

WORKING PAPER

**Local Public Transport in Vienna *by Wiener Linien* -
Governance and Provision of Services**

Thomas KOSTAL, Verena MICHALITSCH,
Gabriel OBERMANN

CIRIEC N° 2014/17



CIRIEC activities, publications and researches are realised
with the support of the Belgian Federal Government - Scientific Policy
and with the support of the Belgian French Speaking Community - Scientific Research.

Les activités, publications et recherches du CIRIEC sont réalisées
avec le soutien du Gouvernement fédéral belge - Politique scientifique
et avec celui de la Communauté française de Belgique - Recherche scientifique.

This working paper is indexed and available
in SSRN and RePEC

Ce working paper est indexé et disponible
dans SSRN et RePEC

ISSN 2070-8289

© CIRIEC

No part of this publication may be reproduced.

Toute reproduction même partielle de cette publication est strictement interdite.

Local Public Transport in Vienna by *Wiener Linien* - Governance and Provision of Services*

Thomas Kostal^{**}, Verena Michalitsch^{***}, Gabriel Obermann^{****}

The final version of this paper will be published under the title “*Wiener Linien: Governance and Provision of Services of Local Public Transport in Vienna*” in the 5th book of the CIRIEC Series “Social Economy & Public economy” – Peter Lang, 2015.

Working paper CIRIEC N° 2014/17

* This case study was presented at the Seminar "Case histories of public enterprises: learning from success and failure", University of Milan, June 13-14, 2013, Research Project of CIRIEC International Scientific Commission on Public Services/Public Enterprises on "The Future of Public Enterprise - Mission, performance and governance: Learning from success and failures".

** Assistant Professor and Deputy Chair at the Institute for Public Sector Economics, Department of Economics, WU Vienna University of Economics and Business, Austria ([Email: thomas.kostal@wu.ac.at](mailto:thomas.kostal@wu.ac.at)).

*** PhD Student, Institute for Public Sector Economics, WU Vienna University of Economics and Business, Austria.

**** Retired Full Professor for Public Finance and Public Sector Economics at the Institute for Public Sector Economics, WU Vienna University of Economics and Business, Austria ([Email: obermann@wu.ac.at](mailto:obermann@wu.ac.at)).

Abstract

*The subject of this case study, **Wiener Linien GmbH & Co KG**, is the biggest company in Austrian local and regional transport sector. As a formally independent enterprise under private law and owned by the city, it has been the sole provider of local public passenger transport services in the City of Vienna since 1999. The organisational model applied in Vienna is an in-house solution in accordance with EU law, with **Wiener Linien** acting as an integrated operator, although it has subcontracted bus transport services partly to private enterprises. The quality of the transport services provided by **Wiener Linien** consistently receives high ratings in international comparisons and rankings. The case study endeavours to analyse the structures and strategies which can be regarded as relevant factors for successful provision of public services, and to draw conclusions for the governance of public enterprises in a dynamic environment, entrusted with the provision of key services of general economic interest and with a clear public mission. The paper presents a summary of main findings and conclusions, as well as a few lessons learned derived from the Viennese experience.*

Keywords: Local public enterprises, local public passenger transport, public service obligation, public service provision, services of general economic interest, governance, regulation, in-house solution, case study, Austria, Vienna

Introduction

The public enterprise *Wiener Linien* is an interesting subject for an analysis by which it can be shown how, over a long period, the provision of an important public service in a large city can be organised and structured. In particular, it can be shown in detail how the public mission in providing local public passenger transport services was fulfilled and developed over time.

For decades, the local public passenger transport (LPT) services in the City of Vienna were provided by various institutions that, in organisational and legal terms, were part of the administration of the municipality.

The subject of this case study, *Wiener Linien GmbH & Co KG*, is the biggest company in Austrian local and regional transport. As a formally independent enterprise under private law and owned by the city, it has been the sole provider of local public passenger transport services in the City of Vienna since 1999. The organisational model applied in Vienna is an in-house solution in accordance with EU law, with *Wiener Linien* acting as an integrated operator, although it has subcontracted bus transport services partly to private enterprises.

Public transport enterprises traditionally have important tasks to perform in the general interest and, as experience shows, in general tend to be deficit-prone. By virtue of its public transport service obligation, *Wiener Linien* partly relies on public subsidies.

The quality of the transport services provided by *Wiener Linien* consistently receives high ratings in international comparisons and rankings. In a framework that has changed considerably over recent years, *Wiener Linien* has generally followed a successful line of development.

Wiener Linien is at present a 100%-owned subsidiary of the *Wiener Stadtwerke Holding AG* which, in turn, is a 100% property of the City of Vienna. The formal organisation is explained in section 5. Table 1 shows the key data.

Table 1: Key data for *Wiener Linien*

Name	<i>Wiener Linien GmbH & Co KG</i>
Office address	1031 Vienna, 202 Erdbergstraße
Website	www.wienerlinien.at
NACE sector	49.31 – Local passenger transport (excluding taxis)
Net transport revenues (2012)	484 m. Euros
Public transfers (incl. Capital transfers, 2012)	723 m. Euros
Workforce (2012)	8,322
Catchment area	Vienna – 1.73 m. inhabitants

Source: *Wiener Linien*, Budget of the City of Vienna, own compilation.

The present case study endeavours to analyse the structures and strategies which can be regarded as relevant factors for successful provision of public services, and to draw conclusions for the governance of public enterprises in a dynamic environment, entrusted with the provision of key services of general economic interest and with a clear public mission. The paper utilises company documents and studies. Some insights on informal processes are based on interviews with involved persons.

The next section provides a short history of the development of LPT in the City of Vienna. Section 2 describes the legal framework and the way how the public mission is specified and prescribed in different stages within the institutional setting. Important features of operations, performance and finance are presented in the following two sections. Section 5 is dedicated to a more detailed analysis of the structure and function of the governance system of *Wiener Linien* from a legal and organisational perspective. The key players and other stakeholders are identified, and their relationship is sketched in brief. This section focuses on the role of *Wiener Linien* in its capacity as the sole responsible operator of Vienna's LPT, and the manner in which the public mission to render LPT services is shaped and implemented in practice. Tariff related matters and distributional aspects are highlighted in section 6. The paper concludes with a summary of main findings and conclusions, as well as a few lessons learned derived from the Viennese experience.

1. History of Local Public Transport in Vienna

The creation of local public transport in Vienna dates back to the 19th century. The first horse-drawn tramline was inaugurated in 1865. The subsequent years saw the development of “professional” local public passenger transport. The first licence was issued in 1867 and successively expanded (*Wiener Tramway-Gesellschaft* – the Vienna Tramway Corporation). The 1872 founding of the *Neue Wiener Tramway-Gesellschaft* (the New Vienna Tramway Corporation) brought about the expansion of the route network into Vienna's suburbs. In 1881, the precursor of bus service, *Erste Pferdestellwagen-Gesellschaft* (First Horse-Drawn Bus Corporation) was established.

In 1899, the City of Vienna was granted its first licence to operate electric trams, following the commencement in 1897 of the electrification of the tram network. The last horse-drawn tramline went out of operation in 1903 and the electrification of the last steam-powered tramline was completed by 1922.

The development of LPT in Vienna began to gather pace during the early 20th century. In 1902, the City of Vienna under Mayor Lueger purchased the entire transport network and rolling stock of the (privately owned) New Vienna Tramway Corporation, and established the *Stadt Wien-Städtische Straßenbahnen* (City of Vienna-City Tramways). The takeover by the Municipality was completed in mid-1903. The founding of the city bus service dates back to

1907-1909. The bus service was incorporated into the City Tramways in 1922 (Frank, 1960, pp. 368).

The massive post-World War II investment requirements, next to organisational and staffing considerations, led to the consolidation of the hitherto independently operating service enterprises of the City of Vienna (power utility, gas utility and LPT) into one single service entity, the *Wiener Stadtwerke* (the Vienna City Utilities). Furthermore, the *Städtische Bestattung* (the City Funeral Services) was subsequently incorporated into the City Utilities in 1952 (Frank, 1960, p. 382). The consolidated Vienna City Utilities ranked third among Austrian service enterprises (Reisinger, 1982, p. 351).

The history of the underground train starts in 1968 with the resolution of the Municipal Council to build an underground network. Work began at *Karlsplatz* in 1969. The first route sections were inaugurated between 1976 and 1980 (lines U4, U1 and U2). The continuous expansion of Vienna's underground network is still going on.

Until the 1990s, the *Wiener Stadtwerke-Verkehrsbetriebe* (Vienna City Utilities-Transport Services) was part of *Wiener Stadtwerke*, which, in turn, was run as a (legally non-independent) municipal department of the City of Vienna. In 1999 *Wiener Stadtwerke* was split off from the city administration and transferred to a newly-established, joint-stock company, *Wiener Stadtwerke Holding AG*, in the sole property of the City. *Wiener Linien GmbH* and *Wiener Linien GmbH & Co KG* were founded as LPT subsidiaries.¹

2. Public Mission

2.1 General Interest in Local Public Transport

Local public passenger transport has always been one of the infrastructural administrative tasks of all larger urban centres and municipalities and within the scope of responsibility of each respective municipal economy.²

For a multitude of reasons, public interest, expressed via political processes, requires that the provision of such key service tasks satisfies certain quantitative and qualitative standards.

In practice, this means that the political authorities responsible for provision of public services are required, within the framework of their responsibility, to guarantee functional organisation and satisfactory development of the range of services rendered.

¹ Reasons for this organisational reform are explained in sections 2 and 4. Some general trends of corporatisation of public service provision on municipal level in Europe are discussed in Wollmann and Marcou, 2010; Grossi, Marcou, and Reichard, 2010.

² In the case of the City of Vienna the primary mission is defined as “the provision of a frictionless, high-quality, financially efficient LPT”. See in more detail section 4.

The relevant political institution, usually a regional authority, is responsible for setting the main goals and general quantitative and qualitative standards, and has to take care of allocating a public mission (public service obligation) to an entity or enterprise of its choice, which is entrusted with the fulfilment of the political task at hand. In these cases, according to Thiemeyer (1975), the public enterprise can be regarded as an instrument of the public owner used to contribute to economic, social and other political objectives.

The political task of providing various transport services is in practice usually only generally and vaguely described by the responsible authority. The required public services must therefore be clearly defined, in later stages, in terms of quantity and quality, with regard to specific public missions and obligations, and must furthermore be made operational. Often expectations, demands and technological standards change over time. This results in differently specified targets and formal objectives, as well as commitments for strategic development goals to be pursued over the longer term.

In reality, a complex system of governance has developed in LPT in Vienna in which numerous players and stakeholders are active. This structure is supposed to meet widespread, and partially opposed, social, economic and technical interests and demands of the players and stakeholders in this sector.

The municipality or township, as the responsible guarantor of a functional LPT, is required, especially by means of appropriate steering and monitoring mechanisms, to ensure that the participating enterprises abide by the politically formulated public interest in the transport services they provide, i.e. that they fulfil predetermined public service obligations (Obermann, 2007).

2.2 Legal Regulations

In Austria, LPT responsibilities are stipulated in the federal law which regulates local and regional public passenger transport (ÖPNRV-Gesetz). The Federal State is merely responsible for guaranteeing a basic range of services. The actual demand-driven planning of the local and regional public passenger network is done by the (nine) *Länder* (federal provinces) and by local authorities.³

The process of awarding and financing LPT contracts was reformed under European Union Directive 1370 in 2007. With a transition period until December 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”.

³ For more details of the legal framework for LPT and the relation to regional public transport in Austria see Loser, 2009; Wieser, 2002.

These instructions are directly relevant to municipal LPT in Austrian cities and towns. Furthermore, financial settlement for LPT services which are ordered in the public interest but cannot be rendered for profit must be subject to transparent contracts and not exceed compensation for the costs incurred, plus an adequate gain.⁴

The regulation stipulates no (explicit) instructions regarding the quality of the LPT services to be provided. Rather, according to the principle of subsidiarity, it allows the Member States to establish minimum quality criteria in national law, and to enact them in national legal regulations. These may concern, for example, passengers' rights, the needs of persons with restricted mobility, protection of the environment, safety and labour law regulations.

2.3 Contractual Regulations

Wiener Linien GmbH & Co KG was assigned by contract the task of providing LPT services for the first time in 2001. The local public transport and financing agreement (*Öffentlicher Personennahverkehrs- und -finanzierungsvertrag, ÖPNV-Vertrag*) between the City of Vienna as the client or contracting authority and *Wiener Linien GmbH & Co KG* as the contractor, defines as the primary objective “(the ability) to provide an optimally integrated, all-inclusive transport service as an attractive alternative to private motorised transport in Vienna”.

Accordingly, the enterprise is explicitly obliged by contract to integrate the entire LPT range of services. In Vienna, these include buses, trams and underground trains. Access to LPT is required to be consistently customer-oriented, as well as to enable and/or facilitate transition from individual motorcar traffic to public transport. The Vienna transport network at the time the contract took effect (2001) represents the benchmark for the transport service obligation and, as such, the 2001 quality level is required to be maintained, as a minimum requirement.

In addition to this primary objective, the agreement also lays down a series of detailed objectives for the provision of the service. Securing high quality in all areas concerning the customer is an explicitly set detail objective for the enterprise. The defined criteria pertain to availability, accessibility, information, travel time, customer care, comfort and safety, and containment of negative effects on the environment.

The tasks assigned to *Wiener Linien* include not only the operation and maintenance of the transport network and system, but, furthermore, traffic planning activities subject to agreement with the municipal authorities of the City of Vienna and the district administration authorities. Any necessary changes in the range of LPT services, up to certain pre-defined threshold

⁴ For details of the requirements by the European Union see Greiling, 2014; Zatti, 2012, p. 539.

parameters, can be operated autonomously by *Wiener Linien*. In accordance with the EU-wide instructions in force stipulating the obligation of municipal authorities to only award temporary LPT service contracts, the validity of the current LPT contract expires in 2016.

By contract, *Wiener Linien* is granted autonomy regarding fare-setting, whereby price increases are required to consistently satisfy the principles of fairness and necessity. There is, however, need for harmonisation throughout the tariff system of *Verkehrsverbund Ostregion* (regional transport association).

Besides the LPT agreement, there is a supervision and control agreement between the City of Vienna, *Wiener Stadtwerke Holding* and *Wiener Linien*. In this way, the conditions promulgated in the EU directive concerning direct awards (in-house allocations) of LPT service contracts to cities' own operators (in this case *Wiener Linien*) can be adhered to.

2.4 Other Standards and Documents

Major dimensions of the public mission assigned to it, such as service quality standards, are defined and realised by *Wiener Linien*, as the appointed municipal operator, autonomously and under its own responsibility. The formulation of specific objectives and operational service standards is accomplished internally and described in different documents of *Wiener Linien* (corporate mission, strategy paper, integrated and certified quality management).

The range of services offered by *Wiener Linien* was assessed periodically by citizen surveys within the framework of the European benchmark study BEST. 1,000 people in each of the participating cities (Barcelona, Berlin, Geneva, Helsinki, Copenhagen, Manchester, Oslo, Prague, Stockholm, and Vienna) are polled on their degree of satisfaction with their respective LPT. The customer satisfaction criteria are route density and distribution, reliability, passenger information, staff conduct, safety, comfort and the price-performance ratio. Further factors investigated are the image of public transport and customer loyalty towards the LPT service provider. Not only did the City of Vienna achieve good results in 2010, with a high rank among European LPT enterprises, but it has also continually improved its ranking over the years (see Table 2).⁵

⁵ For earlier year's results see Unfried, 2005, p. 150.

Table 2: BEST Report 2010 – Results for Vienna

Quality criterion	% Satisfaction/Approval
Citizen satisfaction	72
Route density and distribution	64
Reliability	53
Passenger information	53
Staff conduct	56
Safety	74
Comfort	60
Price-performance ratio	42
Image of LPT	81
Customer loyalty	72

Source: BEST Report 2010.

Furthermore, Vienna's LPT was included in another benchmark study of big cities in 2010, commissioned by the European motoring clubs within the framework of the Europe-wide mobility sector test series *Eurotest*. The data collected by test passengers and the cities' passenger information systems were assessed in terms of the following criteria: travelling time, ease and duration of transfers to connecting routes, information before and during travel, and availability and price of tickets. The City of Vienna achieved the general mark "good" and topped that with a "very good" in the criterion "ease and duration of transfers to connecting routes" (EuroTest 2010 Local Public Transport).

2.5 *Quality Assurance through External Certification*

An additional measure, not explicitly required by the local public transport and financing contract, that *Wiener Linien* has been taking to ensure further development and improvement in the quality of its services, not least of all by comparison to other public and private transport enterprises, is certification.

Wiener Linien is currently certified with respect to the specifications of the following bodies of standards:

- EN ON 13816:2002c (Transport-Logistics and Services – LPT);
- EN ISO 14001:2009 (Environmental management systems);
- OHSAS 18001:2007 (Occupational safety and health protection management systems);
- EIsbG §39 (Safety management systems, relevant for tramways and subways).

3. Operations and Performance

Wiener Linien is the provider of LPT services in Vienna, a 415km² city with a population of 1.73 million inhabitants. The strategic traffic policy decisions are made by the City of Vienna and are stipulated in the LPT contract with *Wiener Linien* (see section 2.3). The enterprise pursues as primary objectives:

- increased public transport share in the modal split;
- increased cost-effectiveness;
- guaranteed quality of the services provided.

The current modal split for Vienna shows that 39% travel by means of public transport (private motor vehicle 27%, pedestrian 28%, bicycle 6%). Since the early 1990s, the share of public transport has risen markedly, by 10 percentage points. The Transport Master Plan of the City of Vienna envisages an increase of the LPT quota to 40% by 2020. The 2012 passenger count amounted to slightly more than 900 million.

The core tasks of *Wiener Linien* include:

- operating the trams, buses, and underground railway and
- traffic management:
 - planning timetables and intervals;
 - planning routes and stops for all carriers;
 - coordination and integration of carriers;
 - sales and marketing for LPT in Vienna;
 - operational guidance through control centres or mobile monitoring;
 - development and implementation of a comprehensive quality management system.

As already mentioned, *Wiener Linien* is an integrated operator. It provides most of the transport services itself, with the exception of bus services. About one third (seat kilometres) and half of the bus lines, respectively are run by (private) companies, mainly on the outskirts of the city.

Table 3 shows the key performance data for the year 2011. The aggregated length of the *Wiener Linien* network is almost 900 km with a total of nearly 4,500 stops and stations. More than 2,000 vehicles, with a total capacity of almost 260,000 passengers, run on 123 lines. While the bus network is the most extensive, the underground network offers by far the highest capacity (nearly 2/3), both in terms of seat-kilometres and passenger count.

Table 3: Performance Figures 2011

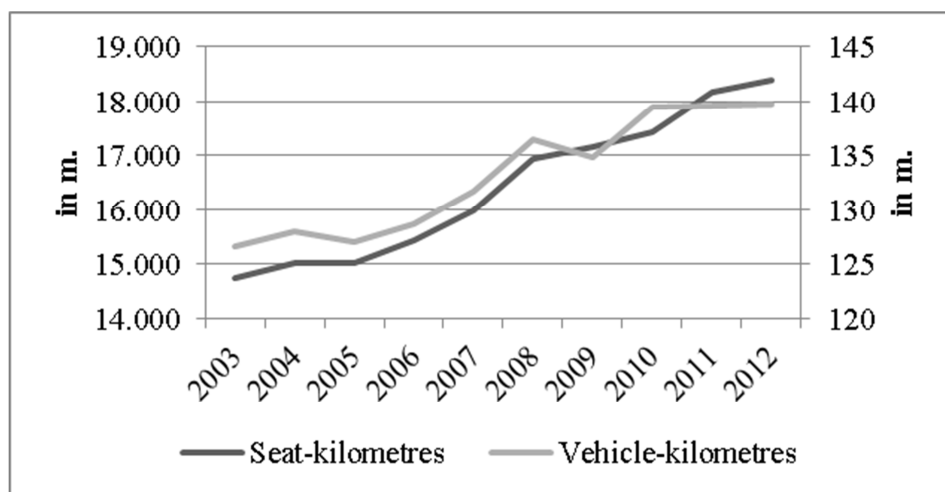
	Underground	Tram	Bus	Total
Network length (in km)	75	172	648	895
Total lines	5	28	90	123
Total stops	101	1,031	3,320	4,452
Railcars	780	520	480	1,780
Carriages	82	240	--	322
Total vehicles	862	760	480	2,102
Vehicle use km (in m.)	78	33	29	140
Seat-kilometres (in m.)	11,792	4,028	2,361	18,181
Available seats	129,098	89,104	40,196	258,398
Passengers (in m.)	568	194	114	875

Source: *Wiener Linien*, own compilation.

Having reached an all-time high at the end of the 1950s, the total number of vehicles went on to drop significantly, before stabilising at around 2,000 in 1980 (Reisinger, 1982, p. 358). While the number of vehicles has remained approximately constant ever since, the vehicle-kilometre and seat-kilometre performance has been rising continuously, most notably due to the expansion of the underground network and service (see diagram 1).

Besides these core tasks, principles of social and ecological sustainability are also important considerations (e.g., barrier-free mobility). As a member of the *Union Internationale des Transports Publics*, *Wiener Linien* became a cosignatory of the UITP Sustainable Development Charter in 2008.

The quality of the services rendered has been enhanced gradually since the early/mid 1990s. Hours of operation were expanded: 22 lines of daily, blanket-coverage night bus service were introduced in 1995, and underground train night operation at weekends and on the eve of public holidays was introduced in 2010. In addition, the rolling stock has been gradually upgraded to low-floor vehicles.

Diagram 1: Seat Kilometre and Vehicle Kilometre Performance, 2003-2012

Source: *Wiener Linien*, own representation.

For the future, *Wiener Linien* is planning to continue the strategies initiated in the 1990s and the 2000s. The concrete measures envisaged are:

- expansion of the route network, most notably of the underground
- boosting of the service quality (QM certification);
- expansion and upgrading of the passenger information system (notably mobile phone and internet);
- focus on safety concerns;
- further modal split shift towards public transport (see details above).

4. Finance and Investments

Wiener Linien, like its precursor *Wiener Stadtwerke-Verkehrsbetriebe* and other LPT operators in comparable cities, has always been marked by operating deficits. Despite internal cross-subsidisation within *Wiener Stadtwerke* at the time and in spite of the City of Vienna taking over the pension burden from 1970, investments have had to be covered through external financial resources. Consequently, the volume of debt of the former *Wiener Stadtwerke-Verkehrsbetriebe* has been increasing continuously ever since (Reisinger, 1982, p. 354).

The rule against the previous common practice of municipal cross-subsidisation,⁶ coupled with other EU regulations, resulted in the splitting of the company (often labelled “corporatisation”) and a new regulation for the financing of *Wiener Linien* (Faber, 2002, p. 190).

In its capacity as the LPT service contracting authority and the policy-maker, the City of Vienna defines strategic traffic policy decisions. The primary mandate is clearly defined by the City: “The provision of a frictionless, high-quality, financially efficient LPT. Given that the proceeds obtainable from the current tariff system do not suffice to cover the running costs and, most notably, the significant investments in infrastructure, *Wiener Linien* is granted – as are all other comparable service providers – running cost and investment subsidies from public funds” (Wiener Stadtwerke Annual Report 2010, p. 26).

Currently, financing is regulated by the LPT contract between the City of Vienna and *Wiener Linien*, which was signed in 2001 and is valid until 2016 (see section 2.3). Said contract contains both the assignment of LPT services in Vienna to *Wiener Linien* and the financing arrangements in the fields of infrastructure and operation.

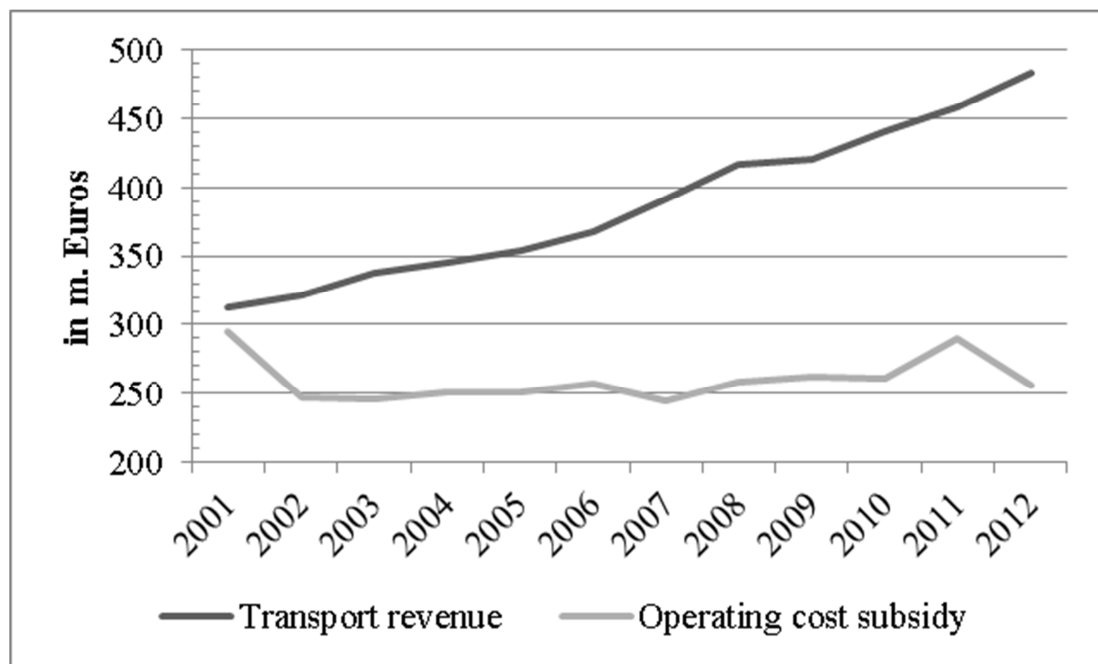
Wiener Linien is essentially financed from two sources: the transport revenues (including compensation from the City of Vienna and the Federal State for various pupils’ and students’ free travel) and subsidies from the City of Vienna.

⁶ Although having multiple services within an organisational entity allows more financial flexibility, separation of services is required by the European Union in order to strengthen competition and transparency.

The Federal State pays a subsidy of 50% for new construction of the underground railway. Revenue from compensation payments from *VOR*, the Eastern Region Transport Association, for through-ticketing losses is not significant for *Wiener Linien* (see section 6). It is common that in LPT, full cost recovery cannot be achieved through fare revenues. For *Wiener Linien*, cost recovery of about 50% was reported for the late 1990s (Wieser, 2002, p. 174).

To compensate for the operating losses, the City of Vienna pays an annually negotiated lump sum (256 million Euros in 2012). The City's investment subsidies, on the other hand, are increased each year (including 467 million Euros in federal underground-building subsidies in 2012). While the operating cost subsidies in absolute figures have been relatively stagnant since the early 2000s, investment subsidies have been rising from one year to another.

Diagram 2: Transport Revenue and Operating Cost Subsidies from the City of Vienna, 2001-2012



Source: City of Vienna, Budget Estimate, own representation.

A comparison between the development of operating cost subsidies from the City of Vienna and that of transport revenues (see diagram 2) reveals a markedly divergent pattern. While operating cost subsidies remain relatively constant, the average gradient of the transport revenues is approximately 4.1% per year. In 2001, the transport revenue per passenger amounted to 0.43 Euros; by the year 2012, that same parameter had risen to 0.53 Euros. Currently, that corresponds to almost 50% of the enterprise's aggregate revenues. The operating cost subsidies contribute 29% of the aggregate revenue of *Wiener Linien*.

Table 4: Operating Figures 2001, 2006 and 2011
(in millions of Euros)

	2001	2006	2011
Transport revenues	312.0	367.3	458.4
Operating result	-130.0	-124.9	-127.4
Financial result	13.4	36.8	7.7
EGT	-116.6	-88.1	-119.8
Equity ratio (%)	89.1	90.3	86.7
Investment intensity (%)	92.3	96.3	92.6

Source: *Wiener Linien*, own compilation.

Table 4 shows important operating parameters. Despite the significant operating cost subsidies from the City of Vienna and positive financial results, *Wiener Linien* reports a markedly negative operating income as a sole result of capital depreciation and other non-liquid expenditures.

Over the past ten years, the total annual investment volume of *Wiener Linien* has oscillated between nearly 300 and just over 450 million Euros.

The development of the enterprise's workforce clearly shows increasing productivity in the course of time. While approximately 13,000 people were employed at *Wiener Linien* in the early 1960s, staff was much reduced in the following years, mainly by the introduction of one-man operated trams in the early 1970s and due to the higher capacity of the underground system. Since the early 2000s, *Wiener Linien* has employed an average of 8,200 people.

With regard to the workforce, a severe problem arises from administrative spin-offs to new companies.⁷ In many cases, far-reaching fragmentation and decentralisation of public labour relations are observed as an effect of liberalisation and privatisation measures (Hermann and Flecker, 2012, p. 199). Like other publicly owned enterprises under private law, in recent years (i.e. since 2002), *Wiener Linien* has employed workers under different forms of labour contracts and with different salaries schemes.⁸ This creates increasing problems within the enterprise between old and new staff. The cost-pressure on public providers is obvious and became a growing political issue for LPT authorities with possible negative effects on service quality (Hermann and Flecker, 2012, p. 201; Wieser, 2002, p. 69).⁹

⁷ Shifting the supply of a service to separated publicly owned legal entities (corporatisations) is a widely observed trend in LPT in European countries (see Zatti, 2012, p. 553). Recent empirical evidence on various economic and social effects of changing working conditions due to liberalisation and privatisation is discussed in Flecker and Thörnqvist, 2012.

⁸ "New employees who are no longer employed under public law have to accept wages which are about 13% lower than those of their co-workers hired before the spin-off" (Loser, 2009, p. 24).

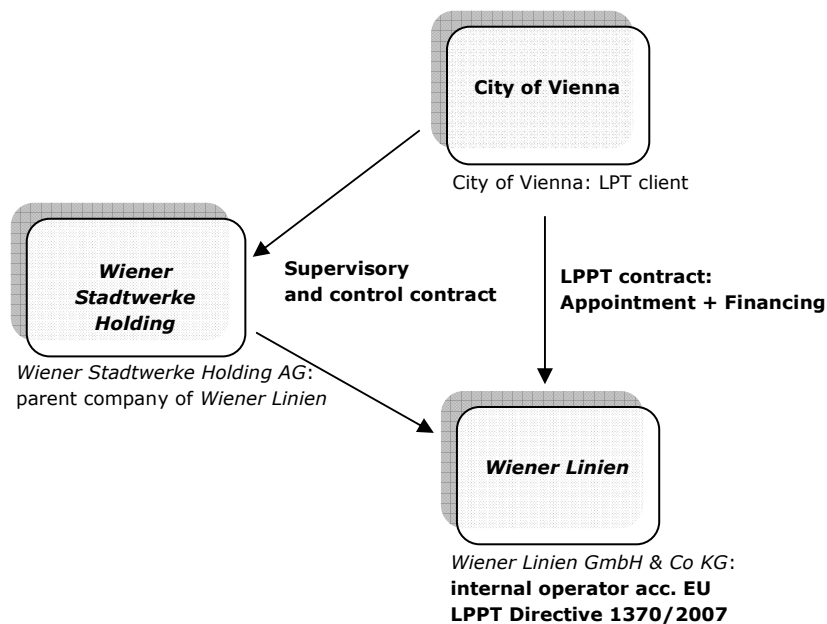
⁹ It is reported that publicly owned companies in LPT incur 30-50% higher labour costs than private companies (Loser, 2009, p. 13).

5. Governance and Regulation

5.1 Formal Organisation – Players and Responsibilities

Until the 1990s, as described above, the planning and provision of important public services used to be carried out by the Vienna City Administration and its utilities, which were organised as owner-operated municipal enterprises, with a subdivision, *Wiener Stadtwerke-Verkehrsbetriebe*, carrying the responsibility for LPT. As part of the reorganisation at the end of the 1990s, this subdivision was spun off and renamed *Wiener Linien*.¹⁰

Diagram 3: Key Actors



The present governance structure of *Wiener Linien* is characterised by the interplay between three main actors (see diagram 3):

- the City of Vienna, the contracting authority for the transport services;
- *Wiener Linien*, the public contractor providing the specific services and;
- *Wiener Stadtwerke Holding AG*, involved in the governance as the parent company of *Wiener Linien*.

¹⁰ For a detailed description of the LPT-regime in the late 1990s see an empirical analysis of the system of governance of LPT in Vienna by Faber, published in 2002; more recent studies are Unfried, 2005; Loser, 2009.

City of Vienna

According to the Austrian federal constitution, Vienna has a special status. It is a municipality as well as a *Land*, hence the political institutions of both authorities exist.

As a *Gebietskörperschaft* (legal authority), the City of Vienna has regional and local tasks to attend to and is – *de jure* and *de facto* – responsible for the functioning of LPT in Vienna.¹¹

The provincial parliament (*Landtag*) numbers 100 delegates who are also members of the Municipal Council of the City of Vienna. The City Senate, which is also the provincial Government (*Landesregierung*), with the mayor and eight Executive City Councillors (*Stadträte*) topping the pyramid, constitutes the city Government, and manages the administration. A City Council Committee for Traffic is in place, consisting of representatives of the political parties elected into the provincial parliament.

Austria's Social-Democratic Party enjoyed a comfortable majority both in the provincial parliament and in the City Council for several decades, thus being in a position up to 2012 to form the City Government. Following the 2012 elections, Vienna is currently – for the first time ever – governed by a coalition of the leading Social-Democrats and the Green Party, with the junior coalition partner contributing in a major way in the shaping of the city's traffic policies.

Both parties pursue largely congruent LPT policies: advancement and expansion of the public transport network, as well as reduction of private motor car use in the city. Nevertheless, they sometimes advocate measures and priorities that differ in details.

The administration (*Magistrat*) is divided into administrative city groups. Within the administration of the City of Vienna, there are two entities which are responsible for LPT matters: Municipal Department 18 – Urban Development/City Planning (*Magistratsabteilung 18 Stadtplanung*) and Municipal Department 5 – Financial Management (*Magistratsabteilung 5 Finanzwesen*).

The strategic targets assigned to *Wiener Linien* by the City of Vienna are stipulated in the current Strategy Paper of Vienna Municipal Development (Municipal Department 18). For example, the current Transport Master Plan of the City of Vienna 2003 (*Masterplan Verkehr 2003*), adapted and expanded in 2008, sets forth concrete modal split targets for reducing individual motor car traffic up to the year 2020 (see section 3).

Municipal Department 5 is responsible for the financing of the LPT services ordered from *Wiener Linien*. Besides its contractual obligations, the City of Vienna also exerts influence on the strategic planning of the enterprises through

¹¹ See in more detail Loser, 2009, p. 23.

the representatives it appoints to the supervisory committees of *Wiener Linien* and *Wiener Stadtwerke Holding AG*.

The City of Vienna acts both as the purchaser of LPT services and, in its capacity as a policy maker, makes strategic transport policy decisions. It is responsible for transport and environment policy objectives, financing (tariff structure) and strategic planning functions, partially through the involvement of *Wiener Stadtwerke Holding AG*. In practice, the main area of competence of the local authority is the (longer-term) traffic planning for the new links with urban expansion districts and the development of underground railway lines. The tasks of organisational traffic planning (route acceleration, route planning, intervals and timetables, etc.), however, devolve *de facto* upon *Wiener Linien*.

Wiener Linien

Wiener Linien GmbH & Co KG, a limited liability corporation, was formed in 1999 by the reorganisation of *Wiener Verkehrsbetriebe*.¹² The enterprise is a fully owned subsidiary of *Wiener Stadtwerke Holding AG*, which, in turn, is the sole property of the City of Vienna.

All managerial functions are carried out by three directors. The Supervisory Board consists of six members, two of whom are nominated by staff (*Wiener Linien Jahresbericht*, 2010).

The explicit appointment of *Wiener Linien* with the tasks of planning and execution of LPT services dates from 2001. For the first time, such appointment was done by means of an agreement between the City of Vienna and *Wiener Linien GmbH & Co KG*.

Wiener Linien has the role of contractor for all the relevant functions of traffic management, provision of infrastructure and operational tasks. As the integrated operator of the Vienna LPT network, the company bears the sole responsibility for the quantity and quality of the entire municipal line system. Only in the bus sector a substantial portion is operated by (private) subcontractor entities commissioned by the licence holder, *Wiener Linien* (see section 3).

The contractual structure implies that *Wiener Linien* assumes the operating risk, since its revenues depend on the extent to which its transport services are actually used. The City of Vienna merely grants a previously agreed financial compensation for specific public service obligation efforts in connection with the quality and quantity of the service. Key determinant risk factors are, consequently, the market acceptance of the transport services provided and the amount of their compensation during the term of the contract.

¹² In particular, *Wiener Linien* is a special legal construction, combining two companies; the operative business is the responsibility of *Wiener Linien GmbH & Co KG*, while *Wiener Linien GmbH*, in its general partner capacity, takes over the management tasks.

Wiener Stadtwerke Holding AG

Wiener Stadtwerke Holding AG, legally a stock corporation, is operationally active in Vienna in the business areas of energy, transport, funeral services and cemeteries, and the management of investments. As the parent company and owner of *Wiener Linien*, it can set general objectives and is contractually responsible for supervisory and monitoring functions.

The Managing Board of *Wiener Stadtwerke Holding AG* consists of three members (until 2013 four members), one of whom is responsible for *Wiener Linien*. The Supervisory Board comprises eleven members (twelve until 2013), four of which are nominated by the Works Council.

The three leading actors are thus, in practice, bound by close organisational and economic relationships, mainly determined by company legislation (see diagram 3). Said close relationships are further reinforced by the right of the City of Vienna, as sole proprietor, to appoint the top managers of those companies.

5.2 Cooperation Between the Key-Players

In practice, the interplay between the three key actors displays the following basic pattern:

The City of Vienna – to a certain extent in cooperation with *Wiener Stadtwerke Holding AG* – is responsible for traffic and environment targets, financing (tariff structure) and functions of strategic planning.

Responsible for finance, Municipal Department 5 draws on the budget competence of the Administration of the City of Vienna and in the context *Wiener Linien* assumes the role of the owner's representative. Notably, it is not responsible for traffic policies. In spite of that, Municipal Department 5 has a crucial role in LPT, since it negotiates directly and, to a large extent, independently of other Municipal Departments with *Wiener Linien* the range of services to be included in the LPT contract and, furthermore, regulates financial matters.

Municipal Department 18 (City Development and Planning) is responsible, as part of its city planning tasks, for Vienna's traffic planning. The Department is part of the business group for urban development, transport, climate protection, energy planning, and citizen participation in the Administration of the City of Vienna. In practice, the main responsibilities of this Department lie with (longer term) traffic planning for the connection of newly developed urban expansion zones and with the extension of underground lines. On the other hand, organisational measures of traffic planning are *de facto* left to *Wiener Linien* (Faber, 2002, p. 197). It is therefore incumbent upon *Wiener Linien* to perform all key operative tasks, such as operation and maintenance, infrastructure, marketing and communication, as well as assignment of contracts to subcontractors.

The catalogue of requirements of which the public LPT interest must now take account includes items regarding the size and scale of the transport operation (lines, connections, intervals, etc.) and ever more importantly, the parameters defining the quality of task execution. The LPT-agreement addresses the matters of availability, accessibility, information, travel time, client care, comfort, safety and the containment of negative effects on the environment. The implementation of operational quality criteria, defined by suitable indicators, is effected by the appointed operator *Wiener Linien*. The City of Vienna receives regular reports and has the right to order quality audits.

On the one hand, the organisational structure described above is meant to be conducive to the realisation of the traffic policy targets pursued by the City of Vienna. On the other hand, the same structure is designed to safeguard the direct assignment of LPT service provision contracts to the internal operator *Wiener Linien* without public tendering process, while still complying with the requirements of the EU-Directive 1370/2007. In practice, there exist direct contractual obligations of *Wiener Linien* towards the City of Vienna (LPT-contract), contiguous with the supervision and control contract between the City of Vienna, *Wiener Stadtwerke Holding* and *Wiener Linien*. The key contents of the LPT contract concluded between the City of Vienna and *Wiener Linien* regard the explicit assignment of LPT services to *Wiener Linien* (excepting municipal railway) and the regulation of financing models for both operation and infrastructure.

In the past ten years, numerous planning, coordination and decision-making processes have been worked out and established between the three key actors and other stakeholders in Vienna's LPT system. This organisational structure enables a good response to transport-specific assignments. Moreover, it allows *ad hoc*, specific, higher-priority interests of party politics to be taken into consideration (e.g. economic and social policy demands, political election cycle considerations, etc.).

Based on the experience accumulated to date, *Wiener Linien* regards the previously described organisational model as appropriate for the optimum implementation of its public service mission. This opinion is also shared by the Government of the City of Vienna.

In practice, the operation of the specific "Viennese organisational LPT model" is significantly marked by the mission assigned to *Wiener Linien*, as well as by its self-conception as an integrated operator. The desired integration of functions is meant, from the perspective of the enterprise, to bring about important advantages for travellers, as well as economic benefits to the enterprise itself.

In this model of close legal and informal relations between the three key players and their institutional representatives, the danger of exploiting information asymmetries, particularly by *Wiener Linien*, appears to be negligible

or non-existent. Indeed, there is no evidence that this occurs in practice.¹³ Moreover, from a transaction cost perspective, the realised institutional arrangement also seems to be advantageous.¹⁴ Looking at similar cases, this general assessment seems justified. Swarts and Warner, 2014, examine the restructuring of public transport in Berlin, where a mixed firm with private subsidiaries was created. They find that “The Berlin case confirms the conclusion prevalent in the literature assessing public transit service delivery that a strong regulatory regime with well-defined roles and limitations of the public and private actors is essential to the success of mixed delivery models” (p. 141).

As already mentioned, *Wiener Linien* assumes the operating risk, since its revenues depend upon the degree of utilisation of its transport services (Unfried, 2005, p. 149). The key parameters in this context are the market acceptance of the range of services it offers, as well as the fares it charges. The City of Vienna only provides a predetermined financial compensation for general interest requirements which define the quality and quantity of the services offered.

The functions to be integrated, with a view to fulfilling the enterprise’s public mandate, include especially bus, tram and subway route offerings (network coverage, number of nodes offering transfer possibilities), ticket and tariff architecture (consistent ticket standards and tariff structures), the provision of passenger-relevant information (consistency, accessibility, comprehensiveness), as well as marketing and communication. Furthermore, LPT services are required to be reconciled with other city planning measures and user-relevant facilities (city bikes, car sharing, and park & ride garages).

From the point of view of the enterprise a relevant consideration is that complex and comprehensive LPT services enhance the value-added ratio of the coordination activities and network management to the transport performance.

5.3 Other Stakeholders and Interest Groups

Besides the previously sketched (close) framework of the formal organisational structure of the inner-city transport services provided by *Wiener Linien*, other actors are also involved in the provision and operation of LPT services in and around Vienna (see especially Faber, 2002, section 3.2.3).

Some of the institutions and interest groups involved seek to acquire influence to further their (partial) interests in specific areas. Other organisations and enterprises are directly or indirectly involved in the governance or operation of regional transport in the Greater Vienna area.

¹³ Some theoretical arguments on this topic are discussed by Cruz *et al.*, 2014.

¹⁴ In the recent discussion on re-municipalising of public services lower transaction costs are an important argument in favour of in house-provision against outsourcing to private providers (Hall, 2012, p. 7). With respect to the consequences of necessary regulation of corporatisations Zatti, 2012 (p. 563) addresses trade-offs in terms of transaction costs, public control and accountability; see also Grossi, Marcou, Reichard, 2010, p. 237.

The important stakeholders and interest groups are the Federal State (Republic of Austria), *VOR* (regional transport association), *Wiener Lokalbahnen* (Vienna Local Railways), the Vienna Chamber of Commerce, the Federal Chamber of Labour, and the employees of *Wiener Linien*.

The Federal State

The Republic of Austria is involved, in various capacities, in LPT issues. By virtue of the allocation of responsibilities stipulated in the Constitution, the Federal State is in charge of the railway system, which also includes the legislation concerning the subway and tramway network. Furthermore, the Federal State pursues superordinate traffic policy interests.

However, as the owner of the Austrian railway company *ÖBB*, which with its municipal railway lines covers approximately a quarter of Vienna's transport performance (Faber, 2002, p. 297), the Federal State also pursues its own economic interests. The City of Vienna concluded a service contract with *ÖBB* which complies with the EU-Directive 1370/2007 EG; the current version of which is valid until 2019.

Through various conduits (e.g. Family Burdens Equalisation Fund – *FLAF*, Fiscal Equalisation Law – *FAG*), the Federal State grants important subsidies to LPT, which are motivated by distributional goals and social policies. By the same token, the Federal State carries fifty percent of the underground extension programme's investment costs.

VOR – Eastern Region Transport Association (Verkehrsverbund Ostregion)

The Eastern Region Transport Association (*VOR*) is responsible for the customer-oriented coordination of LPT in Eastern Austria, while also taking into consideration the interests of the three *Länder* in the region.¹⁵

The Vienna Local Railways (Wiener Lokalbahnen)

Wiener Lokalbahnen AG is a fully owned subsidiary of *Wiener Stadtwerke Holding AG*, and is essentially responsible for the passenger and freight transport on its own railway track connecting Vienna with the town of Baden.

The Vienna Economic Chamber (Wirtschaftskammer Wien)

The Vienna Economic Chamber represents, in the context of LPT, the interests of its member enterprises, and is involved in numerous topics and individual issues (e.g. construction measures, route planning). Private bus operators acting as contract partners, i.e. subcontractors of *Wiener Linien*, can also make their voices heard through the Vienna Economic Chamber.

¹⁵ The important role of transport associations in the organisation and coordination of local and regional public traffic services is described in Loser, 2009, p. 7.

Federal Chamber of Labour (Bundes-Arbeitskammer)

In keeping with the Austrian system of social partnership, the Federal Chamber of Labour is institutionally involved in all important issues and decision-making processes, as is the Vienna Economic Chamber. The Federal Chamber of Labour represents the interests of all employees who work in Vienna or use *Wiener Linien* to commute to and from work. The interests of LPT and of *Wiener Linien* employees are usually represented internally by the *Wiener Linien* Works Council.

Wiener Linien Employees

Specific interests of the approximately 8,000 employees of *Wiener Linien* are primarily represented internally by the Works Council and the members of the Supervisory Board, who are nominated by the staff.

Vienna LPT Passengers

One important group of stakeholders are the passengers and users of *Wiener Linien*. The interests of this heterogeneous group of customers are represented, at least partially, by different organisations. In this regard, a special role is played by the *Fahrgastbeirat* or Passengers' Committee, set up by *Wiener Linien* in 2004 as an institutionalised passenger representation body. The Passengers' Committee is tasked with relaying customers' concerns and criticisms directly to the company management.

As a public enterprise with an extensive public service obligation in LPT matters, *Wiener Linien* regards itself not least as a representative of the interests of its passengers. It interprets its service provision mandate based on its own expertise and strives to map out concrete performance-related customer needs.

5.4 Interplay between Stakeholders

The available information and empirical findings reveal the following configuration of the formal and informal relationship structures (see diagram 4).

On the whole, *Wiener Linien* has a position of dominance in the governance system of LPT and enjoys remarkable freedom of manoeuvre in the provision of its transport services.¹⁶ In the past, it has used these structuring possibilities extensively, primarily with an eye to satisfying customer needs and to the further development of the range of its transport services. The other institutions and organisations primarily have (partial) interests of their own in LPT. Either institutionally or informally, such stakeholders are involved in particular phases of transport policy decision-making, whether regularly or on an *ad hoc* basis.¹⁷

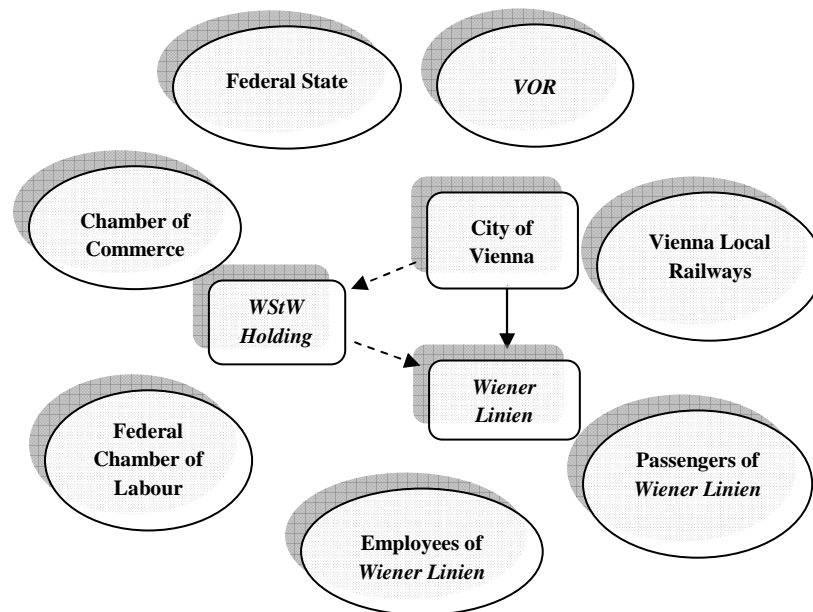
¹⁶ Faber, 2002, pp. 191-197 calls it a “quasi-monopoly on traffic services in Vienna”.

¹⁷ These findings are in general consistent with the overall results of an empirical analysis of the system of governance of LPT in Vienna (Faber, 2002). His study was carried out about 15 years ago and describes in detail the mechanisms of the LPT-regime. It highlights also the prehistory of transport service provision and is based on numerous interviews with

To sum up, it may be said that, despite the changes seen in recent years in the organisational, contractual and informal framework and web of relationships around *Wiener Linien*, the leading actors, power potential and basic pattern of governance have changed only little, if indeed at all.

Regarding performance the transport services provided by *Wiener Linien* function well and LPT in Vienna – even by international comparison – meets quite high quality standards (see section 2.4).

Diagram 4: Players and Stakeholders



As confirmed in a comparative study of the cities of Lyon, London, Stockholm and Vienna, Wiener Linien shows above-average efficiency in the provision of service (Jansa and Sedeek, 2005). More particularly, Vienna scores best for direct efficiency (passengers per carriage) and costs per journey. The authors conclude that there is no evidence that sharper competition due to the liberalisation or privatisation of LPT would improve efficiency.¹⁸ Current tariff developments (price reduction for annual tickets 2012) and the increasing share of journeys by annual ticket will by no doubt secure this leading position.

Similarly, the level of public subsidies is below average. The financing regulation makes a considerable contribution in this respect, with the

stakeholders and involved parties. On the whole, the statements of the study on essential features of the governance regime remain appropriate for the present time.

¹⁸ This statement seems to be supported by findings of the LPT-case of Berlin, where Swarts and Warner, 2014 reaches the conclusion “that the potential benefits of competition were not worth risking increased transaction costs and reduced accountability, and in confidence that achieving cost savings would be possible without a competitive bid” (p. 141). The case of the partly privatised Berliner Wasserbetriebe BWB, analysed by Schaefer and Warm 2014, provides an example how political and organisational shortcomings in the implementation has led to negative results. A re-municipalisation of the BWB is currently in discussion.

enterprise's operating costs subsidised by the City of Vienna. The net profits per passenger are relatively low, but steadily rising. The study also shows that sharper competition due to the liberalisation or privatisation of LPT would do little to improve efficiency.

6. Setting of Tariffs and Distributional Aspects

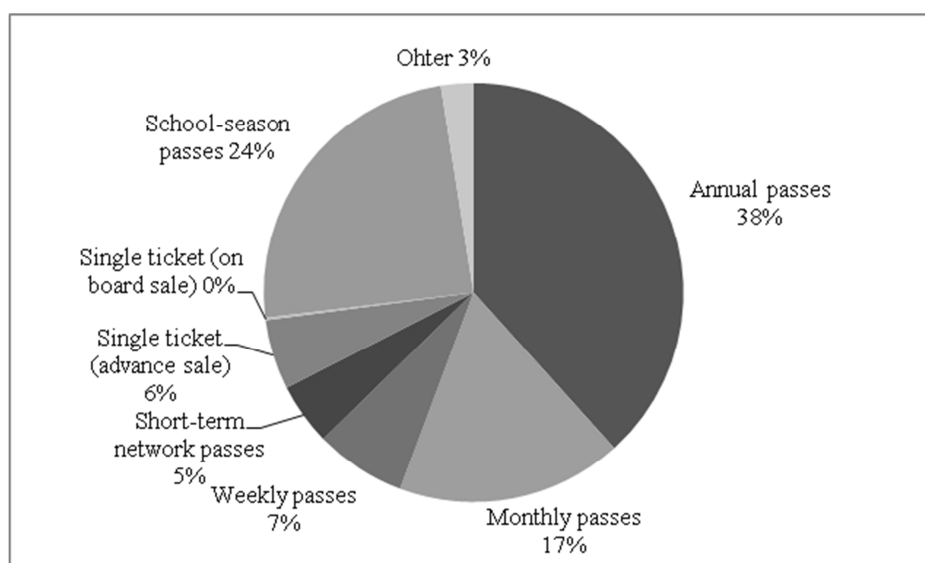
During the 1950s and 1960s, the setting of tariffs and decisions regarding investments were matters for the City Council. The powers of the management of *Wiener Linien* were greatly restricted, especially in terms of financial and personnel policy, by the bodies of the Municipal Administration (City Council and Mayor). The creation of *VOR* in 1984 and the unbundling in 1999 brought clear changes as regards price-setting (see section 5.3).

VOR was founded at the nexus of *ÖBB*, *Wiener Stadtwerke-Verkehrsbetriebe* and the Vienna Local Railways. The main aim was mutual acceptance of tickets (through-ticketing) and revenue-sharing. The allocation of revenues from *VOR* is currently regulated in the so-called revenue distribution agreement (*Einnahmenaufteilungs-Vertrag*) (see Loser, 2009, p. 18).

Tariff adjustments are subject to approval by the *Wiener Linien* Supervisory Board and also require ratification by the other *VOR* partners. *Wiener Linien* enjoys tariff autonomy, but tariff consistency within *VOR* is a requirement.

Hereby, *Wiener Linien* needs to take into consideration market requirements, the interests of municipal traffic policies and those of *VOR*. "Tariff hikes are only acceptable within the limits of economic requirements and under consideration of reasonable rationalisation and cost-reduction potentials" (Kontrollamt der Stadt Wien, 2010, p. 5). Tariff changes need to follow changes in objective parameters, for instance rising labour costs or quality improvements.

Diagram 5: Passenger tariffs by tariff 2012



Source: *Wiener Linien*, own representation.

Social and environmental aspects are not specifically addressed in the price-setting process. Nonetheless, the socially and/or physically disadvantaged are granted special fares. The Social-Democratic-Green coalition forming the city Government since 2012 has created a task force mandated with the optimisation of the tariff structure, considering social, temporal, performance-oriented and climate protection parameters. As a first step, the price of the regular annual pass has been brought down. Currently, the annual pass costs 365 Euros, the monthly pass 47 Euros, the weekly pass 15.80 Euros and the individual or single ticket, if bought on board the vehicle, 2.20 Euros. The tariff reduction on annual passes has brought about a marked increase in passenger numbers. Diagram 5 shows the distribution by tariff of the slightly more than 900 million passengers in 2012.

Conclusions and Lessons Learned

Kept very general in the early days of the takeover of trams and buses in Vienna, the objective of provision of adequate LPT services was given concrete form and further developed in many respects over the decades. The past ten to fifteen years have witnessed the development of particularly detailed plans for the expected fulfilment of the specific public mission of LPT.

The primary objective agreed between the City of Vienna as the client and *Wiener Linien* as the contractor is to make available an optimally integrated, comprehensive range of transport options, as an attractive alternative to motorised private transport in Vienna.

The catalogue of requirements of which the public LPT interest must now take account includes items regarding the size and scale of the transport operation (lines, connections, intervals, etc.) and, ever more importantly, the parameters defining the quality of task execution. The LPT-agreement specifically addresses the matters of availability, accessibility, information, travel time, client care, comfort, safety and the containment of negative effects on the environment.

Wiener Linien aspires to maintain its position as an integrated LPT operator in Vienna in the future. It is explicitly interested in the conservation of what is, from its own perspective, the successful “Vienna model”, even in the context of future LPT reforms. *Wiener Linien* wishes to avoid being reduced to the role of a “carrier” – now, and in the future.

This target is to be secured through further, enhanced integration of traffic planning, traffic management, infrastructure and operation. In 2010, *Wiener Linien* set its strategic orientation for the following decade. Central to this strategy are the targets set in agreement with the City of Vienna, as owner and contracting body, of boosting passenger numbers and thus further enhancing the market position of the enterprise. Next to quality and performance requirements, the strategy is geared towards consistent improvement of cost-effectiveness and

the revenue-to-cost ratio, thus enhancing the competitiveness of *Wiener Linien*. Furthermore, efficiency-boosting measures concerning rail-vehicles and other energy-relevant investments are envisioned (Wiener Linien Jahresbericht, 2010, p. 27).

Conclusions

Vienna's precursor LPT-companies acted, *de facto*, as integrated operators, but under fundamentally different legal and economic conditions as regards governance, financing responsibility and risk. In the past, local public passenger transport companies were steered by means of internal regulation, within the municipal administrative organisation. The financial flows were not transparent, acquisition was secured by internal subsidies from other business fields (municipal cross-subsidising) and deficits were covered from the local authority's budget and borrowed money. Price decisions were not taken autonomously by *Wiener Linien*, but rather by the Municipal Council of the City of Vienna.

Strategic questions of business management, investment policy and transport-related development prospects in Vienna were – and to a great extent still are – discussed and decided by (only) three key players. In this governance model, very much imbued with a spirit of cooperation, there is broad consensus among the key players regarding the general public interest in LPT and central elements of the related public mission. All concerned actors have a basic interest in the realisation of an efficient, modern, safe, user-friendly, need-driven local public transport system. Practical operational tasks are jointly identified, based on the essentially corresponding, undisputed interpretation of the Vienna LPT's public mission. The operator is obliged to fulfill specific, contractually stipulated, long-term assignments.

Wiener Linien is contractually obliged to guarantee a range of services with specific standards as regards quantity and quality, and to stay within the financial limits agreed to that end. Hereby it enjoys considerable *de facto* autonomy in the execution of its service mission, in its price-setting, as well as with regard to the development of an obligatory quality management. The company can also make its own decisions as to which routes it wishes to entrust to private operators. It is further responsible for the EU-wide award of contracts, selection, contract formulation, and for monitoring the performance of the appointed subcontractors. Responsibility for all local public passenger transport services (except for the municipal railway *Schnellbahn*) rests solely with *Wiener Linien*.

Wiener Linien is making great efforts to provide new, specific transport services and enhance its customer orientation. In the same vein, various initiatives are now aimed at boosting the quality of its services. Comparisons with national and foreign transport enterprises serve as a signpost towards the further development and implementation of innovative services, as does

international LPT quality benchmarking. These measures contribute to the fulfilment of the enterprise's public mission and are, occasionally, taken on its own initiative. In part, they go beyond concrete, contractual tasks and, to that extent, may be regarded as services provided on a voluntary basis. One important motive for these endeavours may well be the market position of *Wiener Linien* in relation to the goal of further tilting the modal split towards public transport usage and improving its image as an efficient, successful enterprise.

It is quite probable that *Wiener Linien* will be reappointed as the integrated LPT operator after the expiry of the current contract, which is valid until 2016. In the event of a new award of contract, however, it can be expected that the agreement will presumably contain more restrictive, more detailed rules and regulations, following the trend toward greater transparency and objectivity. The grantee will consequently enjoy less room for manoeuvre in the autonomous operationalisation of specific transport services and quality matters.

A comparative study of the cities of the LPT in Lyon, London, Stockholm and Vienna reveals for *Wiener Linien* above-average efficiency in the provision of service. There is no evidence that sharper competition due to the liberalisation or privatisation of LPT would improve efficiency.

Although considerable changes have been made in recent years to the organisational, contractual and informal framework and web of relationships around *Wiener Linien*, mainly triggered by the policies and directives of the EU, the leading actors, the power potential and basic pattern of governance essentially remain much the same and have changed little, if indeed at all. Unlike the other actors and stakeholders who, as a rule, follow their own partial interests in LPT, *Wiener Linien* has a decisive *de facto* advantage of information in the planning and operation of transport services. This advantage greatly strengthens the enterprise's bargaining position against partial interests. This results, *de facto*, in a certain dependence of the politically responsible local authority on *Wiener Linien*, which, through its near-monopoly position, can exert great influence on transport policy.

On a more critical note, the traditionally strong position of *Wiener Linien* in this constellation of the LPT governance system does entail the risk for the City of Vienna that it offers (too) few possibilities for effective assertive action in case of severe conflict. Although this issue was not relevant in the past, it could become a challenge in the future, resulting from institutional changes, tensions within the workforce or cost cutting demands.

Another critical point may result in future from the actual allocation of the operational risk. It should be noted that under the LPT contract, *Wiener Linien* bears, at least in principle, the exclusive operating risk, since its revenue depends on the extent of use of its transport services. The City of Vienna merely grants a previously agreed financial compensation for specific public service obligation efforts in connection with the quality and quantity of the service. In a

changing environment, with rising expenditures for employees and higher costs for services *Wiener Linien* faces new challenges and difficult management decisions.

Lessons Learned

Considering the evidence and experience of the past, it can be stated that, on the whole, the transport services provided by the public enterprise *Wiener Linien* function well and LPT in Vienna meets – even by international comparison – quite high quality standards. Furthermore, the governance system of Vienna's LPT services may certainly be regarded as a reasonable effective solution in terms of the transaction and organisational costs resulting from the realised institutional arrangement. Indeed, it allows the involved players properly execute the public service obligation.

This seems valid concerning the provision of modern and affordable traffic services as well as concerning the fulfilment of social and ecological demands and of sustainability requirements. In this regard the public enterprise *Wiener Linien* is designed and effectively used as an instrument to contribute to various objectives of its public owner (according to the idea of the *Instrumental thesis* by Thiemeyer, 1975).

Like in other cities, interplay between the actors in LPT takes place in a complex relational system. In the past ten years, various planning, harmonisation and decision-making processes have been worked out and established between the three leading actors and with other stakeholders in the Vienna LPT. This partially informal structure of relations is also secured through interpersonal connections. As a result, the adopted formal and informal governance structures facilitate and promote the creation of consensus between the local authority, *Wiener Linien* and *Wiener Stadtwerke Holding AG*. The coordination effort required for various factual and policy issues, e.g. for the harmonisation of tariffs or for new transport services, is likely to be much less daunting than with alternative organisational models.

Moreover, the risk of misuse of information asymmetries seems low, due to close interpersonal relations. This particular setting further allows, if need be, consideration of specific higher-priority political (party) interests (e.g. economic and social policy desiderata, election considerations, etc.).

The generally high standard and the favourable assessment of Vienna's LPT are probably due to the fact that *Wiener Linien* pursues its public mission in the politically desired manner – that is, in an altogether satisfactory manner. In the past, *Wiener Linien* used, as far as possible, its (considerable) room for manoeuvre in the planning of its services according to its own interpretation of the specific public service mission.

To sum up, the history of LPT in Vienna shows clearly that over decades the model of organisation and governance of services is characterised by public

ownership and political responsibility by the city, which both were never seriously questioned.

Since 2000, the public enterprise *Wiener Linien* is the responsible provider of LPT services, in the succession of the former *Wiener Stadtwerke-Verkehrsbetriebe*. *Wiener Linien* benefits from a quasi-monopolistic position within the LPT governance system. It has consistently used the freedom of manoeuvre granted to it to enhance its customer orientation and to further develop the range of transport services it offers. From this perspective, the institutional setting described above has stood the test of time and is likely to prove its achievement potential in the future, as well. There is no evidence or convincing indication that an institutional arrangement for service provision privatised to a higher degree, or in total, would lead to better governance, performance or quality of the specific public service mission in local public transport in the City of Vienna.

References

- Cruz, N. F., Marques, R. C., Marra, A., Pozzi, C., “Local mixed companies: The theory and practice in an international perspective”, in *Annals of Public and Cooperative Economics*, 2014, Vol. 85, No. 1, pp. 1-9.
- Faber, C., *Governance-Regimes im Öffentlichen Verkehr*, Dissertation, Wirtschaftsuniversität Wien, 2002.
- Flecker, C., Thörnqvist, C., “Outsourcing, Competitive Tendering and Changing Working Conditions in Local Public Traffic”, in C. Hermann, J. Flecker (eds.) *Privatization of Public Services – Impacts for Employment, Working Conditions, and Service Quality in Europe*, New York, Routledge, 2012, pp. 74-88.
- Frank, F., “Der öffentliche städtische Verkehr in der Bundeshauptstadt Wien und anderen österreichischen Städten”, in *Handbuch der österreichischen Gemeinwirtschaft*, herausgegeben von der Arbeitsgemeinschaft der österreichischen Gemeinwirtschaft, Wien, 1960, pp. 367-383.
- Greiling, D., “Stadtwerke Köln: a market-based approach towards public service provision”, in CIRIEC - L. Bernier, *Public Enterprises Today: Missions, Performance and Governance – Learning from Fifteen Cases*, Series “Social Economy and Public Economy”, No. 5, Peter Lang (forthcoming).
- Grossi, G., Marcou, G., Reichard, C., “Comparative aspects of institutional variants of local public service provision”, in H. Wollmann, G. Marcou, (eds.), *The Provision of Public Services in Europe*, Cheltenham UK, Edward Elgar, 2010, pp. 217-239.
- Hall, D., *Re-municipalizing municipal services in Europe*, PSIRU, London, 2012.
- Hermann, C., Flecker, J., (eds.), *Privatization of Public Services – Impacts for Employment, Working Conditions, and Service Quality in Europe*, New York, Routledge, 2012.
- Hermann, C., Flecker, J., “Conclusion – Impacts of Public Service Liberalization and Privatization”, in C. Hermann, J. Flecker (eds.), *Privatization of Public Services – Impacts for Employment, Working Conditions, and Service Quality in Europe*, New York, Routledge, 2012, pp. 192-205.
- Jansa, E., Sedeek, S., *Vergleichende Analyse zur Effizienzentwicklung des ÖPNV zwischen liberalisierten Märkten (Lyon, London, Stockholm) und Wien unter Beachtung von Qualitätsstandards*, Diplomarbeit Wirtschaftsuniversität Wien, 2005.
- Loser, P., *Austrian Local and Regional Public Transport*, Working paper CIRIEC No. 2009/08.
- Obermann, G., “The role of the state as guarantor of public services: Transaction cost issues and empirical evidence”, in *Annals of Public and Cooperative Economics* 2007, Vol. 78, No. 4, pp. 475-500.
- Reisinger, K., “Die Wiener Stadtwerke”, in *Die österreichische Gemeinwirtschaft*, herausgegeben von der Arbeitsgemeinschaft der österreichischen Gemeinwirtschaft, Wien, 1982, pp. 351-359.

Schaefer, C., Warm, S., “Berliner Wasserbetriebe (BWB) – Water and sewage company in Berlin”, in CIRIEC - L. Bernier, *Public Enterprises Today: Missions, Performance and Governance – Learning from Fifteen Cases*, Series “Social Economy and Public Economy”, No. 5, Peter Lang (forthcoming).

Swarts, D., Wagner, M. E., “Hybrid Firms and Transit Delivery: The Case of Berlin”, in *Annals of Public and Cooperative Economics* 2014, Vol. 85, No. 1, pp. 127-146.

Thiemeyer, T., *Wirtschaftslehre öffentlicher Betriebe*, Reinbeck bei Hamburg, Rowolt, 1975.

Unfried, D., “Öffentlicher Personennahverkehr (ÖPNV)”, in Kammer für Arbeiter und Angestellte für Wien (Hrsg), *Zur Zukunft öffentlicher Dienstleistungen*, Wien, 2005, pp. 145-158.

Wieser, R., “Wettbewerb im öffentlichen Personennah- und Regionalverkehr”, in *WIFO Monatsberichte* 3/2002, pp. 167-178.

Wollmann, H., Marcou, G., (eds.) *The Provision of Public Services in Europe*, Cheltenham UK, Edward Elgar, 2010.

Wollmann, H., Marcou, G., “From public sector-based to privatized service provision. Is the pendulum swinging back again? Comparative summary”, in Wollmann, H., Marcou, G., (eds.), *The Provision of Public Services in Europe*, Cheltenham UK, Edward Elgar, 2010, pp. 240-260.

Zatti, A., “New organizational models in European local public transport: From myth to reality”, in *Annals of Public and Cooperative Economics* 2012, Vol. 83, No. 4, pp. 533-559.

Official reports and documents

BEST *Benchmarking in European Service of public Transport*: BEST Results of the 2010 survey. Copenhagen 2010.

EisbG: *Bundesgesetz über Eisenbahnen, Schienenfahrzeuge auf Eisenbahnen und den Verkehr auf Eisenbahnen*, BGBl. 60/1957, Fassung vom 01.02.2014. Bundesrepublik Österreich.

EN 13816/2002: *Transport-Logistik und Dienstleistungen – Öffentlicher Personenverkehr – Definition, Festlegung von Leistungszielen und Messung der Servicequalität*. European Committee for Standardization.

EN ISO 14001/2009: *Umweltmanagementsysteme – Anforderungen mit Anleitung zur Anwendung*. European Committee for Standardization.

EuroTest 2010 *Local Public Transport*; <http://www.eurotestmobility.com>.

KfLG: *Bundesgesetz über die linienmäßige Beförderung von Personen mit Kraftfahrzeugen*, BGBl. 203/1999, Fassung vom 01.02.2014. Bundesrepublik Österreich

Kontrollamt der Stadt Wien, *Wiener Linien GmbH&Co KG, Prüfung der Tarifstruktur*, KA IV-GU 230-2/10, 2010.

OHSAS 18001/2007: *Occupational safety and health protection management systems*.

ÖPNRV-G: *Öffentlicher Personennah- und Regionalverkehrsgesetz*, BGBl. I Nr. 204/1999, Fassung vom 01.02.2014. Bundesrepublik Österreich.

ÖPNV-Vertrag: *Öffentlicher Personennahverkehrs- und -finanzierungsvertrag*, Stadt Wien und Wiener Linien.

StrabVO: *Verordnung des Bundesministers für Wissenschaft und Verkehr über den Bau und den Betrieb von Straßenbahnen*, BGBl. II Nr. 76/2000, Fassung vom 01.02.2014. Bundesrepublik Österreich.

VO (EG) 1370/2007: *Verordnung über öffentliche Personenverkehrsdienste auf Schiene und Straße und zur Aufhebung der Verordnungen (EWG) Nr. 1191/69 und (EWG) Nr. 1107/70 des Rates*. Europäisches Parlament und Rat der Europäischen Union.

Wiener Linien, *Jahresbericht* 2010.

Wiener Stadtwerke, *Annual Report* 2010 and 2012.

This yearly series of working papers (WP) aims to publish essentially works in English or in French resulting from the scientific network of CIRIEC and more specifically its working groups. The WP are submitted to a review process and are published under the responsibility of the President of the International Scientific Council, the president of the scientific Commissions or the working groups coordinators and of the editor of the CIRIEC international scientific journal, the *Annals of Public and Cooperative Economics*.

These contributions may be published afterwards in a scientific journal or book.

The contents of the working papers do not involve CIRIEC's responsibility but solely the author(s)' one.

The submissions are to be sent to CIRIEC, Université de Liège au Sart Tilman, Bât B33 (bte 6), BE-4000 Liège, Belgique.

Cette collection annuelle de Working Papers (WP) est destinée à accueillir essentiellement des travaux en français ou en anglais issus du réseau scientifique du CIRIEC et en particulier de ses groupes de travail. Les WP font l'objet d'une procédure d'évaluation et sont publiés sous la responsabilité du président du Conseil scientifique international, des présidents des Commissions scientifiques ou des coordinateurs des groupes de travail et de la rédactrice de la revue scientifique internationale du CIRIEC, les *Annales de l'économie publique, sociale et coopérative*.

Ces contributions peuvent faire l'objet d'une publication scientifique ultérieure.

Le contenu des WP n'engage en rien la responsabilité du CIRIEC mais uniquement celle du ou des auteurs.

Les soumissions sont à envoyer à l'adresse du CIRIEC, Université de Liège au Sart Tilman, Bât B33 (bte 6), BE-4000 Liège, Belgique.

Publications

- 2014/01 Berliner Wasserbetriebe (BWB) – Water and sewage company in Berlin
Christina SCHAEFER & Stephanie WARM
- 2014/02 Berliner Wasserbetriebe (BWB)
Christina SCHAEFER & Stephanie WARM
- 2014/03 Publicization versus Privatization: Recent worldwide evidence
Stefano CLÒ, Chiara F. DEL BO, Matteo FERRARIS, Carlo FIORIO,
Massimo FLORIO & Daniela VANDONE
- 2014/04 Statistical methods for evaluating satisfaction with public services
Giancarlo MANZI & Pier Alda FERRARI
- 2014/05 The French Post
Philippe BANCE & Nathalie REY
- 2014/06 Relation entre l'opérateur de transport public à Bruxelles (STIB)
et l'autorité organisatrice : entre asymétrie et coopération
Christophe GOETHALS
- 2014/07 Reviving social economy in Romania – between emerging social enterprises
in all sectors, surviving communist coops, and subsidiaries of globalization
actors
Cristina BARNA & Anuța VAMEȘU
- 2014/08 Social exclusion and work integration: Social cooperatives
for people with mental health problems in Greece
Sofia ADAM
- 2014/09 Can the Uncertainty Caused by the Questioning of Tax Measures in Relation
to Cooperatives by the ECJ Be Solved?
Sofía ARANA LANDÍN
- 2014/10 Social Economy, Its Perception and Possibilities of Its Development
in Conditions of the Slovak Republic
Lenka PČOLINSKÁ
- 2014/11 Aid and Support for the Social Economy in Poland – The Case of
Social Cooperatives
Karolina MAJDZIŃSKA
- 2014/12 The Portuguese Law on Social Economy
Deolinda APARÍCIO MEIRA
- 2014/13 The Architecture of a Social Enterprise: A Relational Approach
Pieter H.M. RUYS

./.

./.

- 2014/14 Vertu retrouvée ou survie imposée, les banques coopératives
dans l'après Coop Bank
Jean-Louis BANCEL & Olivier BONED
- 2014/15 La mesure de l'impact social : facteur de transformation du secteur social
en Europe
Nicole ALIX & Adrien BAUDET
- 2014/16 The Efficiency of the Portuguese Agricultural Credit Co-operatives
Governance Model
Paula CABO & João REBELO
- 2014/17 Local Public Transport in Vienna by *Wiener Linien* - Governance and
Provision of Services
Thomas KOSTAL, Verena MICHALITSCH & Gabriel OBERMANN

CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy) is a non governmental international scientific organization.

Its **objectives** are to undertake and promote the collection of information, scientific research, and the publication of works on economic sectors and activities oriented towards the service of the general and collective interest: action by the State and the local and regional public authorities in economic fields (economic policy, regulation); public utilities; public and mixed enterprises at the national, regional and municipal levels; the so-called "social economy" (not-for-profit economy, cooperatives, mutuals, and non-profit organizations); etc.

In these fields CIRIEC seeks to offer information and opportunities for mutual enrichment to practitioners and academics and for promoting international action. It develops activities of interest for both managers and researchers.

Le CIRIEC (Centre International de Recherches et d'Information sur l'Economie Publique, Sociale et Coopérative) est une organisation scientifique internationale non gouvernementale.

Ses **objectifs** sont d'assurer et de promouvoir la collecte d'informations, la recherche scientifique et la publication de travaux concernant les secteurs économiques et les activités orientés vers le service de l'intérêt général et collectif : l'action de l'Etat et des pouvoirs publics régionaux et locaux dans les domaines économiques (politique économique, régulation) ; les services publics ; les entreprises publiques et mixtes aux niveaux national, régional et local ; l'économie sociale : coopératives, mutuelles et associations sans but lucratif ; etc.

Le CIRIEC a pour but de mettre à la disposition des praticiens et des scientifiques des informations concernant ces différents domaines, de leur fournir des occasions d'enrichissement mutuel et de promouvoir une action et une réflexion internationales. Il développe des activités qui intéressent tant les gestionnaires que les chercheurs scientifiques.



International Centre of Research and Information on the Public, Social and Cooperative Economy - aisbl
Centre international de Recherches et d'Information sur l'Economie Publique, Sociale et Coopérative - aisbl

Université de Liège au Sart-Tilman
Bât. B33 - bte 6
BE-4000 Liège (Belgium)

Tel. : +32 (0)4 366 27 46
Fax : +32 (0)4 366 29 58
E-mail : ciriec@ulg.ac.be
<http://www.ciriec.ulg.ac.be>