

1st Working Group Meeting Cluster: Market Organisation 29th – 31st March 2007

The objective of the first meeting of the Market Organisation Working Group was to identify the main problems and challenges in the countries of Central and Eastern Europe in relation to the integration of services, networks, timetables and tariffs and to define needs for action. The experiences of Western European cities were also presented during the meeting.

The experts worked in subgroups and some of the issues discussed during the meeting are presented below.

Network/Timetable Integration

Integrated networks for different modes of transport are used according to their individual strengths and weaknesses. Such systems rely on smooth interchanges and connections (usually combined with equal-interval timetables). Possible benefits include more reliability, less travel time, more efficiency (savings come in avoidance of parallel transport lines and network optimisation), and increases in demand and revenue. Network and timetable integration requires central, coordinated public transport planning.

The **main challenges** are a lack of smooth interchanges between different operators (in terms of physical challenges and timetables) and infrastructure that causes capacity and timetable bottlenecks. To overcome these problems it is important to set up a strong institution, regardless of whether it is a public authority or operator. But legal frameworks and funds are missing.

Tariff Integration

Usually **tariff integration** follows network and timetable integration (second step). Operators and authorities can influence integration. It is possible to implement integration measures without national legislation, and, in the long term, revenue distribution should be based on demand instead of supply (incentives). A strong public transport policy supports tariff integration.

Challenges with respect to tariff integration include:

- harmonisation between local and regional public transport;
- integration of national railway services;
- possible increases in costs caused by tariff integration, although solutions that don't raise costs exist (harmonisation losses / organisation effort covered by revenue increases);
- border-crossing tariff integration;
- appropriate approach to revenue distribution (supply- or demand-oriented); and
- high influence by politicians, particularly in Central and Eastern Europe.

Regulation/Framework Conditions

In reality, legislation does not reflect the politics of public transport. Recently proposed EU legislation may force national governments to reconsider their domestic laws. The proposed EU legislation allows considerable freedom, from privatisation to tendering to direct awards. The tendering framework conditions are greatly influencing the tendering of services.

With respect to the **organisational set up**, there are many promising solutions depending on the framework conditions (i.e. transport associations [involves a coordinating entity], tariff unions and bilateral agreements).

Key **success factors** include:

- processes to establish organisational entities;
- clearly defined rights and responsibilities;
- proper compensation;
- proper revenue distribution;
- quality standards; and
- lean organisations.

Main Conclusions

Integration reduces the entry barrier for using public transport and increases demand and revenues. It seems that the main challenges are the integration of tariffs and the setting up of a suitable organisational/institutional framework (transportation associations, tariff union). Integration may be possible without adding costs. Integration possibilities and approaches also depend on the local framework conditions and the level of competition. The main actors in public transport integration are authorities, transport operators and politicians (and transportation associations and tariff unions). For integration to be successful, co-operation between these actors is needed, and this normally requires strong public transport policy support. Integration is possible with weak national regulation, although this demands strong initiative at the local/regional level (policy makers, authorities, public transport operators).