## Asset Management & Infrastructure Governance

# Towards the New Public Governance?

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SCU 22 October 2013

# 18 Februari 2011 CEO Arriva presented the New Railway Plan to the minister

**Regional Rail Operators** Arriva, Connexxion, Syntus, Veolia

# Trigger for exploration of governance of the public sector. **Schedule of our voyage:**

**1** How would introducing the New Railway Plan split up the Dutch railway system?

**2** Why splitting up might not be a good idea, because it is a form of New Public Management (NPM) and NPM is history

**3** Why we might want to split the network up anyway, provided that we apply appropriate governance: New Public Governance (NPG).

**4** How this might look like and which research agenda follows from this.
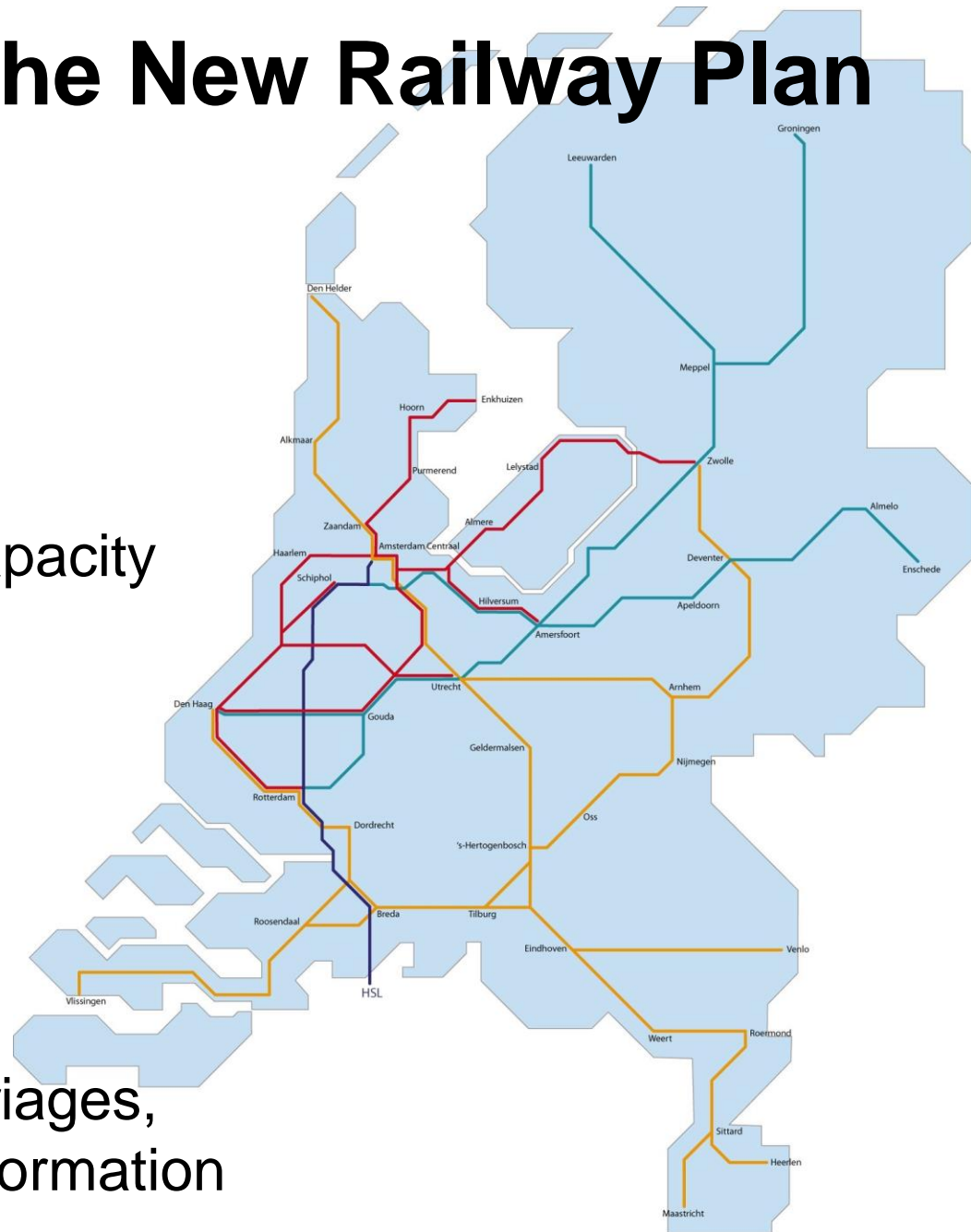
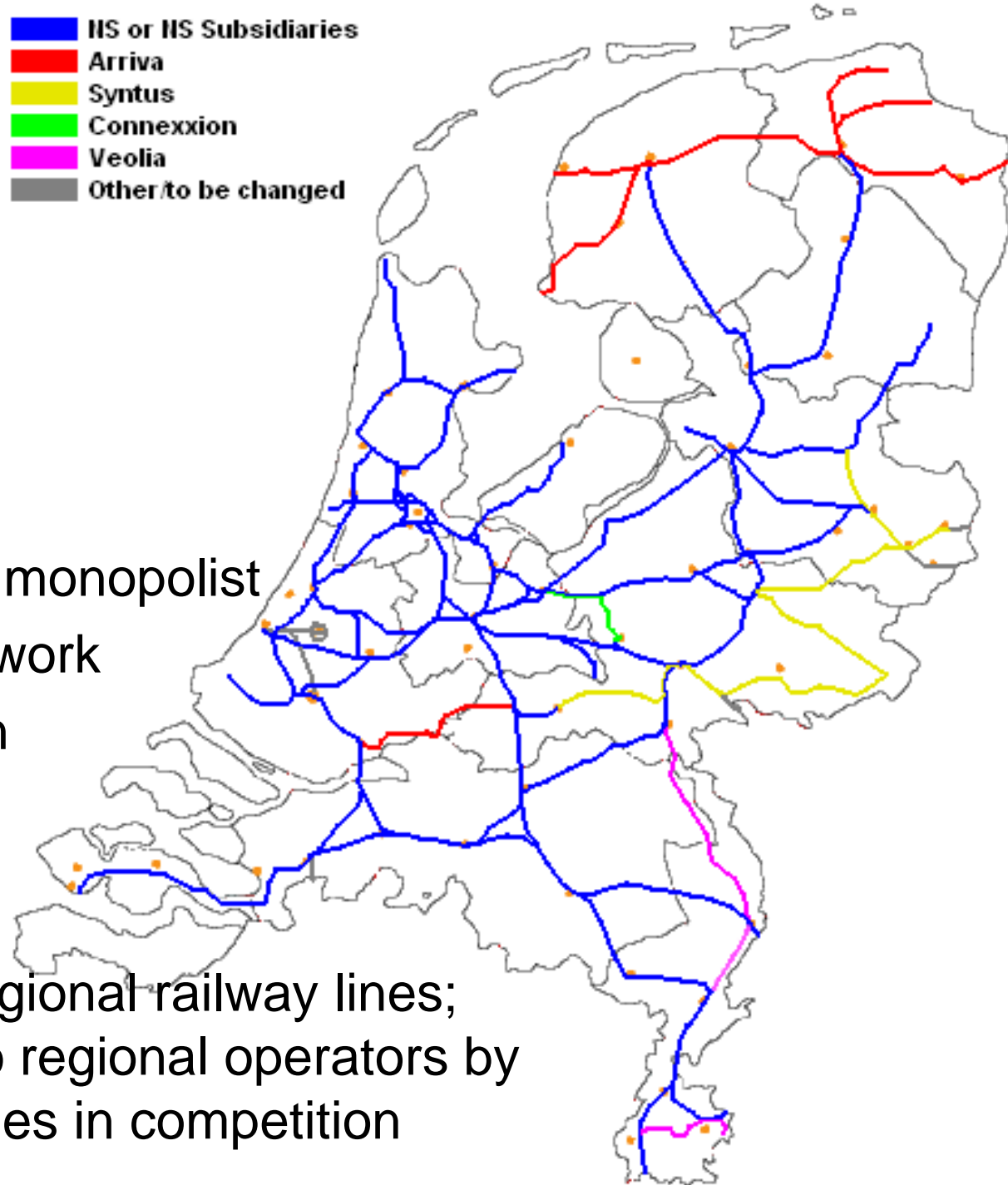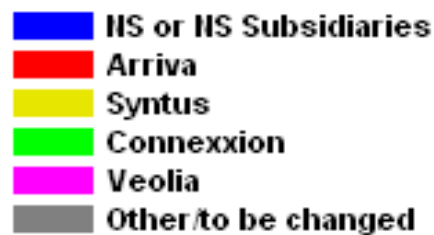# 1. Implications of the New Railway Plan



Public infra provider (capacity and assetmanagement)



'Private' operators: carriages, personnel, services, information

**Legend:**
- NS or NS Subsidiaries
- Arriva
- Syntus
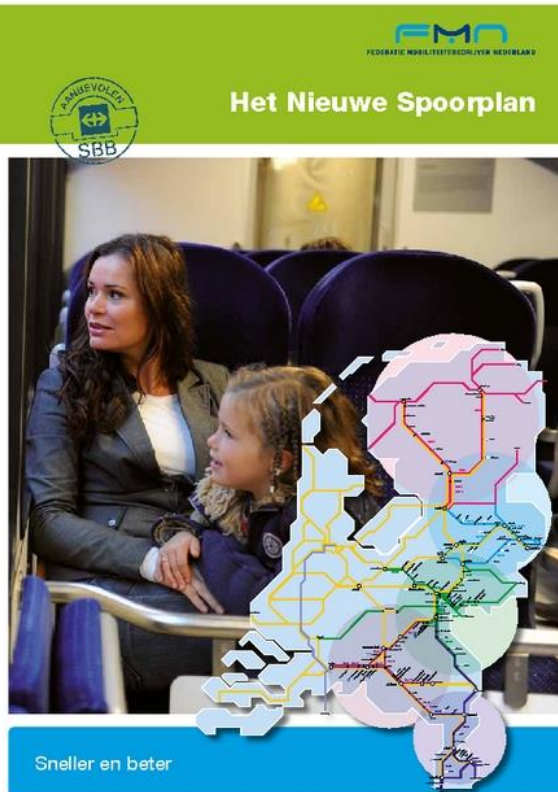- Connexxion
- Veolia
- Other/to be changed

Dutch Railway: monopolist
on the core network
by negotiotation

Decentralized regional railway lines;
contracted out to regional operators by
regional authorities in competition

# The New Railway Plan

# Implications of introduction of regional railnets

1. Organizations dedicated to regional concessions, improving the quality and coherence of public transportation in those areas.

2. Splits between:
   - Various providers on 1 track
   - Between various concessions (e.g. regiosprinters and intercity's)
   - Personnel and rolling stock
   - Various public authorities within 1 Regional Railnet
   - Government and carrier: who are the private, regional carriers?

# 2. Why splitting up might not be a good dea

Ingrid Thijssen, CEO Dutch Railways:

"Splitting up of the rail network results in UK situations"

NRC Next, 15 February 2011

# UK situations:

## Berkshire train crash 2004

## Service breakdowns

# Other situations gone out of control:



watch the
JP-norm




Philadelphia

'Bijna kwart van alle studenten Inholland kreeg onterecht diploma'

Maartje Bakker - 27/04/11, 21:29



Inholland in Den Haag. © anp
vk UPDATE Het gesjoemel met diploma's bij hogeschool Inholland is wijder verbreid dan gedacht. Uit een steekproef bij vier opleidingen blijkt dat 20 tot 25 procent van de studenten ten onrechte een diploma kreeg. Studenten die slaagden via een verkort afstudeertraject hadden in 50 tot 100 procent van de gevallen geen recht op een

- Exorbinant wages in the public sector organizations after agentification

- Stopwatch culture in care: alienation of public professionals due to managerialsm and performance measurement

- Failed real estate adventures of careproviders jeopardize care

- InHolland handed out certificates to unqualified students to meet targets

# Who is to blame?
# The New Public Management (NPM)?
*"Run government as a business"*

- Debundling inefficient and untransparant bureaucracies
  - Hiving off/agentification and privatization,
  - e.g. Dutch telecom (KPN)
- Use of organization and management principles from the private sector:
  - Performance measurement: ex ante specification
  - Contracts
  - Benchmarking (comparing performance of municipalities, schools, hosplitals etc)
- Politics at distance

*It is about efficciency and accountability!*

# Is splitting up a good idea?



- **Fragmentation of services** (e.g. divide between care and domestic help; who monitors dynamic needs of clients?)

- **Introduction of Principal Agent relationships** replacing public sector ethos, stewardship and professionalsm

- **Strategic behavior**, **alienation of professionals, cultural confusion** of managers and adminstrators that are asked to be entrepreneurs.

# How to deal with NPM? 3 ways to cope

1. **Re-impose hierarchical control**
   - Oversight
   - Restoration of primacy of politics
   - Overarching control structures
2. **Smartening of contracting**
   - Safeguard public values
   - Specified contracts
   - Contract management
3. **Collaborative/Network governance**
   - Enhance interaction: guide game among actors
   - Provide discretionary freedom and guidance: create stewards in stead of agents (Davies et al 1997)

Pitfall: Reinstalling old problems; in-flexible, inefficient, uniform

Pitfall: detailled, inflexible contracts that bind and create principals and agents

Pitfall: Do we know how to do this?

# 3. Why we might want to split up anyway

- **But: Can we go back?**
  - Would it help? NPM wasn't introduced for no reason
- Should we move forward to **collaborative governance**?
  - But **NPM also has brought efficiency, innovation, quality** e.g. in privatized regional transport: making unprofitable lines profitable, improving quality of service, higher costumer satisfaction, new ideas
  - NPM doesn't go away: NPM is institutionalized + we still want efficiency and accountability! **(Layering)**
- **So: Can collaboration be combined with NPM?**

# Layering. Contingency of governance modes; towards hybrid governance

*(Christenson & Laegreid, 2007; Koppenjan, 2012)*

?

NPG: collaboration; trust; partnerships
*Values: public values; legitimacy*

*Banking crisis*   2000s

NPM: run government as business;
*Values; efficiency, transparancy*

1980s
Crisis of welfare state

TPA: Bureaucracy; representative democracy welfare state:
*Values: legality, equality,*

# What comes next to NPM? New Public Governance?

*NPG: A theoretical perspective on the organization and management of actors involved in coproducing public services aimed at horizontal coordination and collaboration (Osborne, 2006/2010)*

But: New Public Governance may not be just about collaborative governance.

It may be about **finding mixes of governance** that combine the strengths of various governance modes and avoid their weaknesses.

# The challenge of New Public Governance

|  | **Strengths** | **Weaknesses** |
|---|---|---|
| Weberian Bureaucracy | Equity<br>Reliability<br>Professionalism<br>Political primacy | Inefficient<br>Inflexible<br>Myth of public service ethos |
| New Public Management | Efficiency<br>Accountability | Inflexible<br>Requires clear tasks<br>Principe agent relation |
| Network Governance | Collabaration<br>Deals with uncertainty<br>High trust & dedication | Intransparent<br>Interaction costs<br>Loss of direction |

# 4. Splitting up and reconnecting: four scenario's

*Choice 1: central or decentral*

Scenario 1. The undivided railnet

**But:** How to govern the Dutch Railways?

*Fyra: the V250 of AnsaldoBreda*

- Results in nationally oriented network without competition
- DR spoiled hundreds of millions with the Fyra debacle!

Splitting up core rail network is too complicated: so start with regional networks to learn!

- Puts both DR and regional carriers under pressure

# The decentral scenarios: how to govern?

*Scenario 2:* decentral governments lead

\+ public values

\- private operators are agents

*Scenario 3:* private operator lead

\+ have incentives to innovate, space to move, stewards

\- Concession is inflexible. Will providers remain stewards

*Scenario 4:* Mixed (UK highway agency)

- *Traditional:* What governments know & want
- *Performance indicators:* what can be specified
- *Relational contracts:* what is uncertain and needs to be negotiated

# Research agenda for Dutch practices

Comparative research in how contracting and collaboration can be combined in asset management and service delivery:

- Governance by (decentral) governments and its impact on asset managers & service providers, clients, users and their networks

In the field of:

- 3 major decentralizations in social support, youth care and labor participation
- Area-focused contracting of care and social support in Rotterdam
- Decentralization and privatization in public transport