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Working Party No. 2 on Competition and Regulation

**Summary of Discussion of the Roundtable on Competition and Regulation in the
Provision of Local Transportation Services**

Annex to the Summary Record of the 73rd meeting of Working Party 2

20 June 2022

This document prepared by the OECD Secretariat is a detailed summary of the Roundtable on Competition and Regulation in the Provision of Local Transportation Services, held by Working Party 2 on 20 June 2022.

More documents related to this discussion can be found at
<https://www.oecd.org/daf/competition/competition-and-regulation-in-the-provision-of-local-transportation-services.htm>

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Summary of Discussion of the Roundtable on Competition and Regulation in the Provision of Local Transportation Services

1. Introduction by the Chair

On 20 June 2022, the OECD Competition Committee's Working Party No. 2 held a roundtable on competition and regulation in the provision of local transportation services, chaired by Professor Alberto Heimler.

The Chair introduced the topic and stressed that transport is a recurrent theme within the discussions of Working Party No. 2. He drew attention to the two ways in which competition can be established in local transportation markets: competition in the market and competition for the market. As the United Kingdom's experience has shown, competition in the market can become problematic as lower revenues due to operators' struggles over profitable routes may make the financing of the rest of the service more difficult. Therefore, alternative proposals, such as the European Union's, have suggested competition for the market, which also brings its own challenges. The Chair pointed out that the main obstacle regarding competition for the market is the strong leverage of incumbents, which tend to delay and block biddings. In this regard, the United Kingdom has been the only jurisdiction to successfully address this problem by reorganising the local transport sector before introducing competition for the market. Finally, the Chair highlighted the impact of new technologies on the organisation of transportation services, with the rise of "mobility as a service", and the changes in public transport demand caused by the Covid-19 pandemic.

The Chair introduced the three expert speakers who would take part in the discussion:

- **Graham Currie**, Professor at Monash University.
- **Orla McCarthy**, Analyst at the OECD's International Transport Forum.
- **Sauro Mocetti**, Deputy Head of Law and Economics Division at the Bank of Italy.

The Chair noted the small number of submissions from delegations and explained that the discussion would be structured in four parts:

- The organisation of the local transport service and competitive bidding.
- The development of mobility as a service.
- The financing of public transport.
- Other supplementary transport services.

2. Background paper by the Secretariat

The Chair then thanked the Secretariat for its background paper and asked the Secretariat to present its main findings.

The Secretariat explained that the paper is structured in three chapters covering three main topics:

- The governance and institutional set-up of local transportation services.

- Mobility as a service and the impact of new technologies on the competitive landscape of local transportation services.
- Competitive tendering and potential barriers to entry.

Regarding the first chapter, the Secretariat explained that an optimal allocation of resources is essential for fair competition, as it ensures that tenders are prepared by authorities with the proper level of expertise needed to tackle barriers to entry. In this context, weak public authority's expertise coupled with excessive discretionary powers could entail less intensive competition in local transportation services and, ultimately, higher prices and poorer quality. To avoid this, the Secretariat presented the possibility of private-public partnerships, which leverage private expertise to integrate the expertise of public authorities. These partnerships have been successfully set up in the United Kingdom and Norway, but the Secretariat also stressed the competitive concerns they could raise, such as barriers to entry, geographic segregation and sharing of commercially sensitive information.

In its second chapter, the Secretariat's paper introduces "mobility as a service", which has widened the scope for competition in local transportation services, by boosting multimodal transport and intermodal competition. However, the paper also details the two main potential competitive setbacks of "mobility as a service": the sharing of users' dynamic, static and historical data, and the vertical integration concerns that arise from potential exclusivity obligations.

Lastly, in its third and last chapter the paper addresses competitive tendering and barriers to entry. The Secretariat acknowledged that the mere launching of tenders is not enough to ensure competition, and some key dimensions need to be considered: asset ownership of vehicles, maintenance of vehicles (especially when they are not transferable to other markets), size of the tenders' lots, timing of tenders and duration of concessions.

3. Organizing local transport and competitive bidding

The Chair briefly presented the challenges faced by the region of Tuscany when introducing competition for the market in its intra- and inter-city transport services. The Chair then asked **Italy** to share the problems experienced during the bidding procedure and the role of the competition authority in facilitating a solution.

Italy explained that most of its public transport services are provided by in-house local operators. Therefore, the experience in Tuscany was exceptional, being the first time that a local authority decided to award a transport services contract through a competitive tender procedure. The local authority defined a large geographic market for this procedure, grouping fourteen different local areas into a single lot. Therefore, only two bidders participated in the tender: (i) a consortium formed by all previous incumbents; and (ii) a new market entrant, Autolinee Toscane, which was ultimately awarded the contract. However, the final awarding resolution was not adopted until 2019, seven years after the call for tenders and following lengthy administrative and judicial proceedings.

During these seven years, transportation services were being transitorily provided by the previous incumbent and the Italian Competition Authority had to intervene twice. First, in 2015 when the tender was still ongoing, the Authority forced the local authority to correct some features of the call for tenders which unduly restricted the number of bidders. Namely, the initial tender terms obliged the winner to take over all the assets of the previous incumbents and did not clearly define the geographical scope of the contract. After the correction of these restrictive tender conditions, the Authority intervened again in 2019

through an enforcement procedure tackling a potential abuse of dominance by the consortium of incumbents. Incumbents were withholding essential information from the winning bidder and delaying the transfer of assets, thus delaying the takeover of the contract by the new market entrant. Finally, the winning bidder was able to start providing the contract's transportation services in November 2021. Lastly, Italy pointed out that new regulation was being passed in order to force local authorities to justify the choice of in-house provision of transportation services.

The Chair thanked Italy for its contribution, and asked for further information on the price that was fixed for the transfer of assets in the Tuscan experience.

Italy answered that the price of the assets to be transferred to the winning bidder was one of the main sources of contention with incumbents, which denounced a lack of clarity in the tender. The Italian delegation argued that incumbents could still have worked to provide the winning bidder with the essential information needed to execute the contract.

The Chair stressed that the valuation of assets is a key component for a smooth transition between incumbents and new service providers, and that it should be evaluated in advance in order to reduce uncertainty. The Chair then asked the United Kingdom to share its experience, aiming to compare it with Italy's remarks. Namely, the Chair invited the United Kingdom to present its experience with franchising, asset valuation problems, vertical separation of transport services and "enhanced partnerships".

The **United Kingdom** delegate stressed the implementation difficulties that franchising has created. When implemented by public authorities other than London, franchising has been legally challenged and has become a problematic policy option. For this reason, enhanced partnerships have emerged as an appealing solution for smaller local authorities, by which they set up the conditions for the operation of bus networks and then collaborate with private operators to materialize these conditions. This approach allows for greater flexibility compared to franchising and the CMA is providing guidance on enhanced partnership plans.

The Chair asked for further information on the involvement of private operators in enhanced partnerships and the procedures through which they are selected. Namely, he inquired for the difference between bidding and selecting operators for enhanced partnerships.

The **United Kingdom** answered that unlike franchising, enhanced partnerships do not create financial risks for local authorities. Authorities simply define standards for service performance and then different operators compete in the market for providing them. Enhanced partnerships are thus a more flexible option, but they are still at an early stage of deployment.

The Chair stressed how the United Kingdom's contribution sheds light on the practical difficulties of bidding. He moved on to present Sweden's experience, in which for-profit transport services are provided by private operators and subsidised public transport is provided by public authorities. He then asked the Swedish delegation to explain how biddings have been organised and whether winning bidders have to procure their own assets (like in the United Kingdom) or are transferred the assets by previous incumbents (like in Italy).

Sweden explained that local and regional public transport is still largely provided by regional public transport authorities although there is a small share of public transport provided on a commercial basis. Furthermore, publicly provided transport primarily relies on procurement, although some regional transport authorities still opt of in-house

provision. Procurement relates to the performance of transportation services, and thus focuses on quality and price factors.

Regarding the rolling stock of assets and their potential transfer from incumbents to new winning bidders, the Swedish delegate highlighted the type of transportation as a determining factor. In this regard, in the case of bus transport tendering, companies most often provide their own vehicles and staff, while for rail transport it is more common for regional authorities to provide the vehicles. In this latter case, trains and trams are procured separately from the operation or performance of the transport service, based on the different life spans of vehicles. In terms of staff, the transfer of employees could be protected by national employment regulation.

The Chair asked to clarify bus ownership.

Sweden clarified that buses tend to be owned by private operators, while rail vehicles tend to be owned by transport authorities.

The Chair asked the Czech Republic to present its distinction between franchises, internal operators, direct awards and direct awards with competition, focusing on the difference between tendering and direct awards with competition.

The **Czech Republic** explained that competitive tender procedures are the general rule for the awarding of public transportation services, and that they require fair, open, transparent, and non-discriminatory proceedings with strict rules. On the other hand, direct awards do not require a prior competitive procedure, even though the authority still needs to provide basic information on the service at least one year before the award of the contract. Therefore, direct awards are less formal procedures (with no specific tender rules) by which awarded operators are preselected from a group of bidders.

The **Chair** inquired on the selection of these operators within direct awards, questioning whether authorities are free to choose.

The **Czech Republic** answered that the regulation foresees the option of direct awards for cases of small services or in emergency contexts.

The Chair stressed the tendering literature's differentiation between formal tenders and "beauty contests", the latter being discretionary choices among competing suppliers. He then moved on to introduce South Africa's submission, which discussed the contractualisation of commuter bus services and presented similarities with the Italian experience of delayed biddings and interim provision of services by incumbents. The Chair asked the South African delegation about the duration of these interim contracts, the possibilities to open up transportation markets, and the unsuccessful results of tendering in the country.

South Africa clarified that the prevalence of interim contracts in its public transportation services is due to labour challenges that impeded or made more difficult the implementation of competitive bidding processes. As a result, interim contracts have been in place for over twenty-two years, and the few tender contracts that have been entered into have involved previous incumbents. The problem with these contracts has been the lack of revisions, which has created inefficiencies in terms of outdated routes and poor-quality monitoring.

The Chair highlighted the relevance of strong regulation to guarantee that winning bidders do not reduce quality in order to increase profitability. He then proceeded to thank Ukraine for its contribution to the Roundtable, despite the difficult situation that the country is going through. He invited the Ukrainian delegation to present the choice of franchising in the provision of local transport services, which is expected to be extended for another five years. The Chair argued that while the extension of franchising based on good service is a

good idea, linking it to the purchase of new buses might be detrimental. This is because the purchase of new buses can be imposed through contractual obligations. In light of the problems related to the life of vehicles, the Chair asked Ukraine about the use of buses once the franchise expires, presenting the choice between a mandatory transfer of assets like in Italy or a potential sale of the vehicles.

Ukraine thanked the OECD for its support and solidarity with the Ukrainian people. The Ukrainian delegate then stressed the importance of carriers retaining the ownership of vehicles, since the extension of franchises entails that the carrier will continue to provide its services for another five years. Furthermore, this retainment of ownership would allow the carrier to participate in different tenders. Regarding the transfer of assets, Ukrainian regulation does not oblige new franchises to purchase the assets of the incumbent.

The Chair considered this retainment of assets to be a good idea, but raised the point that it also requires regulation ensuring a smooth transition between service providers. He then asked Romania to elaborate on its submission, which discussed inter-country bus services in which tendering is organised around a weekly schedule set up by authorities, and tendering privileges operators already servicing the specific route. The Chair asked why these inter-country services were not left to market provision (under a previous authorisation system imposing a yearly schedule) without any tendering.

Romania responded that its Competition Authority has presented the country's Ministry of Transport with two options regarding the increase of competition in inter-country services. The first involves competition for the market based on public procurement, and the second refers to completely opening-up the inter-country transport market by granting route licences to all applicants who meet technical and quality criteria. In this second option, the tariffs of each route will be set freely through direct competition between operators based on supply and demand. The Competition Authority favours this choice over public procurement, in which operators providing inter-country transport services are subject to minimum conditions and the state does not intervene in price regulations.

The Chair questioned whether there will be any differentiation between operators if the timetable is set by the government. **Romania** answered that differentiation would be based on price, comfort and other competition parameters. **The Chair** stressed that the timetable should be a matter of free decision by operators, as it depends on demand which the government is not so well placed to identify. **Romania** replied that the government should set up the timetable and impose it on operators, since it has the information from its studies forecasting passenger flows on two-year periods.

The Chair moved on to give the floor to Professor Currie, who delivered a presentation on the organisation of balanced bidding markets.

Professor Currie stressed that introducing competition in local transportation markets is challenging, and that his presentation would address the issue of incumbent advantage. In this regard, he explained that although new entrants tend to bid more aggressively, they also tend to be defeated by incumbents. Furthermore, sunk costs arising from vehicles, depots and workforce raise barriers to competition, which come in addition to switching costs in the transfer of the service provided.

Professor Currie explained that he would be addressing two types of incumbent advantage: the first relating to the introduction of what would be defined "competitive regulation" and the second referring to the challenges of tendering once there is already competitive regulation in place. He specified the options for public authorities when introducing competition in a public service, ranging from deregulation through full privatisation to the establishment of a public monopoly. Competitive regulations can be found in the middle between these two extreme options, aiming to reduce costs via competition. Professor

Currie highlighted that efforts to promote competition in these transportation markets seek both direct and indirect savings. Direct savings are obtained through tenders, while indirect savings are due to the run-up savings that the mere discussion of introducing competition creates within organisations. In this regard, the anticipation of competition and direct savings from tenders promote changes within public sector organisations, which are further enhanced through ripple effects, thus leading to significant indirect savings. The experience of London buses proves that run-up indirect savings and ripple effects can exceed by far direct savings from tenders.

Professor Currie then moved on to explain that incumbents tend to hinder competition as they deter new entrants and subsidise high-quality alternatives thus making competition more expensive. For instance, large operators can flood a market with supply in the short-term, subsidising the service, to reduce competitors' market share. This is because incumbents hold advantages in some key areas, such as learning or knowledge effects; sunk costs and infrastructure; and lock-in of suppliers. The speaker stressed the importance of information sharing across tenderers to remove these advantages. Furthermore, he pointed out to the phenomenon of experience decay, by which losing tenderers find it harder to bid again in the future.

In order to further remove barriers for new entrants, Professor Currie explained that sunk costs (vehicles, maintenance, depots, etc.) need to be unbundled and offered openly to all tenderers. The same applies for switching costs, for which subcontracting technological barriers need to be removed. By improving access to information and knowledge by all stakeholders, incumbency advantages can be tackled. Shorter and more frequent contracts and the co-ordination of contract awards across different cities can also help in achieving more competition.

Professor Currie also introduced the differences between gross and net contracts, which determine a big share of the risks of tendering. He stressed that while gross contracts encourage competition, they discourage risk-taking, and that a lot of the tendering seen in public sector transportation has resorted to gross contracts with performance-based risk taking. Professor Currie presented the case of London bus transport as a relevant evidence-based analysis of tendering. London bus transport has a large contracting system, with gross contracts with quality incentives. Tenders are structured around routes and take place on a rotating basis every two weeks, with a third of the network going out for tender every year. The spatial arrangement of tenders is given special attention, and routes are put out for tender in contiguous areas, allowing new entrants to bring together their resources. Routes are planned by authorities, which is something Professor Currie believes to be necessary.

A key factor decreasing incumbent advantage in London bus networks is the sharing of open and transparent data. Together with frequent tenders, this sharing of data brings down barriers to entry. Furthermore, contracts mandate winning bidders to provide new vehicles, which has affected prices but also increased quality. Professor Currie then highlighted that while contract award might be needed to allow new entrants to hire a workforce and buy vehicles, the seven years of lag experienced in Tuscany are excessive. London's experience with buses has shown that grouping bids by geographical areas (contiguous routes) was a key factor in the reduction of bid prices.

Professor Currie concluded his presentation by answering the three questions he was asked to address. First, incumbent providers should be restructured before running a tender, as done in the London bus system, since unbundling improves information access for all bidders. Second, tenders can go ahead with vertically integrated incumbents, due to the presence of indirect savings and trickle-down advantages. And third, incumbents' assets and workforce should be separated as much as possible when running a tender. As a last

comment, the expert stressed the good state of discussions today in the field of competition of local transport services as opposed to their state in the 1980s.

The Chair thanked Professor Currie for his presentation and asked for further information on gross costs. He asked how ticketing services should be addressed in the context of remuneration with gross costs, in which the provider has no incentives to ensure that passengers are paying for their tickets.

Professor Currie replied that a potential solution is performance-based contracting (as used in London) in which ticket checking could be imposed as a contractual obligation on the service provider. Another solution could involve the authority itself accessing vehicles to verify compliance by passengers,

The Chair pointed out to service quality as a one of the checks conducted by authorities to extend the duration of contracts, which shows the need for multi-dimension market regulations. He then opened the floor to questions and invited Australia to share its question.

Australia noted that investigations by its competition authority have shown a lack of knowledge and sophistication among the individuals in charge of regulating the procurement of bus services. The delegate then asked Professor Currie about his views on this issue, and on the costs of setting up a complex regulatory framework.

Professor Currie replied that indeed the lack of sophistication in regulations is one of the main constraints on competitive local transportation markets. Discussions and conferences at the highest level on how to address this issue are still ongoing.

The Chair highlighted the important political drive behind London's decision to privatise its bus services and set up a competitive environment at any cost. He then gave the floor to the United States delegation that also had a question for the previous speakers.

The United States referred to the Italian intervention and asked two questions on the Tuscan experience: first, whether it was appropriate to have the competition authority responsible for both the enforcement of competition laws and the regulation of procurement policies; and second, whether the obligation imposed on winning bidders to purchase the incumbent's assets could become detrimental if the incumbent had previously made poor investments.

Italy answered that in the Tuscan experience that had been presented, the competition authority had only intervened in the first place (during the tendering) in its advocacy capacities, as it does not have specific competences over procurement and there is a separate agency that deals with public contracts. Its second intervention involved the enforcement of interim measures to enable the transfer of assets and end the disputes with the incumbent. The Italian delegate also stressed that it is the anticorruption authority that oversees public tenders.

The Chair concluded the first part of the roundtable by stressing the detrimental effects of a lack of sophisticated regulation and an overconfidence in the market.

4. Mobility as a service

The Chair opened the second part of the discussion, which aimed at exploring the impact of mobility as a service on competition, such as competition between platforms, pricing of tickets and restrictive agreements. The Chair invited the Latvian delegation to share the country's experience with intermodal competition.

Latvia presented the new ticketing system that is being developed in the framework of new mobility as a service (MaaS) platforms in the country. In a first stage, this new system will incorporate the tickets of carriers who provide transport services on regional routes, and in a second phase it will add tickets of local public transport carriers. Carriers will be automatically granted the right to sell tickets, and they will also be able to use all sales channels of preference (online, on the vehicle or at a box office). Access to this new ticketing service by private market participants (ticket sellers) will be determined by the law of public transport service, which determines a series of quality criteria to guarantee that ticket sellers can provide continued and uninterrupted ticket sale services. The new ticketing system will be an open and easy access platform. The price of tickets on this platform will be lower than at the vehicle or box office, and the seller will be entitled to charge a service fee as compensation for the costs of the ticketing channel. This new ticketing system aims to overcome the fragmentation of the current system, which discourages new market entrants. As a final remark, the Latvian delegate stressed that the unification of all public transport tickets under one system is a proper mechanism for fostering open access and competition by private market players.

The Chair asked whether the new Latvian ticket system would allow for competing platforms or whether it would be exclusive. Latvia answered that the system would be exclusive. The Chair then asked the Netherlands to share its experience with mobility as a service, asking the Dutch delegation to explain why tickets purchase on the country's platforms are more expensive than those purchased on the vehicles.

The Netherlands presented the work of its competition authority, which has covered both regulation and the protection of competition. The delegate pointed out that due to the small size of the country, public transport is not approached as a local market but rather as an essential input for those wanting to offer mobility as a service. The Dutch authority conducted a market study examining the impact of mobility as a service not only from the transport perspective, but also from a digital economy angle in which access to public transport services on a single platform could mitigate transport congestion and promote sustainability goals. A main obstacle identified by the study was that incumbents are reluctant to share access to their portfolio with mobility as service providers. However, positive changes have been detected as local authorities are opening up access to mobility as service platforms in their contracts.

The Dutch delegate then presented two joint ventures in the field of mobility as a service that were scrutinised by the competition authority. Both were cleared with remedies. The Netherlands then explained the main bottlenecks in the mobility as a service market: first, the lack of access by platforms to the full inventory of incumbents (as shown in the case of the country's chip card system) and the lack of compensation for resellers, which means that mobility as a service providers lack any margin. This creates a potential double marginalisation issue. As a concluding remark, the delegate stressed that the market is evolving quickly, and many problems are being solved by market participants themselves.

The Chair asked the Netherlands to expand on the second joint venture that was mentioned.

The Netherlands explained that the first joint venture involved the national rail operator and a retail platform offering mobility as a service to consumers. The second joint venture involved public transport companies and a wholesale platform and involved a series of competitive risks that were addressed through clearance with remedies.

The Chair then invited Orla McCarthy to present on the competition issues of mobility as a service (MaaS).

Orla McCarthy took the floor to present the main recommendations of a previous roundtable by the International Transport Forum (ITF) on the integration of public transport into MaaS. She defined MaaS as a distribution channel for mobility services that is built on shared data and a digital interface, allowing potential passengers to efficiently source and manage their transport related services in a seamless way. In this sense, MaaS is not addressed as a mode of transport *per se*. In terms of actors, McCarthy made a distinction between mobility operators providing a physical service and the MaaS providers, which can be purely digital platforms with no mobility presence. Hybrid MaaS providers could exist, being those that also run at least one of the services that are incorporated into the platform.

The term “mobility as a service” has been used for over a decade, but its implications are still evolving. In this regard, the speaker referred to the main approaches to MaaS. First, the commercial integrator approach, in which a commercial entity integrates all mobility services (possibly providing one of them) and provides the MaaS platform directly to the customer. Then, at the opposite end of the scale, there is public MaaS, in which the public authority either develops the integration platform or procures its development, leading to a MaaS app that is publicly controlled. Third, there is the option of an open and regulated back-office platform, which approaches the MaaS data and the user interface as slightly different entities. This platform could either be the exclusive integration platform in the market or be open to other actors. In cases where commercial providers would be present, public authorities could mandate specific Key Performance Indicators or reporting requirements as a condition for actors to enter the market.

From a governance perspective, McCarthy stressed that MaaS is not a mode of transport and that three main domains of regulation can impact its outcomes. First, the rules for mobility operators, with a physical component (such as environmental requirements or vehicle specifications) that would affect hybrid MaaS providers. Second, rules specifically tailored for MaaS providers, which could potentially create barriers to entry. And lastly, the context setting rules, such as those incorporating sustainability objectives for mobility. In this regard, McCarthy highlighted that mobility outcomes should not be forced into MaaS regulation, and should rather be managed as part of a sustainable urban mobility plan. Authorities are expected to develop regulatory frameworks that incite the case for MaaS that best benefits them. However, the success of MaaS relies on its appeal to a target user base, and overregulation of commercial MaaS could become self-defeating for authorities.

In this sense, there is a potential mismatch between the reasons driving authorities to develop MaaS and the reasons for users to embrace it. For this reason, authorities should be careful when regulating commercial MaaS. In terms of potential models for commercial MaaS, mobility as a service has not yet been proven to be a business case for commercial operators nor a mechanism to deliver against the sustainability objectives of public authorities. However, three potential areas for the case of commercial MaaS have been identified. First, as a business-to-business service. Second, as a one-stop shop for people arriving in a new city or region. And third, as a super app which combines mobility services with other types of services to create a profitable package.

Regarding the need of MaaS providers to make a return on their investment, the expert addressed the issues that arise when these providers sell public transport tickets. Providers need to add a surcharge since they cannot purchase tickets at a discount rate, and this makes them less competitive. On the other hand, public authorities worry that offering a discount to MaaS providers would undermine the revenue stream of public transport operators.

Furthermore, MaaS providers should be allowed to provide public mobility services in tailored packages, and not simply resell the standard tariffs that are already available. For

this purpose, public transport operators need to be able to negotiate with MaaS providers. Regarding the public transport fare, the opportunity for MaaS providers to resell the tickets at a significant mark-up should be reasonably contained, and therefore it should not require direct regulation of the price.

Lastly, Ms McCarthy addressed the issue of data in MaaS. Providers need to give data to public authorities, and also need to share data between actors on different aspects (timetables, location of vehicles, availability of services etc.). The sharing of data is needed for the creation of a single consumer interface. At the same time, providers should justify all their data requests, and new entrants should not be compelled to hand over all their data.

5. The financing of public transport

Sauro Mocetti first addressed the why and how of financing local public transport. In terms of why, he explained that there are two main explanations. First, social considerations based on equity arguments. And second, efficiency arguments as the use of private cars creates negative externalities while the use of local public transport produces positive ones which follow the ambitious goals of decarbonizing the economy. Regarding the question of how to finance local public transport, the speaker presented three main sources of financing: national resources, local resources and revenues from fares.

He stressed the importance of establishing a proper amount of public resources. This task requires two steps: first, fixing a certain level of mobility; and second, calculating the cost to produce one unity of mobility. This process is guided by broader policy goals, determining for instance the level of accessibility across the territory. Once the level of mobility has been fixed, empirical tools need to be applied. These empirical methods can be of two kinds: statistical analyses and granular data analyses. Both aim to estimate the demand for mobility within a certain area.

Once demand for mobility has been assessed, there needs to be a measure of the cost to produce one unity of mobility service. This standard public cost represents the cost that has to be faced by efficient operators to provide services of quality, and it could be financed through national, local or fare-raised resources. Once the cost to satisfy mobility policy goals has been defined, additional mechanisms could be put in place to incentivise the operator to increase transport quality and supply.

Furthermore, monitoring and evaluation mechanisms are essential to ensure the level and quality of mobility services. At a macro level, the standard public cost could be used to adjust budgets over time, based on the evolution of demand. And at the micro level, it could be used as base price for competitive tenders.

The process of defining policy goals, levels of mobility and standard costs requires good data and strong data analysis. In this regard, problems could arise if a single entity is analysing mobility demand, determining policy goals, writing contracts and monitoring their implementation.

As a final remark, the speaker stressed the challenges and opportunities that mobility as a service brings for mobility analysis and planning.

Other supplementary transport services

The Chair invited Spain to share its experience with the regulation of Uber-type services and their potential outlawing.

Spain explained that when digital platforms for passenger transportation appeared, the country's regulation was two-layered. Taxi licences were regulated at the municipal level

subject to quotas, and for-hire services (such as those provided by Uber) were regulated at the national level. With the rapid rise of for-hire platforms, the government reacted by imposing a quota on for-hire licences, calculated by reference to the number of taxi licences per region. The cap was set at one for-hire licence for every thirty taxi licences.

In 2018, a regulatory change transferred the power to regulate the urban transportation services of for-hire platforms to the Spanish regions. From then on, the national licence for for-hire services would only be applicable to interurban transportation services, and for-hire operators were allowed to continue providing their services during a four-year transition period. During this time, only the region of Madrid passed a regulation allowing for the continuation of for-hire local transportation services. In the rest of the regions, for-hire services will have to cease in the absence of a regulation. The Spanish delegate stressed that the country's competition authority has successfully challenged anti-competitive restrictions on for-hire platforms, such as minimum fleet requirements.

The Chair asked Spain how long it took for the for-hire service to become problematic. Spain answered that the service developed naturally thanks to technological improvements in 2009. With the regulatory changes, legal uncertainty has arisen, and investment of for-hire platforms has decreased. For this reason, the Ministry of Transport is calling the regions to develop a regulatory framework. The Chair then invited Mexico to present its submission, focusing on the investigation conducted in Mexico City for discrimination among taxi service and bus service providers operating in the airport.

Mexico explained the experience in Mexico City airport, which was sanctioned in 2022 for preventing a supplier from offering transportation services by bus and / or van to and from the airport. The competition authority found that in this way the airport granted undue advantages to established operators. This sanction has been appealed and is still awaiting a final resolution.

6. Conclusion

The Chair concluded by stressing the important role of competition to solve many of the information problems that the regulator faces. He also stressed the need for sophistication to run tenders in public transportation services, since introducing competition is not enough and there needs to be a smooth transition between incumbents and new entrants. Without this smooth transition, litigation could delay the introduction of competition in local transportation markets. Overall, advocating for competition in this sector requires a lot of care. The Chair thanked all experts and delegations for their participation, and concluded the session.