



Norwegian experiences with tendered buss services

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Abstract

Competitive tendering of local public transport services has been allowed in Norway since 1994. By 2005, 28 percent of all route production in Norway was procured on the basis of tendered contracts, covering around 40 percent of all passengers. The majority of the tendered contracts were gross cost contracts, whereas historically, most Norwegian contracts have been net cost contracts. This article analyses the effect of competitive tendering on operating cost and subsidies paid. It is found that competitive tendering reduces costs by 10 percent and that most of the cost reduction has been used to reduce subsidies for public transport by local authorities. The effects of competitive tendering in Norway are smaller compared to other countries. This can be attributed to the fact that the industry had improved efficiency over a long period before competitive tendering was introduced.

Keywords: Competitive tendering; Public transport; Contract; Procurement.

Introduction

Competitive tendering is now a well-established practice for procurement of public transport (PT) services in several European countries, and is continuously spreading to further areas. Its popularity is partly related to its success to deliver cost-efficient production, even though later developments cast doubts on whether these efficiency gains are sustainable in the longer run. Moreover, the efficiency gains provided through the first-time tendering process seem highly dependent on variations in previous contractual arrangements and whether or not there has been a public, in-house production unit. Explanations of efficiency gains from competitive tendering in different areas must take into account the context in which the tendering process has taken place. In that respect, the level of efficiency before tendering is introduced to a large extent limits the potential gain from actually introducing tendering.

This article examines the effects of competitive tendering in Norway on cost and subsidy levels. In Norway, local public transport lies under the jurisdiction of 19 county

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