



# Availability of public transport services on regional bus routes



Latvijas Republikas  
Valsts kontrole

---

RIGA 2024

---

## Audit report

“Availability of public transport services on regional bus routes”

Performance audit “Availability of public transport services on subsidized bus routes”

The audit was performed based on audit schedule No 2.4.1-23/2023 of the Fifth Audit Department of the State Audit Office of Latvia of 30 May 2023.

The cover design includes an image from the archives of LETA Ltd, photographer Ivars Soikāns.



## Dear Reader,

We have concluded an audit on the availability of public transport services on the subsidised routes, in which we assessed the organization of regular passenger transport on regional bus routes mainly.

Public transport provides population with an opportunity to move around and is especially important for those who do not have a private vehicle, such as young people, senior citizens and the less well-off. It provides access to healthcare facilities, cultural events and other important public services that would otherwise be difficult to reach, especially in rural areas.

Therefore, a clear, comprehensible and transparent system of organizing public transport services is a vital prerequisite to promote public trust and to choose this form of transport. The reliability factor is one of the most essential because the availability of this service affects many private choices of an individual, for example, about the place of residence, workplace, educational institutions, etc.

Unfortunately, we have concluded during this audit that there are several significant deficiencies in the system of organizing and financing public transport services. For instance, unclear criteria for how a network of routes of regional importance is developed and the amount of public transport services provided in it, as well as “eternal uncertainty” about the availability of funding. It has not contributed to the reliability of the population and naturally also the achievement of the policy goals such as to achieve the transfer of passengers from private transport to competitive public transport.

Audit conclusions are always an “outside view”, and it showed this time that the system as a whole was very unwieldy with many actors involved, as well as with very complicated but ineffective regulation. Therefore, I invite the stakeholders to assess impartially what is stated in the audit report and make the necessary improvements. Our common goal is to make public transport services on regional bus routes predictable and reliable in the long term to facilitate motivation for citizens to choose these public transport services.

We would like to thank audited entities for the cooperation, namely, the Ministry of Transport and state-owned “*Autotransporta direkcija*” Ltd (Road Transport Administration), as well as JSC “*Pasažieru vilciens*” (Passenger Train), Association “*Latvijas Pasažieru pārvadātāju asociācija*” (Latvian Passenger Carriers Association), the Ombudsman of the Republic of Latvia, Foundation of Disabled and Their Friends APEIRONS and Association “Cooperation Organization of People with Special Needs SUSTENTO” for the opinion provided.

Respectfully  
Mr Oskars Erdmanis  
Department Director



## Terms, abbreviations and explanations

<b>Term</b>	<b>Explanation</b>
<b>pas/km</b>	Passenger kilometres is a transport measurement unit that describes the transportation of one passenger over a distance of one kilometre.
<b>State-granted route</b>	Regional intercity route, regional route of local significance or route of urban significance, in which public transport services of a certain quality and scope guaranteed by the state or local or regional government are provided, using which the categories of passengers determined by the state or local or regional government are entitled under reduced conditions and in which losses related to the provision of services are compensated to a carrier from the state or municipal budget.
<b>Commercial route</b>	A regional route, in which expenses and losses related to the provision of services are not compensated from the state or municipal budget.

## Summary and expected results after implementation of the recommendations

The audit assessed the organization of regular passenger transportation on regional routes by bus and by trains in certain cases. Both types of vehicles are considered public transport and are used for passenger transportation on routes of regional significance throughout the territory of Latvia. In this audit, we did not assess the organization of transportation on urban routes in the administrative territories of municipalities of nine cities.

The audit found several problems in the actions of the Ministry of Transport, state-owned “Autotransporta direkcija” Ltd, Public Transport Council when organizing public transport services on regional routes. It has not contributed to the achievement of policy goals, namely, to achieve the transfer of passengers from private transport to competitive public transport, as well as greater public understanding and satisfaction with this service. It shows that the right things have not been done in the organization of public transport services regarding the targeted development of public transport services, a clear and financially appropriate approach to the development of the extent and quality of services, which has also had an additional impact on state budget expenditure because:

- ✓ Services are developed separately from a state-defined development planning system;
- ✓ Laws and regulations on the scope of state-guaranteed services is not observed;
- ✓ There is no uniform approach to elaborating public transport routes;
- ✓ Decisions on routes in which services are provided free of charge are implemented that do not comply with the law;
- ✓ Contracts for public transport services are not renewed on time;
- ✓ Quality requirements of public transport services are only partially justified.

### *Transport policy planning*

As a result of the implementation of the transport policy, one plans to increase the use of public transport among the population in regional transportation by trains and buses by 2027. Regional transportation includes transportation of local significance and intercity significance (they do not include transportation of urban significance organized by the municipalities of cities).

As the use of public transport among the population increases, several benefits can be seen. One of them is that the more citizens use public transport, the more profitable the service is and the less the state has to spend taxpayers' money on subsidies to public transport operators to compensate for expenses. It is no less important that when the population prefers to use public transport, traffic jams and the resulting air pollution also decrease. In its turn, elaboration of commercial routes (which are not financed from the state budget) for the provision of public transport services promotes wider availability of public transport services and economic activity.

However, in the Transport Development Guidelines 2021-2027, the planned intermediate passenger turnover indicator in 2023, which is one of the indicators for the planned policy result “Improved

Mobility Opportunities”, has been achieved only partially. Consequently, the actions taken in between regarding the facilitation of passenger turnover have not been effective.

Regional bus transport services are vital to residents and residents will always need to get to a right place at a 'right time'. From the point of view of the organization of these journeys, although the population has a desire to travel more often and “at the right time”, quite wide travel opportunities in comfortable buses have been organized until now despite the generally low demand of passengers and how much it actually costs the state budget as a whole (62.8 million euros were allocated in the state budget for compensation of losses to carriers in 2023).

However, despite the goal of the policy to maintain the passenger turnover rate in passenger transport by buses, the goal of the Ministry of Transport has been to limit such wide travelling opportunities in bus transport with amendments to the laws and regulations at the same time if passenger demand is low, that is, profitability of routes (journeys) does not reach 25%. Therefore, when planning the development in the field of passenger transport, that is to say, so that more and more citizens use public transport, the criteria set in the laws and regulations on how to develop the state-guaranteed scope of services have not been taken into account. Instead, there is continued reliance on the provision of travelling opportunities that existed before the restrictive criteria were put in place.

It is precisely passenger transportation by buses where a planned passenger turnover rate has not been achieved in 2023 (target value – 975.6 passengers/km, achieved – 825.1 passengers/km). It does not allow to achieve the overall planned passenger turnover indicator, although this indicator was achieved in passenger transport by rail (target value – 608 pas/km, achieved – 612 pas/km).

From 2021 to 2023, a total of 377 million euros was allocated from the state budget for passenger transportation by buses and trains to compensate the carriers for losses for the public transport services provided, including significant amounts of additional financing, that is, 170 million euros in total in the last three years. The allocated funding was used to, for example, improve the quality of the bus fleet involved in transportation, which is a benefit for passenger comfort. However, this alone has not improved the passenger turnover in bus transportation to the planned level so far around 2023 (i.e., 975.6 pas/km).

The State Audit Office of Latvia considers that achievement of the planned target value in passenger turnover (949.4 pas/km in 2027) is too optimistic. This is based on the fact that, when implementing the passenger transportation policy and offering bus transportation to passengers according to the current conditions of the state-guaranteed service scope, a number of journeys provided to passengers would decrease in general (because the number of journeys on 390 routes or 38% routes exceeds the permitted number). Therefore, without changing the policy of passenger transport and its implementation instruments, which envisage limiting the availability of the service taking into account the criterion of profitability currently, the increase in passenger turnover will not be achieved.

In 2019, state-owned “*Autotransporta direkcija*” Ltd began to develop bus transportation by setting requirements in contracts with carriers and creating opportunities for passengers to travel with transport of equivalent quality throughout the route network. As a result, public transport services

with significantly newer bus fleet and better equipment were purchased by providing passengers with a higher level of comfort and safety.

Yet, the establishment of higher comfort and safety requirements and funding for bus transportation have taken place without taking into account other, no less important, transport policy development measures specified in the development planning documents. For instance, the Transport Development Guidelines specify the direction of passenger transportation by rail rather than the improvement of comfort in buses. At the same time, it has not stopped financing the development of passenger comfort in bus transportation.

### *Creating a route network - where will we travel*

State-owned “*Autotransporta direkcija*” Ltd implements national policy in organizing public transport services and planning routes. When developing the route network, state-owned “*Autotransporta direkcija*” Ltd must justify the need for each route by updating it once a year. In its turn, the Public Transport Council approves the route network drafted by state-owned “*Autotransporta direkcija*” Ltd taking into account the need of each route.

However, the information prepared by state-owned “*Autotransporta direkcija*” Ltd to justify the need for each route has not been such that the Public Transport Council could use it in decision-making in full. Currently, the statutory requirement to justify the need for routes does not include specific criteria for making data-based decisions.

The network of public transport service routes developed by state-owned “*Autotransporta direkcija*” Ltd and approved by the Public Transport Council (55,000 km in 2023) characterizes the extent of network coverage, while the amount of kilometres travelled by carriers in the network (69.8 million km in 2023) characterizes the extent of service. However, the rationale provided by state-owned “*Autotransporta direkcija*” Ltd as the developer of the route network for the need for each route (1,032 routes in 2023) for bus transportation is not data-based and cannot be checked periodically in accordance with the established principles of elaboration of public transport service route network, for example, between which populated places connections should be made in the route network. Such information is required so that the rationale could be used in further decisions (the Public Transport Council approving the route network) and it also enables one to explain the decisions made to the public.

State-owned “*Autotransporta direkcija*” Ltd justifies the need for routes by general information about the possibility of residents to move by public transport between settlements to get to educational institutions, healthcare institutions, workplaces, places of residence, shopping, etc., without referring to the criteria established in the law. For instance, does a connection ensure the mutual accessibility of neighbouring regions (or other settlements to be connected as specified in the law), or has the straightest route been chosen between passenger interchange points (stops) and so on. The need for the routes is also based on outdated information, as it was established that it referred to the routes that had been already closed in 2018.

State-owned “*Autotransporta direkcija*” Ltd does not provide the decision-maker (the Public Transport Council) with data-based (quantifiable) information, for example, about a location of planned stops, a number of inhabitants (in the settlements connected on the route), the predicted impact on the state budget for the planned number of journeys, a current condition of the road, which

would give the Public Transport Council an opportunity to make impartial decisions under after uniform criteria on establishment, preservation or improvement of routes with a placement of specific stops according to the current needs of the population.

Therefore, the route network developed by state-owned “*Autotransporta direkcija*” Ltd and approved by the Public Transport Council is not built currently following a clear and transparent approach, thus not providing assurance that it meets the needs of the population to move between settlements due to the lack of quantifiable (data-based) indicators by which relevance of the population’s movement needs could be assessed.

In the organization of public transport services, the prerequisites for a balanced and sustainable provision of population needs are not provided because state-owned “*Autotransporta direkcija*” Ltd assesses the need for routes (journeys) by applying a different approach currently. For example, current information about the population’s mobility needs regarding existing routes is not requested from planning regions, which must be assessed when developing new routes.

#### *Shaping the scope of services (journeys) - how much will we travel*

When planning the routes on which passenger transportation is carried out, state-owned “*Autotransporta direkcija*” Ltd also develops bus/train timetables at the same time by indicating there how often transportation (journeys) will be carried out on each route, that is, scope of services. A total of around 1.6 million journeys are performed in regional transports per year, including 1.5 million journeys by bus.

At the end of 2020, amendments were made to the Law on Public Transport Services, which supplemented the principles of determining the scope of public transport services by defining the concept of state-guaranteed scope of public transport services (for transportation by buses) and the criteria for determining this scope.

The scope of state-subsidized services by buses on weekdays shall be provided with at least eight or four journeys per weekday if the profitability is at least 25%. The minimum scope of public transport services subsidized by the state is two journeys per weekday.

However, the goal of the amendments to the law to ensure transportation by buses according to the conditions of the scope of state-subsidized public transport services has not been achieved, which indicates that the provisions of the law are not being implemented in practice.

Profitability of a route (journey) is one of the criteria, according to which the state-guaranteed scope of services is formed. The information obtained during the audit shows that in more than a third of the routes (390 or 38%), the number of journeys provided by buses was at least four or eight journeys per weekday, although the profitability of the routes (journeys) did not reach the legally required 25%, at which such number of journeys was permissible. A large number of routes (258 routes or 25%) also did not provide at least two journeys every weekday, which according to the law was a minimum number of journeys to be provided on a route regardless of its profitability.

During the audited period, state-owned “*Autotransporta direkcija*” Ltd has not drafted and the Public Transport Council has not approved a route network that would indicate the state-guaranteed scope of public transport services (number of journeys) following the principles of organizing public transport services established in the Law on Public Transport Services.

Even after the audited period, that is, in 2024, the Ministry of Transport that implements the transport policy and drafts laws and regulations, made suggestions to state-owned “*Autotransporta direkcija*” Ltd and the Public Transport Council to facilitate the adjustment of the scope of services with the possibilities of the state budget. However, these proposals also did not comply with the statutory requirement that the scope of public transport services should be determined in accordance with the principles of determining the scope of state-guaranteed public transport services, namely that the state budget would finance journeys whose profitability did not exceed 25%. Therefore, the purpose of amending the law will not be achieved in the future.

Since 2021, the laws and regulations stipulate that state-owned “*Autotransporta direkcija*” Ltd and the Public Transport Council may develop commercial routes and routes in which services are provided to passengers free of charge (hereinafter - free routes). In 2023, public transport services were provided on two commercial routes and 16 free routes.

For commercial routes, state-owned “*Autotransporta direkcija*” Ltd issues a permit to a specific economic operator to provide service on the approved route, but economic operators do not receive compensation for passenger transportation from the state budget. In its turn, when state-owned “*Autotransporta direkcija*” Ltd concludes a contract on free routes, on which transportation has been ordered, economic operators receive compensation for losses.

The network of regional routes with the scope of public transport services organized in it is a single set. However, on commercial (non-subsidized) routes and free routes, the scope of services is not integrated with the total scope of service, including when evaluating it in the context of the provided scope of state-guaranteed public transport services.

The statutory requirement to review the scopes (kilometres) of the planned network of regional routes for the next year if the funds allocated in the annual state budget law are not sufficient, is also directly applicable to the development of commercial routes and free routes.

Within two years, no economic operator had applied to provide service on six of the eight routes created by state-owned “*Autotransporta direkcija*” Ltd. As a result, it was not possible to save 5.5 million euros from the state budget.

The service of routes on commercial principles has been hindered by the impact of COVID-19 on the decrease in the number of passengers and the restrictions on transportation, as well as the fact that the law obliges carriers to transport passengers on reduced terms on commercial routes to whom the state has granted fare concessions through laws and regulations, but does not provide that a carrier is entitled to receive compensation from the state for the expenses related to the transportation of these passengers. In their turn, on the subsidised routes, carriers do not have to transport these passengers at their own expense.

Effective development of commercial routes provides an opportunity to increase the availability of the service even where parallel (duplicate) routes of trains and buses are not subsidized or where it is not possible to subsidize a larger scope of service due to limited state budget funding.

Regarding the maintenance of free routes, although the budget funds for 2023 were planned and it was known that there was a lack of funds, the Public Transport Council still made a decision, the implementation of which required funding from the state budget of at least 31,000 euros.

This situation reoccurred in 2024 as well. In addition, the requirements of the law are violated by maintaining free routes longer than the approved maximum allowable period of two years specified in the law. By continuing to provide services free of charge, a total of at least 49,000 euros will be spent from the state budget illegally in 2024.

### *Ensuring the comfort of passengers in buses - how comfortable we will travel*

When organizing the order of public transport services in accordance with the regulations, state-owned “*Autotransporta direkcija*” Ltd. includes, among other things, clauses on the quality of service. Therefore, in passenger transportation, equivalent quality of services must be ensured. However, in the opinion of the auditors, the stated quality requirements do not always have an impartial justification.

State-owned “*Autotransporta direkcija*” Ltd. has only partially achieved the goal of providing public transport services with vehicles and equipment of equivalent quality, as buses of different quality have been used in transport. In its turn, the monitoring of compliance with quality requirements has not been carried out in a planned manner and the influencers applied by state-owned “*Autotransporta direkcija*” Ltd. have not motivated carriers to comply with the set quality requirements.

In bus transportation, most of the long-term contracts for public transport services concluded by state-owned “*Autotransporta direkcija*” Ltd. with carriers expired on 31 December 2020. To secure contracts for the next 10-year period, state-owned “*Autotransporta direkcija*” Ltd. initiated the procedure for concluding long-term contracts in 2019. However, state-owned “*Autotransporta direkcija*” Ltd. has not concluded new contracts in time (that is, until 1 January 2021) and has not ensured the start of their execution.

Consequently, state-owned “*Autotransporta direkcija*” Ltd. entered into short-term contracts with carriers as a temporary solution to ensure service continuity by agreeing with carriers on services with lower-quality buses and equipment compared to the requirements set out in long-term contracts.

As a result, passengers are not provided with public services with buses of equivalent quality. In addition, state-owned “*Autotransporta direkcija*” Ltd. spent 5 million euros more in total for the payment of short-term contracts in 2022 and 2023 compared to payments for the fulfilment of long-term contracts for transportation with higher quality buses.

State-owned “*Autotransporta direkcija*” Ltd. has not justified the need to amend the requirements on an average age of buses, which are contained in contracts with carriers, on the basis of identified problems.

The auditors consider that the availability of services of equivalent quality is also affected by the lack of control over the execution of contracts concluded with carriers, including the application of sanctions (contractual penalties). Hence, carriers are not motivated and have the opportunity not to provide services by their vehicles and equipment of appropriate quality according to the terms of the contracts.

In 2023, various violations were detected on average in every second of the 3,580 inspections carried out in one of approximately 1.6 million journeys performed in a year. Although inspections have

also been carried out on the fulfilment of mandatory requirements for buses and their equipment, where 286 violations were found (which is 183 more violations than in 2022), they were not carried out in a planned manner, which should be carried out in accordance with the internal regulations. When conducting only unplanned inspections (for example, on the basis of complaints), state-owned “*Autotransporta direkcija*” Ltd. does not make a decision to increase or decrease a number of inspections by analysing changes in the number of violations. Therefore, the control of quality requirements is not managed purposefully, so that it really ensures compliance with the set quality requirements.

State-owned “*Autotransporta direkcija*” Ltd. did not impose a contractual penalty specified in a contract regarding at least 52 violations (including repeated ones) (a warning was given) but regarding 55 violations of the requirement referring to provision of visual and/or audio stop announcement a smaller contractual penalty was imposed than provided for in the contract. In general, it does not motivate carriers to provide a service of adequate quality.

#### *Financing of public transport services - how much we will afford to travel*

The financing of public transport services is regulated by the laws and regulations issued in the field of development of the state budget and public transport services. Several institutions are involved in the drafting process:

- ✓ State-owned “*Autotransporta direkcija*” Ltd. performs calculations and prepares information on the necessary funding for a current year, which is reviewed by the Public Transport Council and submitted to the Ministry of Transport;
- ✓ The Ministry of Transport drafts a budget request and submits it to the Cabinet of Ministers for consideration;
- ✓ The Cabinet of Ministers examines a budget request and forwards the budget bill to the Saeima for consideration.

If the funding allocated after the adoption of the law on the state budget for the current year in the Saeima is insufficient, then the Public Transport Council must review the scope of route network, tariffs, or non-implemented quality requirements. If, after carrying out these actions, funds are still lacking, the Cabinet of Ministers must decide on the scope of the route network, the amount and source of funding.

Although the law stipulates to review the scope of public transport services if the allocated state budget funds are not sufficient, the Public Transport Council has not fulfilled this requirement during the audited period and in previous years. It shows that there is a systemic problem in the financing of passenger transport for a long time.

In 2023, a state grant of 102.3 million euros was spent to cover losses for the organization of public transport services on regional routes, including 62.8 million euros for bus transportation.

The leading institutions of the transport industry (Ministry of Transport, the Public Transport Council, and state-owned “*Autotransporta direkcija*” Ltd.) have been unable to ensure the reconciliation of the expenses necessary for passenger transportation (scope of services) with the state budget. This is indicated by the fact that the missing funding is allocated from the state budget

program “Contingency Funds” year after year (in the audited period, it was 47% or 33 million euros per year on average).

The practice of choosing the state budget program “Contingency Funds” as the source of the missing funding is unjustified because the lack of funds did not arise due to an unforeseen event. However, by requesting the missing funding and not making sure whether the Public Transport Council has reviewed the scope of route network, fare amounts or quality requirements, as required by the law, the Ministry of Transport has not provided the prerequisites for travelling needs and scopes to be reconciled with state budget opportunities.

By implementing the recommendations provided by the State Audit Office of Latvia, the Ministry of Transport and state-owned “*Autotransporta direkcija*” Ltd. will take actions to achieve positive changes (improvements), which are characterized by the following indicators of deliverables:

- ✓ The turnover of passengers in regional bus transportation shall reach at least 85% of 949.4 passenger/km or 807 passenger/km in 2027 (it was 825.1 passenger/km in 2023);
- ✓ A number of violations detected in the performance of the public transport service contract shall be 301 per 1,000 inspections in 2025, or 33.4% less than in 2023;
- ✓ The scope of provision of public transport services organized by state-owned “*Autotransporta direkcija*” Ltd. shall correspond to the financial possibilities of the budget program allocated for the current year and the amount of additional allocated funds shall not exceed 10% (it was 42% in 2023).

## Key recommendations

Following the findings and conclusions of the audit, the State Audit Office of Latvia has made 12 recommendations. When implementing them, audited entities shall:

- ✓ Safeguard the implementation of the passenger transport policy by observing the principles of development planning established in the country;
- ✓ Base the state-guaranteed scope of public transport services in an annually approved regional route network in accordance with the established principles of the establishment of the network of public transport service routes and the scope of services;
- ✓ Ensure compliance with the law and economically justified actions with state budget funds by determining the scope of public transport services;
- ✓ Provide equal quality (in buses, trains) and a decrease in the number of violations for non-compliance with quality requirements.