



# Airport ownership and regulation in Spain: Explaining the resistance to change



Xavier Ballart <sup>a, \*</sup>, Casilda Güell <sup>b</sup>

<sup>a</sup> *Universitat Autònoma de Barcelona, Department of Political Science and Public Law, Edifici B Campus, 08193 Bellaterra, Cerdanyola, Spain*

<sup>b</sup> *Universitat Internacional de Catalunya, Law School, Inmaculada 22, 08017 Barcelona, Spain*

## ARTICLE INFO

### Article history:

Received 11 November 2014

Received in revised form

27 March 2015

Accepted 26 May 2015

Available online xxx

### Keywords:

Airport ownership

Airport regulation

Policy change

Economic crisis

Policy believes

Political interests

Territorial power

## ABSTRACT

This paper presents the case of Spain where the government recently decided to float 49% of the capital of the public agency in charge of the airport system but to keep the public control over airports. The research question is why did a conservative government prefer to keep a unified hierarchical public structure at the time it was starting to be perceived as an outmoded model? To answer this question we propose five hypothesis taken from political science and policy process theories and we confirm that ideas and beliefs within the policy subsystem together with the external shock of the 2008 economic crisis played a role in favor of policy change. However, core values of statewide political parties and political interests with regard to avoid higher territorial decentralization explain the policy reversal. Empirical results are based on the views of political and economic actors, both in favor and against the status quo, with regard to the propositions expressed in the hypothesis.

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## 1. Introduction

There are various possible institutional arrangements to manage and control airports and a majority of European countries use a variety of forms of public-private partnership, regional and local governments or organizations representing business interests like chambers of commerce. Spain is an exception as airports are managed by one public agency, AENA, acting as a monopoly. In 2010, the Spanish government attempted a reform to contract-out the management of the two biggest airports, Madrid and Barcelona. The reform promoted a radical change of perspective in line with regional and local business interests who wanted Spanish airports to compete between them and with other European airports. But the turbulence of the markets at the peak of the economic crisis and the change of government after elections in 2011 ended up with the maintenance of the public monopoly.

This paper aims at providing an answer to the “exceptionalism” of Spain with regard to public control of airports and, in doing so, make a contribution to the literature on institutional design and

governance of airport regulators. This study can be relevant for Latin American countries (Serebrisky, 2011) where there are important similarities with Spain. It is also relevant in the European context from the perspective of the regional policy and independent regulatory agencies (Niemeyer, 2002; Charlton, 2009). More broadly there is the question of the privatization and diversification of airport ownership structures (Yang et al., 2008). As a case study, it adds to other studies about the problems and prospects of airport development efforts in cities like Milan and Berlin (Beria and Scholz, 2010), Tokyo (Feldhoff, 2003) or Paris (Perl, 1988).

Through in-depth interviews with economic and government elites in Spain we address the economic and political reasons that drive the two main coalitions, one in favor of liberalization and competition and one in favor of government control and territorial solidarity. The Spanish case is interesting because it is a country with an on-going decentralization process that is the object of continuous negotiations with effects on sector policies. Airports are an important local asset for territorial policy and for state-wide parties in the government trying to control the decentralization process.

The analysis is based on political science and policy process theories putting the emphasis on the change of dominant ideas and beliefs (Kingdon, 1984; Sabatier, 1988; Baumgartner and Jones,

\* Corresponding author.

E-mail addresses: [Xavier.Ballart@uab.cat](mailto:Xavier.Ballart@uab.cat) (X. Ballart), [cguell@uic.es](mailto:cguell@uic.es) (C. Güell).

1993), political and economic interests (Castles, 1982; Schmitter, 1979; Boix, 1998; Richardson, 2000) or institutional arrangements and past decisions (Steinmo and Watts, 1995; Thelen 1989, Pierson, 2000) to explain policy change. The findings suggest the need to connect developments at the policy subsystem level, in this case air transport, to more broad economic and political interests. External events like the public debt financial crisis and ideas and beliefs with regard liberalization and local management of airports encouraged policy change but electoral party interests and ideology nevertheless constrained the shift in the way airports are managed.

The article is structured as follows: the second section presents the theoretical arguments and derives hypothesis explaining policy change. The third section presents the methodological approach, the criteria used to select interviews and other sources of information. A fourth section presents the decisions taken and contextual information about Spain. The fifth section presents the empirical results before their discussion and conclusions.

## 2. A framework for analysis of policy change

For classical political scientists, policy making was primarily determined by interests and power. However, in the 1990s, ideas were started to be seen as having an independent role in policy making (Majone, 1998). Policy process scholars developed theories such as Kingdon's multiple streams theory (Kingdon, 1984), Sabatier's advocacy coalition framework (Sabatier and Jenkins-Smith, 1999, 1998), Baumgartner and Jones' punctuated equilibrium theory (Baumgartner and Jones, 1993) and Ostrom's institutional analysis and development framework (Ostrom, 2007) where ideas play a key role.

### 2.1. The role of ideas, beliefs and external shocks

From this perspective, policy changes require the progressive transformation of beliefs in a society (Sabatier and Jenkins Smith, 1993; Sabatier and Weible, 2007). But for beliefs to change, a majority of individuals and organizations in a sector or policy domain should alter their views on a policy problem as a consequence of receiving new information, exchanging ideas with other individuals and learning.

Learning is thus an important facet of policy change theories. One process that is seen as inducing policy change and learning is a big external shock like an economic crisis or a catastrophe (Kingdon, 1984; Birkland, 2006; Sabatier and Weible, 2007). The basic idea with relation to external shocks is that they show what does not work and the need to change the instrumental aspects of the public policy. According to those theories, recognizing the system failures after a big shock can be one of first steps to change perceptions with regard to a policy and to accept an alternative view on the whole public problem. However, the notion that a change of ideas by itself can be enough to determine the change of a policy is contradictory with the very basic idea of collective action coming from Olson (1965).

On the other hand, not all ideas and beliefs can be easily changed. The "Advocacy Coalition Framework" (Sabatier and Jenkins Smith, 1993, 1999), for example, distinguishes between "deep core" fundamental beliefs; beliefs that are related to policy understood as the strategy to achieve the core values; and beliefs in "secondary" or less important aspects. Logically, the most difficult to change are core values and the least are secondary aspects. Therefore, as advanced by advocacy coalition framework theories:

H1.1. Policy change is most likely when there is policy learning across political and economic actors with different belief systems and does not affect policy core values.

H1.2. Policy change is most likely when an external event like a deep financial crisis makes more visible the failing elements of the present policy

### 2.2. The role of political parties and special interests

An alternative view of the policy process is based on the presumption that policies are essentially determined by political interests, political power and special interests. From this perspective, we should pay more attention to the role played by political parties and interests groups in the process of policy formulation.

Social democratic, labor or socialist parties in Europe have been associated with the development of the welfare state and with expansion of public spending including capital equipment and infrastructures while conservative and liberal political parties have worked to slow down those developments particularly since the conservative revolution in the eighties (Castles, 1982; Boix, 1998). Political parties in government are expected to enact policies that are coherent with their ideology and basic values. The potential loss of credibility and the deterioration of their image should restrain political parties in government from adopting policies that will not be understood by their voters. Therefore;

H2.1 Policy change is most likely when it does not contradict the core values of the political party in government to avoid the negative effects on party image and the confusion among voters

Other studies of policy formulation emphasize the role of special interests (Richardson, 2000). Pluralist analysis saw public policy as the equilibrium reached in the struggle among competing group interests at a given moment (Truman, 1951). Policies were supposed to change as a result of changes in the configuration of interests and power while ideas were considered irrelevant. However, as explained by Majone (1998) a keener realization of the economic and political costs of group politics gave plausibility to the idea that there is a public interest or a right public policy and, therefore, the interest group explanation of policy dynamics was reoriented to explain how private or social interests undermine the authority of the state and the public interest.

In the Napoleonic tradition of public administration that is characteristic in the Southern European countries, the state centric vision considers influences of interests groups almost an illegitimate intervention (Peters, 2008). Political systems operating with this conception of the state and its relationship to society tend to limit access to interest groups and they are very selective about what interests they work with. From a corporatist perspective (Schmitter, 1979), the unstructured access to government officials tends to make policy change difficult, while the institutionalized relations between interests associations and government should provide more opportunities of success. Therefore:

H2.2. Policy change is most likely if the relations between interests and government are institutionalized and limited to a few actors

### 2.3. The role of institutions and decentralization

Another set of theories centers on institutional factors preventing a straight line from the positions of political parties or interest groups and policymaking (Steinmo and Watts, 1995; Thelen, 1999). Institutions create a particular policy making context and the very basic idea of the institutional explanation is to explore the relevance of institutional distinctions for government decision making.

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