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Gradual change towards re-integration. Insights from local public transport in Norway

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ABSTRACT

Organisational arrangements with the increased autonomy of politicians have become common in public service provision in Western countries. Agency deficiencies have been related to accountability and lack of trust, and a debate on re-municipalisation or re-integration of public services is emerging. In this paper, we explore what caused the displacement of a local public transport agency in Norway, by re-integrating agency tasks in to the public administration. We find that particularly two points are important to explain the displacement of the agency. First, powerful veto players that benefit from change, such as new political coalitions and local bus companies, are one driver for change. Second, weak administrative capacity and lack of competence in the county administration open opportunities for change agents who oppose to existing rules. The study also reflects the importance of seeing trust in the institutional context when studying public administration.

Introduction

Outsourcing and increasing autonomy of agencies are key components in New Public Management (NPM) reforms, which began in the Anglo-Saxon countries

in the early 1980s. Typically, public authorities have established agencies in the belief that such organisational solutions improve efficiency and performance (Yeung, 2010). However, criticism – particularly in relation to accountability (Christensen and Lægreid, 2007) and lack of trust (Van Thiel and Yesilkagit, 2011) – has been voiced, and, currently, debate is emerging on re-municipalisation or re-integration of public services (Hall et al., 2013; Wollmann, 2014). It is therefore of interest to understand why re-integration, and displacement of professional agencies, occurs.

This is a case study of the displacement of a local public transport agency in Norway, by re-integrating agency tasks into the public administration. The case is particularly interesting, due to persisting tensions between the political institution and the public transport agency prior to re-integration. A vast amount of studies look at agency creation and the role of agencies in politics (Leiren, 2015; Bach 2012; Verschuere and Bach 2012; Verschuere 2009). Fewer studies have dealt with the reasons as to why such agencies are abolished or displaced (Lægreid and Verhoest, 2010: 276; Adam et al., 2007). This has limited our understanding of factors that influence the displacement of public organizations (Adam et al., 2007). Such studies can help us understand why some organizations die and others survive, as well as the dynamics that lie behind this organisational change.

We investigate why the political majority made the ‘drastic’ decision to re-integrate public transport competence, thereby displacing the agency – and how to explain this decision. While most studies addressing agency termination are longitudinal with quantitative data (Kaufman, 1976; Lewis, 2002; Boin et al., 2010; Rolland and Roness, 2012; Maccarthaigh, 2014), we provide deeper insights, analysing a single case. This study will contribute to the literature by providing

deeper insights into the interpersonal relations and ongoing discussions that take place in the gradual process of change.

The next section addresses literature on agencies and relevant theoretical perspectives. The following section presents the data and methods used. We then describe how public transport is organised in Norway and provide a description of the public transport in Telemark. Finally, in light of the theoretical framework we discuss the evidence and draw a conclusion.

Theoretical framework

The popularity of delegating responsibilities to agencies, what we call the 'agency model', has reintroduced the centuries-old discussion about task division between politics and administration. Until the early 1970s, the dominating perspective was in keeping political and administrative processes separate, but, over time, a number of scholars have argued that clear division is impossible (for an overview, see Jacobsen, 2006). On the one hand, politicians will occasionally feel the need to intervene in administrative matters, while on the other they will need the expert knowledge from their administration to design their policy. Despite the difficulty of keeping politics and administrative tasks separate, NPM elements contributed to increasing the distance between political authority and the administrative and operational tasks. In particular, the introduction of semi-autonomous agencies re-introduced this division (Rommel and Christiaens, 2009).

Within organizations, persisting tensions exist due to power relations and resource considerations. This form a dynamic that may promote changes over time (Mahoney and Thelen, 2010: 8-9). Previous studies show how politicians

struggle to find a balance between autonomy of the agency and political control. Politicians control agencies through contracts or reporting (Jacobsen, 2007), which limits detailed political control (Aars and Ringkjøb, 2011). Some researchers support this argument: Pierre (2004) has shown that departmental staff frequently lack an overview of the tasks the agencies carry out. Aars and Ringkjøb (2011) argue that there is a reluctance among councillors to intervene directly in the responsibilities of an enterprise. However, as a last possibility, politicians intervene if they find it necessary or profitable when problems arise (Aars and Ringkjøb, 2011: 841).

Other researchers believe that 'more steering in big issues and less steering in small issues' is easier in theory than in practice (Christensen and Lægreid, 2007). Hogwood et al. (2001) argue that the legislature bombards agencies with politically sensitive tasks and closely monitors them, while other agencies experience political ignorance. Pollitt et al. (2004: 246) suggest that the status and organisational boundaries of many agencies are more or less constantly under scrutiny and tension. Longva and Osland (2010: 122) show that turmoil and user complaints are important reasons why politicians find 'themselves drawn towards the operational level, thereby breaking the lines between areas that are delegated and those that are not'.

The literature addresses two important issues concerning the tensions between policy and control of agencies: (1) agency characteristics and (2) relations between the agency and elected politicians.

Agency characteristics include elements such as budget size, type of task and legal type (formal autonomy). Authors have used these characteristics to categorize agencies and decide whether such features affect the level of political control. Van Thiel and Yesilkagit (2014) find that an agency's legal type has more

influence on political control than type of task; that is, high formal autonomy means less control because the task requires independence – research, for example. Despite low formal autonomy, however, agencies with regulation tasks have a high degree of policy autonomy, so this finding is not always clear-cut. Furthermore, control in terms of performance indicators becomes more important if the economic risk is high due to large budgets. In investigating Flemish agencies, Verschuere (2007) argues that large agencies with politically salient tasks have a greater chance of being an ‘agencification paradox’ than smaller agencies with less politically salient tasks. However, he also gives examples of agencies that do not fit this key finding, indicating that there is a need for further explanation.

Relations between agencies and politicians have been addressed in an increasing number of studies. In a case study of the Flemish Public Transport Company, Verschuere (2009) found that the agency has substantial influence in the preparation and determination of policy programmes, and in a survey of 122 agencies Bach (2012) discovered that many agencies are involved in policy formulation, yet this varies greatly. Agencies that have policy advice as their main task are more involved in policy formulation than others are. However, other agencies also play a role in policy formation processes, especially service delivery agencies. They possess practical knowledge on ‘what works’, which is important in developing implementable policy. Verschuere and Bach (2012) suggest that the involvement of agencies in decision-making can be beneficial, as these are the implementing actors with experience in the field and can therefore provide policy decision-makers with reality checks. Moreover, they find that close cooperation can be advantageous: in improving quality of the policy, in preventing adverse behaviour of administrative actors in the implementation phase, and in increasing trust between principals and agents.

Trust between the agency and its principals is the focus in several other studies. Van Thiel and Yesilkagit (2011) look at whether and how trust affects the steering or control of agencies. Using survey data from 2019 agencies, they show that proximity and frequent interaction are more important for trust than level of autonomy. In a study of five politically salient agencies, Rommel and Christiaens (2009) find that agencies have better relations with ministerial cabinets than with departments, because they use trust mechanisms to safeguard their autonomy. Agencies employ both positive and negative 'strategies' to increase the trust of their ministers. Positive aspects refer to how agencies communicate their own competence, routines and identity. Negative strategies are used especially when multiple actors compete for their ministers' trust; for example, if an agency and a department seek to achieve trust – and autonomy – from the same authority at the same time. Negative mechanisms are about decreasing each other's competence and visibility, and presenting the competing actor's identity as incompatible.

Turning to the field of agency termination, scholars have promoted numerous explanations to explain how institutional change gradually evolve. For example, some scholars argue that if major financial resources are needed to end an organization, this will affect termination probability (Adam et al., 2007; Carpenter and Lewis, 2004; Hall et al., 2013). However, as Hall et al. (2013) points out, an opportunity to end an organization without major costs *enables* re-integration, but does not necessarily lead to it. The same argument can be held for characteristics such as age and task allocation. Carpenter and Lewis (2004) find that the termination hazard occurs about five years after an agency is established and Maccarthaigh (2014) argues that agencies older than 15 years are less likely to be terminated than younger agencies. Others argue that single-purpose organizations are more likely to be terminated than multi-purposed organizations

because bad performance is more easily spotted (for an overview, see Adam et al., 2007). Although such characteristics may facilitate agency termination, they are hardly suitable to explain why some agencies live and others die.

In contrast, competing innovations (i.e. innovations as in being new to the jurisdiction) may affect the displacement of an agency. Mahoney and Thelen (2010) explain how institutions change incrementally. Their focus is on how stable institutions change. One mode of institutional change is displacement, defined as 'the removal of existing rules and the introduction of new ones' (p. 15). Displacement occurs if institutional supporters of the 'old' system are unable to prevent the implementation of the new rules. Yet, actors who were 'losers' under the old system are often the ones who introduce or support the new institutions (p. 16). Thus, displacement is most likely to happen if change agents face an institution in which there is little room for discretion in implementation, and if veto possibilities against change are weak (p. 19-21).

In the perspective of institutional change veto players are powerful actors, who have access to means of blocking change (Mahoney and Thelen, 2010). Political opponents is one important group of veto players. Several studies acknowledge party constellations as one reason of organizational change (Bardach 1976; Lewis, 2002; Rolland and Roness, 2012; Hall et al. 2013). Lewis (2002) studies agency termination among administrative agencies in the United States between 1946 and 1997, and argues that political turnover was one of the main reasons for agency termination. Another important group of veto players is private actors. The influence of groups that benefit from the survival or termination of an organization and the relative power of such groups may be crucial for organizational change (Adam et al. 2007).

Another important dimension in this perspective is the levels of discretion that the agency holds in interpreting and implementing rules. If there is a gap between rules and enforcement, this opens up opportunities for different interpretations and implementation of rules (Mahoney and Thelen, 2010: 21). In such situations, change may occur without changing the rules. However, if there is little room for discretion in implementation and administrative capacities are weak; this opens opportunities for change agents who oppose to the existing rules (p. 21).

According to Mahoney and Thelen (2010), political context and the room for discretion in implementation are important in order to explain institutional changes, for example, why a political majority decides to displace an agency. Organisational change can take various forms and the conceptualisation of organizational termination differs from study to study; there is no internationally agreed definition (for an overview see Adam et al., 2007; Rolland and Roness, 2011). Adam et al. (2007) argue that previous definitions are characterized by weak operationalisations, leaving too much open to the researcher's personal judgement. However, because of the complexity in organizational change and the difficulties of determining exactly what happened, it is important to recognize that some form of judgement will always be required (Rolland and Roness, 2011; Maccarthaigh, 2014).

When several organizations are involved at the same time, Rolland and Roness (2011) define five main types of organizational change: 1) *secession*, new organisation(s) is founded on parts of an old, still existing organization, 2) *splitting*, new organisation(s) is founded on parts of an old, recently terminated organization, 3) *absorption*, terminated organisation(s) forms part of an existing organization, 4) *merger*, a new organisation is founded on terminated organisation(s), 5) *complex reorganisation*, two or more new organisations are

founded on two or more terminated organisations. In this analysis, we focus on a case of 'absorption' (in the words of Rolland and Roness) or 'displacement' (as used by Mahoney and Thelen), as the public transport responsibilities do not cease to exist, but are moved to the existing political body.

Research design and data

In Telemark, the responsibilities for public transport are fragmented and shared on multiple levels (the county administration, the agency and the operating companies). The tensions between the stakeholders has been persistent, even after evaluations and earlier attempts (for example via the use of consulting services) to improve the relationship between them. In order to evaluate the organizational structure of public transport in Telemark, we gathered qualitative data in 2012.

The data give insights into how key persons in the political authority, the county administration, the agency and the bus companies experience the 2012 situation, i.e. the situation prior to re-integration. It reveals points of conflict and the balance of powers between the actors, as well as the different opinions related to how to improve the situation. Consultants have also investigated the experienced issues in 2013 (Unander et al. 2013) and 2014 (Haugsbø et al. 2014). They indicate that the situation has not changed significantly since 2012. Taking this into account, we argue that the data from 2012 can be used to explain the phenomenon that was to occur two years later: the re-integration of the agency into the political body.

We gathered data through elite interviews and documents – research techniques that are necessary when studying the deeper interpersonal dimensions between

the stakeholders, and important in gaining documented insights. To gain an understanding of policy goals, achievements and events prior to the interviews, we carefully analysed public documents (budget resolutions, annual reports and transport plans). Information about the informal day-to-day relationship between the actors, the main topic of this paper, is available through interviews, which were the main data source in this study.

We conducted semi-structured interviews with 20 informants in August and September 2012. The informants, who were recruited because of their different roles, include: three local politicians, representing different political parties in the county's Committee for Transport; nine civil servants from the county administration and four municipalities (two rural and two central), including five managers and five civil servants; two managers and two civil servants in the administrative agency; and the directors of three operating bus companies, one big company operating in the central area and two small companies in rural areas.

We used open-ended questions to let the informants themselves elaborate on and explain their perceptions of the situation. This way, they could talk freely and articulate their views, which is a great advantage of elite interviews (Aberbach and Rockman, 2002; Tansey, 2007) and is particularly important when the contextual factors are not clear. The interview guide included three main topics with different phrasing of the questions depending on the role of the informants: political goals and control, communication routines, and cooperation between the actors.

Agencification in local public transport in Norway

Compared to the other Scandinavian countries, where the number of agencies has been stable over time, Norwegian agencies have tripled in number in the past decade (Aars and Ringkjøb, 2011). In the Norwegian transport sector the number of agencies has been expansive (Blåka et al., 2012), particularly at the regional level. Today, 11 of the 19 responsible local public transport authorities (i.e. counties) have delegated responsibilities to quasi-autonomous agencies (Leiren, 2015). In these counties, three organisations are involved in the provision of public transport services: (1) a political body (i.e. the county council/politicians and the county administration), (2) an administrative procurement agency, and (3) public transport operators. Within this arrangement there are two chains of contracts: between One and Two and between Two and Three. These organisations are responsible for tasks at different levels of planning and control (Van de Velde, 1999; see also Longva and Osland, 2010). The strategic level includes formulation of general aims, which is the responsibility of the political authority; the politicians make decisions related to goals and strategies, stable economic conditions and the quality of services. The tactical level is about measures that can contribute to achieving those aims, including procurements, contracts with operators, development of fares and ticketing systems and annual reports. The operational level concerns the production of services, and is conducted by the operators.

The delegation of responsibilities is also dependent on the type of contract. A gross cost contract, which in Norway is common in cases of competitive tendering, implies that the public authorities or – in the agency model – the agency are in charge of route planning and ticketing and receive the income from travel tickets. In contractual relationships like these the operator has a lower

economic risk and therefore has less incentive to be innovative than under net cost contracts, for example, where the operators have competence.

Introduction to the case

On 1 January 2006 Telemark decided to establish a common procurement agency for public transport services, Vestviken, with its two neighbouring counties, Vestfold and Buskerud. This was part of an experiment of a joint political elected level including the three counties (it ended in 2007). The politicians agreed to create this agency believing that it would achieve cost reductions and provide better public transport services (Finsrud and Hildrum, 2006). The agency built on an existing public transport agency, which since 1998 had delivered procurement services to Vestfold. The director of the agency remained in place and regional offices were established in all three counties. The agency is a limited company. Each of the counties owned 1/3 of the shares and had two board representatives.

In 2009, one of the counties, Buskerud, decided to leave and establish its own agency. Concurrently with this withdrawal from the cooperation, debate continued in Telemark about how its public transport services should be organized. Telemark and Vestfold hired consultants to clarify and advise on the counties' procurement roles. Analysing the contractual relationships and organisational arrangement, the consultants suggested that the combination of an agency model and net cost contracts was less efficient than an agency model and gross cost contracts (Osland et al., 2008; see also Longva and Osland, 2010). As already mentioned, net and gross cost contracts imply a different delegation of competence. In cases of net cost contracts, where the operators are in charge of route planning and ticketing, a doubling of competence can occur, as this is

usually also a responsibility of the agency. Given different decisions in the three counties, the common agency, Vestviken, had both types of contract. While Vestviken wanted to phase out the use of net cost contracts in cases of competitive tendering, such as in Telemark, local bus operators were eager to keep this form of contract. After intense debate, the proposal to continue to use net cost contracts gained political majority (by five votes) in 2010.

In the elections of 2011, the political leadership in Telemark shifted from a right-wing to a left-wing coalition. Local public transport had been an important topic in the election campaign. In Telemark, this increased interest in local public transport prompted the politicians to look more closely at how such services should be organised. The politicians therefore hired consultants to investigate the framework of agreement and relations between the actors (Osland et al. 2008; Olsen et al., 2012) and different organisational arrangements (Unander et al., 2013). Olsen et al. (2012) found that organizational efficiency is in line with other public transport agencies, and the agency reports that passenger numbers have been increasing (VKT, 2013). In 2014, rural municipalities in the western part of Telemark ordered an additional report about how to organise Telemark's local public transport services, including the consequences of different solutions for local businesses (i.e. local bus operators) (Haugsbø et al., 2014).

In June 2014, after years of debate about how public transport services should be organised, politicians in the Committee for Transport proposed the re-integration of public transport services. The proposal gained political majority (only by one vote). The alternative suggestion was to keep the agency (County of Telemark, 2014a). Telemark will transfer responsibilities now located in the agency back into the political authority by July 2015 (County of Telemark, 2014b).

The actors' perspectives

In this section, we describe how politicians, the county administration, municipalities, representatives of the agency and rural stakeholders such as local bus companies perceived the situation prior to re-integration.

New political majority

We can observe a discrepancy between the expectations of the newly elected politicians and those of the agency. Most of the incoming politicians had not been involved in the establishment of the agency and were unfamiliar with the intentions or background of using an agency for tactical public transport decisions. While the agency expected a certain degree of autonomy, with political involvement mainly at the strategic level, the new political majority expected to be involved on detailed questions. For example, the politicians requested more information about tactical issues such as timetable changes, and asked for more extensive reports than their predecessors (Interviews 1 and 4). The agency however, seemed to believe that this was only a transition period. An informant in the agency argues: 'The agency was born in one regime and then another regime took over. Over time I believe that the politicians in Telemark will accept the agency and the job we do' (Interview 4).

The renewal of the net cost contracts for the next ten years in favour of the bus companies weakened the power base of the agency. The agency finds its role in a net cost contract regime challenging: 'The County gave away something that we could have been in charge of, when they chose net cost contracts. This makes our role more about administration than to run a business' (Interview 5). The roles of delineation within the current contract regime is difficult for the politicians to understand. The bus companies are in charge of route planning. However, politicians blame the agency when they are not informed about timetable

changes: '[...] We want to see the proposal for the changes, but we aren't allowed to. The process is initiated without us knowing what the plans contain. Who is in charge? Have we given up all powers?' (Interview 3).

The county administration lacks competence on public transport, which makes it difficult for the politicians to control the agency: 'As politicians, we are supposed to ask the Chief Commissioner of Transport, but as the in-house expertise is not sufficient, the Commissioner points to the agency' (Interview 3). However, when the politicians turn to the agency for help, they are not sufficiently accommodated. One politician claims: 'When we ask [the agency] questions, I find that the agency gets annoyed' (Interview 3). Informants in the agency, however, suggest that the politicians are trying to influence them too much: 'Perhaps it is not necessary to steer us as much. The county needs to consider that their expertise lies in the agency' (Interview 4). Moreover, some politicians question the existence of the agency: 'Is there a need for such a big agency? It limits our ability for direct control' (Interview 3).

The political will to maintain a certain level of competence in small, local bus companies narrows the scope of discretion for the agency. Although the politicians perceive the agency as having the necessary expertise for planning public transport routes and being in charge of contracts and marketing, some politicians question whether this competence should be delegated to the bus companies instead of the agency. As one politician states: 'We chose net cost contracts to protect the companies that have the expertise, to ensure good decisions' (Interview 3).

A small county administration and a large agency

When the agency was established in 2006, the majority of civil servants who worked in the area of public transport in the county administration started to work

in the agency (Interview 1). Competence in the county administration, which is responsible for assisting the politicians when designing strategies for public transport, therefore considerably decreased. Rather, this competence was now transferred to the administrative agency, which is responsible for public transport planning, marketing and procurements.

As mentioned in the former section, politicians often request detailed information in Telemark, and it is the role of the county administration to provide it. However, they experience that it is the civil servants in the agency who are the ones best informed to provide the requested information. This has led to a continuous discussion about resource allocation between the county administration and the agency. Informants in the agency describe themselves as being the county's body of expertise, with detailed knowledge on local public transport and school transport: 'It should not be necessary to have this kind of expertise in the county administration. In that case, the administration would be "double"' (Interview 5). In contrast, informants in the county administration believe that there is a need to strengthen the internal expertise if they are to fulfil core tasks such as making public transport strategies. They realise, however, that it may be difficult to allocate competence and resources without creating a double administration: 'We do not want to create a double administration. We want to become better at ordering services from the agency, but it is unclear where the administration would be "double"' (Interview 1).

Another issue is informants in the county administration perceiving a lack of information and sometimes its quality not good enough (thus their job time-consuming) (Interviews 1 and 2). One informant in the county administration argues: 'When I get a complaint, it is often so that I cannot reply to the criticism [...]. We get notes and material that are not always good enough, as they [the

agency] do not have the sufficient time' (Interview 1). The agency seems to lack the resources needed to provide all the information requested: 'The processes going on in the county require a lot of resources' (Interview 4). The lack of information means that the county administration approaches public transport issues on a detailed level. One informant in the county administration reports: '[...] We are not involved in the implementation, the details, we are not close enough. We do not get enough information, and maybe we do not ask for the appropriate information ourselves' (Interview 1).

There is some frustration among civil servants in the county administration with the lack of competence and availability of information. One informant in the county administration said: 'They [the agency] have their own agenda in a way. They are of the opinion that it is their right to make priorities, but at the same time it is for the politicians to decide' (Interview 2). And one in the agency argues: 'When experiencing lack of trust, you keep your cards close to your chest. This makes the county administration feel insecure about their activities. They become an intermediary between the agency and the politicians' (Interview 5).

Rural interests and local bus companies

In Telemark, there is a cleavage between rural and urban interests represented by municipalities and local bus companies. Differences between rural and urban areas are also highlighted in the public transport plan, which gives priority to public transport services in urban areas (County of Telemark, 2010). In Telemark, rural municipalities and operating companies tend to be less satisfied with the organisation of public transport than municipalities and the operating company in the urban area are (Interviews 6, 9, 10, 11 and 12; County of Telemark, 2013).

The rural bus companies and the agency have different views concerning the type of contract most appropriate for public transport in the county. As mentioned, informants in the agency argue that gross cost contracts provide the best basis for developing coherent public transport services across the entire county: 'The agency prioritises budgets for marketing, but in the operating companies, it [marketing] becomes something they have to balance' (Interview 4). According to an agency informant, the agency has used more resources on marketing than the contracts with the public authority require (Interview 5). The rural bus companies disagree: 'Our expertise on marketing is just as good as that of the agency. But [the agency's] expertise and money make them powerful' (Interview 7).

The local companies, providing services mainly in rural areas, are of the opinion that net cost contracts are the most appropriate form of contract: 'We were sceptical about gross cost contracts, because we believed that much of the expertise would disappear from the companies [as a result]' (Interview 8). They argue that gross cost contracts do not 'fit' the market in Telemark and are more appropriate in urban counties. The existing net cost contracts give them the incentive to increase the number of passengers and make it possible for them to represent local interests (Interviews 8 and 9). The local bus companies are concerned about the additional bureaucracy and resources that arise with the organisational model of having an agency (Interviews 7, 8 and 9).

The informants representing urban interests (i.e. two municipalities and one bus company) perceive collaboration with the agency and the county administration as being good. They share the goal of increasing ridership and are of the opinion that the organisational lines are clear (Interviews 9, 10 and 11). The informants representing rural interests (i.e. two bus companies and one municipality) see the roles as clear and they are satisfied with the cooperation of the agency

(Interviews 7, 8, 12). Although the organisational lines appear clear to the local bus companies, they admit that they have made use of other 'routes' of communication than going via the agency, with whom their contracts are agreed. When conflicts arise, the local bus companies tend to contact the politicians or the county administration directly (Interviews 8 and 9). An example is an issue about funding of medical transport, where the agency declined to compensate the company for this service. The bus company contacted the county administration, which reversed the agency decision (Interview 8).

Discussion

The empirical data shows that change has occurred gradually. Over the years there have been re-occurring issues related to the organisational solution with an agency. Veto players in favour of re-integrating public transport responsibilities back into the political body have slowly increased their power, while the agency and its proponents have gradually lost its discretion. In the end, this led to the displacement of the agency.

Local and rural interests contributed to the institutional change in Telemark. In light of the theory of gradual institutional change by Mahoney and Thelen (2010), such interests represent strong veto players, who eventually were able to circumvent the existing institutions. The shift in the power balance occurred in 2010 and 2011: A new political leadership, who supported the continuation of net contracts. This was in favour of the bus companies, which got their net cost contracts renewed.

Politically, there was a clear division between the new political majority and the previous political leadership. The decision to displace the agency was taken

solely by the new left-wing majority, which voted in favour of change. The previous right-wing political coalition supported status quo, but with the electoral shift were unable to prevent the re-integration of the agency. A key reason as to why the new political majority wanted to change the organization of public transport was their dissatisfaction with being involved only at arm's length. While they should give signals at a strategic level, they expected and wanted to be involved also in the detailed questions. Researchers argue that this balance is hard to find (Christensen and Lægreid, 2007), especially for local politicians, as the distance to policies contradicts their traditional behaviour (Vabo, 2000). Politicians are not always interested in shifting blame to the agency, which has been hypothesised as a great advantage of agencification (Van Thiel and Yesilkagit, 2011; Mortensen, 2013). The evidence from Telemark shows that the newly elected politicians prefer to be involved in the policies – even when there is no turmoil or user complaints, which require them to show action.

The local bus companies won political acceptance for the continuation of net cost contracts, which gave them a more prominent role in 'controlling' public transport, thereby strengthening their role as veto players opposing the agency solution. The missing opportunity to increase the competence, which net contracts transfer to the operators, weakened the position of the agency. Eventually it also weakened the veto possibilities of the agency against displacement. The different views related to the type of contract (net vs gross) as well as on whether there should be a public transport agency can be seen as part of a value-based urban–rural conflict, which according to Rokkan (1987) is central in Norwegian politics. The small companies 'fight' against the big agency and gain support from the political centre to keep their jobs and competence in rural areas.

According to Mahoney and Thelen (2010), a second factor that may lead to displacement is the room for discretion that the agency possesses. The data shows that the room for discretion is narrow. The agency is exposed to pressures from the county administration, the politicians and the bus companies. It struggles to satisfy all interests. Increased control from the new political majority, among others due to the lack of competence in the county administration, is difficult when the agency lacks resources to assist the politicians in a way that are in accordance with the expectations of the politicians. Furthermore, the agency's possibilities to control public transport on behalf of the politicians are weakened, as the bus companies, and not the agency, hold the responsibilities for route planning and income. Weak administrative capacities opens opportunities for change agents who oppose to existing rules (Mahoney and Thelen, 2010). There are some examples of operating companies undermining the agency's role by using other routes of communication, when agency decisions appear unfair. When the county administration reverses such decisions, the operating companies get incentives to circumvent the agency, decreasing the political authority's trust in the agency.

Lack of trust between the actors is another aspect, which we observe. It has also contributed to influence the displacement. The agency experiences lack of trust from the politicians and the county administration. The politicians overstep the lines of delegation, while the administration wants to keep close as they lack competence. As Bach (2012) points out, agencies possess practical knowledge on 'what works' which is important to develop implementable policies. However, the agency perceives the call for more expertise by the county administration as threatening, because it wants to hold on to its position as the expert unit on public transport. Thus, the agency tries to gain support from its authority, making this alternative appear ineffective. This may be an example of a negative mechanism

used when several actors compete for trust from the politicians (Rommel and Christiaens 2009). We also observe this dynamic in the relation between the agency and the operating companies. Both want to appear as the expert most likely to increase the authority's trust. The agency is of the opinion that it has the most competence and uses more resources on marketing than the small operating companies. However, the operating companies argue that they have important experience and are closer to the rural travellers, and that in the agency it is more about resources than expertise.

Telemark is a case, in which the agency has *not* been involved in policy-making, which researchers suggest is important for trust. As Van Thiel and Yesilkagit (2012) notes, proximity and frequent interaction is more important for trust than the degree of autonomy. Verschuere and Bach (2012) hold that involvement of agencies in decision-making may be favourable regarding improved policies, preventing adverse behaviour among actors in the implementation phase, as well as increasing trust between the actors. Indirectly supporting their study, our case indicates that the non-involvement of the agency in decision-making might have led to agency failure, as a well-functioning and trusting relationship between the agency and its principal is missing.

Other authors also stress trust as an important factor for successful relationships. Arenas where trust can be developed may be important in increasing trust as well as in minimizing the opportunities of the actors involved to develop competing negative strategies (Rommel and Christiaens, 2009). This may indicate the need for a common discussion platform to establish a trusting relationship between the partners involved, as pointed out by Klijn et al. (2010). This shows the importance of seeing trust in the institutional context when studying public administration (Verschuere and Vancoppenolle, 2012; Pollitt and Bouckaert, 2011).

Previous studies suggest that strong enabling factors of displacement are related to cost issues and bad performance (Hall et al., 2013; Adam et al., 2007). Such characteristics may enable re-integration, but this case shows that they cannot explain displacement of the agency, as budget overruns and efficiency issues have not been present. Organizational efficiency is in line with other public transport agencies, and passenger numbers have been increasing according to the public transport plan goal of strengthening public transport in urban areas.

Conclusions

The evidence shows that there are particularly two points that are key for explaining the displacement of the public transport agency in Telemark: The strong political support in protecting local interests (i.e. local businesses such as bus companies); and administrative capacity in terms of competence and discretion.

First, we find support for the role of local interests in contributing to impair the role of the agency, while empowering the local bus companies. The net cost contracts diminish the role of the agency, as net contracts imply that the bus operators are responsible for route planning and income, not the public authorities. It means that much of the typical agency responsibilities (i.e. being in charge of route planning and income from fares as in cases of gross contracts) are taken care of by the bus companies themselves. It makes the agency more 'expensive' as it carries out less tasks than it could have done. It also contributes to a conflict between the agency and the bus companies, as the agency is eager to be in charge of such responsibilities.

This conflict also incentivised the local bus companies to lobby the politicians rather than going via the agency, when raising their interests. Mahoney and Thelen (2010) argue that powerful veto players such as new political coalitions and other groups that benefit from change, may be crucial for organizational change. In Telemark the local elections contribute to a change in the political coalition, giving the left-oriented coalition and the political party with the most focus on rural and local interests, the Norwegian Centre Party, a more important role in local politics.

Second, we observe that the county administration struggles to provide the information requested by the politicians. This gives the politicians the feeling of not being in control of their policies. The county administration, which is supposed to coordinate the policies on behalf of the politicians, argues that there is lack of competence in the county administration. At the same time there is a lack of capacity in the agency to respond to all the political requests. These issues challenge the relationship between the actors.

Mahoney and Thelen (2010) suggest that weak administrative capacities open opportunities for change agents who oppose to existing rules. In Telemark the evidence suggest that there are two such change agents: politicians, who overstep the lines of delegation, and bus companies, which lobby and use other channels of communication than going via the agency.

Although re-integration of the public transport responsibilities in the county administration simplifies the organisational structure and brings the expertise closer to the politicians, this organisational solution also brings new challenges. One aspect is the importance of competence in the county administration. The county administration has to be competent enough to be able to respond and satisfy the needs of politicians. . Another aspect is the distance between the

politicians and the agency. If the politicians are not willing to distance themselves from detailed public transport planning and trust the agency's professional advice, an agency solution is perhaps not an appropriate solution.

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Interview 1 County administration 2012-16-08

Interview 2 County administration 2012-16-08

Interview 3 Politicians 2012-16-08

Interview 4 Agency 2012-22-08

Interview 5 Agency 2012-22-08

Interview 6 Municipality 2012-01-08

Interview 7 Operating company 2012-27-08

Interview 8 Operating company 2012-24-08

Interview 9 Operating company 2012-27-08

Interview 10 Municipality 2012-17-08

Interview 11 Municipality 2012-22-08

Interview 12 Municipality 2012-20-08

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