

Sustainability in Contracts: Balancing Sustainability and Market Logic in Passenger Rail Service. A Case Study in Nordic Transport.

This Ph.D-project is a part of the SUSTAIN project and is focused on theme C 'Institutional change'. The project seeks to extend our understanding of how the marketization has been institutionalized within the transport sector with a special focus on rail and how this institutional change in the institutional structure enables or constrains sustainable transport performance within passenger rail service.

1. Research field

Since the end of the 2000's, sustainable transport has been on the political agenda in Denmark. Notably, in 2009 the political agreement 'A Green Transport Policy' put the reduction of CO2 emissions and public transportation on the forefront of the transport agenda¹. Rail as a mode of public transportation has gained substantial focus leading to plans for huge future investments in infrastructure, and on the service side there is a focus on increasing the transport work on the existing network². In the market, many rail operators have launched substantial sustainability programs that support the green agenda³. Recently the EU has pushed for a further focus on resource efficient transport system⁴. In a narrow sense, the concept of sustainable transport is about greening the transport sector leading to more or the same level of transportation while reducing energy inputs especially fossil fuels and thereby reducing carbon emissions⁵. However, in the context of European transport policy the concept of sustainability in transportation dates back to the early 2000s and has a broader scope including not only environmental measures, but also social and financial aspects.⁶

However, meanwhile the EU is also pushing for a stronger competition agenda on national passenger rail service⁷, and since the 1990's the Danish transport policy has been heavily influenced by New Public Management (NPM)⁸. In the area of public transportation NPM has led to a disintegration of publicly owned transport companies resulting in a separation of modes of transport; bus, rail and ferry and the separation of infrastructure and service provision. The latter has led to the introduction of competition and commercialisation in the public service delivery of transportation through the introduction of competition *for* the market through tendering of services⁹ and in some cases the privatisation of operators¹⁰. On a horizontal line this disintegration has led to new types of organizations and actors, e.g. private service companies, independent agencies and public companies. On a vertical line this has led to new governance structures based on the arm-length principles and focusing on market governance, e.g. contracts and monitoring¹¹.

The disintegration has been criticized for generating incoherent policies and service delivery¹². The market governance based on contracts seems to be under pressure lately where service operators such as DSB have given up contracts¹³. Even the arms-length principle appears to be challenged.

¹ Danish Ministry of Transport, 2009

² Danish Ministry of Transport, 2008

³ Lyck, Kiel & Granborg, 2012: 211-12 & 214

⁴ European Commission, 2011:1

⁵ Banister et al., 2007:17, Sørensen & Gudmundson, 2010:9

⁶ Banister et al., 2007:28-29, European Commission, 2001:6

⁷ European Commission, 2011:18, Danish Ministry of Transport, 2012

⁸ Hood, 1991 & Sørensen, 2005:159

⁹ Baldwin et al., 2012: 166, 179

¹⁰ Sørensen, 2005:155-159, Sørensen & Gudmundson, 2010:9

¹¹ Sager & Sørensen, 2011: 218

¹² Sørensen & Longva, 2011:117

¹³ National Audit Office, 2011, Railway Gazette, 2011, Railway Gazette, 2012

Most recently, the procurement and monitoring of contracts within rail has been centralised in the Transport Ministry's Department¹⁴.

As Greve points out, the market based governance creates some problems in a public market where the state has a double role being both the market enabler and the owner of the incumbent actor with dominant market position¹⁵. Contracting might have drifted from the original goals of relying on the 'superiority' of private market competition since in most areas there is today very little competition¹⁶. The financial problems seem to set the market driven sustainability approach under pressure. DSB has erased the green logo¹⁷ that was introduced in 2009 to secure a focus on substantial environmental commitment¹⁸. But, as Morsing points out, state owned enterprises are strongly encouraged to take on responsibility beyond the financial concerns including social welfare and environmental footprints¹⁹.

Overall, the calls for sustainability introduce broader societal values into a policy field characterized by a strong market logic based on competition, contracts and commercialisation. In that way, I see market logic and sustainability as institutions that are being transformed and questioned continually and thereby changing meaning over time. The political focus on both market based governance between the state and the service operators and sustainability within passenger rail service seems to face problems and challenge a sustainable transport development. While rolling back contracting out seems very unlikely²⁰, it appears relevant to examine how sustainability is being incorporated and how it evolves in the existing NPM paradigm²¹.

2. Research question

How does the sustainability agenda challenge the market logic in the policy and governance strategies within transport policy on passenger rail service?

How do the Nordic countries institutionalize sustainability within passenger railway service and how does it influence the modes of governance between the state and the transport companies?

How do these institutional processes constrain or enable the management of the companies to pursue a sustainable performance agenda?

3. Theory

I will theorize the influence of sustainability on the market logic as 'institutional change' that seeks to bridge the classical dichotomy between institutional change as either mainly structure driven²² or mainly driven by rational actors²³. By doing so, I connect the project to the academic field of comparative institutional analysis of the interface between the public and the private sector and the prevalent methodologies of this field to study institutional change²⁴.

There are various definitions of institutional change²⁵ and various ways in which to study this²⁶.

¹⁴ Danish Transport Authority, 2012

¹⁵ Greve, 2010:124

¹⁶ Kettl, 2010:248

¹⁷ DSB, 2012:7

¹⁸ DSB, 2009

¹⁹ Morsing, 2011: 713

²⁰ Kettl, 2010: 249

²¹ Osborne, 2011: 427-428

²² Steinmo et al., 1992, Pierson, 2000

²³ North, 1990

²⁴ Campell, 2004

²⁵ Campell, 2004, chapter 1, Campell, 2010

²⁶ Campell, 2004

Scott suggests that institutions consist of cognitive, normative and regulative dimensions that create stability and give meaning to social behavior²⁷. A general accepted definition of institutions is that institutions are a set of formal and informal rules that constrain behavior²⁸. 'Path-dependency' is often used to explain the process of institutional change as a constraining process²⁹. Yet, as Campell points out, institutions can be seen not only as constraining, but also as enabling the actors in an incremental and evolutionary way³⁰. In this Campell stresses that when studying institutional change, one should not only focus on the development on an institutional level, but on the normative and cognitive level by examining how ideas and discourses are used strategically by actors³¹ as tools in struggles to change institutions, and that these actors interests and options are constrained by resources and power positions³².

Following such an approach, the project seeks to examine the institutional change that is connected to the introduction of the idea of sustainability in the dominant market logic by tracing the changes through a institutional structural and actor-centered analytical focus, including legal, normative and cognitive institutional dimensions³³. The analysis will focus on the governance structures between the state and the train operators, in particular the interplay between the policy development, the delivery regime and the management activity³⁴, as discussed by Osborne and others³⁵.

²⁷ Scott, 2001:48, Campell, 2004:224

²⁸ Campell, 2004:54

²⁹ Campell, 2004:87, Pierson 2000, Thelen 1999

³⁰ Campell 2010:109

³¹ Campell, 2004: chapter 4, Dimaggio & Powell, 1991

³² Campell, 2010:105-106, Campell, 2004:225

³³ Scott, 2001: 51-58, Campell, 2004, 53

³⁴ Osborne, 2010b: 414, Osborne, 2010a: 2

³⁵ Osborne, 2010, Osborne, 2011

7. References

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