

**Market Organisation Working Group:  
Issues discussed during the second meeting  
Zagreb, Croatia  
October 4-5, 2007**

During the second meeting of the Market Organisation working group, experts, together with a representative of the European Commission (DG TREN) and SPUTNIC partners, discussed the following problems and challenges:

- new EU regulation on public passenger transport services by rail and by road and its influence on the market organisation;
- the financial and organisational vacuum due to the shift of responsibility from the state to regional/local authorities;
- unstable or unclear regulatory settings;
- frequent political interference;
- unclear division of tasks, responsibilities and risks between authorities and public transport operators;
- setting up sound and stable legal framework conditions;
- setting up sound urban/regional organisational models; and
- implementation of public service contracts that clearly define the actors' rights and obligations, with fair allocation of opportunities and risks for operators and authorities.

**EU regulation on public passenger transport services by rail and by road**

The new EU regulation will solve some of these problems. In particular it obliges authorities and operators to establish clear contractual relationships. National laws have to be adapted in order to be in line with the EU regulation (transition period of two years for contractual aspects, 10 years for awarding procedures). The new EU regulation will therefore lead to:

- growing market transparency relating to public service obligations and compensation;
- high flexibility and freedom for national and local authorities (e.g. social and quality standards, tendering or direct awarding, organisation);
- prevention of undercompensation and overcompensation;
- higher quality and efficiency of public transport services;
- not necessarily more competition (which is rather triggered by lack of funds); and
- market limitation for internal operators.

**Legal framework conditions**

Consequently, many Central and Eastern European countries plan changes in their legal frameworks, mainly on the national level. Regulations should assure that competencies are in line with responsibilities at the different administrative levels. Regulations are needed to establish the framework and to support integration (compensation, possible tendering, financial responsibilities, funding) on all three levels (local, regional and national). However, too much regulation could be a barrier to creativity and initiative by public transport operators. It is up to the authorities to decide on the level of freedom of the operators (confidence level). Besides regulation, a policy to increase the share of public transport is essential (to reach more sustainable transport).

**Division of responsibilities**

Many different organisational models are used in public transport systems. Crucial for success is a split of responsibilities that takes into account the different task levels (strategic, tactical and operational). There is a trend towards two- and three-step models with a separation between

authorities (buyer) and operators. The optimal model depends on the local circumstances. Organisational models that support integration include the following:

- transportation associations (e.g. VVO, KORDIS, ZVV, Samtrafiken) and tariff associations;
- cooperation agreements (e.g. timetable);
- coordination committees or working groups (KORDIS), sometimes in addition to transportation associations.

### **Conclusions**

In summary, the following main conclusions from this meeting can be drawn:

- Setting-up of stable legal framework conditions and suitable organisational models are important.
- The new EU regulation is a step forward to reach harmonised conditions in public transport and preserve freedom in organisational solutions and for tendering or direct awarding.
- Contracts are not less important than the regulation in the achievement of high quality and efficient public transport.
- Clear roles, tasks and responsibilities with a fair allocation of opportunities and risks are crucial.
- Incentives to increase quality and efficiency (not only penalties) are needed.
- Organisation models should support integration and guarantee a certain level of freedom for the public transport operator.
- Strong public transport policy is essential (organisation, funding, etc.).