



NSB CoRe WP 3:

Transport services benchmarking

Best practices from North Sea Baltic Commuting Corridors



Helsinki-Uusimaa
Regional Council

GROWTH
CORRIDOR
FINLAND



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Benchmark methods

The benchmark is based on interviews of the following companies or services, as well as literature studies and project groups' experiences.

- **Legislation**
 - Ministry of Transport and Communications
- **Route optimization**
 - Kyyti
- **Trip chains, integrated services**
 - Whim
 - Kätevä
 - YlläsAround
 - VR
- **Automated vehicles**
 - Sensible4
- **Shared rides**
 - KutsuPlus
 - Uusikaupunki commuting pilot
 - Kyyti
- **Shared vehicles**
 - Go now! & 24Rent
 - Share it
- **Smart Parking**
 - Rent-a-park
- **Background systems**
 - IQ-Payment



- 1) Barriers of entry to markets
- 2) Keys to success
- 3) Public sector role
- 4) Action points



1) Barriers of entry to markets



Barriers of entry to markets

- Finding **funding**
 - New market, new stakeholders
- Using services requires the customer to re-consider their **attitude** towards transport.
 - Negative attitude towards rental agencies
 - Challenging transition from using a private car
 - Old habits die hard
 - Cost structure of private cars is focused on fixed costs
 - Variable costs (i.e. petrol) can be perceived as being fixed
- Right **timing**
 - Services need to be available when the need arises, for example when settling in new living or employment areas
 - Anticipatory service supply requires strong financing
- Creating interfaces, partnership negotiations and stakeholder engagement require more effort than expected. Technologies already exist, but **cooperation and contracts are challenging**.
- Slowly opening **interfaces**
 - Challenges to integrate taxi and public transport
 - Protecting “own” data and business case
- Pilots have been based in geographically limited areas, but there is need for **regional or international travel chains** (roaming?)
- Gatekeepers: new transport services often require enabling and supporting **decisions by public officials**



Barriers of entry to markets

- Acquiring the **critical customer base** requires time and money, in addition to i.e. marketing skills
- Acceptable level of service requires a wide operational area, good availability, short walking distances
 - High **production costs**
 - Large number of users required for profitable operations
- Unreasonable customer expectations: high expectation for level of service, **low willingness to pay** for services
- **Low user/resident density** leads to
 - Higher operation costs (route optimization, transitions between trips)
 - Less flexible and slower availability of service (needs to be pre-booked well in advance)
 - Less competitions, and thus slower changes in private car dependency
- **Small business size** and economies of scale
 - Profitability only in large scale
 - Re-sales of a large number of tickets leads to lower unit price and therefore larger profits
 - Lower unit prices in vehicle purchases
 - The more trips are integrated, the more efficiently they can be operated with increased vehicle capacity
 - Small actors need fast and flexible operations
 - Public procurements and partnerships are slow and cumbersome
- Building a **profitable** business
 - Uncertainty of continuity of operation after the pilot phase
 - Post-Pilot "Death Valley"
 - Interested customers are easy to find, access to a customer's everyday life is more difficult
 - 1000 downloads → 100 registrations → 10 trips (or other service events)



→ Is there a business case for stand-alone market for transport services?



2) Keys to success



Keys to success

- Finding the **right partnerships**: seamless collaboration between vehicle operators, public officials and other stakeholders
- Vital contracts: **profitable business for all parties**
- Terms of service: finding minimum **terms at booking phase**: vehicle operator vs. customer
- Sufficient **technical abilities**
 - Customer identification and profiling
 - Analysis and anticipation of customer behaviour
 - Database of vehicle, driver and customer characteristics
 - Ability to predict travel time, reliability and predictability of traffic conditions
 - Smooth real time operations: booking, payments, interaction to driver or other service provider, follow-up of trip chain realization



3) Public sector role



Public sector role

Enabling services

- Co-operation with public sector creates **credibility** to services
- Enhancing the **level of service of the transport system** cost-effectively by partnerships
- Early development **funding**
 - Ensure that the operations can and will continue after initial funding

Active development of services

- Provide **services in areas of low population density** (subsidization)
- Actively develop hubs as **transport nodes**, in which services of different operators merge (hub can be operated by private sector, but need public coordination)
- Steer towards **separation of payment and identification** (enabling innovative pricing and packaging models)
- International actors to steer **automated vehicle regulation** to allow development (national and EU legislation)



Public sector role: enabling services - Municipalities

- Role as the transport system supplier
 - Opportunities from integrations and enhancements of **public transport system**
 - Challenge to test services for short period - partnerships aimed in the long term
- Support from the traffic infrastructure
 - Public transit **priorities** (lanes, traffic lights): also to new transport services?
 - **Parking** policy (bays, fees): better or cheaper availability to new transport services?
 - Sufficient and attractive parking bays for shared vehicles
 - Need for lighter processes for parking issues (slow decision-making)
- **Marketing** support
 - Small actors have limited marketing resources
 - Joint campaigns with public transport or other public visibility
- **Trip integration** with publicly funded transport
 - Cost-effective way to improve public transport level of service in areas, times or connections with low demand
 - Improving the cost structure of publicly funded transport
- Ensuring **diverse** range of services, preventing the formation of monopolies



Public sector role: enabling services - States

- **De-regulation** speeds up the formation of new services
- Finances
 - **Value-added tax rate** affects the profitability of transport services (Finland: 10 % for transport tickets, 24 % for transport services)
 - From **financial support of public transport** to public transport services
 - Impact of **tax deductions** of using private car from trips between home and work, and impact of **compensation** for business trips made with private car
- Requiring **open data** interfaces and standards
 - Services can only operate where there are open interfaces
 - Access to databases can ease operations (i.e. checking validity of driving license)
- Other legislation questions
- Exchange of information
 - **Sharing information** of the present state of the industry
 - Boost **co-operation** between municipalities, pilot projects etc.



4) Action points



Action points

Private and public sector partnerships

- Open source code **interfaces**
- Open-minded **tests** - but preferably not pilot projects, which have a beginning and an end, and no commercial success
- Ongoing **interaction**: What problems need to be solved? What interests are there? What do the end users want or need?

Challenges

- How to combine slow public decision-making **process** with the fast pace of entrepreneurs?
- Municipalities working together to create an **entity** – enabling expansion and scaling of private services, and logical service chain for user

Public sector

- Public sector opens and **enables** - no need to pay for the operator
- Assistance in **marketing**; giving credibility to small private actors
- Providing best **parking spots** for shared vehicles



What's next?

- Setting a **target**:
 - What problem does need to be solved?
 - What are the available means to the public sector official? (Expertise, coordination, partnerships, funding, etc.)
 - How much input can be given from the public sector?
- Identifying any present or potential service providers or other **partners**
- Open **collaboration** between all stakeholders
- **Re-evaluation** of targets (regularly)
 - Is the problem still relevant?
 - Are the partners right?
 - Can the problem be solved with the set public input?
- Letting the partnership operate in solving the problem!
 - **Scaling** the solution
- What problem do we solve next...?

Themes to look for:

- Creating transport hubs
 - Enabling changing from one mode to another (shared vehicle ↔ public transport / bus stops, train stations)
- Electric vehicles are strongly linked with automated driving
- Modern mobility services as a means to lower building costs (lower required number of parking bays in master planning)
 - Shared cars (and bikes)
 - Shared parking bays
 - Electric bikes to increase range of biking





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