



Extract from the report to the
Public Accounts Committee on
the electronic travel card

April
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1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns the effort made by Rejsekort A/S and the Danish transport operators to ensure that the electronic ticketing system introduced in Denmark in 2011 makes it easy and simple for passengers to use public transportation. The report also addresses the economy of Rejsekort A/S and the price and delivery of the e-ticketing system.

This report is a follow-up to the report on the e-ticketing project that we submitted to the Danish Public Accounts Committee in 2011. In this report, we examine whether the e-ticketing system has been delivered at the agreed time and price. Since its launch in 2011, the user-friendliness of the e-ticketing system has caused much public debate and we have therefore expanded our follow-up to include an examination of the user-friendliness and economy of the travel card.

The report on the e-ticketing project addressed Rejsekort A/S' preparation and management of the development of the project.

2. Rejsekort A/S and the Danish transport operators are responsible for the user-friendliness and economy of the travel card. The Ministry of Transport has overall responsibility for the area. The distribution of responsibility among the parties behind the travel card appears from box 1.

BOX 1. DISTRIBUTION OF RESPONSIBILITY AMONG THE PARTIES BEHIND THE TRAVEL CARD

The parties behind the travel card are Rejsekort A/S, the transport operators that own Rejsekort A/S (Danish State Railways, Movia, Metroselskabet, Nordjyllands Trafikselskab, Midttrafik and Sydtrafik) and the Ministry of Transport. Rejsekort A/S is responsible for developing and running the e-ticketing system. The transport authorities are responsible for organizing public transportation in their respective regions of Denmark, setting fares, ticketing schemes and traffic planning. Since it is a nationwide e-ticketing system, the transport operators are required to coordinate and agree on all aspects relating to the travel card. The Ministry of Transport has the overall responsibility for the area and – as a stakeholder in the e-ticketing system – also a responsibility to monitor and follow up on the financial position Rejsekort A/S.

3. The purpose of the study is to assess whether the parties behind the travel card have ensured its user-friendliness and the soundness of the economy of Rejsekort A/S. Our study covers the years 2011-2014, with the launch of the e-ticketing system in several regions of Denmark in 2011 as the starting point. The report answers the following questions:

- Was the e-ticketing system delivered at the time and price agreed?
- Have Rejsekort A/S and the transport operators actively worked to ensure the user-friendliness of the travel card?
- Have Rejsekort A/S and the transport operators ensured the soundness of the economy of Rejsekort A/S in the period 2011-2014, and has the Ministry of Transport monitored the economy of Rejsekort A/S adequately and followed up on Document No. 105?

CONCLUSION

Rigsrevisionen finds it unsatisfactory that Rejsekort A/S and the transport operators have not adequately ensured the user-friendliness of the travel card. Nor have they effectively addressed the financial issues facing Rejsekort A/S. Rigsrevisionen also finds it unsatisfactory that the final version of the e-ticketing system will be delayed by six years compared with the current delivery schedule, which has had a negative impact on both the user-friendliness and economy of the travel card.

The passengers experience problems with the travel card, despite the fact that the reading equipment generally works well. Rejsekort A/S and the transport operators have not adequately solved the problems encountered by the passengers. Nor have they coordinated their actions concerning issues relating to the use of the travel card across the country. The transport operators have taken their time solving specific problems and ensuring a consistent level of customer service, because they have had difficulties agreeing on feasible solutions and have not prioritised solutions that would consider the needs of the passengers. This in spite of the fact that the passengers' level of satisfaction with the e-ticketing system generally ranges between medium to low depending on their travel patterns. Only when the Ministry of Transport decided to get involved in the matter concerning the user-friendliness of the travel card, did the transport operators come up with feasible solutions to many of the problems.

The travel card is used much less than anticipated by Rejsekort A/S in 2011, because the final version of the e-ticketing system has been delayed and much of the planned functionality has yet to be delivered. This applies to, for instance, season tickets that many commuters in the greater Copenhagen area and elsewhere use, because they are cheaper than the travel card. Moreover, the transport operators have not phased out existing ticket products at the pace expected, and at the same time, they have introduced new mobile ticketing systems – based on the use of the passengers' mobile phones – in competition with the travel card, which has also had an impact on the use of the travel card.

It has cost approximately DKK 2 billion to develop the e-ticketing system. The delays have not increased the contract price, but the extended development phase has increased internal costs at Rejsekort A/S.

The fact that fewer passengers than expected use the travel card has had considerable financial consequences for Rejsekort A/S, whose revenues in the period 2011-2014 decreased significantly. The drop in revenues led to large deficits and a need for capital injections from the owners beyond what was anticipated by Rejsekort A/S in 2011. It is Rigsrevisionen's assessment that Rejsekort A/S' financial management has been inadequate and the organisation of Rejsekort A/S unsound. The organisation of Rejsekort A/S has prevented the responsible parties from addressing and resolving emerging problems effectively, because the transport operators, due to differences in interest, have had no incentive to cooperate and compromise on financial matters. The transport operators have therefore not been able to reach an agreement on a sustainable solution for financing the e-ticketing system that they purchased jointly in 2005.

Late in 2014, the Ministry of Transport engaged in the transport operators' efforts to develop a sustainable model for financing Rejsekort A/S. The Ministry developed a new financing model for Rejsekort A/S in April 2015, following consultations with the transport operators who are now considering the proposed model. The Ministry of Transport's engagement in developing a new financing model is welcomed by Rigsrevisionen, but also seen as necessary. However, the ministry did not take action before the situation had become so critical that Rejsekort A/S was facing bankruptcy. This must be considered a belated reaction when taking into consideration that the Ministry had been aware of the financial position of Rejsekort A/S for a long time and should have monitored the economy of Rejsekort A/S closely. The Ministry of Transport is responsible for the basic organisation of the area and it should therefore have stepped in when it became clear that the transport operators were unable to resolve fundamental problems.

Rigsrevisionen also finds it unsatisfactory, that the Ministry of Transport has not followed up on the documents concerning capital injections in Rejsekort A/S. The Ministry has not addressed the capital injections in Rejsekort A/S made by DSB and Metroselskabet, which were DKK 64 million higher than anticipated in Document No. 105 from 2011. Nor has the ministry taken a position on the decisions made by DSB and Metroselskabet to increase their loans to the company by DKK 72 million beyond the loan threshold indicated in Document No. 105 and previous documents on the travel card.