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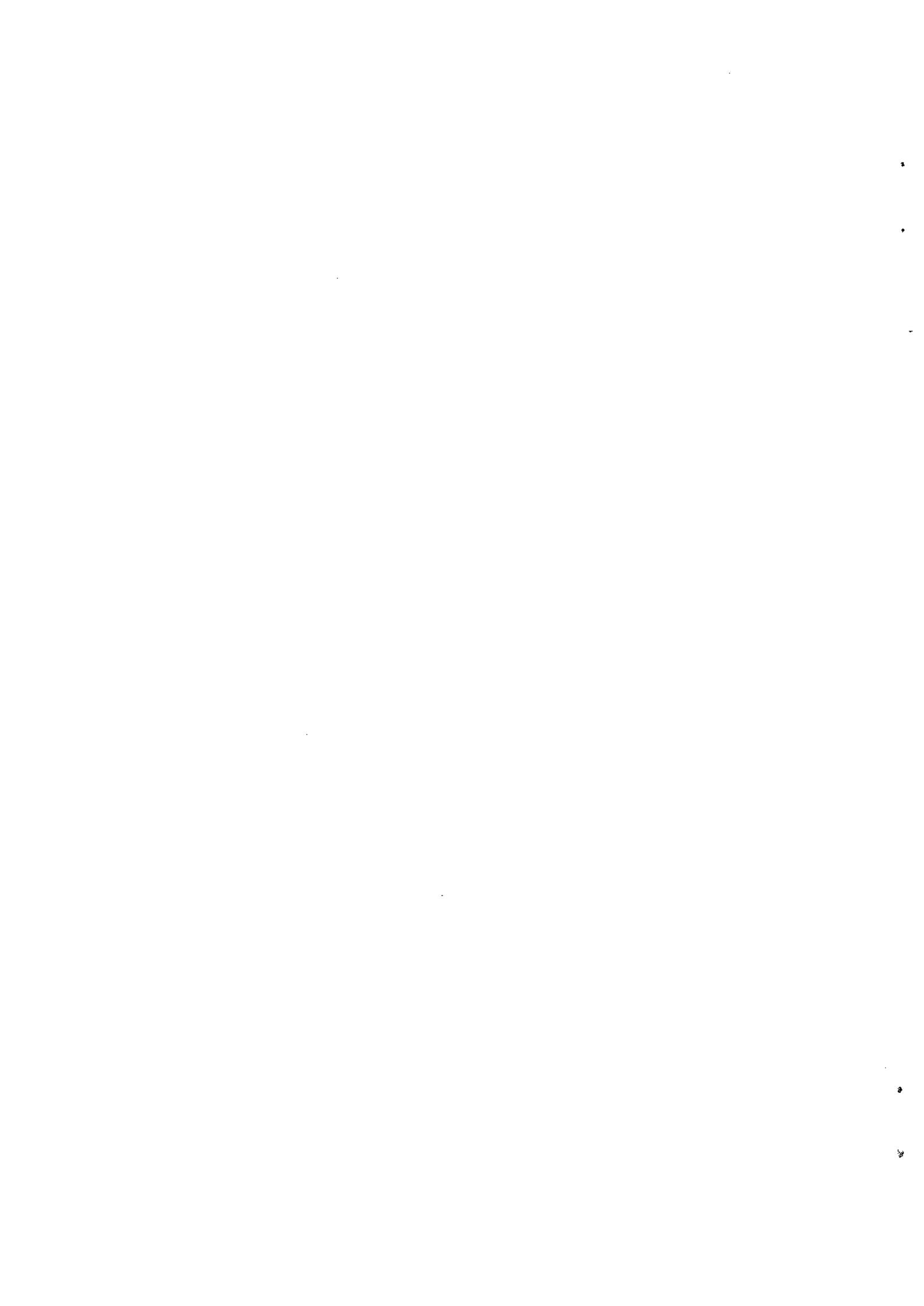
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DEVOLUTION OF TRANSPORT POLICY
IN EUROPE

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1. Prologue

Devolution of authority from central to decentralized levels seems to have become a widespread phenomenon in many countries. Related policy options such as deregulation, privatisation or public-private partnerships have gained much popularity, sometimes uncritically, especially in those countries where a return to sound market principles was regarded as an effective attack on bureaucratic inefficiencies inherent to a social welfare state.

Various arguments in favour of decentralisation of authority can be used, for instance, increase of flexibility in the allocation of financial resources, design of potentially tailor-made projects or plans for given (often local) groups in society, reduction of unnecessary central legislative and regulatory controls over others, rise in economic efficiency by using incentives from a market system after a relaxation in the enforcement of existing regulations, and, last but not least, savings on public expenditures in cases of a deficit on the government budget (see also Dommel, 1983).

Many authors, however, claim that the success of decentralisation of decision-making has not been overwhelming, mainly due to inertia of prevailing structures (see also Mény, 1983). Nevertheless, devolution of central policy has become a major institutional principle in many countries.

Airlines policy was one of the first areas where decentralisation began in the form of deregulation. Especially in the United States, but later on also in the UK and other countries, airlines deregulation policy has been far-reaching and has affected the entire monopolistic structures of self-interest of carriers. In various cases, price declines were the result of more competitive behaviour of carriers, whilst in other cases either the frequency or the quality of service increased.

Therefore, it is no surprise that in other areas of transport policy the idea of devolution of central policy-making found a favourable seedbed, especially in those areas where public expenditures (subsidies, e.g.) were involved. To a large extent it seems to be a plausible hypothesis that in given countries deregulation of transport policy was notably emphasized in those areas of transport where considerable gains on the public budget might be expected. This hypothesis will be dealt with in the present paper by reviewing briefly transport policy in various European countries. This paper will be organized as

follows. In section 2 some major policy issues in the field of transportation will briefly be described. Then in section 3 the main body of the present paper will be presented, viz. a description of new transport policy directions in 18 countries in Europe. This information gathered for this part stems from a cross-comparative project on transport developments in Europe, carried out in the framework of the European Science Foundation (ESF) sponsored network on 'Transport, Communications and Mobility' (TCM) (see for further details on this network Masser et al., 1988). The paper will be concluded with a synthesizing reflection on trends in European transport policy.

2. Transport in a Dynamic Environment

In many countries transport has traditionally been dominated by an engineering approach in which quantitative aspects (e.g., network expansion and improvement) was regarded as more important than qualitative aspects (e.g., safety, environmental externalities, etc.). Demand was uncritically accepted as given and transport planning was not strongly oriented towards changing an ever increasing rise in private car use. In the meantime, however, the scene of transportation has changed drastically, inter alia as a result of changes in lifestyles and leisure, shifts on the labour market (e.g., a rise in female labour force participation and part-time jobs), and technological progress (reflected inter alia in the informatics and telematics sector) (see also Nijkamp and Reichman, 1987).

At the same time public policy-makers in the field of transport are facing complex questions, for instance, a backlog in network maintenance (nowadays imposing excessively high financial burdens), a threat to public transport services to less densely populated areas (caused by the severe budget stress), a need to design land use expensive advanced transport technologies (e.g., based on logistic management), an increasing awareness of the incompatibility of the 'mobility drift' with environmental objectives, and a doubt on the justification of strict regulations in transport policy (cf. Biéber, 1986).

The position of transport policy as a strict regulator is increasingly questioned for various reasons: lack of consistent and at least non-conflicting objectives, lack of adequate and effective policy instruments, limited budget capacity to implement policy actions, inertia in transport policy caused by long-lasting bureaucratic procedures, and lack of a suitable and efficient legal system for a creative trend-setting policy (see Noortman, 1988).

Two major approaches in defense of a public policy interference with the transport sector may be distinguished, viz. the public goods argument and the externalities argument. The public goods argument refers to the indigenous role of transport and infrastructure in society, in which equity considerations (the non-exclusiveness postulate) and monopolisation objectives are of paramount importance. The externalities argument concerns both positive aspects (such as the objective of stimulating economic development by improving the accessibility of an area) and negative aspects (such as the need for a reduction of air pollution and noise annoyance).

An intricate problem has emerged in the meantime, as in most countries the government has become deeply financially involved in the transport and infrastructure sector. In a period of a severe government crisis it is thus plausible that governments may be willing to withdraw from the financial implications of their involvement in the transport sector, not so much because policy-makers do no longer share the public goods and externalities argument, but because the financial limitations force them to play a much more modest role. In this respect, the 'deregulation wave' may be seen by some governments as a 'blessing in disguise', although it has to be added that also the need for a more competitive functioning of transport facilities (especially after Europe 1992) may provide an important argument (cf. Ohmae, 1985, and Porter, 1985).

After these general introductory remarks on changing roles of transport policy, we will provide in the next section some more details on shifts in transport policy in various countries of Europe.

3. An Overview of Shifts in Transport Policies in Europe

In this section we will briefly summarize the findings on new roles of transport policy in 18 countries in Europe. These results were collected from national reports on 'Transport, Communications and Mobility' as part of an international network on this theme. The results will be presented here in alphabetic order of each of the countries considered.

Austria

Austria provides an interesting case of the previous observations. Until fairly recently, the planning and construction of the primary road network was a key issue in public expenditure policies for infrastructure (on the basis of a priority programme). However, the infrastructure priority programme was cancelled in 1985 due to lack of funds. The road

building programme was too ambitious to be financed out of the federal budget alone. As a consequence, some independent motorway corporations were established and charged with the task to construct motorways for the major transit traffic routes across the Alps. These corporations were free to operate on the investment market for the acquisition of their financial resources, while it was adopted as a principle that these corporations should secure the return by means of a system of tolls or charges on through traffic. Thus deregulation of infrastructure policy was accompanied here by savings on the public budget (through privatisation of new infrastructure plans). At the same time, however, new investments in public transport have been planned, especially in major urban areas (such as Vienna, Graz, and Linz).

Belgium

In recent years Belgium is also exhibiting an increasing interest in decision-making processes in the transport sector, with much emphasis is being placed on regulation/deregulation principles (including privatisation for a higher competitive performance of this sector). Illustrative for this interest is the new and more privately-oriented role attached to the PTT. In general, there is a strong interest in the evaluation of funding modalities (public, private or combined) for the production and provision of (collective) transport investments. The efficiency and performance of the transport sector is also a major policy concern, witness the interest in (de)regulation procedures for transport amenities. Apparently, in the Belgian case the institutional and financial aspects of deregulation run parallel.

Denmark

In the last 15 years Denmark has cancelled almost all major infrastructure projects (bridges, airports, metro, etc.). Actual decisions (Copenhagen Airport, railway tunnel between Sjaelland and Fyn and between Sjaelland and Sweden plus Scandinavian Link) may reverse this trend. Instead there has been a growing interest in the (re)organisation, integration and new legislation of the (public) transport system in its different roles, especially at local and regional levels. The functioning of (existing and new) transport systems (including the role of public enterprises) is apparently at stake here, but the discussion of financial and institutional aspects of deregulation policies is less pronounced. Now a main problem is the possible

harmonisation of taxation on cars and car use. Denmark wants to escape the 'European Standard' in terms of traffic accidents and air pollution.

Finland

Finland has shown the same pattern as many other countries: a rapid increase of road infrastructure in the 1960s, followed by a decline after the oil crisis. At present a further expansion of infrastructure is again taking place. Public transport is still a problematic matter. In general, the socio-economic analysis of transport has been less important than the technical analysis. Only recently, organizational and managerial aspects of transport have come to fore, although deregulation is not yet a very hot policy issue. But especially in the area of freight transport there are some moves towards more liberalisation and harmonisation.

France

France is facing a rapid increase in spatial mobility, in which the car, in addition to the train and plane, plays a dominant role. Part of the infrastructure management is based on private initiatives or private/public partnerships. Internalisation of social costs of social costs of motorized traffic is still problematic. There is an increasing interest in distributional aspects of transport (who subsidizes whom and where, who finally pays for construction and operating costs of road infrastructure). In this context, there is a wave of new interest in neo-liberal economic policies on transport infrastructure. Various new ideas have been launched, but so far no uniform policy has been adopted.

Germany

In Germany motorized individual transport modes have reinforced their position. In view of the limited capacity of infrastructure, much debate has taken place on regulations and legislations for infrastructure planning. Various initiatives for deregulating transport policies, in combination with the design of alternative financing schemes for new infrastructure, are being developed.

Greece

In the past decade, Greece has faced a weakly developed road network and many attempts have been made to improve this situation. In the past decade, much emphasis has been placed upon decentralisation of infrastructure planning, thus causing much debate on the optimal areal division of jurisdiction of regional, provincial and local authorities under integrated development planning principles. In this context, in the framework of a national transport network also new initiatives have been taken to design complementary (and not competitive) transport modes thus alleviating unnecessary expenditures of public resources. The current decentralisation policy refers to transport-land use interactions, to household relocation-transport interactions, and to industrial location-transport interactions.

Ireland

In the framework of tight public resources, Ireland has placed much emphasis on value for money in investments, subsidies and grants. Various planning agencies have been affected by this policy (e.g., the National Institute for Physical Planning and Construction Research). In various transport sectors new modes of deregulation have been introduced, e.g. in the airlines sector. The latter liberalisation has had significant impacts on the number and frequency of trips. Also in the field of commodity transport via road new deregulations have been introduced. In general, the budget situation has forced the government to be extremely critical in terms of subsidies to transport operators and of investment proposals requiring public funding, thus leading to a decline in network expansion plans. Consequently, subsidisation of public transport is under severe attack, in combination with the overall tendency toward more deregulation.

Israel

In the past decade there has been a strong tendency towards more bureaucratic and centralized decision modes and implementation processes in the field of transportation planning. There has been more central governmental involvement in decision-making regarding pricing, infrastructure provision and general transportation policy, while that of local government and other agencies has declined. The same holds true for fiscal policies. In response to this phenomenon, in the past years there is a counter-movement to remove transportation industries (e.g., regarding airports, marine airports and railways) out of government

control and make them semi-autonomous agencies. In various cases, the public sector appears to be unable to make the necessary investments in infrastructure. Consequently, there is an increasing trend towards a privatisation of the supply and management of transportation services and facilities, not only for increasing the economic efficiency but also for saving expenditures from the public budget.

The Netherlands

In the Netherlands, the need to reduce public spending can be regarded as a strong incentive for reconsidering the wide variety of government interventions in the transport and communication sector, which was gradually built up from the mid-fifties to the mid-seventies. This reduction of public spending followed a long period of increasing public expenditure, made possible by the steady rise in GNP and the increasing state revenues from natural gas sale in the Netherlands. This push from the side of available resources went hand in hand with the pull to create a social welfare-state. Transport was seen as an important instrument variable to achieve a better quality of life. Given the high level of public transport services maintained, the amount of money needed to finance the deficits showed an uncontrolled growth. At the same time other areas of government responsibilities claimed fast increasing amounts of public resources. The economic recession in the seventies all of a sudden urged public expenditures to be reconsidered. It was not only necessary that the rapid increase in government spending had to be halted, but even more strict measures had to be taken because in the meantime a downward trend had started. Under these circumstances a reconsideration of the effectiveness of public expenditure in the transport sector was unavoidable. At present, various initiatives are taken to privatise various new parts of the network infrastructure so as to save money from the public budget. Also a system of road pricing is under consideration now, whilst in the meantime the national PTT has become a private company.

Norway

Norway has been exposed to a rapid expansion of private transport, a phenomenon that took place in a period when the public expenditures were under strong pressure due to stagnating incomes and increased demand for social services. This has also evoked a tendency toward more deregulation, stagnating subsidies in the transport sector and by introducing systems of road charges. Finally, the devolution of transport

policy is also reflected in attempts at transferring control of financial resources and responsibilities from the central to the local government (inducing also various kinds of institutional experiments).

Portugal

Because of lack of investment funds for major new urban infrastructure, public transport had to play an important role in urban areas in Portugal. However, since large deficits arose, much debate has taken place on public spending. In general, the view is that the efficiency of the transport system can be increased by reducing excessive regulation in the freight transport sector and to some extent also in the passenger transport sector. Recently, urban public transport policy in the larger cities in Portugal has opened up to private investment, so that private companies have the right to start new transport services (subject to approval by a Metropolitan Commission for Transport). Besides, the control over local passenger transport is transferred to local authorities.

Spain

Traditionally, the Spanish government has played an important role in transport policy (in terms of regulation, tariff systems, concessions, monopoly position, etc.). In the past decade, the Spanish political system has become more decentralised, so that a considerable part of the political power has been transferred to regional governments, especially regarding road transport; interregional transport, railways, air transport and (tele)communications all belong to the jurisdiction of the central government. There is at present a tendency towards more liberalisation and decentralisation.

Sweden

Public policy on transport in Sweden has intensively addressed the issue of market forms, rules for competition, levels of service in public transport and distribution of costs. In the 1960s transport policy aimed at letting each mode carry its own costs. In the next decade, competition on equal terms was promoted through policy intervention, whilst in the past decade systems efficiency is put ahead of the internal conditions within the different modes. Nowadays much emphasis is placed upon understanding the impacts of a deregulation of the operation of supply on different travel modes (e.g. by separating the responsibility for the operation of the fleet of trains from investments and maintenance of infrastructure. But especially the market effects of

regulatory and policy changes receive much attention. The government faces a dilemma between more regulation (e.g., due to environmental concerns) and more deregulation (e.g., to increase the efficiency of the management of the transport sector), although the need for providing an adequate level of infrastructure by means of public finances is not questioned.

Switzerland

Traditionally, Swiss transport policy was economic-based: independent investments in transport covering all costs and an independent management of public transport services. In the 1970s also social objectives and physical planning objectives were added. But most transport policies were still centrally designed and implemented. There is however, an increasing need for a critical evaluation of these policies, in which also social costs and benefits of transport at various geographical levels are to be considered.

Turkey

Turkish transport policy has been focusing very much on highway expansion since the 1950's to the detriment of railways. Big incentives provided to the sea transport in the eighties has led to rapid expansion of the merchant fleet and weakening of the dominance of the state owned company in this sector,

During the present decade much emphasis has been placed on privatisation issues in the transport sector (as an extension of a strict monetarist policy). Although due to inadequate provision of public transit services, a para-transit system has always existed in Turkish cities and private buses have been functioning in Istanbul during the last sixty years, large scale privatisation of urban bus services has not been a very successful venture from the viewpoint of both users and public transit operators. In the airline industry licences have been issued to many new firms for the operation of scheduled and charter flights. The idea of further deregulation is at present advocated not only as a result of economic arguments, but also as a consequence of public ideologies.

United Kingdom

The United Kingdom exhibits a transport policy comparable to that of many other countries: a period of expansion in the 1960s, followed by a retardation in 1970s, whilst various subsidies served to maintain the service level of transport policy. In the 1980s the planned approach was replaced by a market approach. This strategy has led to reductions in overall levels of government expenditure and modifications in the means by which resources are distributed in transport. In the past years the public transport phase has been replaced by another round of road building and renewal of the transport infrastructure. Public expenditure levels have been significantly reduced, and investment decisions are seen as commercial and not social. The balance has been switched firmly in favour of those with access to a car. In the mean time the role of the government has also changed. In contrast to previous decades, where governments played a major interventionist role in transport decisions, the role of the government has been significantly reduced and market forces have been allowed to determine both the quantity - and to a great extent - the quality of transport services. All transport should - wherever possible - be provided by the private sector, services should be determined competitively (and not in a coordinated fashion), and fares should be market priced. It is especially at the local level that the impacts of these deregulation measures have really been felt. Where intervention from central government has taken place, it has been aimed toward individual initiatives to correct market distortions. In this framework, also equity problems (such as distribution of costs, e.g., via pricing) are at stake. However, little information is available on the social consequences of a more competitive and deregulated transport system.

Yugoslavia

The Yugoslav transport system has often been fragmented and, therefore, has not led to the design of a rational system. Due to discontinuities in the historical development of the country, technological, spatial, economic and political dimensions have not yet been brought together in one coherent framework. The limited financial resources have hampered a full expansion of the infrastructure network. Problems of deregulation or privatisation have so far not yet played an important role in transport policy debates.

4. Overview of Results

The previous results lead to various interesting conclusions. The first and most noticeable is that there is a striking parallel movement of transport policies in most European countries in the past three decades: a period of expansion in the 1960s, a period of contraction in the 1970s and an era of selective expansion in the 1980s in which the direction of selection is strongly governed by either market forces or by decentralisation principles. Countries with a more liberal policy model and/or with severe deficits on the public budget are apparently the first ones to advocate privatisation - in combination with deregulation - of transport policy, not only in the airlines sector and the freight sector, but also in the public transport sector. Clearly, among all these countries significant differences do still exist, as the intensity of economic stagnation and of monetarist policies may drastically vary. Similarly, in some countries local autonomy rather than privatisation can be observed as a political ideology. Altogether, however, the hypothesis of a financially-driven deregulation ideology turns out to be reasonably valid in many European countries.

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