Towards the New Public Governance?

Joop Koppenjan
Professor of public administration
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 asset management)

‘Private’ operators: carriages, personnel, services, information
Dutch Railway: monopolist on the core network by negotiation

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 idea

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:

• Exorbinant wages in the public sector organizations after agentification

• Stopwatch culture in care: alienation of public professionals due to managerialism 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 untransparent 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, hospitals etc)

• Politics at distance

*It is about efficiency 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 professionalism

- **Strategic behavior, alienation of professionals, cultural confusion** of managers and administrators 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; inflexible, inefficient, uniform
Pitfall: detailed, 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 customer 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)

1980s

Crisis of welfare state

Banking crisis 2000s

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

NPM: run government as business;
Values: efficiency, transparency

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

Layering. Contingency of governance modes; towards hybrid governance

(Christenson & Laegreid, 2007; Koppenjan, 2012)

1980s

Crisis of welfare state

Banking crisis 2000s

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

NPM: run government as business;
Values: efficiency, transparency

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

Layering. Contingency of governance modes; towards hybrid governance

(Christenson & Laegreid, 2007; Koppenjan, 2012)

1980s

Crisis of welfare state

Banking crisis 2000s

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

NPM: run government as business;
Values: efficiency, transparency

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

Layering. Contingency of governance modes; towards hybrid governance

(Christenson & Laegreid, 2007; Koppenjan, 2012)

1980s

Crisis of welfare state

Banking crisis 2000s

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

NPM: run government as business;
Values: efficiency, transparency

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

Layering. Contingency of governance modes; towards hybrid governance

(Christenson & Laegreid, 2007; Koppenjan, 2012)

1980s

Crisis of welfare state

Banking crisis 2000s

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

<table>
<thead>
<tr>
<th></th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weberian Bureaucracy</td>
<td>Equity</td>
<td>Inefficient</td>
</tr>
<tr>
<td></td>
<td>Reliability</td>
<td>Inflexible</td>
</tr>
<tr>
<td></td>
<td>Professionalism</td>
<td>Myth of public service ethos</td>
</tr>
<tr>
<td></td>
<td>Political primacy</td>
<td></td>
</tr>
<tr>
<td>New Public Management</td>
<td>Efficiency</td>
<td>Inflexible</td>
</tr>
<tr>
<td></td>
<td>Accountability</td>
<td>Requires clear tasks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Principe agent relation</td>
</tr>
<tr>
<td>Network Governance</td>
<td>Collaboration</td>
<td>Intransparent</td>
</tr>
<tr>
<td></td>
<td>Deals with uncertainty</td>
<td>Interaction costs</td>
</tr>
<tr>
<td></td>
<td>High trust &amp; dedication</td>
<td>Loss of direction</td>
</tr>
</tbody>
</table>
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?

- 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