

Summary:

## **Changes during the contractual period Experiences from eight contracts in Scandinavian bus transport operations**

The Institute of Transport Economics has conducted a description of the contents of and experiences with eight contracts in Scandinavian bus transport operations. The report focuses on the flexibility of various contracts regarding changes in the production volumes during the contractual period, and the way such changes are handled by the authorities and operators in their day-to-day activities.

The contracts exemplified are gathered from the counties of Oppland, Akershus, Oslo, Vestfold and Rogaland in Norway, Västernorrland and Halland in Sweden, and Copenhagen in Denmark. The conclusions are partly based on readings of the formal contents of the contracts, and partly on interviews with representatives from the authorities. Connex Norway AS has financed the project.

### **Contractual clauses on changing volumes and their informal conduct**

Table S.1 presents a summary on how issues of dynamic adaptation is handled through economic incentives, contractual clauses on negotiations and informal conduct in the various contracts.

Table S.1: Contractual contents and informal conduct regarding production changes during contractual period

	Oppland	Rogaland	Akershus	Vestfold	Oslo	Copenhagen	Väster-norrland	Halland
Incentives	Yes, low levels	Yes, low levels	Yes, low levels	Yes, very low levels	Yes, low levels	No	Yes, net-cost contract!	Yes, 20-25%
Bonuses	No	No	No	No	Yes	Yes	Yes	No
Malus	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Does the contract open up for changes?	Yes	Yes	Yes	Have not seen the contract	Yes	Yes	Yes	Yes
Financial compensation levels stated in contract?	Yes	Yes	Yes	Have not seen the contract	Yes	Yes	Yes	Yes
Changes in production allowed without financial compensation	2%	No	3%	1 %	1 %	No	No	No
Formal right to initiate changes	Authorities	Authorities	Authorities	Authorities	Authorities	Authorities	Both authorities and operator	Both authorities and operator
Financial compensation for increasing volumes	90% of cost/km (average)	Per cost/km varying on daily hours	Per cost/km according to thresholds predefined in the contract	Have not seen the contract	Not predefined in the contractual clauses	Per cost/km. per vehicle	Per cost/km NB: Net-cost contract	According to thresholds predefined in the contract + patronage incentives
Financial compensation in practice	As above	-	As above, but leeway allowed in informal talks/- negotiations	Varies. No strict rule but compensation according to position driving or cost/km	Varies according to reason and mutual talks	As above	Varies according to negotiations	As above
Has the operator any formal rights to re-negotiate if changing production volumes?	No, but according to informal conduct	No (no information on informal conduct)	No, but according to informal conduct	No, but according to informal conduct	No, but according to informal conduct	Yes	Yes	Yes

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## **Conclusions**

We have learned that guidelines for agreed-upon changes in production show significant similarities in all cases. All contracts contain such guidelines. In the Norwegian contracts guidelines are less comprehensive and not as to the point as in the Swedish and Danish cases. This is particularly the case when it comes to the exchange of information and procedures of negotiation.

The criteria for evaluation and the announcement of tender are also less extensive and not as detailed in Norway as in the neighbouring countries. Swedish and Danish authorities publish the weight elements in the competition, as opposed to their Norwegian colleagues. This gives Norwegian authorities a possibility to choose informal solutions. It also makes the cooperation between operator and authority more dependent on personal relationships. This may cause that the cooperation becomes subject to accidental circumstances rather than formal structures and primary strategies for public transport.

A lacking publishing of weight elements may also cause obscurity or confusion as to what the operator has actually bid for and won. It may also lead to unclear expectations of future production.

When there is a need for changes in previously agreed-upon production, authorities usually negotiate. Negotiations occur when changes are larger than what is regulated by the contract. We have spoken to representatives for the authorities who express their understanding for the operators focus on expenses under such circumstances. Authorities usually accept and pay a partly compensation in such circumstances, for example for extra mileage. The Norwegian contracts are weak on this point, as they poorly regulate cooperation, mutual responsibility, dialogue and the responsibilities of the authorities. These elements are primarily exercised without guidelines, and exercise is within an intuitive understanding of what is “fair practice”.

When larger international operators enter the Norwegian public transport market the exercise of authority may be difficult to maintain. An intuitive understanding of this kind of practice cannot be taken for granted. In this respect the Norwegian contracts define few arenas where mutual understanding, respect and trust can be developed in due time.