The Local Public Transport Service (LPT)

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1. *Introduction*

Until the end of 20th century, in the majority of countries, financing, maintaining, operating and managing local public transport systems was mainly government's responsibility (Tsamboulas, 2013). But especially during the last 20 years, an increasing trend of private sector participation in local public transport is observed (Martinez and Viegas, 2012). Local Public Transport can be characterized as intrinsically unprofitable, as farebox revenue is not enough to cover the operational and maintenance cost (Guess, 2008). This is true even for some of the largest and most well-known urban public transport systems of the world (Suzuki et al., 2015), as even in these cases, the ratio of fares collected to operational expenses can be significantly less than 1 (Table 1) (Salon, 2014).

Table 1. Ratio of Fares Collected to Operating Expenses in different major cities of the world (Salon, 2014)

City	Public Transport System	Year	Ratio of Fares Collected to Operating Expenses
Tokyo	Tokyo Metro Corpo-ration	2010	1.8
Hong Kong	Mass Transit Railway Corporation	2012	1.8
London	Underground	2012	1.2
Paris	Metro	2012	0.4
New York	New York City Transit (subway and city bus)	2012	0.5
Washington, D.C.	Metro	2013	0.5
Montreal	Subway	2013	0.8
San Francisco		2012	0.3

According to the last edition of the Public Transport Barometer which was published by the European Metropolitan Transport Authorities Association (EMTA) (2015) and includes statistical data regarding 15 European cities (data of 2013), there is an intense differentiation of the % coverage of annual operational cost of urban public transport systems, based on farebox revenue and public subsidies (Figure 1).

The average of annual operational cost per inhabitant is approximately €380, while in Paris, London and Stockholm is more than €700. The lowest amount corresponds to Vilnious, capital city of Lithuania (only €82 per urban dweller/year). For most cities, farebox revenue allows for 45 – 60% of the total operating costs, with an average value of 47%, while correspondingly, public subsidies are responsible for 40-50%, with an average value of 49%. It is worth mentioning that Paris, which has a particularly low percentage of public subsidies (only 19,4%), a large part of the local public transport operational cost is covered through Versement de Transport, a special tax directed towards employers or/and employees. In the other edge of the diagram, Prague, with only 28,6% coverage through farebox revenue and 71,3% through public subsidies, probably due to the fact that it has the lowest ticket price among all the examined cities (EMTA, 2015).

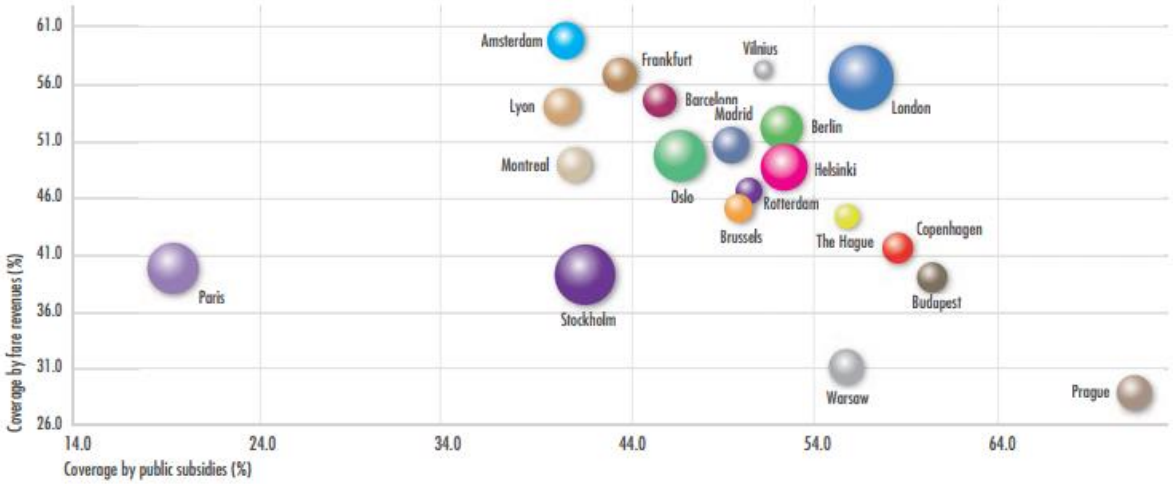


Figure 1. Annual operational cost of urban public transport system and its coverage by farebox revenue and public subsidies (%). The size of each symbol is proportional to the annual operational cost in terms of the city's population (EMTA, 2015).

One of the main issues when dealing with Local Public Transport service(LPT) concerns the definition of the services included in this area. Several factors are likely to deeply change in the nearly future and, as a consequence, this will have an impact on both the demand of LPT services and on the forms of governance that will be employed. More in details, we identified four factors of this kind.

The first one is the urban sprawl. The term describes a new trend towards a low-density outward expansion. First coined as a term in 1937 for the US, nowadays the phenomenon becomes more and more important in the European landscape as European cities become less dense (Nychba/Welsh; Hortas-Rico; EEA(2015)). Due to lower prices of private transportation the importance of public transportation and massive infrastructure center declines. Because this allows people to move outside the city and still enjoy the positive externalities of the cities, those tend to sprawl. This demands structural changes in LPT (Glaeser and Kohlhase, 2004) to avoid negative effects on the

environment caused by additional traffic. Since such low density developments tend to increase provision costs for all offered public services, including local public transport, (Hortas-Rico) those developments in urban structure have to be taken into consideration when planning the public transportation in the future.

The second point concerns the ageing of developed societies. In most western countries life expectancy increased more and more in the last decades, and a similar pattern is expected to occur in the next years. Metz (2010) claimed that the quality of life of elderly people directly depends on their possibility to commute and travel. Currie and Delbosc (2010) discussed the peculiar usage of LPT for this category of people, pointing out the necessity of services and facilities expressly suited for them. Similarly, Alsnih and Hensher (2003) pointed out the implications for future urban transport policies of the ageing phenomenon: new needs that will call for the supply of new services.

The third element expected to shape the future of LPT is the technological change. In the last decades the development and diffusion of ICT drastically changed the variety of services offered (enabling for instance the delivery of new inter-modal services), the modes of production of these outputs (by reducing for instance transaction costs) and their delivery (Neirotti et al., 2014). While the impact of technology on the production function of LPT is rather intuitive, several works indicate that this change will also modify consumers' behaviors and transport choices. For instance, Dal Fiore et al. (2014) pointed out that, being more informed about the places they could potentially visit, people will be likely to increase their mobility.

Therefore, new technologies have helped to enabled the rise of so-called "sharing economy". The sharing economy is described as a "peer-to-peer-based activity of obtaining, giving, or sharing the access to goods and services, coordinated through community-based online services" (Hamari et al., 2015). Several examples are applied to LPT: car- and bicycle-rental companies are mainly characterizing the Transportation Sharing Economy allowing consumers to share access to an entire vehicle across time. Car sharing systems generally present social benefits to society as it leads to the reduction of car ownership, with all the positive effects that has on a lower demand for parking space, less congestion, reduced local pollutants and emissions. Generally, the local public transport system should foster the deployment and integration of the system (Baptista and Melo, 2015). Bicycling, on the other hand, has been described as "an active, environmentally friendly mode of travel that can encompass distances long enough to efficiently cover many urban and suburban trips". (Moudon et al. (2005).Public bicycle-sharing scheme (PBSS) - or bike sharing - has received sharply increased attention all around the world in recent years. Bike-sharing programs refer to the provision of bicycles to enable short-term rental from one docking station to another (Yin et al., 2016).

2. *Measure changes of policy frameworks in the EU*

2.1. Preliminary definition

The difficulties of measuring the policy frameworks induce to place some theoretical classification of the most widespread governances of LPT, before the empirical comparison among European countries.

The first definition implies a strict distinguishing between 1) public and private **ownership** of the enterprises that supply the LPT services; 2) **awarding** procedures.

Beginning from the former distinction, in the market initiative-branch, 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 more or less de-regulated open entry-model.

On the contrary, 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).

Considering the second perspective, the different manners to attribute the service of LPT to providers - with market or public initiative - could be resumed in 2 main modalities: **private awarding** through competitive tendering procedure (e.g. concessions to private entrepreneur) or negotiate procedure (e.g. PPPs, municipal companies); **public awarding** (e.g. self-production, in-house providing).

About Private awarding = The Article 5(3) of Regulation (EC) No 1370/2007 defines the procedural requirements for the competitive tendering of public service contracts. It stipulates that, if a competent authority uses a third party, other than an internal operator, to provide public passenger transport services, it shall award public service contracts through a fair, open, transparent and non-discriminatory competitive tendering procedure. The competent authority may also choose to negotiate with the pre-selected parties, after a pre-selection of tenders, in the case of specific or complex requirements. An example of this is when bidding operators must come up with technologically innovative transport solutions to meet the requirements published in the tender documents. Even when using pre-selection and negotiation, the selection and award procedure must nevertheless comply with all the conditions set out in Article 5(3).

Competitive tendering is a widespread procurement strategy for increasing efficiency in the passenger transport industry. A main difference between tendering and negotiated contracts is that

in the former case there is higher insecurity due to the fact that no firm of those who participate in the process can be sure about which will actually win the contract (Mathisen, 2016).

Summing up, tender is the tool for public authorities to play the regulatory role and to select an external provider in an optimal way in all organizational forms. In this model the service of LPT is attributed to an external private entrepreneur, with a particular tendering procedure that guarantee opening of the market to the competition, protection of the competitors to participate with a non discriminatory, transparent, equal treatment. Indeed, the choice of proportionate, non-discriminatory and fair selection criteria, and their application to economic operators is crucial for the operators' effective access to the economic opportunities related to concessions.

About public awarding = The Article 5(2)(b), of Regulation (EC) No 1370/2007, allows local competent authorities to provide public passenger transport services by rail and by road themselves.

To resume, in this model a public service contract of LPT, in presence of certain conditions, is directly awarded to a public organism, without tendering procedure. Local competent authorities, in respect of the TEKAL criteria (local authority exercises over the company concerned a control which is similar to that which it exercises over its own departments and, at the same time, that person carries out the essential part of its activities with the controlling local authority or authorities) developed by ECJ, can supply the service in self-production.

2.2. Changes of the policy framework into the Member States.

The EU Regulation on LPT follows two decades of reforms at the country-level. The most important experience is probably the one occurred in the **UK**.

Margaret Thatcher suddenly fully privatized services, except for London and Scotland. Outside London, the transport Act of 1985 introduced an important competition between the private operators because they can choose operating procedures: the bus lines, the links, the frequencies, the price lists (Amaral, 2009). As for 33 municipalities of the Greater London, the management is different. It is assured by the Greater London authority transport which delegates then with transport for London the implementation of calls for tenders. The private operators answer calls for tender according to criteria defined beforehand.

In **France**, the local public transports are governed by the law of December 30th, 1982 of Orientation of the internal transport (LOTI). This provision specifies that "the perimeter of public transports includes the territory of a municipality or the territorial spring of a public institution that have received the mission to organize the public transports of people" (article 27). Consequently, the services of local transport are under the responsibility of regions with a measure of autonomy (Region, department, association of local authorities, municipalities) but also of mixed labor unions. This law specifies that the authorities choose the modalities of execution of the service that can be "managed under State control by a public person in the form of an industrial and commercial public service, or by a company that has joined a fixed-term convention with the competent authority"

(article 7-11). The delegation of public service with a private operator is the privileged choice in the awarding procedures: 90% of the totally are supplied by attributing an exclusive right to the operator on the contractualized perimeter (Amaral, 2009). This approach so makes way - within the framework of calls for tenders - for the competition in the management of the local public transports. At the level of territories, regions with a measure of autonomy are the organizing authorities. If the choice of the public State control is not held, they are brought to organize calls for negotiate with the private operators. This approach is different on the territory of the Ile-de-France because regions with a measure of autonomy delegate with the Labor union of the transport of Ile-de-France (STIF) the organization of the local public transports. This labor union is brought in contractualized with the autonomous Network of the Parisian transport (Paris public transport system (RATP)) for example.

Figure 1.The modes of exploitation and allocation (public and private) in France

	Public operator (10%)		**Private operator (90%)**		
	Direct rule	**State- owned industrial and**		**Publics contracts**	**Public service**
	no contrat/ no competition		**Contrat/Competition**		
Status of the organizing authority of the transport (OAT)	**Competent**	**Competent**	**Status of OAT**	**Public buyer**	**delegating**
Main beneficiary	**OAT**	**OAT**	**Status of the developer**	**Awarded public procure**	**Delegate**
Object	**Public service**	**Public service**	**Main beneficiary**	**OAT**	**Users**
Remuneration	**Recipes and internal loads**	**Recipes ans internal loads**	**Object**	**Provision of public**	**The public service "turnkey"**
			Remuneration	**Grant OAT**	**Exploitation**

Source: OECD (2013)

In **Italy**, according to the Article 118 Cost., the local economic services of general interest could be managed indifferently in 3 manners. On the one hand, the service could be supplied by the market (e.g. awarding the service to a provider at the end of a competitive tendering procedure) or by a public-private company (private company under public managing and control), with a negotiate procedure with "double object", one to choose the private partner, the other to adjudge the service. On the other one, it could be provided through direct awarding (in-house providing), without previous tendering procedure, to an operator that only formally is different by the public administration that owns the service, but actually is the direct operative organism of the latter. In particular, the provider 1) has to be totally managed and controlled by public authorities that exercise a control that corresponds with the control of its own departments, 2) and, at the same time, he carries out the essential part of its activities with the controlling local authority or authorities.

From this comparative analysis, it results that there is no "one" European LPT governance and organization model. Indeed, EU legislation gives freedom of choice to the Member States, as it results by the Article 295 TFUE.

2.3. The EU legal framework

The absence of clear rules at Member States level governing the award of LPT contracts gives rise to legal uncertainty and obstacles to the free provision of services and causes distortions in the functioning of the internal market. As a result, economic operators are being deprived of their rights within the internal market and miss out important business opportunities, while public authorities may not find the best use of public money so that Union citizens benefit from quality services at best prices. An adequate, balanced and flexible legal framework for the award of LPT would ensure effective and non-discriminatory access to the market to all Union economic operators and legal certainty, favoring public investments in infrastructures and strategic services to the citizen.

Unlike other sectors, such as electricity and telecommunications, in which European directives have played a crucial role for the liberalization process, the impact on LPT has been restricted on the general principles elaborated by the EU Treaty, about equality of treatment, transparency, proportionality, and mutual recognition. Indeed, as seen in *Table 1*, LPT services neither are nor subjected to the EU Services-Directive, neither to the Directive 2014/23/UE.

Table 1. Summary of the applicable legal basis for contract awards by type of contractual arrangement and by transport mode

Public passenger services by	**(Public) service contracts as defined in Directives 2014/24/EU and 2014/25/EU**	**Service concessions as defined in Directive 2014/23/EU**

Bus and tram	Directives 2014/24/EU and 2014/25/EU	Regulation (EC) No 1370/2007
Railway and metro	Regulation (EC) No 1370/2007	Regulation (EC) No 1370/2007

In this field, the main EU source of law is the European Union Directive 1370/2007/EU ([1]).The purpose of the regulation is to define the conditions in which the competent authorities can intervene in the area of public passenger transport (rail and road transport) to guarantee the provision of Services of General Interest and to ensure the provision of public transport services offering higher service frequencies, better quality or lower fares than the market would otherwise provide.

More specifically, it sets out the conditions under which authorities securing services operated in accordance with public service obligations should compensate the service provider, and the mechanisms to be applied by public authorities to award public services contracts. third party other than an internal operator by means of transparent and non-discriminatory competitive procedures which may be subject to negotiation. Subject to certain reservations detailed in Article 5 of the Regulation, competent local authorities may provide public transport services themselves or assign them to an internal operator over which they have control comparable to that over their own services.

Summing up, these provisions seem to reproduce the legislations of Member States. Indeed, Local authorities can produce services themselves (in self-production or in house-option), in which competitive procedures are not required, or decide to contract these out by the way of (negotiated) tendering .

An interesting recent Report of the European Commission published in February 2016 - "Study on economic and financial effects of the implementation of Regulation 1370/2007on public passenger transport services" demonstrate that Regulation has affected the approach to service provision of the most part of the Member States, as it could be desumed from the table 2 below. In particular, in a limited number of them, the Regulation has allowed a more flexible approach to the award of contracts than was previously the case under the relevant national legislation. For example, in Italy it is now possible to award contracts directly whereas formerly authorities were obliged to procure services through competitive tender.

[1] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV%3Al24488

Table 2. Public or private ownership in the LPT in the European Member States

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)

2.4. Results of Comparison and Summing up

The European perspective focuses that in principal top down regulations the EU tells to the Member States what to do, but the experiences from these countries demonstrate variations not only among countries but also within countries, that could be resume in:

1) Issues of **multi-governance**.

For Christiansen (1996), multilevel governance is defined as, "non-hierarchical systems of negotiation, regulation and administration, going beyond the traditional acceptance of the hierarchical and sovereign State, as the ultimate arena for making decisions and resolving conflicts". This mode of governance can be different according to countries and their territory in the management of the local public transports. Different level of regulation among EU and national regulation and probably federal/regional peculiarity as well.

In the **Italian** system, the "resiliency" of the regional regulation to the national policies of liberalization of the TPL is an over-increasing phenomenon. In this field, it's interesting to investigate to what extent the European laws and principles regarding the four freedoms influenced the Member States systems. This comparison shed light on some closely related issues. One of the most compelling question is the interference of the European system in the policies of internal market of public services. This issue seems to point out the similarities and the differences between the economic regulation of the other member States and the fragmentation of the Italian one.

This topic is particularly pressing in this period, with the adoption of the EU directive 2014/23/UE, for the incidence that this legislative intervention will have on the Italian system. Influence that seems to be not-trivial, as it results from the most recent Italian legislative reforms of the Public Administration (for instance, L. 124/2015, "Riforma Madia" and the "decreti attuativi"; or the new "Code of the Public Procurements and Concessions", enacted in April 2016, n. 50).

In particular, it is evident the degree of effectiveness and standard application of the general measures taken by the Italian Legislator, which inevitably pay a high rate of non-application, if not implemented by each Italian Region. The "resiliency" of the regional Italian legislators against the European policies, in the field of the LPT, is a phenomenon barely analyzed in the Italian studies. But, even if it is true that the matter of competition is the sole responsibility of the State in its wholeness, the Italian Regions play a central role in the perspective of liberalization. Indeed, the Regions dictate the specific rules applicable in practice in the different economic sectors, and they could supersede the national ones.

2) Issues of **durable contracts**.

Observing the Member States systems, it seems to be pointed out that concessions are usually long-term, complex arrangements where the concessionaire assumes responsibilities and risks traditionally borne by the contracting authorities and contracting entities and normally falling within their remit. The main reasons of this trend could be identified in the widespread perceptions about economic and social consequences of the duration of the concessions.

The length of the contract is a pressing issue (Gagnepain et al., 2013). If the contract is too short, then the private operators will not have any incentive to invest in its business. On the other hand, with long-term contracts it could be impossible for the local authorities to get rid of inefficient private operators. Still concerning contracts, a relevant point emerged from the literature involves the impossibility to provide complete contracts in the real word (Roy and Yvrande-Billon, 2007), i.e. contracts covering all the possible scenarios in the future management of the LPT service. In contrast, incomplete contracts may lead to a dominant position of the party owning the relevant transport infrastructure in the contracting procedure, and to a lack of a clear distribution of contractual obligations. According to Hensher (2007), however, incomplete contracts should be preferred to complete ones because they allow for market adaptation, while under complete ones renegotiation is extremely difficult.

On the contrary, in order to assure the opening of the market of public services to competition, EU imposes short-term concessions and attributes the economic risk on the provider (e.g. Directive 2014/23, about the awarding procedures of concessions of public services ([2]).

([2]) Article 18, Directive 2014/23/UE. Duration of the concession.1. The duration of concessions shall be limited. The contracting authority or contracting entity shall estimate the duration on the basis of the works or services requested. 2. For concessions lasting more than five years, the maximum duration of the concession shall not exceed the time that a concessionaire could reasonably be expected to take to recoup the investments made in operating the works or services together with a return on invested capital taking into account the investments required to achieve the specific contractual objectives.The investments taken into account for the purposes of the calculation shall include both initial investments and investments during the life of the concession.

3) Issues of **ownership**.

The EU is neutral to ownership and treats public and private enterprises equal. Indeed, contracting authorities and contracting entities should be allowed considerable flexibility to define and organize the ownership and the procedure leading to the choice of concessionaire.

Boitani et al. (2016) investigate if competition and ownership have a critical role in Total Factor Productivity (TFP) of firms, with a focus on local public transport in nine European countries. They argue that public ownership affects drastically in a negative way firms' TFT and that competitive procedures are linked to increased productivity. In addition to that, according to the authors, TFP tends to increase as ownership status moves from public to total private, with mixed firms placed in between. Nevertheless, they underline that by no reason they do not suggest privatization as the best possible solution for every context, as this strongly depends on other factors that were out of their study's scope such as contractual design.

Another research by Ottoz et al. (2009) examined the impact of ownership on the cost of bus service provision, with a focus on Italy. The results indicated that higher density and scale economies are more likely to occur in private companies, rather than public ones. In addition to that, cost inefficiencies are more often in public entities as well.

2.5. Forms of contracting the LPT sector and performances

The previous sections highlighted the differences in the institutional frameworks across different EU countries. At the local level, the organization of LPT may follow alternative forms of governance, each of them characterized by different levels of market liberalization, as shown in the figure 1.

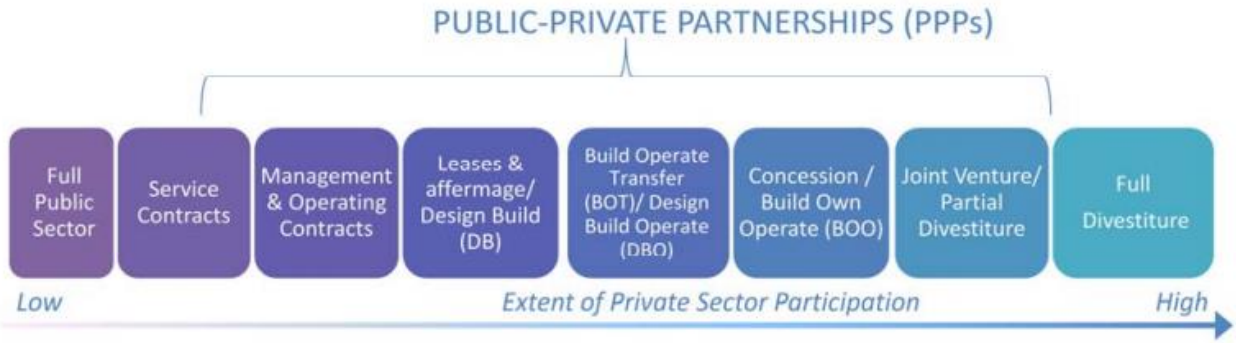


Figure 1. Different business models of private sector participation (Ang and Marchal, 2013).

A broad literature pointed out that, under alternative schemes, the behavior of private providers and public bodies involved in LPT is subject to different sets of incentives. The latter may lead to free-riding issues, as discussed for instance by Hensher et al., 2007.

According to Karlaftis and Tsamboulas (2012), when measuring social welfare in public transport, in terms of efficiency and effectiveness, the selection of the methodology can have a crucial impact on the results. Case specification is more observable in the latter factor; different methodological approaches can lead to very different findings and hence policy recommendations.

Summing up, we can divide the forms of allocation of LPT services into two main groups, as shown in Figure 2: the ones descending from market initiatives and those from authority initiative.

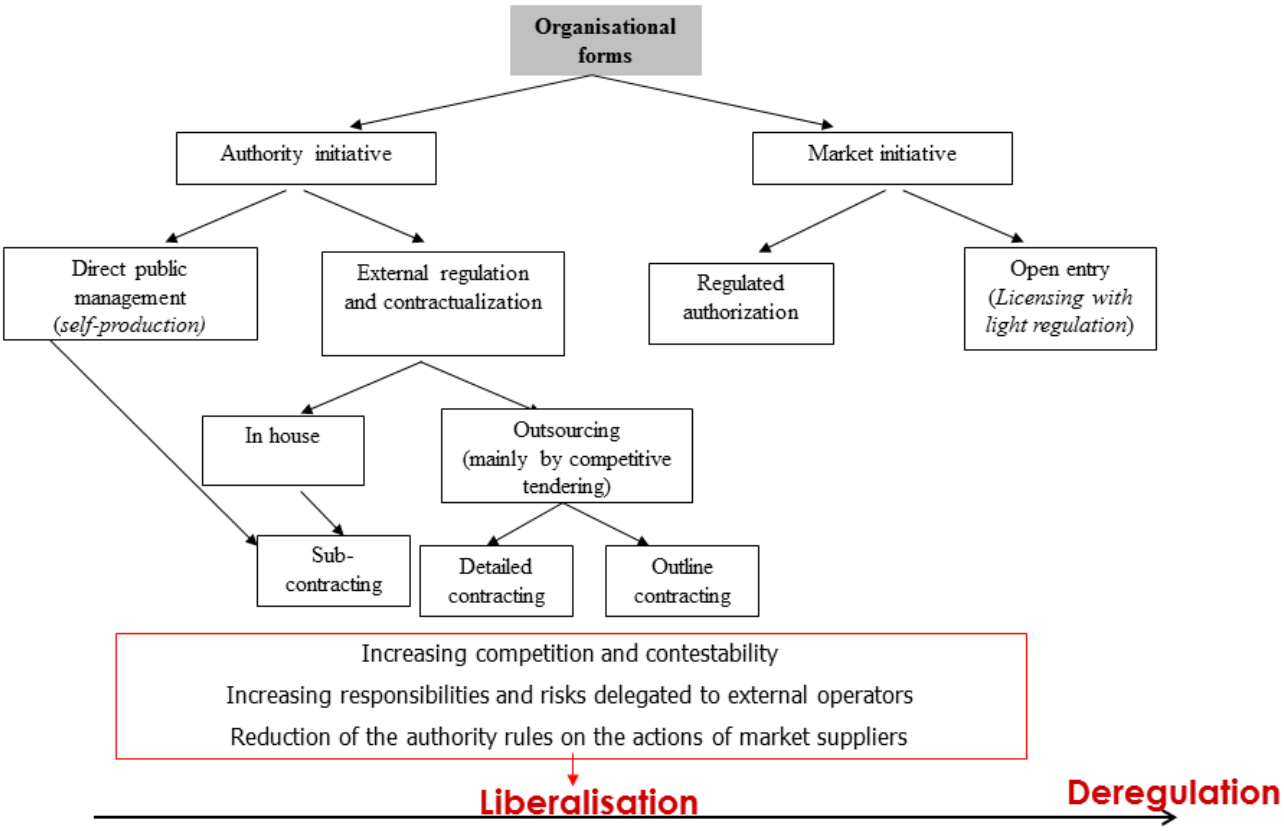
In the case of market initiative, we may have a (almost) fully liberalization, where the open entry of the service providers is regulated by a light mechanisms of rules. Regulated organization, on the other hand, requires a more strict involvement of the public authorities in the definition of the market openness and the mechanisms regulating market entry.

Following the authority initiative may lead to direct public management, the solution mostly chosen in Southern EU countries. As an alternative, local authorities may choose external mechanisms of regulation and contractualization. If it is kept in-house, no competitive tendering is carried out. If it not the case, i.e. if the public bodies select an external provider in an optimal way, competitive tendering is the main solution to allocate the service.The terms of the contract object of the franchise may lead to very different scenarios and relationships between the parties involved.

Van de Velde (1999), classifying the different organizational forms in LPT provision, suggested that a major role is played by the ownership of the asset. On the one hand, in fact, only incumbents firms can properly evaluate the depreciation of the physical assets. Moreover, defining ownership in the case of LPT is extremely complex since the network is made up by several assets, from the bus fleets, to the metro lines and stations, to the warehouse where to store the vehicles.

Yvrand-Billon (2006) claimed that competitive tendering is a myth, due to the lack of transparency of the attribution process and the limited monitoring capabilities of local authorities. A similar line of reasoning is followed by Hensherand Stanley (2008), whose idea is that social capital, in the forms of institutional quality and trust among individuals, is relevant in explaining heperformance of different LPT forms of governance. Low-quality institutions, for instance, are not likely to supervise and regulate the private operators so to maximize social welfare.

Figure 2. Organizational forms in LPT



Source: Zatti (2012)

2.6. The role of Government-owned enterprises in the market of LPT.

The results from case studies in the European major cities suggested comparing and evaluating the different structure and organization of the LPT market to evaluate the role of Government-owned enterprises in the market of LPT.

The widespread public involvement in the ownership of the companies (e.g. Belgium, France, Italy, London, Spain, and Sweden) that supply LPT and the gradually decentralization of strategic, financial and organizational responsibility seem to be corroborated by the EU Reg. 1370/2007. Indeed this regulation establishes that "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".*

Even if it is true that regional and local authorities are more sensible and capable to assure the specific local needs, however, it's not appropriate to underestimate the potential drawbacks of these policy frameworks. The fragmentation of the governance and the lack of coordination between LPT

providers and local authority combined with reduction of national public funds to LPT lead to a limitation to finance the social role of LPT services by the local government (Kostal 2016).

Therefore, it is necessary to investigate if liberalization policies, on one hand, and the privatizing wave, on the other hand, combined with a necessary budget consolidation, could overcome the risks and achieve these requirements.

More liberalized market structures regard major cities located in GB-outside London, in which a de-integration model has been developed; in France, with "medium" degree of liberalization; and in Scandinavia.

Only few countries have implemented a separation between internal and external actors; conversely in most countries the local authority influences the provider through ownership and/or financial relations. After all, no strict linkage between the observed financial problems and the degree of liberalization and privatization is evident.

Mouwen and Ommeren (2016) have proved that in the Netherlands, the effect of competitive tendering is completely absent, and this is interpreted by considering that in the country's market the majority of concessions is tendered through competition. The authors also claim that the renewal of long-term contracts is associated to an at least 10% reduction of operational costs and moreover to a 7.7% rise in public transport ridership.

According to Schaaffkamp (2014), there is absence of strong evidence regarding if and how specific contract types can ensure success in passenger market. Furthermore, the author claims that notwithstanding that tendered contracts include strong incentives for cost reduction; they are not very successful in stimulating the operator's interest in addressing the passengers' needs and creating opportunities for the growth of LPT's market share.

Finally, Filippini et al. (2015) attempt to identify and evaluate the differences in cost efficiency factor between bus lines operated under competitively tendered contracts and performance-based negotiated contracts in Switzerland. They applied regression analysis using cross-sectional data and concluded that no statistically significant differences are observed.

However the private-ownership structure model, typical mainly in GB and Sweden, and common in other countries but only for complementary and additional services (such as Austria, Belgium, Germany, Italy, Poland, and Spain) reveal the more and more 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 (Kostal 2016).

According to Kostal (2016), privatization is preferable in cases when transaction costs and the risk of opportunistic behaviours are outbalanced by production costs advantages. The same author considers that the primary advantages and disadvantages of privatization are the following:

Advantages:

- Increase of the internal efficiency of the provider, as the objectives are usually more clearly defined and strong motivation for managers and workers exist.
- Roles and interests of regulators and providers are less vague, which leads to more credible contracts and precise budget constraints.
- Consolidation of public finance

Disadvantages (from a pubic point of view):

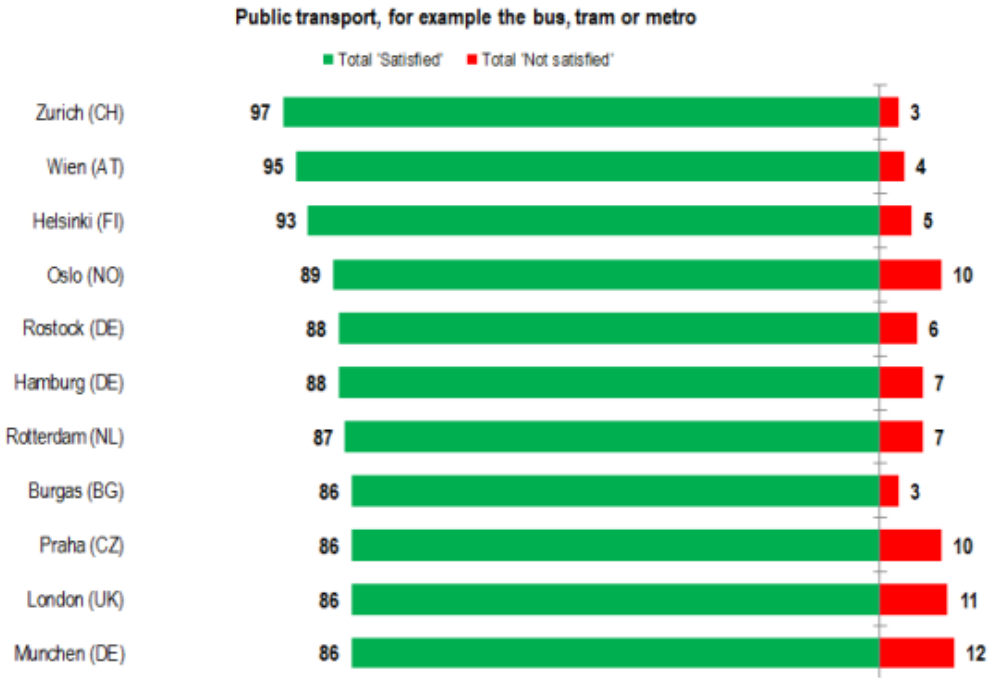
- General public interest and operator's commercial objectives are not necessarily in line.
- Regulation is needed in order to protect the general interest, and this requires specific expertise and increases transaction costs.

3. Future Issues and Solutions

The literature review in combination with empirical evidence indicates that there are no "magic recipes" for success. Every ownership and governance form has its own benefits and pitfalls, and the successful or not implementation of a policy reform is case-sensitive, due to the fact that it strongly depends on factors such as the socio-economic context of the city, the "corruption tradition" of the country, and the effectiveness of institutional authorities.

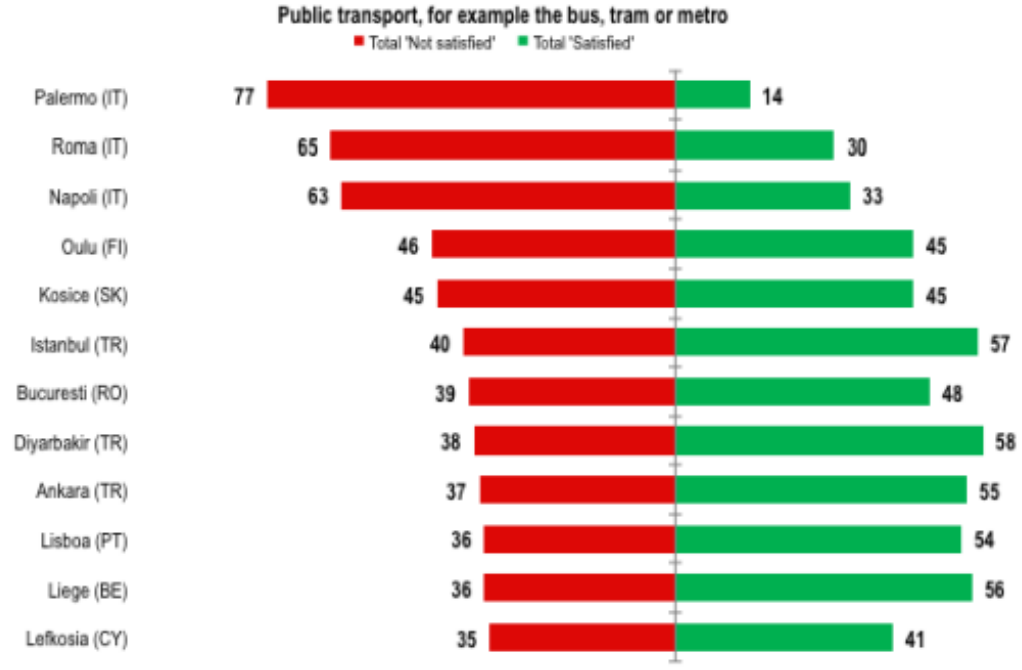
In June 2016, Eurobarometer published a survey regarding the degree of satisfaction of EU citizens of the public transport system of the city they live. The sample included almost 12.000 inhabitants from 23 EU member states and the overall result was that although the average percentage of frequent PT users is not particularly high, the majority of urban dwellers (62%) appear to be satisfied with urban public transport. An impressively high percentage is met in Luxembourg (88%), followed by Latvia (83%), while the lowest appears in Malta (31%). Nevertheless, only 39% of survey participants claimed to be satisfied with the ticket prices offered by their LPT authority. Cities with very high percentage of citizens' satisfaction are: Zurich, Wien, Helsinki and Oslo, while at the opposite edge three Italian cities are placed: Palermo, Rome and Naples, followed by Nicosia. It is obvious that cities of the European South tend to be more dissatisfied with the LPT service offered to them, comparing to cities of Northern and Central Europe as demonstrated by Diagram 1 and Diagram 2.

Diagram 1. Level of Citizens' satisfaction in Northern European countries.



Source: Eu Commission, Flash Eurobarometer, Quality of life in European cities 2015

Diagram 2. Level of Citizens' satisfaction in Southern European countries.



Source: Eu Commission, Flash Eurobarometer, Quality of life in European cities 2015

In an attempt to interpret this phenomenon, it should be taken into account that citizens of Southern Europe tend to distrust the institutional authorities of their countries, due to the (real or perceived) increased levels of corruption. Therefore, it is not always a matter of whether for instance competitive tendering is the preferable option followed by the local authorities; the notion is if the citizens could be sure that the bidder who wins the contractual agreement is actually the best objective option according to the established criteria.

The literature review in combination with empirical evidence indicates that there are no "magic recipes" for success. Every ownership and governance form has its own benefits and pitfalls, and the successful or not implementation of a policy reform is case-sensitive, due to the fact that it strongly depends on factors such as the socio-economic context of the city, the "corruption tradition" of the country, and the effectiveness of institutional authorities.

Most of the times, people are not really concerned about the governance form, the institutional settings and the contractual details. They want a local public transport system characterized by efficiency, equity, sustainability and feasibility. Local institutional authorities should inspire trustworthiness to their citizens. Establishing a sustainable urban transportation system to meet the changing mobility needs of citizens requires a comprehensive and integrated approach to policy-making and decision-making, with the aim of developing affordable, economic viable, people-oriented and environment-friendly local public transport systems. Urban space lies at the core of economic and social dynamics. New approaches and tools are essential to support European cities in facing their demanding futures, some promising among which are: Public Private Partnerships (PPP) initiatives, Value Capture Finance, Willingness to Pay etc.

Almost all decisions to be taken in life are inevitably intertwined with various criteria that more or less have to be taken into account. The decision – making process related to transportation planning issues -and particularly transportation policy issues- is intrinsically complex due to the fact that, in addition to the large number of factors (both quantitative and qualitative) involved, there are many different stakeholders that should be taken into account. According to the latest Urban Mobility Package of the European Commission states that Sustainable Urban Mobility Plans (SUMP) should promote citizen and stakeholder engagement (European Commission 2013) (Keseru et al., 2015). Therefore, citizens and stakeholders should definitely be given the opportunity to express their own views and aspirations on the topic, but particularly caution should be paid in order to eliminate the so-called "asymmetry of information".

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