

Central government co-financing of regional public transport

– the National Negotiation on Housing and Infrastructure’s metropolitan agreements

Summary and recommendations

The metropolitan agreements negotiated by the National Negotiation on Housing and Infrastructure, signed in 2017, meant that central government co-financed public transport investments in the three metropolitan regions. In return, the municipalities in the regions undertook to build new housing. The Swedish National Audit Office (Swedish NAO) has audited whether the Government has ensured that the central government co-financing of regional public transport infrastructure within these agreements has been in line with the Riksdag’s transport policy objectives, where the choice of measures is based on transport needs and the national economy.

Audit findings

The Swedish NAO’s overall assessment is that the Government has not ensured that central government co-financing of regional infrastructure for public transport within the metropolitan agreements has been in line with the Riksdag’s transport policy objectives. We note that there are deficiencies in the conditions created by the Government and the decision-support data produced for the metropolitan agreements, as well as in central government transparency and control when implementing the measures.

Effective public transport measures should as far as possible, with the resources made available, achieve the objectives set by the Riksdag in the transport sector. The Swedish NAO notes that the Government did not create conditions for the choice of such public transport measures within the metropolitan agreements. It is true that the importance of transport policy objectives and in particular high economic benefit to society was emphasised in the terms of reference for the National Negotiation on Housing and Infrastructure. According to the Government, various possible measures could be considered, in line with the four-step principle, and an intermodal basis was advocated. But at the same time, the Government made it more difficult to prioritise effective public transport

measures on a cost-benefit basis through the negotiating method recommended and the limited resources made available. The premise adopted by the National Negotiation on Housing and Infrastructure also made such a priority difficult. Thus, conditions for the choice of measures were not created in accordance with the transport policy objectives, in the opinion of the Swedish NAO.

There were far-reaching deficiencies in the documentation produced prior to the negotiation. In the view of the Swedish NAO, central government had limited knowledge of the overall transport needs in the regions and of the measures that could solve the transport problems. The premise of the negotiation, that costly track investments were of prime relevance, meant that other possible and probably effective solutions were not taken fully into account. The key needs analysis for measures was in many cases incomplete, both from a national perspective and with regard to regional priorities.

Economic efficiency was one of the two key criteria for public transport measures according to the National Negotiation on Housing and Infrastructure. However, since few thorough cost-benefit analyses were produced, and these anyway only played a secondary role in the negotiation, in the opinion of the Swedish NAO, no prioritisation of measures was made on a cost-benefit basis. The final priority was determined from a very limited analysis of the benefits of the objects and cost estimates with relatively high uncertainty.

Increased housing construction with a focus on densification was an important objective in the Government's terms of reference for the National Negotiation on Housing and Infrastructure. The number of dwellings the metropolitan municipalities committed to building was a central variable in prioritising measures. At the same time, in the opinion of the Swedish NAO, only a limited number of additional dwellings were a direct result of the central government co-financing. Municipalities already had extensive plans for housing construction, which were only partly related to the co-financed investments.

Good-quality cost estimates are central to the assessment of the measures' contribution to the transport policy objectives, partly because increased cost may change the conditions for an investment's economic benefit to society. The average planning maturity in the cost estimates of metropolitan agreements was low according to the Swedish NAO's assessment and it appears that future risks of increased cost have not been sufficiently taken into account.

Public transport objects that are negotiated within the framework of the National Negotiation on Housing and Infrastructure follow a process that is different from the normal process for central government investments in infrastructure in terms of follow-up until the start of construction. The Swedish NAO notes that there are differences in central government transparency and quality assurance of the reference data in relation to achievement of transport policy objectives, costs and

economic benefit to society. The Swedish NAO considers that the requirements placed on objects within the metropolitan agreements do not correspond to those that apply to other objects. Thus, there is no assurance that the objects' development is in line with the transport policy objectives.

The Swedish NAO's conclusion is that the negotiations departed from the transport policy objectives in several material respects. Costly measures selected by the parties that central government negotiated with took precedence in the national order of priorities. However, the negotiation had a broad perspective, and the intention was that the State would receive housing in return. But since the additional housing construction appears to be limited, with a weak connection to public transport investments, there is a risk that the added value of the negotiation was low. Overall, this type of negotiation solution specifically requires decision support of high quality and clear guidelines for how different objectives should be weighed against each other.

Recommendations

Based on the above conclusions, the Swedish NAO makes the following recommendations to the Government concerning negotiation of co-financing of regional public transport measures.

- Ensure that prioritisation of measures is based on analyses of needs, transparent and comparable cost-benefit analyses and reliable cost estimates.
- Ensure that prioritisation based on transport policy objectives is the main premise. If a negotiation entails a risk of departure from the transport policy objectives, this should be clearly presented.
- Ensure that after a decision on co-financing is taken, the central government has good insight and control during the implementation of the measures decided.