

Reforming and Modernising the Norwegian Transport Sector



Norwegian Ministry
of Transport and Communications

On our way

After the general election in 2013, the Conservative Party and the Progress Party formed a minority government, backed by an agreement with the Liberal Party and the Christian Democratic Party.

The new government has identified eight priority areas. One of them is "Building the country", in which the transport and communications sector is vital.

The Government aims to have a state-of-the-art transport and communications network which is on a par with comparable countries. Therefore, the government wants to boost infrastructure investments, combined with necessary reforms in the transport sector.

As will be apparent from this publication, the government - after almost two years in office - has had a good progress with its reform projects.

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Reforming the National Transport Plan

The National Transport Plan (NTP) is the most important tool for long-term priorities and transport strategy in Norway. The Government now initiates work on a new NTP and suggests several important changes. The formal planning is extended from 10 to 12 years, and the plan should also have a perspective till 2050. New infrastructure projects will - as before - be an important part of the plan, but the Government wants greater attention to maintenance, climate change and use of new technology. The Government also wants increased emphasis on socio-economic benefits from transport projects, a separate freight strategy and a highway plan included in the new plan.



ITS (Intelligent Transport Systems)

New technology in the form of ITS systems will allow for a more efficient use of existing infrastructure capacity, improve traffic flow and reduce air pollution and emissions. The Government wants to increase the implementation of ITS in the Norwegian transport sector and has asked its transport agencies for concrete advice and proposals on how this can be done. The Government also wants advice on how to remove organisational obstacles that prevents the increased use of ITS in

Norway. The transport agencies will also explore whether it is useful, with a view to increase the use of ITS in Norway, to establish a multimodal digital collaboration platform that includes players from both public and private sector. In order to provide a forward-looking legal framework for the increased use of ITS in Norway, the Ministry of Transport and Communications prepared a new ITS Act that was presented to the Parliament in August 2015.



Roads

Highway construction company

The Government has established a new limited liability company which will be in charge of the planning, construction, operation and maintenance of 530 km of the main road network. It is estimated that the development costs for the company's projects will be NOK 130 billion.

The company was established in May 2015 and will become fully operational in 2016. The company will be financed through government allocations, including grants for operating credits. Road tolls will also be part of the financing scheme for the projects in the company's portfolio. The company is currently being set-up.

New models for road construction, operation and maintenance - PPP

The Government wants to develop a number of professional expert communities in the Norwegian road engineering community and therefore wants implementation models that involve both public and private environments – public-private partnerships (PPP). The Government has established a set of rules governing PPPs.

Increased use of PPP will promote the Government's goal of more efficient road construction, and three road projects are now chosen to be planned as PPP-projects.

More efficient goods transport

The Government has allowed the modular truck/trailer combination scheme to be permanent, in order to reduce transport costs and increase the efficiency of goods transport. The new scheme was implemented in 2014. Modular truck/trailer combinations (with a maximum length of 25,25 m) can reduce transportation costs of some loads by up to 50 per cent compared to traditional truck/trailer combinations.

Safer freight transport

The government has made considerable efforts to secure better and safer conditions in road transport: Checks and inspection on trucks has been increased, there is now a higher demand for winter tires on heavy vehicles and compulsory toll tag for heavy vehicles has been introduced.

Framework for public-private partnership (PPP)

The Norwegian Government has recently established a new framework for public-private partnership (PPP). The framework is developed primarily for the road sector but is of a general nature and will be used as a basis also in other sectors if PPP is considered.

The framework emphasises the use of PPP for the purpose of ensuring efficient project execution, while project financing over the fiscal budget is largely independent of whether a particular project is organised as PPP or as traditional public procurement. This captures the possible benefits from PPP while the fiscal rule is met. It is the project's benefits, and not its contract strategy and financing means, that should determine priority. These considerations are addressed by budget allocations and appropriations for PPP-projects in the state budget roughly in line with the construction progress in the project, regardless of when payments to the PPP company are disbursed.

Secondly, the PPP model prepares for reducing overall funding costs in PPP companies. Therefore the Government will schedule repayment profiles where most of the construction costs are paid to the PPP company early in the contract period, when the project is handed over in line with the contract and taken into operation. A smaller

proportion of the construction costs should be paid over the operation and maintenance period so that the supplier has incentives to emphasize quality over the lifecycle.

The framework for PPP involves a distinction between appropriations in the state budget and disbursements to the PPP company. For a given budget year the discrepancy between the appropriation and the disbursement is handled by setting aside funds to, or subtracting funds from, a dedicated bank account. The funds that are allocated to cover construction costs of PPP projects are expensed in the government accounts and transferred to a non-interest bearing account in the Central Bank. The funds are held in the bank account until it will be paid to the PPP company in accordance with the contract. Operating and maintenance costs are allocated and paid the relevant year, according to the contract with the PPP company.

This procedure helps to streamline PPPs as an implementation strategy. The scheme thus safeguards the good incentives for efficient use of resources potentially linked to PPPs, while being consistent with the fiscal rule under the cash based fiscal budget. The scheme also contributes to PPP projects being subject to real, overall priorities in the state budget in line with projects implemented with traditional procurement contracts.

Road Tolls

Reduction in the number of road toll companies

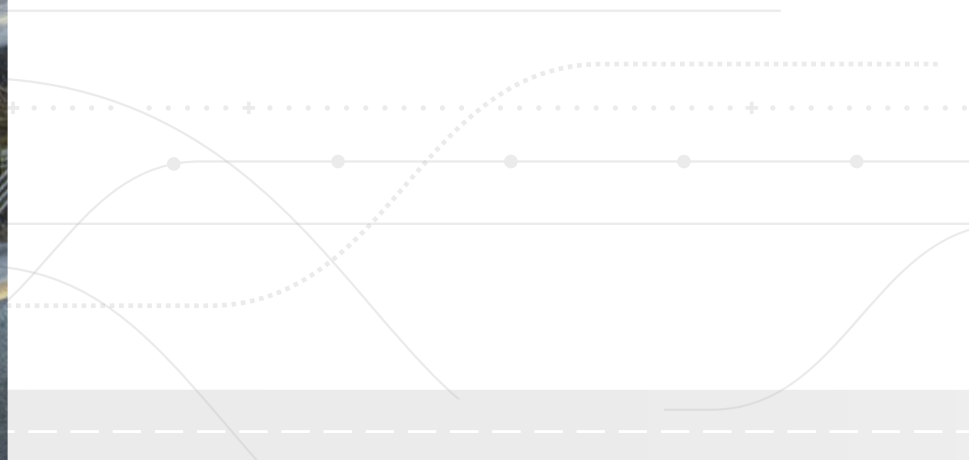
Today, there are approximately 60 road toll companies in Norway. It is the government's objective to reduce this number significantly, to maximum five companies. The purpose of the new companies is to ensure both efficient collection of road tolls and good financial conditions for loans. There will be no changes in ownership, as the companies will be owned by county municipalities also in the future.

Issuer of electronic tags

The electronic tag provider will be separated from the toll charger companies, in order to ensure increased user friendliness. This will also allow a greater scope for specific customer friendly solutions. Whether these services should be commercialised will be evaluated.

Compensation

For road toll companies included in the new scheme, the government will partly reimburse interest expenses. This will reduce the burden of paying road toll on passenger vehicle users and the road toll costs incurred by the commercial sector.





Fair parking rules

New parking regulations have been introduced, as a basis for more transparency and a stronger protection of parking users against parking operators. In the new regulations, the same rules apply to both public and private parking operators. The rules also set common standard rates for parking offences.



Rail

Governance

The Government proposes to reorganise smaller sections of the Norwegian National Rail Administration (Jernbaneverket) into a railway directorate which will be responsible for long term planning, purchasing of passenger-train services, purchasing of infrastructure services and co-ordination with operators in the sector and within public transport as a whole. The directorate will be under the jurisdiction of the Ministry of Transport and Communications. It will also be assessed whether the railway directorate and the road directorate should be merged into a joint road and railway directorate.

A state-owned infrastructure enterprise

The Government proposes to transform parts of the Norwegian National Rail Administration into a state-owned enterprise which will be responsible for managing, operating, maintaining and renewing the railway infrastructure and for infrastructure traffic control. Using the financing model, the Government aims to provide the enterprise with predictable conditions, operational freedom and incentives for efficient operations. The enterprise will operate within a predictable financial framework. The company will furthermore have operational freedom and incentives for efficient operations. The Government intends to gradually increase the use of private sector companies in the operation and maintenance of railway infrastructure, but the enterprise will hold overall responsibility for the national railway network.

Development of a broader railway environment – competition within passenger rail market and operation/maintenance

The Government proposes to give more operators the opportunity to develop and provide train services through introducing competition in the domestic passenger rail market. Competition in the passenger rail sector will be under state control. Various train operators will compete for the right to operate within defined geographic areas. The introduction of competition may promote innovation and higher levels of efficiency.

More private operators will also be allowed to carry out operation and maintenance assignments for the state.



Coastal Affairs

National port strategy

The Government presented a national port strategy in January 2015. The strategy is the first of its kind. One of the measures is to simplify the port structure. The trunk port network scheme will be improved and reinforced. The regulations concerning municipalities' port ownership management will be assessed in order to support further development of efficient ports. The Government will assess whether responsibility for governmental infrastructure in fishing ports should be transferred to the municipalities.

More efficient pilot service

The Government has introduced a new differentiated pilot exemption scheme through a Law Proposition which allows more vessels to sail without a pilot. The pilot service has been reorganised and has been established as a separate operational unit within The Norwegian Coastal Administration (NCA). The NCA pilot transport service is being exposed to competition.



Aviation

More efficient Air Navigation Services

The Government wants to increase the efficiency in the provision of Air Navigation Services. It is considered whether other operators than Avinor should be permitted to provide these services. Avinor has, as a result of this change, formed the subsidiary Avinor Air Navigation Services. The Ministry of Transport and Communications is currently in the process of assessing how the market for Air Navigation Services should be opened for competition.

New dividend policy for Avinor

The Government has set a limit on the dividend paid by Avinor for each financial year from 2014 to 2017. The limit is NOK 500 million. This new dividend policy may give Avinor better incentives to operate efficiently and may increase Avinor's ability to make investment in airports.

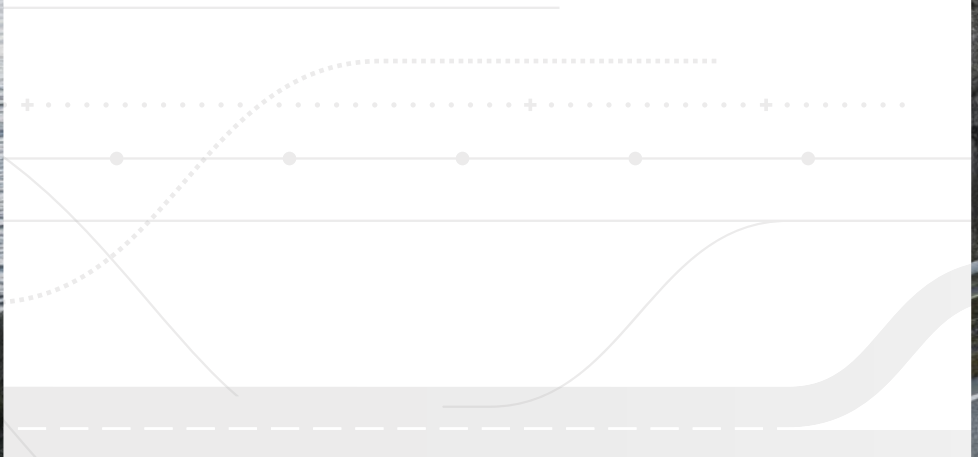
Postal Services

A new Postal Services Act was approved by the Parliament in June 2015. The new Act ensures unrestricted competition for the distribution of letters weighing less than 50 grams and aims to ensure that everyone has access to good and future orientated postal services. The Act has been adapted to developments in other countries, including to the EU's Third Postal Directive. The Saturday distribution legal requirement has been removed in the new Act. The distribution of Saturday newspapers is however to be secured through a delivery obligation in areas without an alternative delivery scheme.

Infrastructure Fund

The Government promised in its 2013 political declaration to establish an infrastructure fund of NOK 100 billion over a period of 5 years. The fund was established in 2013 and had by 2015 accumulated NOK 70 billion.

The infrastructure fund has been established to promote predictable and long term financing of infrastructure. The yields in 2015 will be allocated to coastal projects, as well as for the renewal of the state highway and railway network in order to reduce the maintenance backlog.





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