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Multimodal Digital Mobility Services

Key points for discussion at the European level



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The **Verband Deutscher Verkehrsunternehmen (VDV)** is a German industry association for public passenger transport and rail freight transport with more than 630 members. It represents the interests of its member companies towards parliaments, authorities, industry, and other institutions. With the present position paper, the VDV is contributing to the discussion around multimodal digital mobility services (MDMS).

Introduction

The European Green Deal stipulates that the transport sector must reduce its greenhouse gas emissions by 90% by 2050. By 2030, one hundred European cities are supposed to be climate neutral.¹ The transformation of mobility, and thus multimodal travelling by sustainable means of transport, is a key component in reaching the climate targets. In order to achieve this goal, it is necessary not only to expand and prioritise local and long-distance public transport, but also to facilitate the booking process for public means of transportation and for sharing solutions.

Germany's transport associations (*Verkehrsverbände*) already offer combined tickets and rates that integrate various mobility offerings. The idea of "one single ticket and schedule per association" has been implemented since the 1970s. Numerous associations and transport companies have developed digital platforms that bundle all local mobility services for their customers, thus also covering car-sharing and bike-sharing services. Since the start of the new millennium, the City Ticket connects long-distance rail passenger transport with local public transport, thus ensuring interconnected mobility for passengers.

Within the Verband Deutscher Verkehrsunternehmen (VDV), the sector has already dealt in an in-depth manner with the system architecture as well as the linking of the sales systems in the VDV's recommendations and standardization committees.² Tickets for public passenger transport are governed by a Germany-wide standard that is also in use in neighbouring countries.³

The VDV advocates for the increasing digitalisation of rates and tickets as well as for reciprocal sales among transport companies and associations. Decisive success factors therefor are freedom of contract, the equitable settlement of accounts in the background, and that every company keeps its regular customers. The sector's initiatives "Mobility inside", "reciprocal sales (*gegenseitiger Verkauf*)" and "association for a Germany-wide tariff (*Deutschlandtarifverbund*)" show the strong commitment on the part of the transport companies and transport authorities (*Aufgabenträger*) to provide integrative, continuous, and customer-friendly rates and sales.⁴

For 2023, the European Commission has announced a legislative initiative by which it intends to advance **multimodal digital mobility services (MDMS)**. These are, for example, route planners, apps, and sales platforms that connect the customer with various modes of transportation and their products. The Commission seeks to facilitate travel, create new fields of activity for the digital economy, and contribute to a more sustainable transport industry.

It is the view of the VDV that the latter is, to a significant degree, contingent upon whether or not sustainable means of transportation such as public passenger transport will be strengthened or weakened by the proposed initiative. The competitive environment between transport companies, providers of new mobility services, and platforms/IT companies has to be looked at in detail. The central issues are, first, who will have access to the customer in the future and, second, whether or not, in a business that cannot be operated profitably, privately organised companies should generate a profit margin through sales, while the entirety of all investments and current costs required for creating added value are left to be borne by associations and transport companies.

¹ European Commission: <https://eur-lex.europa.eu/legal-content/DE/TXT/HTML/?uri=CELEX:52020DC0789&from=EN>

² <https://knowhow.vdv.de/documents/436-1/>, <https://knowhow.vdv.de/documents/436-2-1/>,
<https://knowhow.vdv.de/documents/436-2-2/>

³ This standard is managed and maintained by VDV eTicket Service (VDV-ETS), a company that is also active in the Smart Ticketing Alliance (STA). Please see: <https://www.eticket-deutschland.de/>; <https://www.smart-ticketing.org/>

⁴ Please see: *Brancheninitiative Gegenseitiger Verkauf* (sector initiative reciprocal sales), www.vdv.de/brancheninitiative-gegenseitiger-verkauf-bigv.aspx. Please also see: *Mobility Inside*, www.mobility-inside.de

The Commission documents often suggest that, in negotiations, the big transport companies ("incumbents") are more powerful than the small IT start-ups; as a matter of fact, more often than not the relationship with the IT industry is the reverse, since the big, international platforms seek to gain access to the mobility data and the customers of the relatively small transport companies providing basic public services of general interest on the local level.

With the present paper, the VDV is contributing to the discussion in Brussels. As a matter of principle, we are of the opinion that the Commission should not impose the opening-up of sales. We would like to state our reasons therefor once again:

- From a customer perspective and to their competent authorities, the transport companies remain under obligation to offer comprehensive sales via all channels.
- Local public passenger transport is most successful when all its services can be offered from a single source. The integration into a local platform is efficient and customer-friendly.
- Additional for-profit providers of sales services will make the overall system more expensive, to the detriment of passengers or the public sector.
- The data collected by third parties via the sales services provided are important for the planning of traffic and the structuring of offerings by the local transport company and transport authority, who must not and should not have to acquire these data.

In the event that the Commission presents its planned proposal, however, this position paper contains suggestions as to how the new regulation designed with a sense of proportion can be successful.

Key points for regulating sales executed via multimodal digital mobility services (MDMS)

For the European Commission's MDMS initiative to serve the transformation of mobility and to strengthen public passenger transport, the following key points should be taken into account:

1. Respect the principle of subsidiarity

The Commission has always advocated for measures facilitating cross-border travel in Europe. The responsibilities of structuring public mobility and managing mobility locally, however, rest with the local and regional authorities (*Gebietskörperschaften*) in the Member States. Typically, a sustainable urban mobility plan (SUMP, *Nahverkehrsplan*) constitutes the basis therefor. **The European regulation on MDMS should focus on cross-border long-distance transport and should touch upon local public passenger transport only inasmuch as it constitutes the first or last mile of a long-distance transport connection.**

2. Respect freedom of contract and entrepreneurial freedom

The European initiative regarding MDMS can create a framework for business-to-business agreements (B2B) on the sharing of data that are relevant to sales. In no instance, however, may the European regulation interfere with the freedom of contract and entrepreneurial freedom of transport companies and associations. **The decision of whether or not to cooperate with certain industry partners ("ticketing as a service") or platforms ("mobility as a service") is one that remains to be made on a case-by-case basis and by each company respectively association itself.** This includes, among other things, the voluntary choice of

- Which sales partner (not) to cooperate with,
- Which tickets to sell via platforms of third parties (see no 5), at which price to do so respectively under which conditions, and
- What extent the cooperation should have (see no 4).

3. Ensure effective mobility management by municipalities

For many cities, climate targets pose the challenge of accelerating the modal shift onto sustainable means of transportation such as local public passenger transport and active forms of mobility. Prioritising local public passenger transport and determining prices for local transport tickets count among the most important control instruments from a transport policy perspective, as does the introduction of certain requirements for providers of sharing services.

It is the view of the VDV that the local public transport organisations as the entities responsible for the products – typically the transport associations or municipalities as the public-sector representatives – are to be mandatorily involved in the establishment of MDMS platforms that seek to expand beyond single tickets and to cover a large part of a city's or a region's public and shared mobility. Only they will be able to ensure that the overall offerings are in line with the measures set out in the sustainable urban mobility plan and that they encourage sustainable user behaviour. Therefore, MDMS should mandatorily be aligned with the sustainable urban mobility plans and adhere to the rules set forth by the public authorities. In its regulation, the Commission should address this requirement.

4. Multi-level integration

In terms of the depth of integration of transport companies and MDMS, the European Commission's proposal should **not go beyond what is strictly necessary to facilitate travel**. It is the view of the VDV that even slight steps of integration will already engender noticeable progress for international travellers.

As a matter of principle, the following steps of integration can be distinguished:

1. **Simple integration:** The platform provides information on travel, prices, and a link to the website, if applicable, on which the customer can book a ticket with the transport company/sharing service. (Sharing of data)
2. **Advanced integration:** The platform allows for information on travel, prices, and for the booking of a ticket by providing a "deep link", respectively the API shared by the transport company, that links to the booking system of the transport company or sharing service. Thus, the customer obtains information from the platform but will be redirected to the booking system of the transport company respectively sharing service for the purchase of a ticket.
3. **Deep integration:** In addition to offering information on prices, the platform also handles sales. The customer books his ticket via the platform, and either the platform also takes care of the revenue-sharing among the transport companies involved in the trip or the task is assigned to one of the partners.

At every possible level of integration, minimum requirements can be set for the website or booking system of the platform respectively the mobility services provider where the booking is made, for example regarding accessibility, language barriers, and transparent customer information. **Under the current framework conditions, any mandatory integration provided for by European legislation should not go beyond "advanced integration" (no 2 above).**

5. Opening up sales for single tickets only

For the planned opening-up of sales via platforms offering multimodal digital mobility services (MDMS), the EU should design its regulation with a sense of proportion and should not go beyond what is necessary to achieve its goals – for example, the facilitation of travel throughout Europe.

It is the view of the VDV that the Commission should limit the scope of its regulation to the provision and combination of single tickets. This would already make it easier for customers travelling internationally and using multiple modes of transportation to purchase tickets via one platform in numerous European locations. Furthermore, local public transport would become more accessible and more attractive for tourists and those travelling for business.

Under no circumstances, however, should associations and transport companies be obligated to offer their whole range of tickets and their subscriptions for monthly and annual tickets via MDMS platforms, as this would mean losing their regular customers to third parties, which would constitute a deep cut in their business. Additionally, such a step is not necessary because these kinds of tickets are purchased for the most part by local residents who can be reached via local sales channels and do not require international platforms. Nevertheless, transport companies can, on a voluntary basis, offer additional tickets (for example tickets for tourists such as daily or weekly tickets) or even subscriptions via platforms, inasmuch as they deem it sensible and practical; these products, however, should not be governed by the provisions applying to single tickets.

While a string of single tickets purchased via an MDMS platform does not guarantee the best price, it can be assumed that the ease experienced in booking a travel chain will carry more

weight with the customer. The VDV is of the opinion that the complicated offset of routes and the determination of a best price would go too far in this first step.

6. Costs and share in the profits

According to its impact assessment, the European Commission expects that its MDMS initiative will invigorate the market for multimodal mobility platforms and that the transport operators and public authorities will incur greater costs.

If, in the future, transport companies had to pay a commission to third parties for their provision of sales services, this would be at the expense of the users of public passenger transport and of the taxpayers, while the profits, if any, would remain with the private sector. This applies both to the "ticketing as a service" business model and to the initiatives offering "mobility as a service" (MaaS), both of which count on commissions. The case would be different with MaaS platforms that are created by the local public passenger transport sector, the (minor) revenues of which can be re-invested into the offerings of local public passenger transport. **The commissions that transport companies would have to pay to MDMS platforms for sales services provided must be kept at such a low level that they will not encumber transport companies, customers, and taxpayers. Consequently, such commissions should merely ensure compensation for actual expenditures incurred.**

It has not yet been demonstrated that third-party mobility platforms constitute a viable business model which does not require, as its target state, the absorption of monopoly profits. In many cases, the latter is precisely what motivates venture capitalists. In theory, third-party mobility platforms could expand the overall market for environmentally friendly mobility by addressing new customer groups in a targeted manner. Unfortunately, experience has shown that providers of MaaS from the private sector, where they have been allowed, are increasingly competing with existing transport companies and sales channels for existing customers. This is why it is also important for the transport companies to (jointly) set up their own mobility platforms and to keep them attractive for customers. Competition creates almost no potential for savings; instead, its results are increased costs. Moreover, the public transport companies in Germany suffer a competitive disadvantage because, in addition to offering digital ticketing solutions, they remain under obligation to offer analogue sales channels like ticket vending machines and customer centres. Since it is to be assumed that in the platform economy only monopolies promise to generate profit, policymakers should adopt a common-good approach.

Where third-party platforms generate profits in other ways, for example on the basis of marketing or via customer data, then transport companies bringing customers to the platform should be awarded a share in the profits. The licencing agreements put forward by the EU should allow for all financing models. Care has to be taken to ensure that revenues from ticket sales and other sources are allocated in a timely manner.

An important aspect forming part of this issue is that all parties involved are able to determine fair prices for their data or platform structures. Digitalisation in the transport companies is expensive: It requires initial investments in digital infrastructure, installation of hardware in vehicles, as well as high operating costs. The latter applies, for example, to the permanent use of jointly developed sales platforms or in cases where sets of data have to be maintained in order to ensure a certain quality of data. Investments already made should be protected, and transport companies should be put in a position where they are able to generate profit with their data sets and their structures – profit which they can then reinvest into digitalisation. **Under no circumstances should they therefore have to share their data or their booking systems free of charge or only at marginal cost.**

7. Fair and voluntary model licencing agreements

In their negotiations with sales partners it is of great importance to transport companies and associations that **they be able to continue to determine the most significant conditions for their licencing agreements themselves**; in addition to the amount of payments to be made in both directions, if any, this includes the sovereignty and reciprocity of data relating to inquiries, sales, and usage (see no 10). These aspects should invariably be addressed in the licencing agreements.

The Commission can propose model agreements for B2B arrangements that cover the different constellations in a flexible and sufficient manner and that should be understood as examples of best practices. At most, the use of such agreements may only be mandatory for transport services for which sales are opened up (for example single tickets for long-distance travel as well as the first and last miles in local or regional transport), but not for any other products for which sales are opened up on a voluntary basis (for example daily tickets for tourists or monthly subscriptions).

8. Safeguarding the security and verifiability of tickets

In essence, the issuance of a ticket is about the verifiability of the price paid for the trip and of the entitlement to use transport services. Protection against deceit (for example fraud or forgery of documents) must therefore be ensured at all times.

The contractual framework that the Commission intends to create should specify that the verifying company transporting the passenger has to itself determine the rules and standards for its tickets as well as the verification process; the enterprises selling on the tickets must, without exception, observe these rules and standards, and they must meet technical requirements (in particular with regard to security).

9. Responsibility for the customer

There have to be rules in place regarding whom the customer may contact for assistance during the trip, in particular in the event of an interruption. European and national laws governing passenger rights already contain corresponding provisions, which, however, do not fully take MDMS platforms into account. The VDV is of the opinion that here, too, different levels of integration must be distinguished:

- **Simple/advanced integration:** If a platform merely offers travel *information* and the customer books his ticket with the transport companies or the provider of sharing services, then it is not the platform that is responsible for looking after the customer during the trip, but instead this responsibility falls on the transport company respectively the provider of sharing services.
- **Deep integration:** If a platform sells tickets on behalf of the provider, then the B2B agreements may contain provisions as to either the transport company respectively the provider of sharing services or the platform being responsible for the customer. In this context, distinctions can be made, for example, between travel information provided during the trip (such as notifications concerning connections or delays), auxiliary services (provision of drinks, replacement transport services, etc.), or complaint management and refunds (in the event of delays or cancellations), and responsibilities can be assigned on a case-by-case basis. The agreed-upon responsibilities must be relayed to the customer at the time of the ticket purchase in a transparent manner.
- **Free sales:** If a platform sold tickets which it had previously purchased from another place to the customer on its own initiative, then it would also be responsible, in the opinion of the VDV, for the customer service during the trip – unless contractual arrangements with the carrier

and prior forwarding of relevant customer data enabled the carrier to itself provide information to the customer. At the same time, when it comes to looking after the customers in the event of an interruption or delay, statutory requirements safeguarding passenger rights also continue to apply to the transport companies and providers of sharing services.

10. Consideration of data economy and data reciprocity

For the planning of their transport services, transport companies require the data on customer demand, on trips in the planning stages (inquiries made by travellers), as well as on usage (sales data and usage data). Improved services such as notifications during the trip regarding interruptions and alternative routes require transport companies to be linked with the customer. The transport companies organised in the VDV, but also on an international level, have largely agreed on standardised data formats. **The Commission's MDMS initiative must ensure that transport companies and authorities have full access at all times to the above-mentioned data on inquiries and usage received by the sales platform.** If these data ceased to flow directly to the transport companies – in compliance with the General Data Protection Regulation with the customers' consent – and instead remained with the third-party mobility platforms, the transport companies would not only lose customer loyalty and the opportunity to provide a service, but they, along with the public transport authorities, would no longer be equipped with a data basis sufficient for planning their transport services, or they would have to acquire said data from competing platform enterprises.

There is a special risk that – once sales of local public passenger transport are open by default – this market will represent an attractive business field for the well-known data and technology giants from outside Europe. This would serve neither European interests regarding data sovereignty nor the goals of advancing European enterprises.

Integrated customer-friendly cooperation requires sovereign data rooms along with proprietary public-transport mobility platforms, but not the forced opening-up of sales.

Check list

We will measure the Commission's initiative against the VDV's key points:

- The initiative respects the principle of subsidiarity and does not interfere with the structuring of local and regional mobility. Local public transport will be regulated only to the extent to which it serves as the first or last mile of a long-distance connection.
- Transport companies themselves can decide whether or not, and to which degree, if any, they wish to enable sales via third-party MDMS systems in which they themselves are not involved.
- MDMS platforms seeking to represent a large part of local mobility beyond single tickets are required to bring their offerings in line with the local sustainable urban mobility plans and to observe the rules imposed by public authorities.
- Mandatory cooperation between transport companies/providers of sharing services and MDMS is limited to the platform providing information on trips and prices, while the booking itself will be made with the transport companies or providers of sharing services themselves ("simple" or "advanced" integration).
- A mandatory opening-up of sales applies only to single tickets; this is true both for long-distance travel as well as for the first/last mile in local and regional transport.
- The commissions that transport companies would have to pay to MDMS for the provision of sales services are merely designed to ensure compensation for actual expenditures incurred and do not lead to transport companies, customers, and taxpayers being financially encumbered. If transport companies make their data and booking systems available to third parties, they can also charge for them. It is also an option to have the transport companies receive a share in the platforms' profits.
- Transport companies can continue to control the most important aspects of sales through the free choice of their licences and the agreements contained therein. The obligation to use predetermined model licencing agreements applies only to products that are mandatorily to be sold via MDMS systems (for example single tickets).
- The verifying company transporting the passenger can itself determine the rules and standards for its tickets as well as for the verification process in order to safeguard the security and verifiability of the tickets; all third parties selling on the tickets are to observe these standards without exception.
- The B2B agreements must specify which contractual partner is responsible for the customer.
- The Commission's MDMS initiative ensures that transport companies and transport authorities have full access at all times to the data on inquiries and usage received by the sales platform.