning private operators is obligated to participate in our project. Together with the private bus operator, other private operators, and the municipalities we will decide which modes of transport will we integrate and test on the two bus routes and at the same time test how we can collaborate.

Here we will use the recommendation about collaborative approaches and together focus on the users and the societal and political targets, and also use the key lessons from Flanders and other key lessons from other examples in Denmark.

The pilot project is planned to start when the tender is over and the winning bus operator is found, so hopefully in the end of 2025. Learning from the pilot project will be used in coming regional strategy for public transport and can come to change how we today order the regional public transport and what the regional public transport will entail.

It all depends though on the new organisation of the public transport sector in Denmark. At the moment, an expert group is looking at the public transport and how it is organised. They are planned to give their recommendation in the spring 2025 to the government, who afterwards will have to decide how the public transport sector should be organised and which legislation they should be operating under. This to say, that maybe the region won't be in charge of the regional public transport in the future, and then the pilot probably won't happen. If that is the case, we will bring forward the recommendation to the actor who will be in charge.

## **Conclusions**

The peer review has given us valuable knowledge about how we should work with our policy challenge. As written above we will use the recommendations in our coming pilot project. We were already working on this pilot project, but the peer review confirmed to us, that we are on the right way. And with the recommendation about attention to users and policy makers, and to take stock from our own work in Denmark before planning the next step, we feel more sure about this pilot project.

The most important learning from the peer review is the trend in Europe away from using net contracts in public transport procurement outside of larger cities. This learning will probably save us time, money, and the same experience. Instead we can focus on collaboration in another way by working differently as suggested from the peer review. And as planned in the pilot project we can see how we can work together and what each parti brings to the project, without the public transport authority having to delegate its planning responsibilities to the operators, but instead find a way, where we can work together and use each other's strengths within the gross contracts we are using today.