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FINLAND

INSIGHT PAPER

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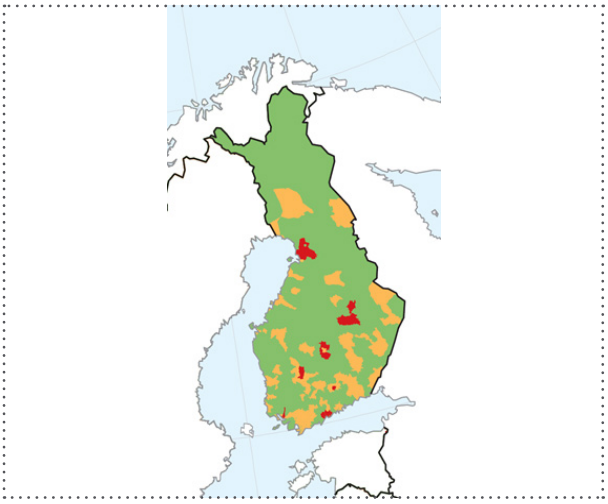
RURALITY (1)

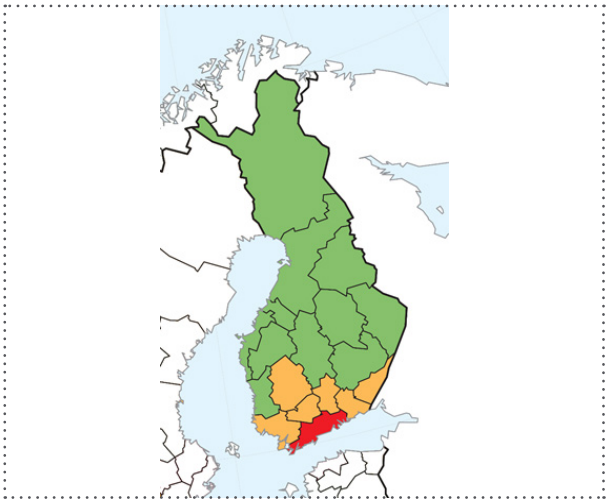
Degree of urbanisation for local administrative units level 2 (LAU2)



- Cities
- Towns and suburbs
- Rural Areas
- Data not available

Source: *Eurostat, JRC and European Commission Directorate-General for Regional Policy, May 2016*

Urban-rural typology for NUTS level 3 regions



- **Predominantly urban regions**
  (rural population is less than 20% of the total population)
- **Intermediate regions**
  (rural population is between 20% and 50% of the total population)
- **Predominantly rural regions**
  (rural population is 50% or more of the total population)
- **Data not available**

Source: *Eurostat, JRC, EFGS, REGIO-GIS, December 2016*

DISTRIBUTION OF POPULATION

38.9% Share of people living in cities	32.5% Share of people living in towns and suburbs	28.6% Share of people living in rural areas

Source: *Eurostat,* 2016

GEOGRAPHY

Finland is a Nordic country of mostly flat land, with more than 70% of it covered by thick forest. Southern areas are characterised by numerous clear water lakes. The land area is 303,815 km^2, and the water area 34,330 km^2. The current population is approx. 5.5 million and the population density is 18.10/km^2. Finland is a comparatively wealthy country and GDP per capita is reported to be $40,600 (USD) (worldatlas.com).

Most of the population is concentrated in a small number of cities in the southern part of the country. Key challenges in a rural context include a declining rural economy, on-going rural to urban migration and ageing populations in rural areas.

Finland is characterized by its very sparsely populated areas with long distances to municipality centres, especially in areas such as Lapland, which has a population density of 180,000 inhabitants per 100,000 km^2.

Around one-third of the Finnish population live in rural areas, but the population density and demographics vary according to the type of rural area (see diagram above showing Urban-rural typology for NUTS level 3 regions).

The population of sparsely populated rural areas, rural heartlands, and local centres in rural areas is decreasing and ageing, while rural areas close to urban areas are experiencing population growth (ENRD, 2018).

The Finnish national level Urban-Rural Classification identifies 7 levels.

- Inner urban area: A compact and densely built area with continuous development.
- Outer urban area: A dense urban area extending from the boundary of the inner urban area to the outer edge of the continuous built area.
- Peri-urban area: A part of the intermediate zone between urban and rural, which is directly linked to an urban area.
- Local centres in rural areas: Population centres located outside urban areas, small towns and large parish villages.
- Rural areas close to urban areas: Areas with a rural character that are functionally connected and close to urban areas.
- Rural heartland areas: Rural areas with intensive land-use, with a relatively dense population and a diverse economic structure at the local level.
- Sparsely populated rural areas: Sparsely populated areas with dispersed small settlements that are located at a distance from each other. Most of the land areas are forested.

Recent decades have been characterized by a strong decline in the service infrastructure in rural areas. The number of village shops dropped by 20% between 2012 and 2015, around 60 village schools close annually and the number of post offices in rural areas has decreased steadily since the 1990s (Rural Survey, 2017, cited in ENRD, 2018).

Notably, Finland is characterised by high levels of digital connectivity throughout the country. ENRD (2018) report that in rural municipalities, 77% of residents have internet connection at home, compared to 80% of city dwellers or 88% of those in Helsinki, the country's capital. It is reported that 81% of rural residents use the internet, two-thirds of them several times a day. Most people under 55 years of age use the internet. Usage is lowest amongst those over 75 (Rural Survey, 2017, cited in ENRD, 2018).

Eckhardt et al (2018) note that digitalization is helping the transport sector to find new solutions and bring greater efficiency and transparency to the transport system. The Finnish national government aims to promote the use of digitalization in the transport sector, including via the development of an ambitious Rural MaaS project (Rural MaaS, 2017). The Rural MaaS project is discussed further in the next section.

RURALITY (2)

16.6%

Share of people at risk of poverty or social exclusion in rural areas, ***2017***

4%

Share of people aged 16 and over who reported unmet needs for health care in the previous 12 months due to expense, distance to travel or length of waiting list in rural areas, ***2017***

6.7%

Unemployment rate, persons aged 15–64, in rural areas, ***2017***

13.7%

Share of young people aged 18–24 neither in employment nor in education or training (NEETs) in rural areas, ***2017***

Source: *Eurostat*

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NATIONAL POLICIES RELATING TO RURAL MOBILITY AND PUBLIC TRANSPORT

The policy context for provision of transport services in Finland is undergoing several significant changes including health, social services and regional government reform, and legislation covering the "Transport Code" and public procurement. A summary of current reforms is given in ***Table 1*** in the next section (institutional framework).

As noted in the previous section digitisation is high on the Finnish government's agenda, as it is considered to be an important contributor to social and economic development. For rural areas, digitisation is important because of demographic changes and rural out-migration, especially from the most remote areas; indeed digital services are considered to be fundamental for maintaining a "living countryside" (ENRD, 2018). This approach has helped to place Finland at the forefront of MaaS with a unique country level approach to the development of MaaS (Smith et al., 2017).

A good example of cross-sectoral co-operation in rural mobility is the Rural MaaS project which was co-funded by the development fund of the Ministry of Agriculture and Forestry of Finland (2016–2017). Eckhard et al (2018) note that the project aimed at creating a national vision for MaaS in rural and sparsely populated areas. It focused mainly on recognizing emerging and potential business models for both commercial and publicly supported transport services (see the organizational framework discussion below). The project improved awareness of the MaaS concept in rural areas by sharing knowledge, and by providing measures and recommendations for developing mobility regulations and raising awareness related to the technical aspects of MaaS. The outcome is reported in Rural-MaaS (2017).

INSTITUTIONAL FRAMEWORK

Table 1. Reforms affecting the organization of transport services (source: Eckhard et al, 2018).

Law/reform	*Schedule*	*Key changes related to transport services*
Health and social services reform	From 1.1.2021	Regions, instead of municipalities, will be responsible for organizing public health and social services. Online and mobile services will be available for rural areas.
Regional government reform	From 1.1.2021	Regions will be responsible for several public services including regional public transport services organized currently by ELY Centres. Also more digital services will be available.
Transport Code	Gradually in three stages starting from 1.1.2018	The Act on Transport Services (2018) includes an obligation to provide essential information and access to sales interfaces of ticket and payment systems. The Act facilitates entry of the taxi sector and increases the freedom of taxi operators to develop their services. All transport modes (road, shipping, rail transport and aviation) will be included to enable multimodal travel chains.
Public procurement law	From 1.1.2017	The new law on public procurement requires that electronic channels are used for publishing procurement notices and submission of proposals. The law more explicitly permits the use of award criteria based on product or service quality, life cycle costs and sustainability criteria. It introduced innovation partnership as a new procurement method allowing procurement of development and deployment of a new solution under a single contract.

The Ministry of Transport and Communications handles matters related to the provision of safe and secure transport and communications connections and services. It should be noted that the institutional context for transport provision in Finland is undergoing significant change (see **Table 1**).

ORGANISATIONAL FRAMEWORK

The current state of rural mobility has been analysed by Eckhard et al (2018). In common with many other rural environments operational challenges in rural mobility provision relate to the low and sparse population, and long distances between people and services which make it difficult to offer comprehensive mobility services and maintain the necessary infrastructure.

Bus services are primarily provided by small enterprises (more than 400) who typically own as few as 5 buses. Only Helsinki, Turku and Tampere have municipal transport systems. The bus management model is based on public transport licenses which give the holder the right to engage in charter and purchased services throughout Finland. For regularly scheduled services a licence for regular services is required. The Minister of Transport and Communications issues licences for inter-provincial express services and local service licenses are issued either by the provincial administrative board or the relevant city. The model is entrepreneur-driven in that the bus company plans the routes and frequencies and applies for the license and bears financial responsibility. Licenses are valid for ten years. Purchased services in rural areas are subject to competition via the net contract principle.

The rail network is rural Finland comprises 5,865 kilometres with many smaller railway stations now either closed or poorly served. Rail operations are privatized and currently the only operator is the state-owned VR.

Eckhart et al (2018) suggest that identified strengths regarding rural mobility services and the market include sufficient and available taxi services, extensive and regular postal services, and publicly subsidized bus and taxi services. Together these create a solid core of transport resource that could potentially be integrated into new transport solutions. Also, trust between people in rural areas creates a good basis for establishing sharing services. The Finnish sharing economy is buoyant and contributions to rural mobility include organised hitchhiking services.

ORGANISATIONAL FRAMEWORK

However, publicly subsidized transport services (both bus and taxi-based) impose a substantial burden on the public sector, and there is pressure for economies. Completely market-based solutions are not feasible for rural areas and the small market in rural areas creates a shortage of services and competition, resulting in limited choices for users.

It is relevant to note that Finland has extensive previous experience with Demand Responsive Transport (DRT) building on pioneering work in the EC-funded SAMPO and SAMPLUS projects and recommendations for a national policy as early as 2003 (Nelson et al, 2010), although more recent experience (albeit in an urban context) has been mixed (Weckström et al, 2019). Over the last 15 years or so flexible and demand responsive transport services have increasingly been seen as having a vital role in the development of fixed line services.

In summary, the main threats to rural mobility are related to uncertainties due to current changes and reforms (see **Table 1**), and the lack of financial resources.

REGULATORY FRAMEWORK

As discussed earlier in the institutional framework section the policy context for provision of transport services in Finland is undergoing several significant changes.

Table 1 provides a summary of reforms affecting the organization of transport services. These include health, social services and regional government reform, and legislation covering the Transport Code (a key tenet of the Act of Transport Services 2018 designed to encourage new digitally-led business models as a precursor to MaaS-type services) and public procurement. Future developments are critically dependent on these changes.

The Act on Transport Services came into force in July 2018 and replaced the Public Transport Act. The operational preconditions of bus transport are regulated in the Act on Transport Services and in the EU Regulation on public passenger transport services (1370/2007). The provision of professional passenger transport services in return for payment is subject to a passenger transport licence. The competent authorities are responsible for organising public transport in their service area (these comprise nine Centres for Economic Development, Transport and the Environment (ELY Centres) and 26 municipal authorities. The competent authorities define the service level of public transport in their own area and decide how the transport services should be organised. The transport services can be market-based or put out to tender as laid down in the EU Regulation on public passenger transport services.

Where transport services are put out to tender in accordance with the legislation on procurement and public transport, if a sufficient level of service is not reached by market-based services public grants are used for the transport services. The competent authorities may decide independently the ticketing and charging system they want to use for public transport in their area and they also determine the ticket prices. In market-based transport the transport operator may independently determine the ticket prices (Vayla, 2019).

FINANCIAL FRAMEWORK

As described in the previous section transport services can be market-based or put out to tender as laid down in the EU Regulation on public passenger transport services. The main threat to rural mobility services and the market is cuts to public subsidy subvention (Eckhard et al, 2018). For commercial stakeholders this might mean higher prices, fewer service offerings and concentration to the most profitable services and areas.

While the principal aim of the Transport Code (**Table 1**) is to promote new mobility services and business models to enable the creation of multimodal travel chains it is not known yet what effect this may have on the availability and prices of taxis in rural areas.

OTHER INFORMATION

Under the Act on Transport Services, mobility service providers are required to share information on their routes and timetables via open interfaces which can be accessed directly by other actors and service developers.

The Finnish Transport Agency is no longer legally obliged to maintain an actual collection database of routes stops and timetables (although it will maintain a catalogue of interfaces) and therefore no longer fulfils the preconditions for maintaining a national journey planner.

The transport administration's current goal is to give market-based actors room to develop services aimed at passengers, such as journey planners and MaaS services (see: https://vayla.fi/web/en/transport-system/public-transport/information-services#.XM1rp0xFxPY).

KEY STAKEHOLDERS AND MINISTRIES ADDRESSING RURAL AREAS

TITLE	ROLE
Ministry of Transport and Communications of Finland	Seeks to promote people's wellbeing and the competitiveness of businesses. Our mission is to ensure that people have access to well-functioning, safe and reasonably priced transport and communications networks. The Minister of Transport and Communications is the head of the Ministry and handles matters covered by the Ministry. Responsibilities may be summarized as the provision of safe and secure transport and communications connections and services. The Ministry of Transport and Communications implements the strategic Government Programme within its sectors. A cross-cutting theme in the Government Programme is digitalisation. The most senior official at the Ministry is the Permanent Secretary. The Ministry employs some 140 people and has four departments: Ministerial Governance Department, Services Department, Data Department, and Networks Department. The departments, which are sub-divided into units, are headed by Director-Generals. The current Minister of Transport and Communications is Anne Berner (appointed May 2015).

LINKS TO WEBSITES

- www.lvm.fi/en/home

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