

## Public Service Obligations and Mobility as a Service

### ***Mobility as a Service (MaaS)***

*MaaS is the integration of various forms of transport services into a single mobility service accessible on demand. For the user, MaaS offers added value through the use of a single application to provide access to mobility, with a single payment channel instead of multiple ticketing and payment operations. To meet a customer's request, a MaaS operator facilitates a diverse menu of transport options, be they public transport, ride-, car or bike-sharing, taxi, car rental or lease, or a combination thereof. A successful MaaS service also brings new business models and ways to organise and operate the various transport options, with advantages including access to improved user and demand information and new opportunities to serve unmet demand for transport operators. The aim of MaaS is to be the best value proposition for its users, providing an alternative to the private use of the car that may be as convenient, more sustainable, and even cheaper while contributing to the achievement of societal and environmental goals.*

### **About public service obligations (PSOs) in passenger transport services**

Under Article 106(2) of the *Treaty on the Functioning of the European Union*, companies providing services that are of general economic interest<sup>1</sup> are subject to the rules governing competition. As all passenger transport services cannot be operated on a commercial basis, regulation on public service obligations enables deviation from Article 106(2) and allows member states to provide these services with public funding. These situations are covered by Article 93 TFEU<sup>2</sup> and *Regulation 1370/2007 on public passenger transport services by rail and by road*. The mechanisms available to Member States include the awarding of exclusive rights to public service operators, the granting of financial compensation to public service operators and the definition of general rules for the operation of public transport which are applicable to all operators.

According to the regulation, public service contracts and general rules need to:

- a) clearly define the public service obligations with which the public service operator is to comply and the geographical areas concerned
- b) establish the parameters on which the compensation payment is calculated and extent of exclusive rights granted in advance and in a transparent manner
- c) determine the arrangements for the allocation of costs connected with the provision of services.

The PSO regulation on passenger transport services is quite general in nature and gives Member States the freedom to specify and adapt the principles to a local context.

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<sup>1</sup> Article 14 of the Treaty on the Functioning of the European Union (TFEU) and Protocol No 26 on services of general interest annexed to the TFEU set out the general principles of how Member States define and provide services of general economic interest.

<sup>2</sup> Article 93: Aids shall be compatible with the Treaties if they meet the needs of coordination of transport or if they represent reimbursement for the discharge of certain obligations inherent in the concept of a public service.

## **PSO and Mobility as a Service (MaaS)**

Sustainable multimodal mobility services are dependent on a functioning public transport system with affordable mass transit services. The MaaS Alliance views PSO regulation as an important part of the regulatory framework of mobility services ensuring high quality transport services for all. There are, however, both unused opportunities and challenges that need to be addressed in the context of emerging MaaS services.

### ***Opportunities***

The European Commission has set out ambitious goals for the European transport sector to deliver a 90% reduction in greenhouse gas emissions by 2050, while at the same time providing Europeans with more affordable, accessible, healthier and cleaner transport alternatives. The goals are highly commendable but will also require significant efforts from the whole transport sector and all Member States. We at the MaaS Alliance view MaaS as a powerful tool in reaching these goals, presenting a significant emission reduction potential while providing Europeans with all-encompassing services to meet their mobility needs both locally and when travelling across the Union. In evaluations on the cost-benefit relation of different tools to reduce transport emissions, servitization has also been highlighted for its superior cost-effectiveness vis-a-vis other measures like i.e. renewing the vehicle fleet.

At the MaaS Alliance our main focus is always on the user and how we can increase their freedom of choice in sustainable mobility. While the PSO regulation helps to organise and provide a public service, it does not necessarily ensure that services are easily accessible, user-centric and provided to as many people as possible. To reduce emissions, it is clear that a larger percentage of Europeans need to use sustainable alternatives like public transport. MaaS operators constitute new sales channels and partners in attracting customers to public service all over the continent. In many senses, the benefits of a MaaS operator is on par with other resellers which are seen by PSOs as a tool to save costs, increase ticket sales and raise the service level for residents. As a significant amount of public funding is directed via PSOs, the European Commission should ensure that they are used as effectively as possible. By setting up further requirements for data sharing, technical integration capabilities and fair commercial terms for PSO-services, the Commission would accelerate the achievement of the ambitious transport policy goals.

Operators working under PSO are directed by the best interests of the public with the goal to provide citizens with high quality services. Without the restrictions of commercial interests, they can direct the ecosystem by ensuring access to real-time data, interoperable ticketing systems and fair commercial terms. While there are some operators moving in this direction, the leveraging of PSO to drive MaaS and provide Europeans with new innovative mobility services is still a largely unused opportunity. PSO can be a strong tool in unifying the mobility field, building trust and speeding up the creation of an ecosystem that encourages new innovations with high-quality public transport services as a backbone. MaaS supports PSOs in diminishing costs, while providing an additional level of benefits to customers by combining the available transport options for seamless journeys.

### ***Challenges***

While we do not recognize any particular challenges in the PSO regulation, there are some worrying trends of its implementation that we wish to bring to the Commission's attention. These trends relate to the possibility of developing a fair and dynamic MaaS market with thriving competition between MaaS operators. As public transport services are a prerequisite for MaaS, the withholding or restricting of access to these services or related data is detrimental to the MaaS ecosystem.

### ***The scope of PSO***

The first challenge relates to scope of the PSO and public transport. According to Article 4 of *Regulation 1370/2007* public service contracts must a) clearly define the public service obligations with which the public service operator is to comply and the geographical areas concerned and b) establish the parameters on which

the compensation payment is calculated and extent of exclusive rights granted in advance and in a transparent manner. During the last years there is a growing trend of public transport operators with a PSO taking on the role as MaaS operators.

We want to emphasize the need to separate the different services and define more clearly the services that could be included in PSO and the services that are offered through market. To our knowledge, there are currently no contract defining MaaS services as pertaining to the PSO in Europe. We have, nonetheless, identified instances where public transport authorities are treating the operation and supply of MaaS services as if they were included in the PSO and creating MaaS offerings together with singular transport service providers - effectively restricting access to the market for other commercial MaaS operators and transport service providers.

While *Regulation 1370/2007* allows PSO to cover a range of activities and duties that the competent authorities can carry out themselves or entrust to a third party, functioning as a MaaS aggregator and operator in a new market is beyond the scope of offering passenger transport services. As the MaaS market and the market for mobility services is deregulated and competitive in many parts of the union, including MaaS services in the PSO would also be in conflict with the core European values of competition and a free market economy.

To comply with *Regulation 1370/2007* and general applicable competition law, any MaaS aggregation and MaaS product offerings would need to be separated from a PSO concerning passenger transport services. In addition, all public transport products created under PSO would also need to be offered to other MaaS operators on equal terms to those of the publicly owned MaaS operator.

#### *Ticket resales and PSO*

Ticket resales is a prerequisite for MaaS to develop. In a mature MaaS market, operators will mainly focus on making a profit with value-based consumer pricing, where consumers pay for the added value they receive from the plan, rather than the production costs.

Value-based pricing does, however, require a higher level of market maturity and customer trust - as a market matures from both a consumer and supplier perspective, more attractive products can be progressively introduced. Without a functioning market for ticket resales with reasonable terms, operators will not be able to build a relationship and introduce a value-based consumer offering in the market. This would greatly impede the possibility for MaaS to develop attractive and competitive multimodal services.

As of today, *Regulation 1370/2007* does not consider whether the obligation extends to include all public transport ticket resales when there are multiple resellers like MaaS operators in the market. While pricing and organising ticket sales will always be a natural part of the PSO, multimodality and MaaS put ticket resales into a new context. In this context, ticket resale is no longer solely a tool to guarantee a high level of public service but an elemental cornerstone in a whole new market.

If the activities and duties that operators can carry out themselves or entrust to a third party includes the control of ticket resales, it would in our understanding be possible for a single transport authority to determine whether a MaaS market can evolve and on which terms. In essence, an operator could use poor commercial terms for ticket resales to restrict access to public transport tickets, diminish competition and block a thriving MaaS market from forming.

As MaaS is not subject to PSO in any European country, it is worrying if PSO could be used to prohibit new and innovative services. To drive MaaS development, it is essential to develop functioning markets for ticket resales on viable and reasonable commercial terms. The MaaS Alliance wants to encourage the European Commission to analyse PSO in this new wider context and provide guidance for how PSO can be applied without hampering

green growth and sustainable mobility. It's the common responsibility of the transport and mobility industry, including the MaaS operators to work towards the achievement of safer, greener and more inclusive transport system.

**With the aforementioned background, the MaaS Alliance recommends that:**

- The European Commission issues clarifying guidance on the interaction between public service obligations and the new MaaS market in Europe as well as the applicable competition law in this interaction.
- The guidelines should instruct operators working under a PSO to encourage MaaS development and support the Commission's goals<sup>3</sup> to:
  - ◆ incentivise large scale market deployment of new transport technologies
  - ◆ facilitate a shift towards low-emission transport modes by moving and incentivising passengers to more sustainable alternatives
  - ◆ improve efficiency across the whole transport system, including through multimodality
  - ◆ revamp the European agenda for sustainable urban and regional mobility, including cycling, intermodal transport and mobility on demand.
- The guidelines should consist of principles on data access and on integrated ticketing and payment systems related to PSOs, ensuring fair and equal treatment of MaaS operators by the contracted bodies and setting obligations for data sharing and use of open APIs for ticketing.

Further information: [Market Access and Competition Issues related to MaaS](#)

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The Mobility as a Service Alliance (MaaS Alliance) is an international public-private partnership that is creating foundations for a common approach to MaaS and unlocking economies of scale needed for successful implementation and take-up of MaaS in Europe and beyond. The main goal is to facilitate a single, open market and full deployment of MaaS services. MaaS Alliance members from all sectors collaborate to create the enablers needed for successful deployment of MaaS in Europe and beyond.

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<sup>3</sup> 07/20 Roadmap: Communication from the Commission on the EU Strategy for a Sustainable and Smart Mobility