

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.