



Are statutory passenger watchdogs effective in representing passenger interests in public transport?



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ABSTRACT

In recent years, concerns over effective consumer representation of public transport users have increased considerably, as public transport has undergone substantial regulatory reforms. The ultimate goal of deregulation is to protect and benefit the public at large. Hence, this paper explores how this goal is being pursued by examining the roles of statutory, independent passenger watchdogs and their relationships with authorities and operators in regulated and deregulated bus regimes. Drawing on a case study of London TravelWatch and Transport Focus in Great Britain, our findings show that statutory passenger watchdogs are effective in representing passenger interests due to four factors in particular: the organizational setting, research-based evidence, accommodating relationships, and public outreach. The paper also documents the differences in how these passenger watchdogs build their relationships with key stakeholders and work with them within the strategic-tactical-operational framework.

1. Introduction

In recent years, concerns over effective consumer representation of public transport users have increased considerably. Various forms of users' associations have been set up to safeguard passengers' interests. While some passengers' associations play an influential role, others have a weak position (White, 2010a, 2010b; Schiefelbusch et al., 2009; Jansen and Schiefelbusch, 2009).

The increasing interest in how to improve passenger representation is associated with the privatization and deregulation of public transport. Great Britain, for instance, was the first adopter in Europe to implement regulatory reforms in public transport in the 1980s. It has gone further than any other European state in transferring its public transport services into private management operations governed by market forces, with common practices of competitive tendering (Alexandersson and Hultén, 2006; Lyons and Harman, 2002) and fully deregulated regimes (Matthews et al., 2001). The distinction between the two regimes is that the tendering sector provides essential public transport services that are unprofitable and thus receive a subsidy. The services are provided under regional franchises awarded by local public transport authorities (PTAs) for a specific period and through a competitive bidding process. The tendering regime applies to buses within London and the railway system across the whole country. Almost all bus services in London are operated on gross-cost contracts

with quality incentives between Transport for London (TfL) and bus operators (BOs). Within the fully deregulated areas, most local bus services are registered 'commercially' and operate without a subsidy. However, services that are not commercial can also be provided through contracts between PTAs and BOs. Any licensed BO can run the business. Buses in England outside London are operated under this regime (TfL, 2015; CMA, 2016; Matthews et al., 2001; Preston, 1991). The British government considered this deregulation process 'in the best of the consumer and the public interest' (Butcher, 2010, p. 6).

Although deregulation in the British bus sector has led to reductions in operating costs and subsidies (Preston and Almutairi, 2013), there is typically only one service provider plying each route and time. Some areas are monopolised by large national operators (Hensher and Wong, 2011), known as the 'big 5'.¹ Therefore, passengers have little scope to exercise their power by switching to another service provider when they are unsatisfied with the services provided, although they can use other modes of transport, such as private cars. Nevertheless, an important incentive for operators to improve the passenger experience is absent. Besides, the modal shift from public transport to private cars is generally opposed by policy-makers due to its negative environmental impacts and the congestion it causes (Bonsall, 2000; Cass and Faulconbridge, 2016). Furthermore, in regulated regimes, the relationship between public transport operators (PTOs) and local PTAs can be seen one between 'seller' and 'buyer'. Local PTAs may pursue other

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¹ That is, Go-Ahead, FirstGroup, Stagecoach, National Express and Arriva, who between them account for over 70% of the bus market in England.

interests that differ from those of the end customer, while the operators may adapt their services to PTAs' preferences in order to win a contract (Schiefelbusch, 2005).

In an attempt to safeguard passenger interests, the UK has established statutory, independent passenger watchdogs for public transport. One question is whether, in either regulated or fully deregulated markets, they are an effective mechanism in representing passenger interests? If so, what makes them successful? Applying van de Velde's (1999) strategic-tactical-operational (STO) framework, the current paper seeks to answer these questions by drawing on a case study of two statutory passenger watchdogs in Great Britain, London TravelWatch (LTW) and Transport Focus (TF). The paper focuses on the bus sector in which both the regimes exist. Since similar public transport regimes are also found elsewhere in Europe and worldwide (Schiefelbusch, 2005), the present case study can provide some useful lessons to a wider range of stakeholders. Furthermore, little is known theoretically or empirically about consumer organizations (Guest, 2015). This is particularly true for the public transport sector. There exist a few studies whose focal inquiry is passenger organizations. Therefore, the paper also contributes to the current literature on how passenger watchdog organizations are organized and how they work to protect passenger interests.

The paper begins by introducing some elements of public choice theory to clarify the argument in favour of consumer representative bodies in the political process. The paper then briefly discusses the STO framework. It continues by presenting the case selection, methodology and the two passenger watchdogs selected for discussion before turning to the analysis. The paper ends with a discussion of the watchdog role and its relationship with other actors within the STO framework, as well as factors in their success in representing passenger interests.

2. Theoretical frameworks

2.1. Interest groups and the free-rider problem

Olson (1965) long ago drew our attention to the problem of free-riding behaviour in large and diffuse interest groups. As collective or public goods are characterized by non-excludability, rational and self-interested individuals may take free-ride to enjoy their benefits, whether or not they contribute to the provision of such goods. In addition, in the case of large groups of potential beneficiaries, the benefits may be shared among a huge number of group members, further reducing the incentive to become involved. It is on these grounds that large and diffuse groups such as public transport users typically face difficulties in organizing themselves and safeguarding common interests, for example, through lobbying activities in the political decision-making process. In Germany, for instance, there were no organizations that represented users of public transport until the 1980s (Jansen and Schiefelbusch, 2009).

In contrast, small groups with concentrated interests can exert much greater influence on political decision-making, that is, they are more effective in lobbying for special privileges. Excludability is easier to enforce, and often collective action leads to substantial benefits for each group member. Hence, such interest groups are much easier to organize even if group members still act as rational actors maximizing their own utility. As a result, these groups are often over-represented in public debates (Butler, 2012). For instance, the Swiss Association of Public Transport (APT), the umbrella organization of public transport companies, has served as a powerful political lobby for its members since 1889 (APT, 2016).

Particular institutional arrangements can be designed to overcome such imbalances in lobbying power and to correct the corresponding political outcomes. First of all, public administration may step in as an agent for the principal, for example, public transport passengers. However, the self-interest of actors in the political process, such as legislators, bureaucrats or regulators, as well as their exposure to the

power of well-organized interest groups, have to be considered in designing such institutions (Butler, 2012). Another measure that is of special interest in the current context consists of establishing independent public agencies outside the administration. It is assumed that such bodies are less exposed to capturing pressure from the political process or the power of interest groups, and therefore they may represent the public interest to a higher degree. In public transport governance, independent regulatory bodies are usually promoted in terms of industry regulation and infrastructure (e.g. Marcucci, 2002; Nash and Matthews, 2002; Ponti and Erba, 2002), but independent bodies may also have their own, possibly hidden agenda that does not coincide with the principal's goals. The main question in the present context is therefore whether passenger watchdogs as independent bodies are indeed superior as an arrangement to represent passengers' interests compared to, for example, PTAs, which are subject to elected governments. In other words, how do passenger watchdogs dissolve the principal-agent problem differently – that is, more in the principal's interest – than other actors?

2.2. Institutional relationships among key stakeholders in public transport

As a result of regulatory reforms in recent decades, various organizational models of public transport have been developed and applied in European countries. In a review of the organization of local and regional public transport in Europe, van de Velde (1999) proposes the strategic-tactical-operational framework, known as the STO framework. This is used widely by transport researchers (Hansson, 2010) for understanding the planning and controlling mechanism in different regulatory regimes, as well as the institutional relationships among the key stakeholders involved.

The STO framework can be seen as a principal-agent chain. At the strategic level, actors such as politicians and their staff formulate general aims for public transport and determine the general instruments that will obtain these goals. Van de Velde (1999) argues that a principal-agent relationship exists between 'the People' (the Public) as an actor and PTAs. The author characterizes this relationship as democratic control, with the assumption that PTAs act on behalf of the public and represent the public interest in defining transport policy and selecting operators. However, as discussed earlier, this assumption is called into question because of the self-interested behaviour of bureaucrats. PTAs may be exposed to the risk of conflicts of interest. Furthermore, it is difficult for 'the People' as an actor to assert control collectively over PTAs because of the free-rider problem in large and diffuse groups. In the present paper, we argue that forming statutory and independent passenger watchdogs can help to reduce these problems.

At the tactical level, actors such as PTAs decide which instruments to use and how to use them to obtain the aims set by the strategic level. For example, PTAs can use competitive tendering to control PTOs' behaviour. 'The People' as an actor thereby control PTOs indirectly through PTAs. In both authority-initiative and market-initiative regimes, PTAs can play watchdog roles to control operator behaviour, for example, by controlling and monitoring the service performance of PTOs. However, when a PTA also provides public transport services, the watchdog function is usually not carried out by the same authority (van de Velde, 1999). To be credible, this function should be carried out by an independent body. In the analytical section, we will document how LTW and TF watchdogs build credibility while performing their roles.

At the operational level, PTOs ensure that services are delivered effectively and efficiently. Drawing on experiences with tendering in the European Union, Schaaffkamp (2014) claims that many PTAs are, to some extent, dissatisfied with the outcomes of tendered contracts, particularly the decline in patronage and customer satisfaction. The existing contracts seem to lack incentives for operators to focus on

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