

County public transport

Are public expenditures on county public transport targeted and sustainable?

Summary of audit results

What did we audit?

The National Audit Office analysed whether in the period 2017–2019 in planning, organising and funding county bus transport, economic feasibility, i.e. purposefulness and economy of the expenditures has been taken into account, and whether the county bus transport network has been planned based on the mobility needs of the people. The National Audit Office also analysed the planning and funding of the local or rural municipality and urban bus transport network, the division of the roles and responsibilities of county and local bus transport organisers, the synchronisation of train timetables with buses, and state subsidies for passenger train traffic.

Why is this important to taxpayers?

It is important for people that the public transport organised for taxpayers' money meets their needs, helps save the environment and keeps society's expenditure on public transport at a reasonable level. The Government of the Republic decided that from the second half of 2018, people have the opportunity to travel on county bus lines free of charge, so that in most regions, the state pays for all costs related to organising public transport.

In 2019, the state supported the organisation of county bus and train traffic with a total of nearly 64.3 million euros. In 2019, local governments spent approximately 104 million euros on the organisation of local public transport. Forecasts show that compared to 2019, the expenditure on county bus transport will increase by almost 50% by 2024, which is why it is important that the taxpayers' money spent on organising public transport be used as efficiently as possible.

What did we find and conclude from the audit?

The National Audit Office found that the mobility needs of the people have not always been studied and taken into account when organising county bus transport, the division of state and municipal responsibilities in the organisation of bus transport is not clear and the role and responsibility of public transport centres is not uniform in all regions and creates unjustified differences in funding.

In result of the audit, the following major observations were made:

- **Expenditures from the state budget for the provision of county bus transport have increased in the recent years and will continue to do so in the coming years.** Before the introduction of free public transport in 2017, county bus transport was supported out of the state budget with 21.9 million euros, and in 2019, with 43.1 million euros. The forecasts of the Estonian Road Administration¹ show that in 2024, the organisation of county bus transport will cost the state 64.6 million euros.

In 2019, the cost of free public transport accounted for 53% of the total funds spent on county bus transport. In particular, the state and local governments have had to find additional funds for

¹On 1 January 2021, the new Transport Administration, formed as a result of the merger of the Road Administration, the Maritime Administration and the Civil Aviation Administration, started work as their legal successor. As the audit report covers an earlier period of operation of the Road Administration, the name of the former institution has been used in the report. The recommendations based on the audit have been addressed to the Director General of the Transport Administration.

county bus transport to cover lost ticket revenue. In 2019, the state earned only 3.9 million euros in ticket revenue, which is almost 50% less than in 2018.

In implementing free public transport, the state provided 3.3 million euros of additional funding from the 2018 budget for expanding the county bus line network. Expenditure has also increased due to, for example, the extension of county bus networks and making line timetables more frequent because commercial lines have been closed and replaced by public county lines. Compared to 2017, the line kilometers travelled by bus have increased by approximately 11% in 2019.

In the region of several public transport centres, the state budget covers almost 100% of the costs of county bus transport as there is no ticket revenue from the people and local government subsidies to the centres have decreased.

- **Free public transport has increased the demand for travel, but the number of commuters to work has not increased; rather, the number of repeat passengers has increased.** Passenger numbers have increased by approximately 15% in 2019 compared to 2018. According to the Road Administration, the increase in the demand for travel has mainly been due to earlier passengers, not new users. The goal set in the National Transport Development Plan for 2014–2020 to increase the share of public transport users to 25% of those commuting to work has not been met. According to Statistics Estonia, 20.6% of people used public transport to commute to work in 2019.
- **The route network may not necessarily meet the needs of all people because there have been few studies to identify the actual mobility needs.** The line network has so far been developed mainly based on the needs of the current users. In order to increase the number of public transport users, the needs of the people not using public transport must also be studied.

Viljandi, Kagu and Ida-Viru public transport centres, Saaremaa parish and several local governments have studied the mobility needs of their residents with questionnaires or mobility surveys. For example, based on the results of the survey, the entire line network has been redesigned in Tartu. Furthermore, bus and train timetables that fail to take each other into consideration do not support convenient use of public transport, nor is the addition of new users facilitated by complex and fragmented ticketing arrangements.

- **The Ministry of Economic Affairs and Communications, the Road Administration and local governments have not agreed on criteria based on which to decide the regions where the provision of economically more viable alternative means of transport should be considered instead of regular bus lines.** The Ministry of Economic Affairs and Communications, the Road Administration and local governments have not agreed on criteria on the basis of which to decide on the areas where the provision of economically more viable alternative means of transport should be considered instead of regular bus routes. It is particularly important to establish these conditions for lines that service a lower than average number of passengers in sparsely populated areas where the cost of travel per one passenger may therefore be expensive if the service is provided by a regular bus line.

Using the data of the Road Administration, the National Audit Office calculated that in 2019, the average cost per passenger for one county bus line was 6.31 euros. At the same time, there were bus lines where this cost was over 100 euros. An alternative could be, for example, passenger transport based on demand, i.e. upon reservation by minibus or car. There are few alternative travel options available and the data of the Road Administration showed that some of the regular bus lines with on-demand stops are very expensive to maintain.

- **In some areas, the state also pays for lines that are not necessary for the operation of the county route network and which should be funded by the local government.** The definition given in the Public Transport Act, according to which bus lines are divided into county and local

lines and it is determined whether the state or a municipality pays for the organisation of the line, can be interpreted in several ways. In practice, the definition of lines has been approached on a case-by-case basis.

This has led to a situation where some municipalities have tried to transform their local lines into county lines and hand them over to public transport centres for the state to pay for. As a result, the state also pays, in some regions, for the lines that are not necessary for the operation of the county route network, but are local lines by nature, the costs of which should be borne at least in part by the local government. However, there were also examples of county bus lines paid for by the local government.

- **Therefore, the lack of rules for the funding of public transport centres has resulted in the state paying more for organising bus transport in some counties than for bus transport in other counties.** Based on the current model, the organisation of county public transport was started in 2018 after county governments were liquidated and the organisation of public transport was delegated to public transport centres. The work of public transport centres is coordinated by the Road Administration on the basis of administrative agreements.

So far, there is no clear agreement on the funding principles of public transport centres or the principles based on which funds are allocated to the centres from the state budget, or on how to use the funds sustainably. Therefore, the centres vary in their practice of using the funds, and in their expenditures. The rate of state support to cover the costs of public transport centres, including public regular service contracts in 2019 ranged from 0.83 euros per line kilometre in Northern Estonia to 1.31 euros per line kilometre in Pärnu county. Also, in 2019, local government subsidies to public transport centres varied, ranging from 0 euros in Tartu county to 630,000 euros in Northern Estonia. Despite the fact that in part, student transport is more and more linked with a county's route network, local government subsidies to public transport centres have been on a downward trend over the last three years.

What did we recommend as a result of the audit?

The National Audit Office recommends that the Minister of Economic Affairs and Infrastructure oblige the Transport Administration, public transport centres and local governments to consider offering alternative mobility options instead of regular bus lines in sparsely populated areas.

The National Audit Office suggests that the Minister of Economic Affairs and Infrastructure and the Director General of the Transport Administration agree, in cooperation with local governments, on clear principles for the division of lines into county and local lines and the principles of funding the lines. Among other things, criteria must be agreed to determine the densely populated areas where it is possible to provide regular bus service for the people and where economically more viable alternatives should be sought.

The National Audit Office suggests that the Director General of the Transport Administration and members of board of public transport centres improve the public transport route network based on the actual mobility needs of the population for the existing lines and assess the economic feasibility of opening new lines, taking alternative mobility options into account as well.

The National Audit Office suggests that the Director General of the Transport Administration develop clear rules for funding public transport centres and for efficient use of the funds in organising county public transport, organise or create new information systems assembling public transport data and implement a common national ticketing system.

Response of the Minister of Economic Affairs and Infrastructure: The Ministry is of the opinion that public transport must be sustainable not only in sparsely populated areas, but everywhere in Estonia. According to § 10 of the Public Transport Act, this obligation has been imposed on all agencies organising public transport, including both local governments, on rural municipality and urban lines, as well as on the Transport Administration and regional public transport centres on county

and long-distance lines. Considering the principle of subsidiarity in the provision of services, the organisation of social transport and taxi service falls within the competence of local governments, and the Act does not directly address the possibilities of ride-sharing or the use of a community vehicle. Therefore, the Minister of Economic Affairs and Infrastructure has no legal basis to impose an obligation on local governments to provide the aforementioned transport services.

The Minister noted that in the division of bus lines into county and local lines, the definition provided in § 4 (2) of the Public Transport Act must be followed. According to the Act that entered into force in 2015, the competent authorities organising public transport are required to consider, in distinguishing between lines crossing administrative boundaries, other characteristics of the line, especially the timetable, main target group of passengers, main service area and technical conformity of the public transport vehicle servicing the line. According to the Minister, the distinction between the lines based on the administrative boundaries had so far caused a lot of controversy and confusion with regard to exceptional cases not covered by the Act.

The Ministry of Economic Affairs and Communications has prepared a new draft development plan for transport and mobility until the year 2035, with the following objective of the 2nd course of action: "We will bring public transport closer to the people and will make it more convenient to use, through smarter planning and ticket sales management. The desired target level for 2035: the share of public transport, cyclists and pedestrians is 55%, including 60% in urban areas".

Comment of the National Audit Office: The National Audit Office finds that in the provision of alternative mobility options, cooperation and coordination by public transport organisation agencies is important in order to provide mobility options in sparsely populated areas and at the same time, consider the economic feasibility of organising public transport.

According to the National Audit Office, the Public Transport Act does not provide an opportunity to clearly divide lines as county and local lines and therefore, it is not clear which line must be managed and funded by the state through a public transport centre and which by the local government. The National Audit Office finds that the Public Transport Act allows for a wide range of interpretations and therefore, local governments have interpreted the definitions of lines differently and this has led to an unequal situation.

Response of the Director General of the Transport Administration: The Transport Administration has started collecting proposals to amend the Public Transport Act, and in the course of amending the Act, the aim is to clearly define the division of lines into county and local lines. A national mobility survey is planned for 2021, to serve as a basis for developing the national mobility model. The Transport Administration is also planning to use the mobility model in organising public transport. In addition, the Administration has implemented a programme for route network planning, which is available and recommended for all public transport centres.

The Transport Administration explained that in January 2020, the guidelines "Preparation of timetables" for public transport centres and rural municipality governments of the islands were prepared. The guidelines are a tool for the public transport department to process requests for opening or changing lines. In addition, to solve the problems, the working document "Impact of free transportation and reorganisations in county lines in 2017–2019" has been prepared, based on which, the funding rules for uniform public transport centres and rural municipality governments of the islands will be developed by the end of 2022.

Also, the plan is to develop regional public transport service level standards in the course of the Estonian Public Transport Development Plan 2021–2025, on the basis of which public transport organisers can decide which densely populated areas should be provided with regular bus routes and where economically more viable alternatives should be sought. Also, the plan is to start preparing a uniform ticketing procurement for Estonia in 2021.

The Transport Administration had planned to implement the new information system compiling data on public transport in 2021, but the procurement failed. A new procurement is held by May 2021.

Responses from heads of public transport centres: Public transport centres agree that changes need to be made to the route network. The responses to the National Audit Office state that public transport centres follow the instructions approved by the Transport Administration for preparing timetables. The Transport Administration's application and line planning programme are used for line planning. The Pärnu county, Tartu county and Järva county public transport centres and Hiiu Rural Municipality Government announced that they are planning to conduct mobility surveys or a poll in 2021.