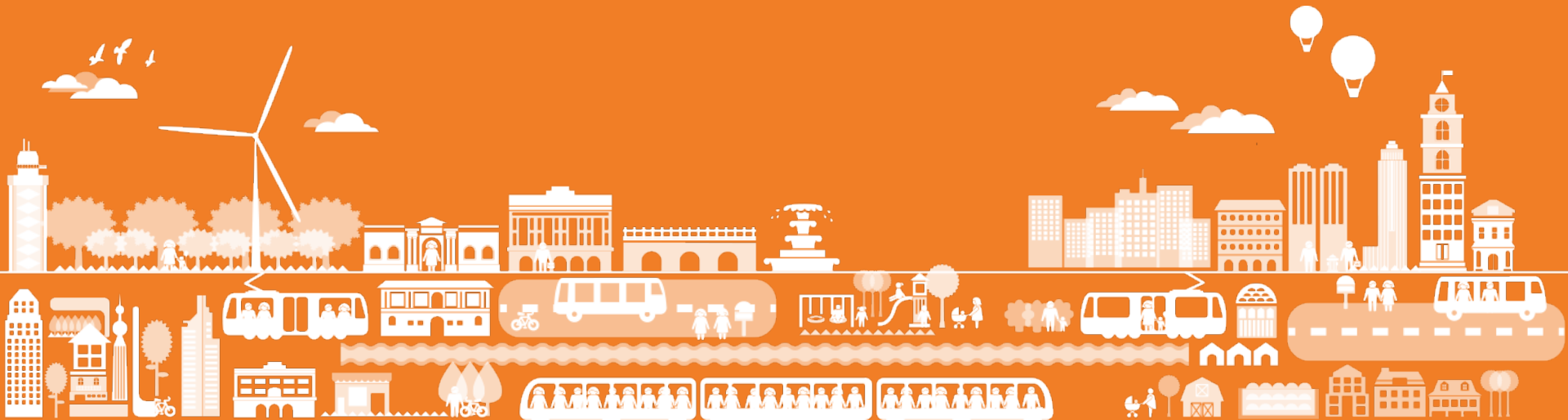


Do incentive contracts steer towards transport policies and public transport goals?

A case study of the three Swedish metropolitan regions

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Background - the Swedish PT Market

- Current PT law: increased focus on the strategic level
- Regional public transport authorities (CPTA) formulate policies and strategies through their transport provision programs (TPP)
- Regional and local PT: funded by local income tax and ticket income (50/50)
- Private operators compete for 8-10 year contracts, tendered by PTAs
- Most larger contract agreements: gross cost contracts with significant ridership and quality incentives
- Goals: shared responsibility for better standards, increased quality and an increased PT market share
- Development of “model contracts” by authority and operator representatives in national working groups



Study aims and scope

- To better understand the links between *policy* and *contract design and management*
- Through a study of the three largest metropolitan regions in Sweden (Stockholm, Västra Götaland and Skåne).
- Qualitative approach, research questions:
 - Do contract agreement designs steer towards overarching policies and strategies?
 - How are PTAs organised and managed in order to meet policies and strategies?
 - How do different actors within PTAs perceive and describe their “work flow process”?
 - The link between strategy and policy on one side, and contract design and management on the other: how does it look?



Methods

- Document studies
 - TPPs, Stockholm, Västra Götaland and Skåne
 - Three to four OP contracts in each region
- Interviews
 - Four different levels (policy, strategy, tactics/procurement, operations) within PTA organisations
 - Five politicians [p], five strategists [s], four procurement specialists/experts [e], four persons in charge of daily contacts with operators [m]
 - Semi-structured interviews and respondent subjects discussed with PTA representatives
 - Two interviewers present



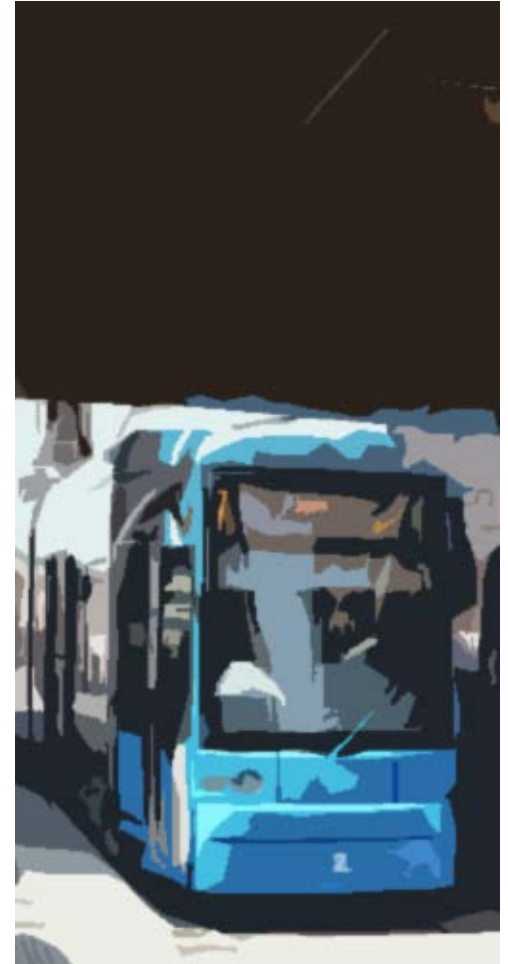
Results – “if”

- The goals in TPPs has been divided into three types depending on the influence of the authority, the operator and the outside world context.
 - **Market goals** - competition goals - can be a vision but it cannot be fulfilled only through a simple decision within the organization
 - **Customer goals** – e.g. customer satisfaction - can be achieved by working with the existing organization (through KPIs)
 - **Technical goals** - often environmental goals and vehicle quality - can be achieved through decisions in the organization and provision of financial resources.



Results – “if”

- **Technical goals** are *very well* met in the agreements with the operators
- **Customer goals** are *relatively well* met in the agreements
- **Market goals** are *often not specified* in the agreements (only implicitly, through ridership incentives...)



Effects – organisational differences

- The organisational structure influences how involved politicians are in contracting
- Politicians in Stockholm have a large influence on transport agreements – contract design placed on a higher, strategic level.
 - Stockholm has an integrated organisation
- Political influence in Västra Götaland and Skåne is smaller. Here, politicians have been more careful to only control Västtrafik and Skånetrafiken respectively through the general goals set in TPP
 - Divided into a regional public transport authority and an organisation for implementation. Both have a politically appointed committee and board respectively.



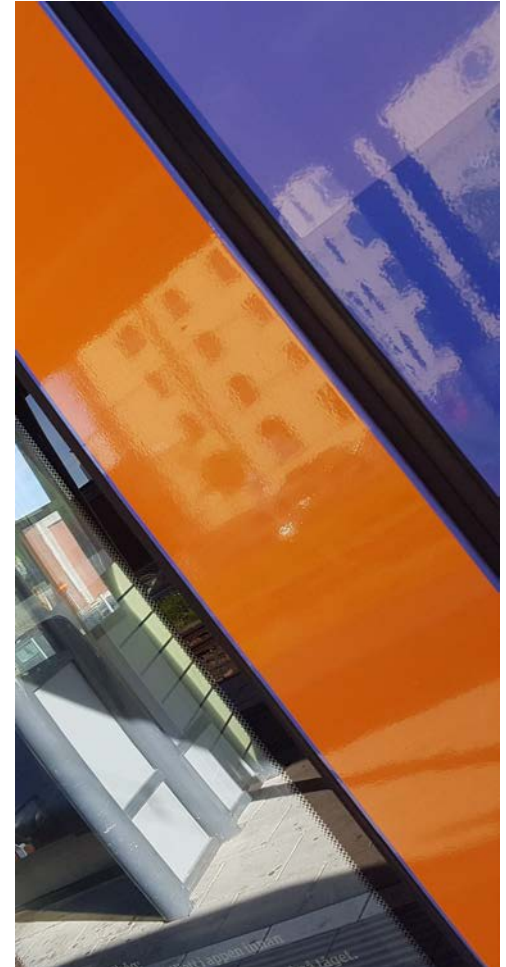
Interviewees' reflections - 1

- How contracts are procured and formulated is just one aspect that affects *goal attainment*
- Particularly at the political level, is the importance of the *infrastructure* mentioned (beyond their control...)
- Holistic and *long-term approach* to the overall planning of the transport system is mentioned
- Overall, *stakeholder collaboration* is perceived to have large influence on how PT functions
 - There is a stated growing interest in collaboration and vertical integration since 2012 (new law)
 - Important for PTAs to set the terms



Interviewees' reflections - 2

- Some perceive TPP goals as *too vague and non-specific*, which means that they cannot be worked on properly; they cannot be followed up
 - Could be that interest in the organization in having them clarified is weak...
 - Visions and desires result in insufficient links to operational activities
- One management solution: a *business development plan* - as a "chain" from general goals to more specific measures
 - Affects the desire of TPP level of detail
 - May be aligned with the TPP... but different time frames
 - Here, PTAs perceive themselves as companies



Interviewees' reflections - 3

- Once the agreements are signed, the *possibilities of controlling PT are limited*
- Politicians may feel uncomfortable not being able to influence PT after signing agreements
 - They are still accountable to the public
 - They may wish to change or add a line, but this is not possible if you have signed an agreement based on incentives and the transport company's freedom to plan transport
- Complication: the term of the contract is as long as ten years – a great deal happens over such a period
- There is a need for increased flexibility (i.e. political intervention as well as “innovation procurement”) in future contracts

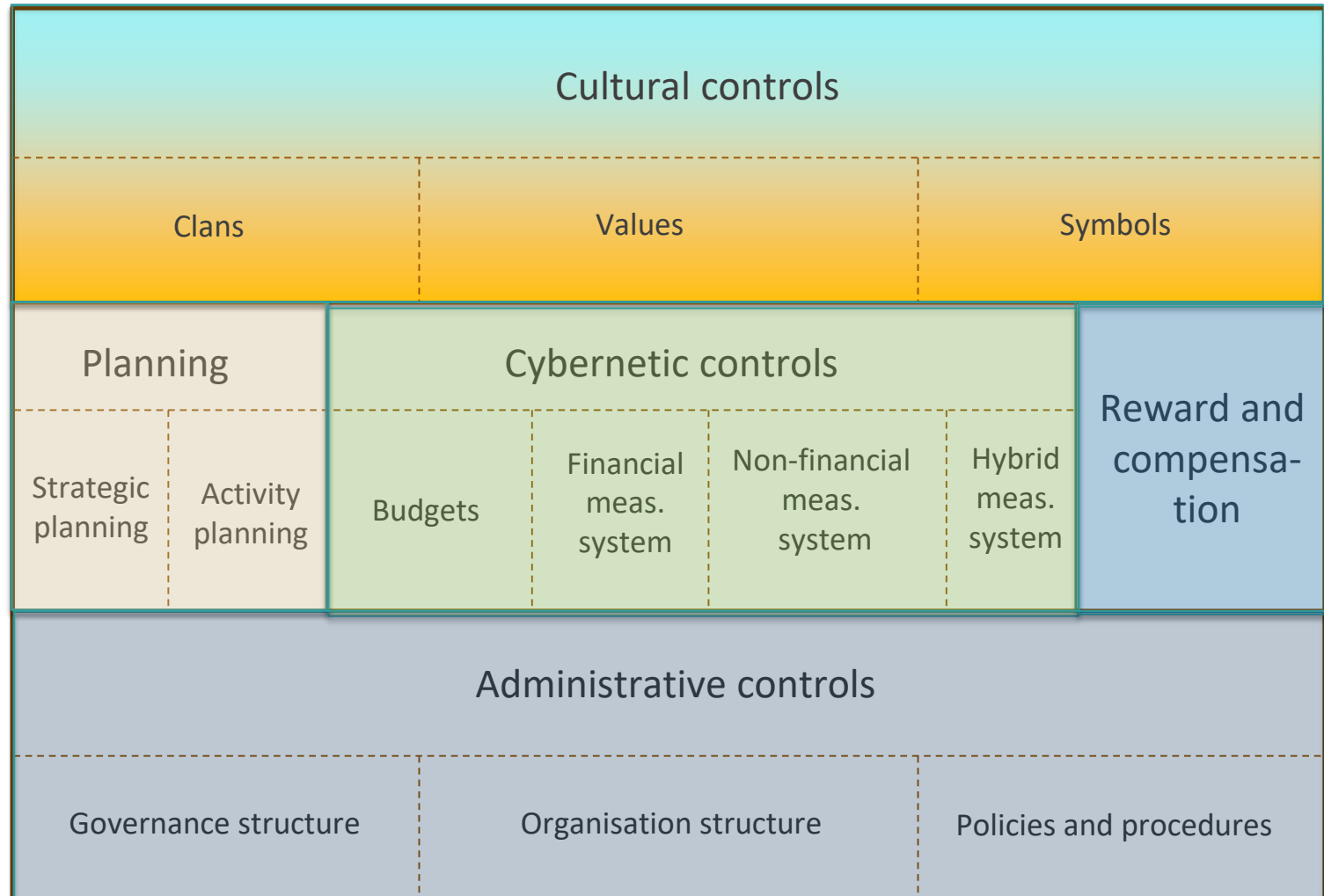


Collaboration and incentives

- Collaboration models and contract amendments are about
 - trust and mutual respect
 - giving operators freedom while ensuring that they shall "operate under the 'brand' and see themselves as part of [...] the greater whole"
- Different interest recognized - must be controlled
 - Dialogue and soft control is necessary; "the alternative is to run [PT services] ourselves"
- How does the black box link between strategy and contract look like in incentive contracts?
 - Inside PTAs as well as linking the OPs

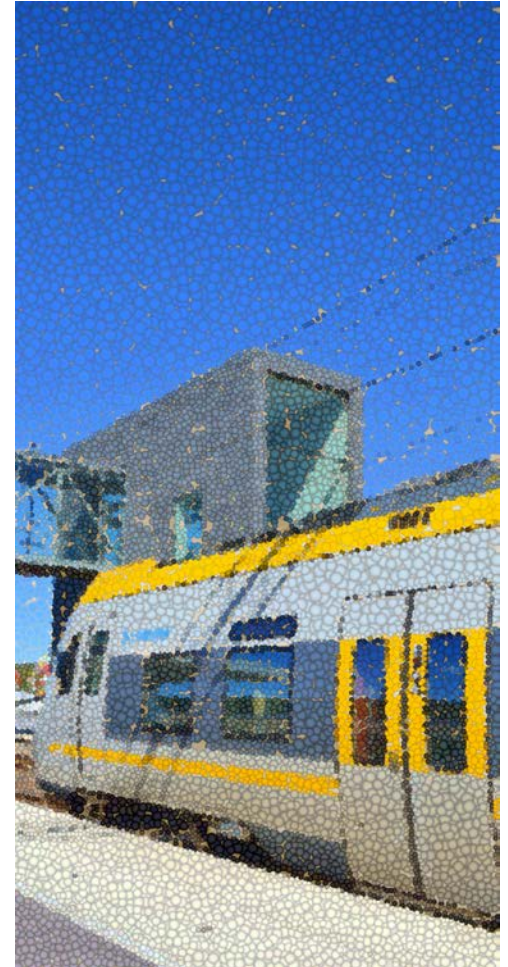


Control the freedom – a “package”



Conclusion

- Increased *focus on strategy* since 2012, but in practice the work differs
- Some strategic goals are in the hands of PTAs to attain, others not
- *One* organization / political committee facilitates focus on strategic issues and STO-links
- Incentives perceived as important by PTAs but must be *controlled* by hard and soft management
- *Flexibility* highly desired: the possibility of making changes during the contract periods



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