

EUSERS SUMMER SCHOOL

Performance and Governance of Services of General Interest.

Critical perspectives on Energy, Telecommunications, Transport and Water Reforms in the EU

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Local Public Transport (LPT)

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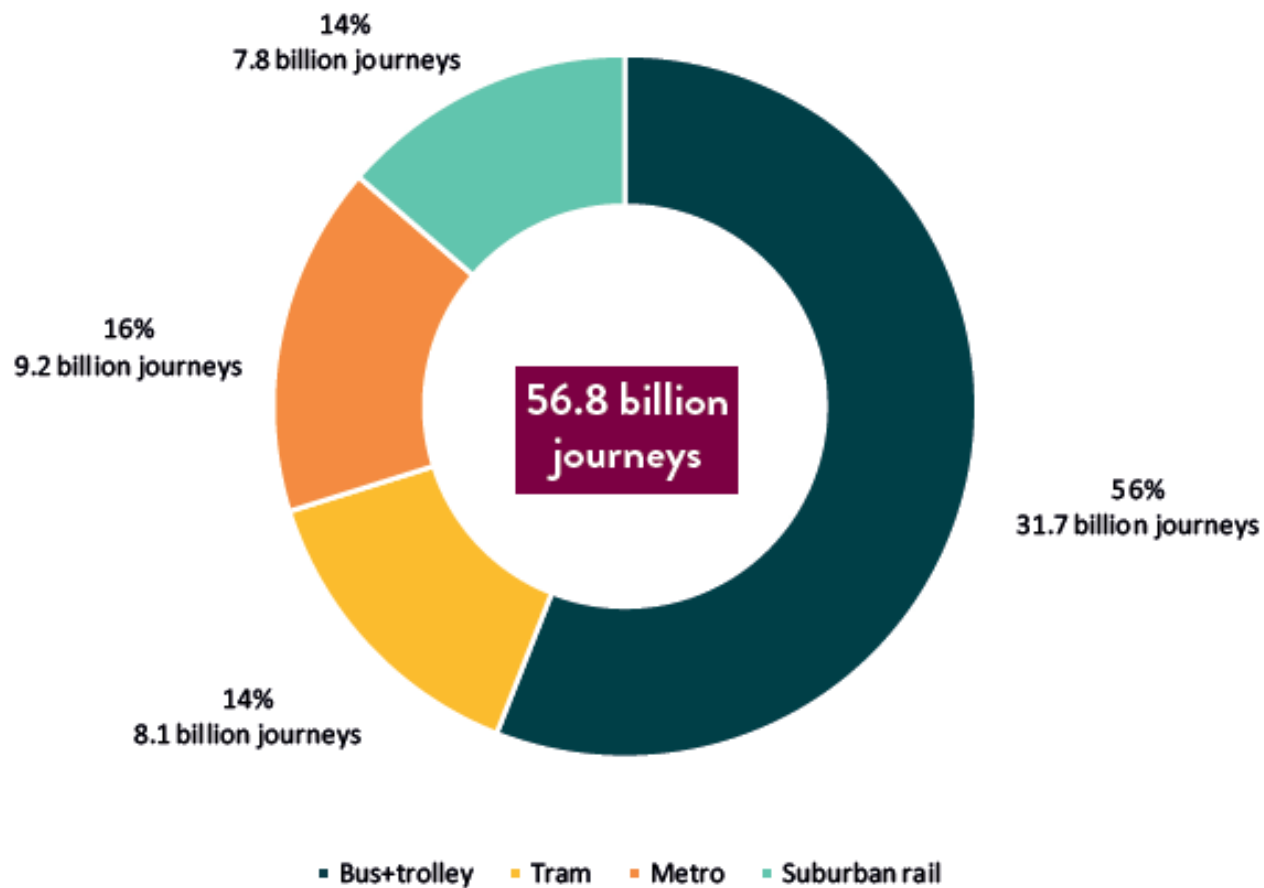


Outline

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Some statistical data (1)

Modal split of LPT journeys in the EU 2012

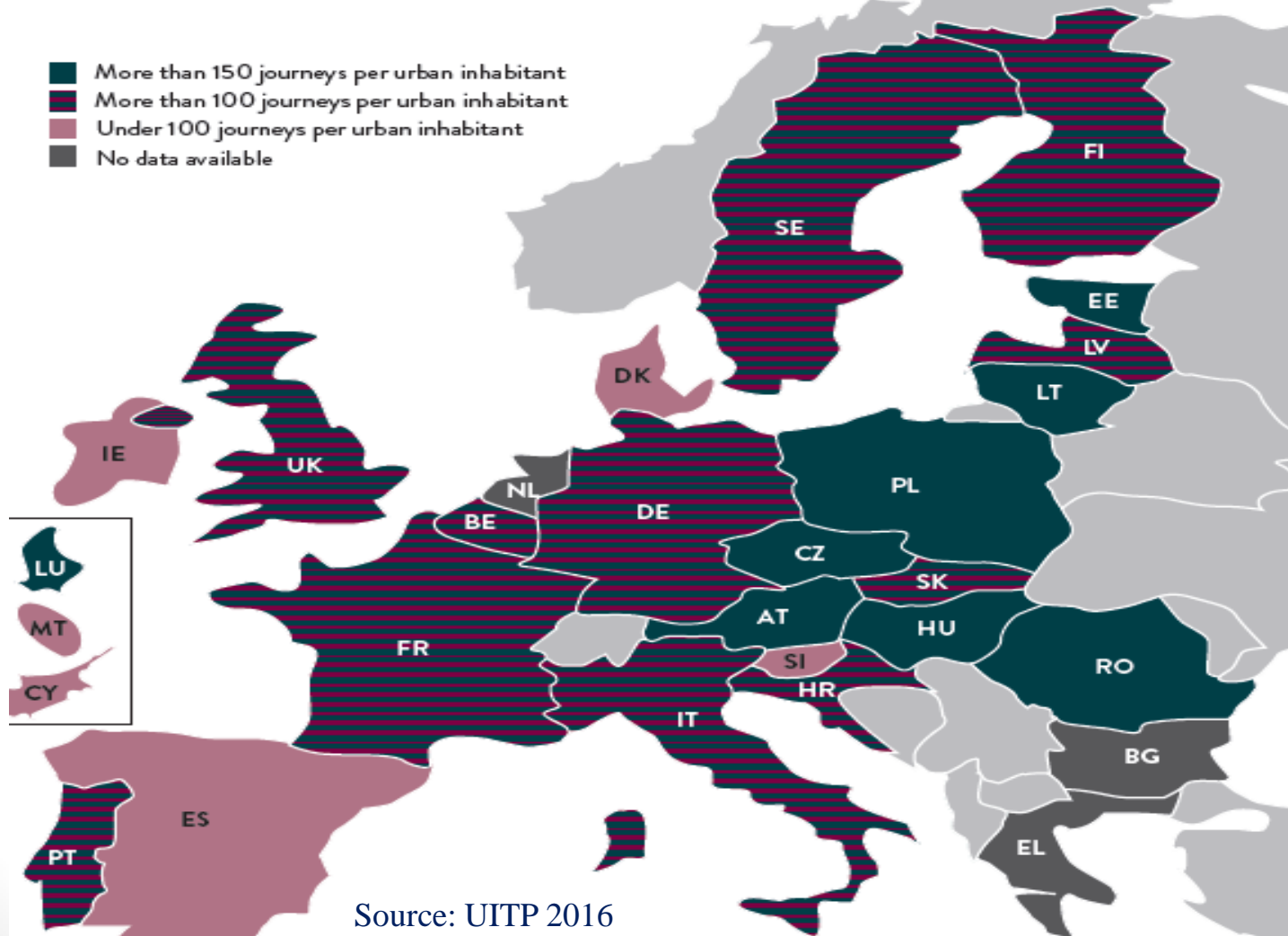


Source: UITP 2016

Some statistical data (2)

LPT journeys per urban inhabitant 2012

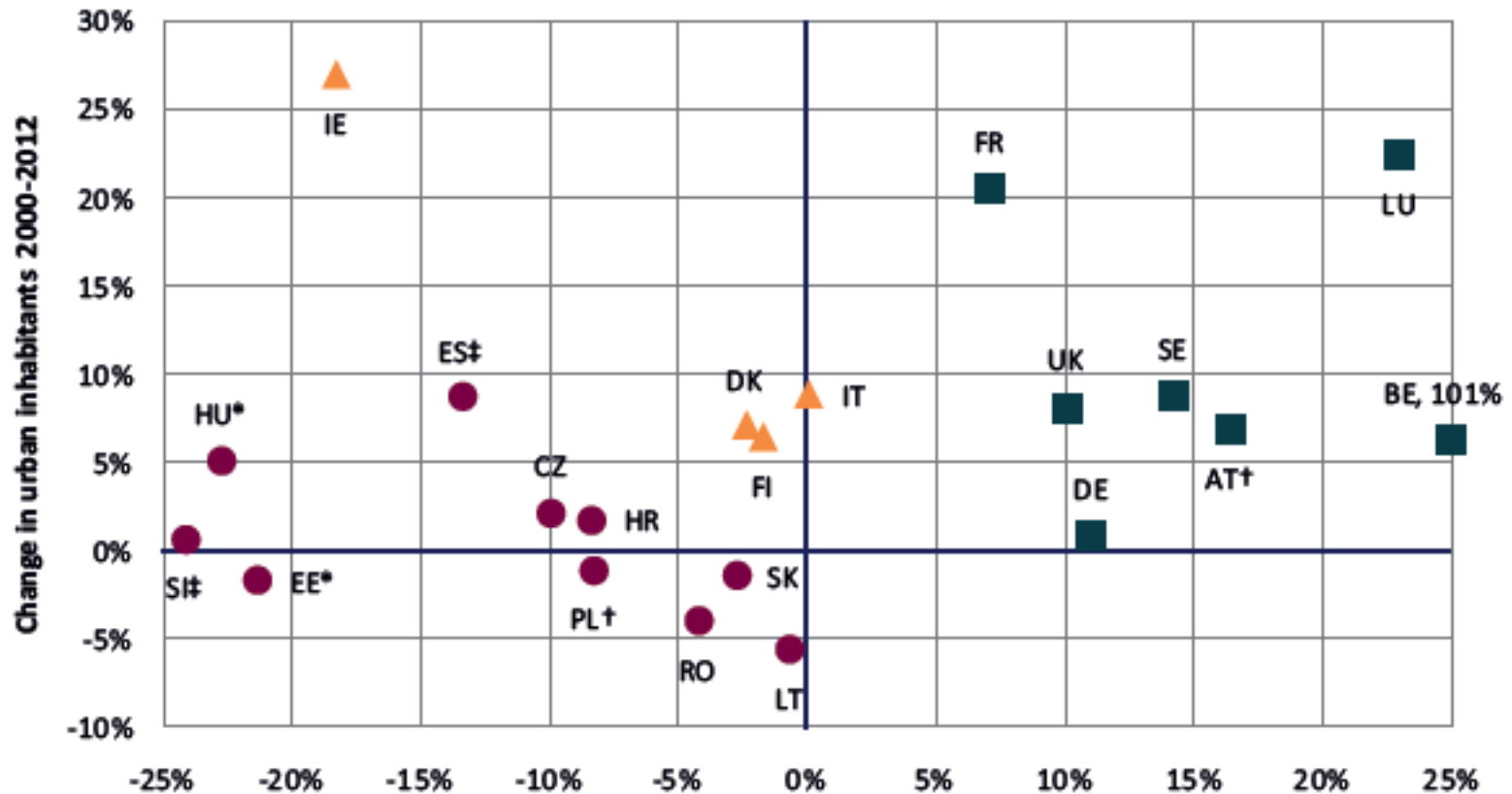
EU average of 132 journeys per urban inhabitant in 2012



Source: UITP 2016

Some statistical data (3)

Change in LPT journeys per urban inhabitant 2000-2012



- Increase > 10 % in total LPT journeys
- ▲ Increase < 10 % in total LPT journeys
- Decrease in total LPT journeys

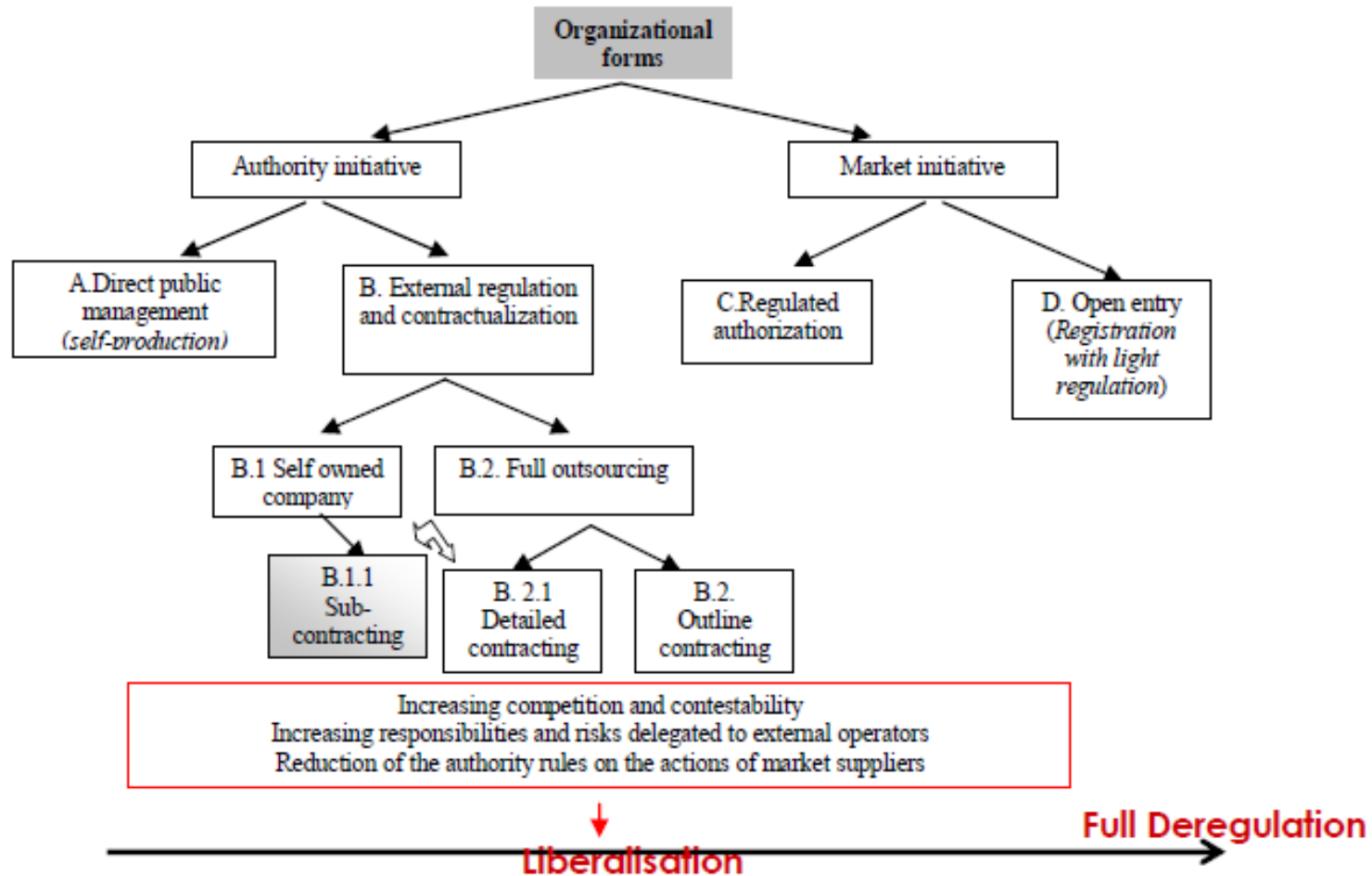
Source: UITP 2016

LPT as SGI

- Local public transport (LPT) services are passengers services provided to the public on a non-discriminatory and continuous basis, according to pre-established tariffs, routes and timetables, and designed to meet users' mobility requirements on a small (urban) or medium (inter-urban) territorial scale.
- Public interest emerges when market cannot provide an adequate – both quantitatively and qualitatively – level of services and when market failures occur.
- Possible market failures in LPT:
 - Indivisibilities and decreasing average costs (natural monopoly)
 - Network and density economies
 - Social cohesion (transportation accessibility as a basic right)
 - Territorial cohesion (reduction of spatial imbalance and disparities)
 - Sustainable (economic, environmental, and social) development (reduction of problems from private transport: traffic congestion, air pollution, noise pollution, ...)
- Therefore, LPT is commonly recognized as a SGI (with public service obligation), especially in urban areas by local authorities.
- But:
 - The “general interest” is a (dynamic) result of a political decision process (along with economic development and technological and political change).
 - Derogations from EU free competition rules (public service obligations) are subject to the logical limit of proportionality (only if necessary and effective to fulfill the general interest mission).
 - If a public compensation is necessary to fulfill the general interest mission a cost opportunity assessment should be carried out (evaluation of the social value of the money).

Organizational forms and regulation in LPT (1)

Organizational forms in LPT



Organizational forms and regulation in LPT (2)

- Allocation of tasks and responsibilities takes place at different levels:
 - *Strategic level* (core of SGI): environmental and social targets, modal split, territorial accessibility, available budget, etc., and the general description of the main characteristics of the services (area, target groups, territorial coverage, profitability, intermodality, quality standards, etc.).
 - *Tactical level*: translation of strategic decisions into detailed service characteristics (specific routes, timetables, tariffs, technical and social standards, etc.).
 - *Operational level*: tactical elements are transformed into routine management (sales of tickets, advertising, staff management, input purchase, maintenance, etc.).
- Various combinations of the tasks at the 3 levels result in the different possible organizational forms of LPT.
 - E.g., in the authority initiative-branch, the form of “direct public management” shows the following features: All relevant strategic, tactical, and operational planning and decisions are either directly within the public administration or through entities belonging strictly to the (local) authorities. Also financing is directly linked to the public administration (deficits are usually covered by the local government).
 - Or e.g., in the market initiative-branch, the form of “regulated authorization”; in this form the local government only retains a strategic role and leaves the tactical and operational level to market operators. In this area a wide range of different arrangements are possible: from a strictly regulated form similar to the external regulation-model within the authority initiative to a form similar to the a more or less de-regulated open entry-model.

Organizational forms and regulation in LPT (3)

- Additionally, three horizontal issues are important:
 1. *Internal (direct public production) vs. external production and regulation of public service provision*

Both internal and external regulation have advantages and disadvantages. The decision should rely on factors such as market and non market failures, budgetary constraints, production vs. transaction costs, certainty of results, complexity of tasks and objects of contracts, frequency of transaction, measurability of results, and the degree of market contestability.
 2. *Use of contracts*

Contracts have the key function for the separation of roles and to define responsibility and risk allocation between the government and the operator. Contract design and contents (length, public service compensation, tariffs, asset ownership, revenue and cost risks, and quality standards) are the key regulatory device.
 3. *Role of competitive procedures*

It is the tool to play the regulatory role and to select an external provider in an optimal way in all organizational forms except self-production and fully de-regulation. To take into consideration factors like the degree of complexity of the service or the implementation of a so-called regulated competitive procedure is important for successful outcomes when external-regulation is preferred.
- In reality, organizational models have a lot more complex features and are often mutual combinations of the dichotomy authority vs. market initiative as shown in the figure.

Liberalization and privatization in LPT (1)

- Starting from a more or less full public self-production of LPT in the 20th century, a liberalization process has started since 30 years. This liberalization can be regarded as a multidimensional course with following dimensions:
 - Separation of roles (contractual arrangements with splitting of provider of the service and political authority)
 - Degree of autonomy and responsibility of the operator
 - Allocation of risks to the operator
 - Degree of market contestability
- For a fully deregulated/liberalized market this means: complete separation of roles, maximum degree of autonomy for external operators, full operative and commercial risks, and no protection against new entrants. In contrast, none of these features is found in the (former) self-production regime.
- These dimensions are not independent and three relevant relationships exist:
 - Separation could be problematic if the market operator is directly linked (e.g. financial) to the local authority; supplier competition is likely to be affected.
 - A good balance between risk allocation and autonomy of the operator is necessary. E.g., an increasing level of risk to the operators should be combined with the possibility to influence passenger demand.

Liberalization and privatization in LPT (2)

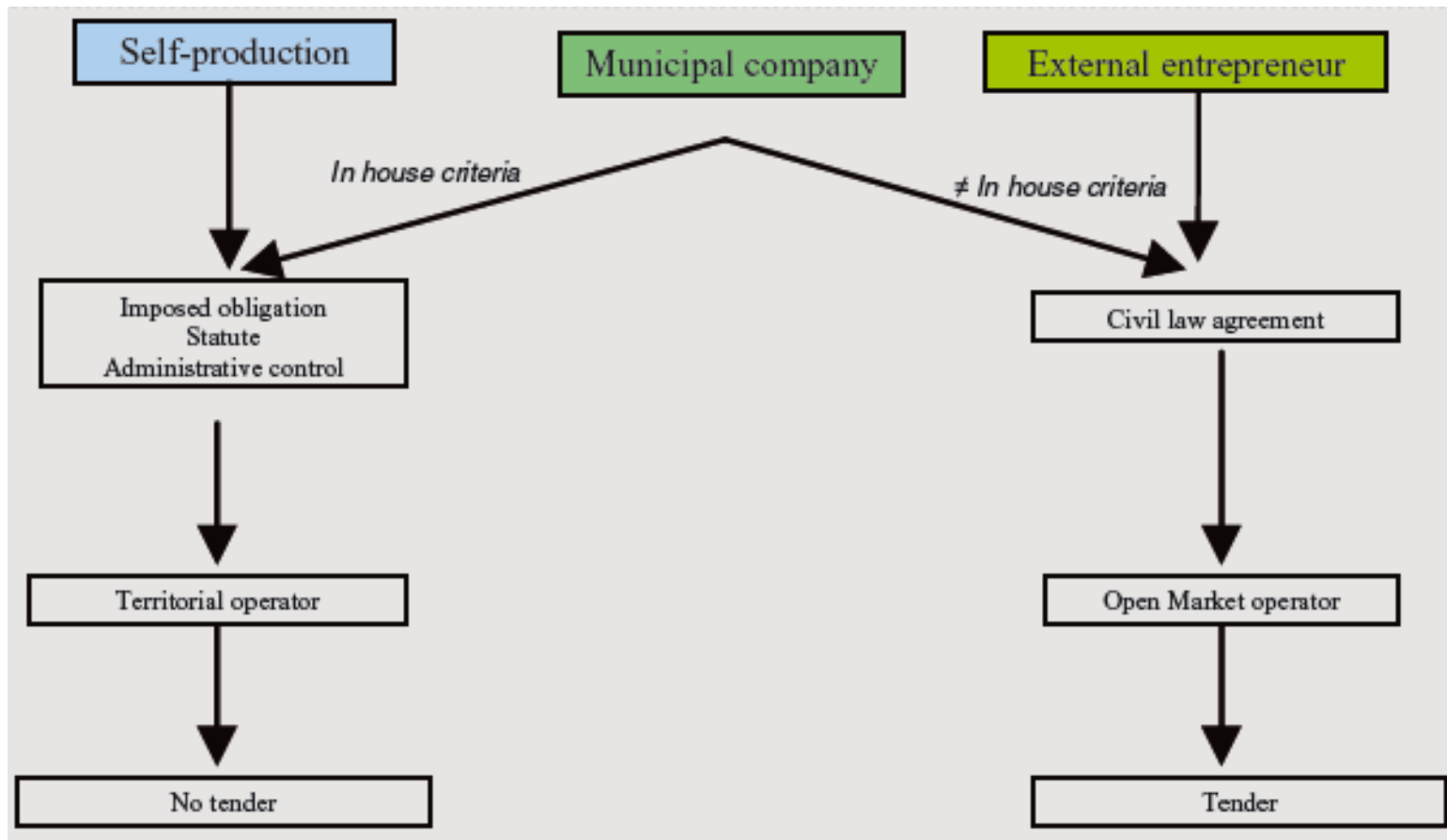
- The influence of risk allocation and autonomy of the operator on the degree of market contestability needs to be taken into account. E.g., more autonomy and risk could lead to less bidder competition.
- The search for a correct equilibrium between these, potentially conflicting, dimensions represents one of the key challenges of any liberalization process.
- As for liberalization, privatization is a dynamic process from a public to a private sectoral ownership structure.
- The EU is neutral to ownership and treats public and private enterprises equal.
- The main benefits of privatization are:
 - Privatization tends to result in increasing the internal efficiency of the provider (clearer and more focused definition of objectives, better incentives for managers and workers).
 - Privatization strengthens the separation of roles and interests between regulators and providers and contributes to the credibility of contracts and budget constraints.
 - Privatization contributes to the consolidation of public finances.
- The main disadvantage of privatization (especially from a public point of view) is:
 - Privatization creates potential conflicts between the commercial objectives of the operator and the general interest.
 - To secure the general interest regulation is necessary (transaction costs, specific expertise).
- Overall, privatization is favorably when production cost advantages outweigh transaction costs and the risk of opportunistic behaviors.

The EU legal framework (1)

- While in other sectors (electricity, telecommunications, and postal services) European directives have played a crucial role for the liberalization process, the impact on LPT has restricted on the general principles equality of treatment, transparency, proportionality, and mutual recognition.
- The main EU source of law is the European Union Directive 1370/2007.
 - With a transition period until December, 3rd 2019, the Directive sets forth in what manner public authorities can contract out limited awards for LPT services in accordance with EU contract-law regulations. Direct contracting-out of LPT services is possible under exceptional circumstances, on condition that only transport service providers are selected over which the local authority “exercises a control that corresponds with the control of its own departments”.
- LPT services are not subject to the EU Services-Directive.
- To summarize, this means a limited influence of the EU in LPT. Local authorities can produce services themselves or decide to contract these out by the way of (negotiated) tendering (see figure).
- Self-production or in house-option (internal regulation)
 - All decisions within the local authority (for technological reasons, for informational shortages, due to high transaction costs)
 - Contracts are unilateral/imposed acts of entrustment
 - Competitive procedures are not required

The EU legal framework (2)

Awards of public service contracts according to EU regulation 1370/2007



Source: Zatti 2012

The EU legal framework (3)

- External entrepreneur (outsourcing, external regulation)
 - Exploitation of the involvement of external (public or private) providers in terms of skills, specialization, flexibility, risk sharing, etc.
 - No direct and strict administrative control over the provider (own management decisions regarding innovation, tactical or operative issues, budget, enrolments criteria, etc.)
 - Legally enforceable contractual agreements and open awarding procedures necessary
- According to the EU legal framework, a precise choice between the internal and the external operator-model has to be carried out.
- If the LPT service is awarded to an external operator that holds legal, budgetary, decision and managerial autonomy, it should be submitted to market discipline through competitive procedures and enforceable contractual arrangements.

Results from case studies in the EU (1)

- Results in detail see Zatti 2011.
- Persisting public involvement
 - Strategic responsibilities are almost exclusively held by the local authority (technical and social standards, transport plans, public service obligations, exclusive rights, compensations, ex-post control and monitoring)
 - Belgium, France, Italy, London, Spain, and Sweden predominant public initiative
 - Austria and Germany formally market initiative but dominated by authority owned companies with exclusive right to serve the market
 - GB-outside London, full de-regulation, open entry market initiative (without exclusive rights) where public authorities just keep a complementary role (since end of the 1990s some backwards steps: giving public transport authorities more competences to coordinate the provision by private companies)
- EU Directive 1370/2007: “At the present time, many inland passenger transport services which are required in the general economic interest cannot be operated on a commercial basis; the competent authorities of the Member States must be able to act to ensure that such services are provided.”

Results from case studies in the EU (2)

- Decentralization
 - Organizational and financial responsibilities usually by regional or local authorities
 - Decentralization strengthens specific local needs and thus efficiency, accountability and responsiveness
 - However, potential drawbacks are:
 - Fragmentation with (negative) spillovers and lack of coordination between LPT provider and local authority
 - Decentralization combined with reduction of national public funds to LPT leads to a limitation to finance the social role of LPT services by the local government; liberalization and privatization combined with a necessary budget consolidation carry the risk of several potential pitfalls: distorted competitive procedures, lack of the necessary resources to carry out the regulatory role, misperception of the true effects of the reform (e.g., increasing tariffs or services' withdrawal), and even ineffective privatization (e.g., privatization without liberalization)
 - No strict linkage between the observed financial problems and the degree of liberalization and privatization is evident
 - Examples for strong cost pressure and authority initiative are Germany, Italy, Poland, and the Brussels region; examples for public (financial) support to LPT in spite of liberalization are France, London or GB-outside London
 - Meeting budgetary, social, and efficiency goals at the same time is a big challenge in LPT and require innovative revenue raising instruments at the local level (earmarked taxes, congestion and pollution charges on private vehicles, PPP initiatives, etc.)

Results from case studies in the EU (3)

- Towards a more liberalized market structure
 - Rather slow evolution of liberalization but huge differences between European countries
 - GB-outside London model: de-integration and competition within the market initiative organizational form
 - France: “medium” degree of liberalization (external and independent operators) with some restrictions regarding contestability (characteristics of the tendering process: high discretion of the selection mechanism, large networks, low transparency, and increasing risk attribution); preferableness of large public owned, market operators
 - Scandinavian model: at the operational level clear-cut separation of roles and higher degree of contestability (standardized selection process, small sized networks, high transparency, and short term-gross cost contracts)
 - In other European countries mostly just minimal development of liberalization (direct award to locally public owned companies, private third parties just within small and complementary parts of LPT)

Results from case studies in the EU (4)

- Results regarding the liberalization dimensions:
 - Separation between internal and external actors along the strategic-tactical-operational chain is crucial but well established in only few countries (GB, France and Sweden); however, in most countries the local authority influences the provider through ownership and/or financial relations
 - In all countries but GB-outside London: trade off between separation of roles and the openness of the delegation (higher decision responsibilities and commercial risks only when financial and political linkages - ownership, informal relationships, hierarchy, budget control, managers' appointing rules, etc. - between providers and local authorities)
 - Market contestability is geographically circumscribed and restricted regarding the scope of functions (in most countries most of LPT is still based on non-competitive licenses or awards usually by public ownership of operators; more competition is found where delegated functions are simpler and contractual designs fairly complete and causes concentration of market providers)
 - Liberalization (de-integration and competition at a certain level of the production chain) needs transparent and well structured regulatory devices (specialized authorities, contractual arrangements, quality benchmarking, competition control, etc.)

Results from case studies in the EU (5)

- Towards a more private-ownership structure
 - Ownership structure shows a mixed outcome:
 - Austria, Belgium, Germany, Italy, Poland, and Spain: private operators (just) provide complementary and additional services, inter urban routes, or acting as sub-contractors of large incumbent companies
 - Sweden and GB: privatization is coupled with liberalization (to ensure effective separation, higher production efficiency, and cost savings)
 - France as well as Germany and Italy (regional railway sector): large national public or mixed operators act as external providers for local authorities
 - However, a systematic shift in the legal form of public-service companies (conversion from locally owned monopolies into publicly owned private-law companies; corporatization include in several cases the regulatory level, too)
 - Involvement of private operators at different levels of the production chain: suppliers of specific functions (cleaning, ticketing, advertising, etc.), sub-contractors of large monopolistic operators, route or small network providers or even large network providers, service initiators in commercially oriented approaches, partners in long term PPP models
- All in all, the study shows that relationship between privatization and liberalization is more complex than frequently supposed, and in most cases the real contribution of private operators to the market outcome and structure is highly overstated.

Price levels in Europe (1)

Infrequent traveller making a short trip (5 km) in the centre of the city

Cities	City centre - short (5 km) trip						Comment
	EUR				Adjusted for buying Power	Index	
	Single ticket	Multi single	Travel card	Cheapest alternative			
Hamburg	1.50*)/3.10			1.50	1.62	69	*) Short-trip ticket
Paris	1.80	1.44*)		1.44	1.64	70	*) 10 single tickets
Berlin	1.60*)/2.70			1.60	1.65	70	*) Short-trip ticket
Brussels	2.10	1.40 *)	2.00	1.40	1.78	75	*) 10 single tickets
Amsterdam	2.90		1.64*)	1.64	1.82	77	*) For a single trip of 5 km
Prague	0.89			0.89	1.93	82	*) valid for 30 min
Copenhagen	3.21		2.01*)	2.01	2.17	92	*) Peak prices
Helsinki	2.50		2.00	2.00	2.33	99	
Vienna	2.20			2.20	2.53	107	
Stockholm	3.81		2.64	2.64	3.11	132	
London	6.78		3.25*)	3.25	3.78	160	*) Peak prices
Oslo	3.33			3.33	3.96	168	
Average					2.36	100	

Price levels in Europe (2)

Infrequent traveller making a long trip in the entire network

City	Entire network (longest trip)						
	EUR				Adjusted for buying Power	Index	Comment
Single ticket	Multi single	Travel card	Cheapest alternative				
Brussels	2.10	1.40 *)	2.00	1.40	1.78	21	*) 10 single tickets
Amsterdam	2.90			2.90	3.22	39	
Berlin	3.30			3.30	3.40	41	
Stockholm	7.62		5.29	5.29	6.23	75	
Prague	3.11			3.11	6.73	81	
Helsinki	7.50		5.96	5.96	6.95	83	
Copenhagen	14.47		6.57*)	6.57	7.10	85	*) Peak prices
Hamburg	8.15*)			8.15	8.82	106	*) Online purchase
Paris	8.40			8.40	9.58	115	
London	11.87		9.75*)	9.75	11.31	136	*) Peak prices
Oslo	12.19			12.19	14.51	174	
Vienna	17.60			17.60	20.20	243	
Average					8.32	100	

Price levels in Europe (3)

Commuter travelling a short distance (5 km) in the centre of the city

	Travel passes (city centre)						
	EUR				Saving percent	Adjusted for buying power (Annual per month)	Index (Annual per Month)
City	Monthly pass	Annual pass	Annual subscription per month	Cost reduction vs. Monthly pass			
Hamburg	35.40	348.00	29.00	6.40	18%	31.40	47
Prague	20.35	175.77	14.65	5.70	28%	31.70	47
Vienna	48.20	365.00	30.42	17.78	37%	34.92	52
Helsinki	37.10	445.2.0	37.10	0.00	0%	43.24	64
Copenhagen	48.92	587.01	48.92	0.00	0%	52.88	78
Brussels	55.50	583.00	48.58	6.91	12%	61.81	92
Berlin	79.50	740.00	61.67	17.83	22%	63.57	94
Paris	70.00	731.50	60.95	9.04	13%	69.50	103
Oslo	75.37	753.77	62.81	12.56	17%	74.80	111
Amsterdam	90.00	900.00	75.00	15.00	17%	83.24	124
Stockholm	83.57	878.00	73.16	10.40	12%	86.17	128
London	174.30	1815.10	151.25	23.04	13%	175.47	260
Average					16%	67.39	100
Average excl. Helsinki and Copenhagen					19%		

Price levels in Europe (4)

Commuter travelling a long distance in the entire network

	Travel passes (entire network)						
	EUR				Saving percent	Adjusted for buying power (Annual per month)	Index (Annual per Month)
City	Monthly	Annual	Annual/month	Cost reduction			
Brussels	55.50	583.00	48.58	6.91	12%	61.81	42
Berlin	98.50	947.00	78.91	19.58	20%	81.35	55
Amsterdam	90.00	900.00	75.00	15.00	17%	83.24	56
Stockholm	83.56	878.00	73.16	10.40	12%	86.17	58
Hamburg	98.00	964.80	80.40	17.60	18%	87.01	59
Paris	116.50	1204.50	100.37	16.12	14%	114.45	77
Helsinki	110.00	1320.00	110.00	0	0%	128.20	87
Prague	65.86	790.40	65.86	0	0%	142.56	96
Vienna	175.20	1592.00	132.66	42.53	24%	152.31	103
Oslo	192.87	1928.8	160.73	32.14	17%	191.34	129
Copenhagen	178.91	2147.02	178.91	0	0%	193.42	131
London	452.78	4715.86	392.98	59.79	13%	455.90	308
Average					12%	148.15	100
Average excl. Helsinki, Prague and Copenhagen					16%		

BEST scores 2010

Index scores for all quality dimensions (green = high, red = low)

INDEX 2010	Vienna	Helsinki	Geneva	Stockholm	Oslo	Copenhagen
Citizen satisfaction	72	77	77	67	60	60
Traffic supply	64	67	68	60	59	56
Reliability	53	56	73	40	39	43
Information	53	46	71	40	44	45
Staff behaviour	56	59	74	55	67	65
Security & safety	74	76	74	69	84	71
Comfort	60	62	67	57	56	56
Value for money	42	51	36	39	37	28
Social image	81	87	87	85	88	71
Loyalty	72	80	75	62	60	47

Source: BEST Report 2010

LPT in Austria (1)

- Legal framework
 - Constitutional law
 - LPT is not a public task within Austrian constitutional law (SGI are one example of public tasks undertaken without a constitutional mandate).
 - The competence in local rail transport (including all rail-bound vehicles as subway and trams, trolley buses and cable cars) and in local road transport (several competence assignments) is assigned to the federal State (Bund).
 - Federal and regional law
 - The organization and funding of LPT is regulated in the federal Local and Regional Transport Act (Öffentliches Personennah- und Regional-verkehrsgesetz [ÖPNRV-G]).
 - Road passenger transport is primarily regulated in the Passenger Transport Routes Act (Kraftfahrliniengesetz [KfllG]).
 - Rail passenger transport is mainly regulated in the Railways Act (Eisenbahngesetz [EisbG]).
 - There are no special Länder laws governing LPT.
 - Responsibility
 - The federal State is responsible for (local) public rail transport.
 - However, the Länder and municipalities are responsible for local road transport (with no legal distribution of responsibility between the Länder and municipalities).

LPT in Austria (2)

- Provision and regulation
 - Organizational forms
 - LPT is organized nationwide into eight transport associations (contractual, supra local cooperation of territorial corporate bodies and transport companies; free choice of the means of transport within every association at standardized fares and integrated timetables; a steering committee functions as a regulator).
 - Austrian LPT has been organized along the German model of the “Hamburger Verkehrsverbund” (“Only one single ticket and timetable for the whole of Hamburg!”).

transport association	transport companies	network length in km (2004)	number of lines (2004)
VOR	14	8 000	351
OÖVV	44	9 200	280
VVV	26	1 250	100
VVST	64	10 000	500
SVV	17	3 089	123
VVT	32	4 000	227
VVNB	28	19 154	397
VVK	13	3 000	181

LPT in Austria (3)

- Market access in local public road transport
 - All companies regardless of their (private or public) ownership are able to engage in LPT.
 - The Passenger Transport Routes Act (KfllG) regulates access to the market depending on profitability. With profitable LPT services the initiative for the provision usually comes from the transport enterprise (if the concession requirements are met, the concession has to be granted; it does not have to be tendered but must not run counter to the public's interest). However, unprofitable LPT services in public interest must be tendered (in practice therefore, routes are often declared as profitable, so they do not have to be tendered; hence, only additional routes are tendered).
- Market access in local rail transport
 - For market access in local rail transport a license or a concession is needed, granted by the federal minister for transport, innovation and technology on application. Railway infrastructure companies are obliged to grant access to their railway network to all railway companies upon confirmation of the respective company's admission to the market.
- Market structure
 - The largest LPT companies are fully owned by municipalities (altogether 667 companies in Austrian local and regional PT in 2003).
 - Most are spun off private law-companies (incorporated companies AG or limited liability corporations GmbH); 7 out of 9 Länder capitals use the concept of internal operators.
 - The biggest LPT companies are: "Wiener Linien", "Linz Linien", "Grazer Verkehrsbetriebe", "Innsbrucker Verkehrsbetriebe und Stubaitalbahnen", "Salzburger Stadtbus" and "Salzburger Lokalbahnen", "Stadtwerke Klagenfurt", and "Bregenzer Stadtbus".

LPT in Austria (4)

- Outside the urban centres “ÖBB Postbus” (a 100 % subsidiary of the “ÖBB Personenverkehr AG” which belongs indirectly to the federal State) dominates local and regional public (road) transport (market share in bus transport about 50 %); the biggest private bus companies are: “Dr Richard Linien” and “Blaguss”.
- In rail transport also the “ÖBB Personenverkehr AG” dominates the market (market share in rail passenger transport 98 %).
- International companies are not involved in Austrian LPT.
- **Financing**
 - Financing essentially based on fare revenues but far from full cost recovery (promotion of LPT, degressive ticket prices); hence, transport companies are dependent on additional financing by all three levels of governments in accordance with their responsibility and by means of the Austrian Financial Compensation Act (Finanzausgleichsgesetz); additionally, the federal State may grant additional money (max. 50 % of the costs) to the Länder or municipalities if they expand their PT (“Bestellerförderung”).
 - Usually the prices for the different ticket types (single, daily, weekly, monthly, and annual for adults, children, seniors, etc.) are set by the respective transport association’s companies in cooperation with the respective association steering-committee.
 - Two tariff models: the “Haltestellen-Gruppenmodell” and the most common “Zonenmodell”.

LPT in Austria (5)

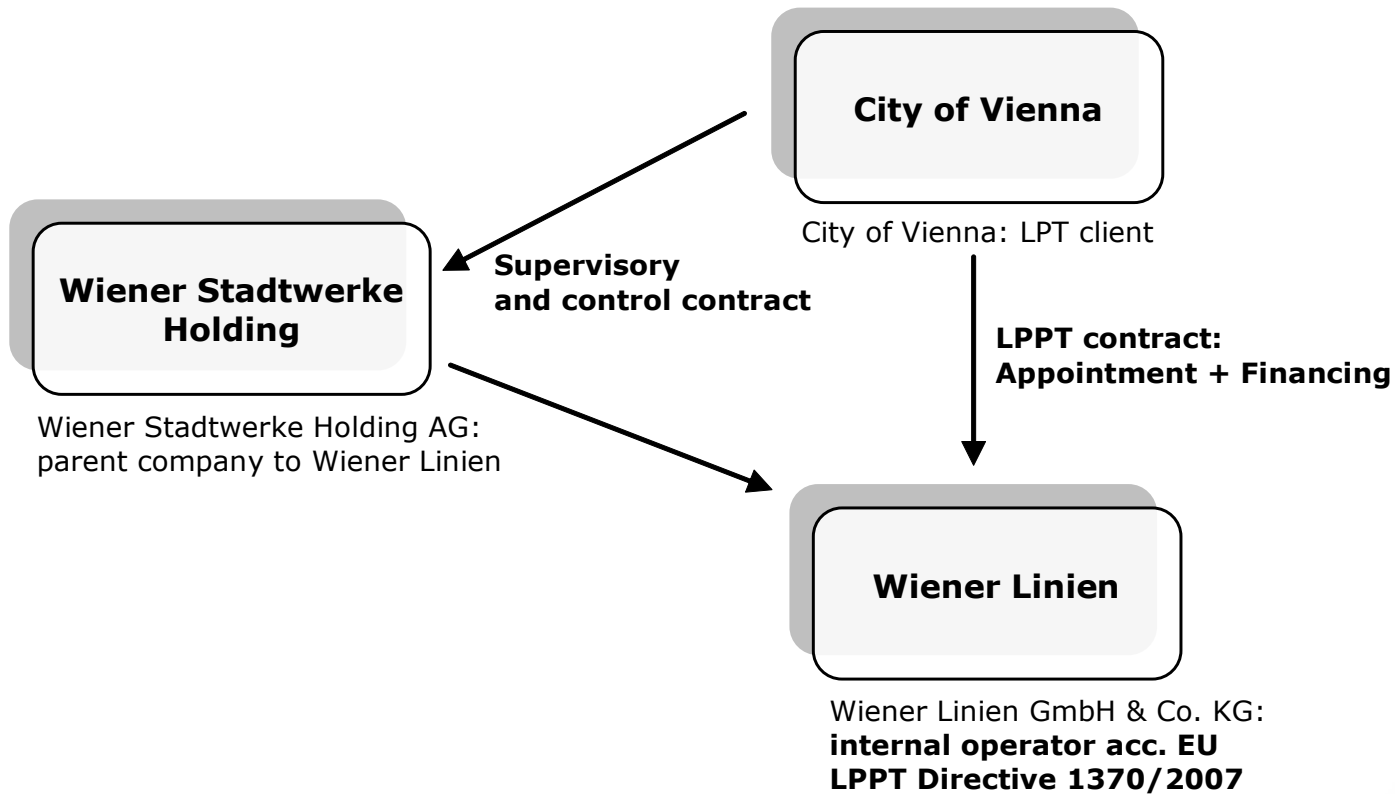
- Social accessibility
 - Special discount fares for children, senior citizens, and persons with disabilities as well as for schoolchildren, apprentices, and students; the losses from these discounts are mostly covered by the federal State.
 - Measures to facilitate access of the disabled (e.g., ultra low floor vehicles); accessibility of LPT is a quality criterion and has to be evaluated.
- Quality of services
 - The ÖPNRV-G contains various quality criteria (controlled by the respective transport association steering committee and a condition for government funding):
 - Accessibility of the LPT systems (e.g., provision for the needs of persons with disabilities, user-friendly vehicle and ticket machine design, easy accessibility of stops, optimal coordination of transport services by means of integrated timetables, etc.)
 - Personal and operational security (e.g., correct quantity and quality of light in the stations)
 - Travel comfort (minimization of travel and transfer time, reliability and frequency of transport services, and the cleanliness of vehicles)
 - Standard information systems nationwide
 - Reduction of pollution
 - ...

The case “WIENER Linien” (1)

- Key data
 - “Wiener Linien” is responsible for all LPT in Vienna
 - Formally independent enterprise under private law and fully owned by the city
 - Sole provider of LPT services since 1999
 - Organizational model is an in-house solution in accordance with EU law
 - Integrated operator; provides most of the transport services itself but has also assigned transport services to private enterprises (app. 50 % of bus lines)
 - Net transport revenues app. 500 mio. Euro
 - Essentially financed from transport revenues and subsidies from the City of Vienna (50 % federal subsidy for new underground railways; public transfers incl. capital transfers app. 700 mio. Euro per year)
 - Workforce app. 8 300
 - Catchment area is the City of Vienna with 1.7 mio. inhabitants
- Public mission
 - Done by legal regulations, contractual regulations, and in internal documents:
 - Local public transport and financing agreement (first time 2001, new one starting 2017) between the City of Vienna as client and “Wiener Linien” as contractor (primary objective: “to provide an optimally integrated all-inclusive transport service as an attractive alternative to private motorized transport in Vienna“)
 - Besides the LPT agreement there is a supervisory and control agreement between the City of Vienna, “Wiener Stadtwerke Holding” and “Wiener Linien” (necessary for in-house-award)
 - Specific objectives and service standards are described in internal documents of “Wiener Linien” (corporate mission, strategy paper, quality management)

The case “WIENER Linien” (2)

- Governance



The case “WIENER Linien” (3)

- Governance (see figure)
 - City of Vienna acts as purchaser of LPT services and as policy maker; responsible for transport and environment policy objectives, financing (tariff structure) and strategic planning functions; main area of competence is the (longer term) traffic planning for new urban expansion districts and the development of underground railway lines.
 - “Wiener Linien” has the role of contractor for all the relevant functions of traffic management, provision of infrastructure and operational tasks; as integrated operator of the Vienna LPT network the company has sole responsibility for the quantity and quality of the whole municipal line system (organizational traffic planning: route acceleration, route planning, intervals and timetables, etc.).
 - “Wiener Stadtwerke Holding” as parent company to “Wiener Linien” can set general objectives and is contractually responsible for supervisory and control functions.
 - Other stakeholders:
 - Federal State
 - VOR (regional transport association)
 - “Wiener Lokalbahnen”
 - Vienna Chamber of Commerce
 - Federal Chamber of Labour
 - Employees of “Wiener Linien”
 - Passengers and users of “Wiener Linien”

The case “WIENER Linien” (4)

- Conclusions
 - Strategic questions of business management, investment policy and transport-related development prospects in Vienna were in the past and still today are in the main decided by (only) three key players.
 - All concerned actors have a basic interest in the realization of an efficient, modern, safe, user-friendly needs-driven local public transport system.
 - “Wiener Linien” is contractually obliged to guarantee a range of services with specific standards as regards quantity and quality and to keep within the financial limits agreed to that end.
 - “Wiener Linien” enjoys to this end considerable de facto autonomy in the execution of its service mission, in its price-setting, and also in the development of the quality management.
 - “Wiener Linien” is making significant efforts in connection with the provision of new specific transport services and the improvement of the customer orientation of the company (they go beyond prescribed contractual tasks and provide, to that extent, services on a voluntary basis).
 - The governance system of the LPT services in Vienna (“Wiener Modell”) may certainly be regarded as an efficient and effective solution in terms of the transaction and organizational costs in connection with this structure (in a comparative study of the cities of Lyon, London, Stockholm, and Vienna, “Wiener Linien” shows above-average efficiency in the provision of service).
 - Interplay between the actors in LPT takes place in a complex relational system.
 - In past years - mainly due to policies and directives of the EU - considerable changes have been made in the organizational, contractual and informal framework; however, the key actors, the power potentials, and the basic pattern of governance essentially remains much the same.

The case “WIENER Linien” (5)

- Some critical notes
 - The traditional strong position of “Wiener Linien” in the prevailing governance system does, however, also entail the risk for the City of Vienna that it offers (too) few possibilities for effective intervention in case of conflict.
 - Under the LPT contract “Wiener Linien” bears the exclusive operating risk, since its revenue depends on the extent of use of its transport services.
 - Like other publicly owned enterprises under private law the “Wiener Linien” have employees under different forms of employment and with different salaries. This entails problems within the enterprise between old and new staff.
 - Additionally it is observed, that in LPT publicly owned companies incur 30-50 % higher labor costs than private companies. The cost-pressure on public providers is obvious and leads to a decrease in employment in the long run.

Concluding remarks (1)

- Europe
 - There is no “one” European LPT governance and organization model (in this regard EU legislation gives freedom of choice to the Member States); thus, considerable differences persist between national solutions regarding their specific context.
 - General interest is a key element of LPT, defined mainly by (local) authorities.
 - LPT liberalization and privatization is a complex and slow process; until yet mainly in the areas of sub-contracting and for simpler and smaller tasks.
 - Especially in a liberalization and competition framework, regulation plays the crucial role; from this point of view, the external-regulation solution of Sweden, London and France or the internal-regulation solution of Belgium are interesting examples; however, (sole) corporatization as an intermediate solution between internal and external regulation looks not to be the best solution.
 - Overall, the price levels in LPT are the highest in London and Oslo, and the lowest in Brussels; the price levels in Berlin, Amsterdam, Hamburg, Prague, and Helsinki are between 73 and 85 percent of the average value; Paris, Copenhagen and Stockholm show an average price level, and the situation in Vienna is mixed with cheap (annual) travel passes for the city center and expensive single tickets for the entire network.
 - On average, LPT in Europe has the best quality values for their social image and the worst for their value for money; whereas the values for comfort are very similar between the cities, the values for reliability are the most heterogeneous.
 - The general citizens’ satisfaction with LPT is highest in Helsinki and Geneva and lowest in Oslo and Copenhagen; whereas Geneva show six top quality values, Copenhagen show six values at the bottom.

Concluding remarks (2)

- Austria
 - Responsible for the provision of local public rail transport is the federal State and of local road transport the Länder and municipalities.
 - LPT is organized through a nationwide coverage of transport associations.
 - Most LPT companies are spun off and organized under private law but still owned (mostly) by municipalities.
 - Although the (local) authorities still have responsibility for LPT, their role of service provider is limited by institutional changes (liberalization), resulting in a growing loss of public control; formal targets (profit) are becoming increasingly important.
- “Wiener Linien”
 - The transport services provided by “Wiener Linien” function well.
 - LPT in Vienna - even by international comparison - meets quite high quality standards.
 - “Wiener Linien” uses the considerable accorded or available freedom of manoeuvre regarding the planning of its services in the sense of its own understanding of the public service mission.
 - There is no evidence that a (more) privatized institutional arrangement of provision would lead to better governance, performance or quality of the specific public service mission in LTP in Vienna.

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