



***Liberalisation, privatisation and regulation  
in the Austrian local public transport sector***

***Austrian Country Report***

***Christoph Hermann***

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Forschungs- und Beratungsstelle Arbeitswelt  
A-1020 WIEN, Aspernbrückengasse 4/5  
Tel.: +431 21 24 700  
Fax: +431 21 24 700-77  
office@forba.at  
www.forba.at

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## *INTRODUCTION*

The following report lines out the main features of local and regional public transport in Austria. It departs in significant way from the outline provided by the workpackage co-ordinator. An obvious difference is that we focus on the description of the current situation and left out regulation before the introduction of the liberalisation process. The simple reason is while there were always a number of private companies active in the sector so far there is no significant liberalisation process. Only recently first elements of competition were introduced including mandatory tendering according to the regulations of Austrian public procurement law and the possibility to issue route licenses to more than one company. As in both cases there are also strong obstacles in the existing system (tendering is restricted to a minority of routes and potential competitors on the same routes are expected to form joint services in the existing transport associations) the effects are not clear yet. Instead of presenting the situation before and after liberalisation we therefore describe changes in the regulatory framework in the last few years – that is mainly changes in legislation.

Even if there is no substantial liberalisation process this does not mean that there are no effects of the expected increase in competition. Effects can primarily be seen in the publicly-owned providers and mainly concerns labour costs (which in bus transport make up between 50 and 60 per cent of total production costs).

Up until the second half of the 19<sup>th</sup> century scheduled passenger transport was a lucrative business. Private entrepreneurs founded bus companies to operate profitable routes. In railways the situation was different. Due to massive investments it was often state-owned companies that created and operated the railway routes. However, with the arrival of mass produced automobiles and the subsequent rise of individual transport, public transport became increasingly unprofitable.

In a number of European countries, including Austria, public authorities nevertheless felt that the state has a responsibility in providing transport for those who cannot afford or are unfit to drive their own car. As a result, Local and Regional Public Transport (LRPT) became heavily subsidised. Until it has been outsourced and set up as separate profit-seeking company, the bus division of the post and telegraph administration was heavily cross-subsidized by the profitable telecom business.

Since the oil crisis of the 1970s ecological concerns also played a role in persuading policy makers to maintain and partly expand ecologically sensible public transport. In the second half of the 1980s Austria set up the first transport association in order to coordinate and integrate existing public transport services. However, despite massive and increasing subsidies the number of passengers has decreased outside the urban centres (the number of passengers in Vienna is actually increasing). At the same time budgetary austerity imposed by the Maastricht criteria has increased pressure on provinces and communities to reduce public transport costs.

The increasing share of subsidies has changed the nature of LPRT. Austria as we will show in the following pages has only partly adapted to the new situation. A large part of the system is still founded on the creative, profit-seeking transport entrepreneur, while the larger part of the revenues stem from subsidies and not from ticket sales.

The report starts with a description of the market structure. It continues then with a summary of the system of regulation followed by a few paragraphs on the political background of liberalisation and the views of some of the main actors. The next section describes some changes which took place in preparation for competition. The reports ends with a brief conclusion.

As there is only few literature available on the subject, information was mainly drawn from expert interviews. We conducted eight interviews between spring and fall 2006. We are grateful to our interview partners.

## 1. *MARKET STRUCTURE*

In 2003 there were 667 companies in Austrian LRPT (NACE 6021). The largest is the Wiener Linien AG (Vienna transport) with 8,000 employees. The Wiener Linien operates five underground routes, 32 tram routes and 88 bus routes.<sup>1</sup> Some 747 million passengers per year are carried. In 2005 the company had a turnover of €354m. The Wiener Linien is a 100 per cent subsidiary of the Wiener Stadwerke Holding AG, which itself is 100 per cent owned by the city of Vienna.<sup>2</sup> In other cities with their own municipal transport companies these also occupy a dominant position within the urban centres (Grazer Verkehrsbetriebe: €44m turnover and 98m passengers; Linz Linien AG: €33m turnover and 91m passengers; Innsbrucker Verkehrsbetriebe: €24m turnover and 45m passengers; Salzburger Stadtbus: 35m passengers).

Outside the urban centres the ÖBB-Postbus dominates public local and regional transport. ÖBB-Postbus GmbH emerged from a merger of Postbus and Bahnbus (with a third of all the routes having had to be given to private transport companies). ÖBB-Postbus is a 100 per cent subsidiary of ÖBB Personenverkehrs AG, which again is a 100 per cent subsidiary of the national railway company Österreichische Bundesbahnen Holding AG.<sup>3</sup> Despite periodic discussions about a possible privatisation, ÖBB Holding AG is still 100 per cent state owned. In 2005, 235m passengers were carried and a turnover of €321m achieved. After the merger, the company employs 3,950 workers (2,800 of them drivers) and operates 2097 buses. According to its own figures, ÖBB-Postbus covers some 20 per cent of Austrian LRPT and approximately half of bus transport. In rural regional transport, however, it has a market share of 70 per cent.

<sup>1</sup> 853 trams, 684 underground carriages, 492 buses.

<sup>2</sup> As well as the Wiener Linien, the Wiener Stadwerke Holding AG also owns the Wiener Lokalbahnen AG, which primarily operates the Badner Bahn tram link between Vienna and Baden. With 11m passengers, in 2005 the company had a turnover of €45m.

<sup>3</sup> Österreichische Bundesbahnen = Austrian Federal Railways.

According to another estimation, ÖBB-Postbus operates about 85 per cent of regional scheduled bus transport.<sup>4</sup> Despite its dominant position in the market ÖBB-Postbus has to struggle do defend its market shares mainly due to higher labour costs (older workforce with higher wages). Another 5 per cent of the market is dominated by large and medium sized bus companies including Dr. Richard with 1,350 workers, 800 buses, and an annual turnover of €2m (Wolf 2005:4). Dr Richard is a traditional family business and operates 202 routes in eastern and southern Austria and in Salzburg, with some routes inside Vienna.<sup>5</sup> Also based in Vienna, the Blaguss company operates 245 buses (ibid).<sup>6</sup> In Austria Sabtours still counts as a large company. It operates some 100 buses, largely in Upper Austria (ibid). The remaining 10 per cent of the market share is covered by small companies with less than 10 buses.<sup>7</sup> As the total number of vehicles operated in scheduled transport accounts for approximately 3,500 buses the small companies together operate only a few hundred busses.

Table 1: Municipal services and bus companies

Company	Number of employees	Yearly passengers (in million)	Yearly Turnover (in million euros)
Wiener Linien	8,000	747	747
Grazer Verkehrsbetriebe		98	44
Linz Linien AG		91	33
Innsbrucker Verkehrsbetriebe		45	24
Salzburger Stadtbus		35	
ÖBB-Postbus	3,950	235	321
Dr. Richard	1,350		92
Blaguss			73

Source: Various sources.

In rail passenger transport, ÖBB has even a more market-dominating position. The national railway company still covers 98 per cent of passenger transport (AK Wettbewerbsbericht 2005:121). There are around a dozen private railways, but most of them are public or semi-public property (the owners are the government, the municipalities and provincial or municipal energy companies) and many operate on separate railway systems (some are more of a tourist attraction than an efficient means

<sup>4</sup> Interview F1.

<sup>5</sup> In all, approximately a third of inner-city bus routes in Vienna are operated by private transport companies.

<sup>6</sup> Excluding urban transport in Vienna, in the eastern region transport association (VOR) the market share is as follows: two thirds ÖBB-Postbus, 20 per cent Dr Richard, 10 per cent Blaguss. Above and beyond this there are still some 50 smaller companies whose market share only amounts to a few parts per thousand. (Interview D1).

<sup>7</sup> Interview F1.

of transport). In exceptional cases private operators use the public railway system, but at least in one case the company does so in close cooperation with ÖBB.<sup>8</sup> With a total market share of less than 2 per cent of the Austrian rail passenger transport they hardly present a threat to the national railway company. ÖBB operates 3,600 short-distance and 255 long-distance trains per day.

Table 2: Railway companies

Company	Percentage of railway system (in %)	Number of passengers (in 1,000 person-kilometre)	Percentage of total passenger rail transport (in %)
ÖBB	90.48	8,240,000	98.02
Steiermärkische Landesbahn	1.99	23,459	0.28
Graz Köflacher Bahn	1.57	No information	No information
Raab Oedenburger Bahnen	0.50	17,274	0.21
Linzer Lokalbahn AG	0.95	55,504	0.66
Salzburg AG	0.57	No information	No information
Zillertalbahn	0.50	27,469	0.33
Stubaitalbahnhof	0.29	8,980	0.11
Other companies	3.15	33,613	0.40
Total	100.00	8,406,299	100.00

Source: AK Wettbewerbsbericht 2005 (Part 2).

Multinational companies have thus far not involved themselves in LRPT in Austria. According to newspaper reports the French Connex considered getting a foothold in Austria by buying Postbus but the deal failed. There might possibly be involvement in cross-border transport in the eastern region after Connex has bought companies in Slovakia and the Czech Republic. Another possible scenario is that a multinational company acquires one of the large private companies of which some are family run.<sup>9</sup>

All private companies are set up as limited companies or personal companies and not as stock corporations. Consequently there is no significant cross-share holding. There is also no substantial co-operation between competitors except for co-operation demanded by public regulators (transport associations, provincial administrations etc.). There is, however, a small but steady tendency towards centralisation.<sup>10</sup>

<sup>8</sup> Interview A2.

<sup>9</sup> Interview F1.

<sup>10</sup> Interview F1.

## 2. REGULATION

### 2.1. Regulatory instruments

Local and regional public transport (LRPT) consists of bus lines, trams, underground and railways. In contrast to occasional transport, lines are served regularly (according to a timetable) and are publicly accessible. Since 1997, LRPT in Austria has been organised nationwide in transport associations. Transport associations are responsible for the coordination and development of the service, the calculation of the income and of public subsidy, as well as for standardised fares and an integrated information system. Behind the nationwide coordination of LRPT, however, there is a highly complex, historically developed and not always coherent system of laws and regulations governing LRPT in Austria. The analysis is made more difficult by the fact that since the end of the 1980s the system has been subject to continuous change.

For a clearer understanding it is sensible to separate the organisation and funding of LRPT from the provision of transport services. Although European legislation plays an important role in the sector,<sup>11</sup> in what follows we will limit the description on national legislation. Organisation and funding are governed in federal law by the Local and Regional Transport Act (ÖPNRV-G).<sup>12</sup> In this connection the Federal Public Procurement Act<sup>13</sup> is increasingly important. The main regulations for the operation of the service are the Passenger Transport Routes Act (Kraftfahrlineingesetz - KlfG) and the regulation on access to occupations in scheduled and occasional passenger transport. Railway transport is regulated in the Railways Act (EisbG).<sup>14</sup>

Table 3: Legal framework

Legal basis	
Organisation and funding	<ul style="list-style-type: none"> <li>▪ Local and Regional Transport Act</li> <li>▪ Federal Allocation Act</li> </ul>
Operation	<ul style="list-style-type: none"> <li>▪ Federal Law on the Transport of Persons by Motor Vehicles on Regular Routes</li> <li>▪ Decree on the Access to Occupations in scheduled and occasional passenger transport</li> <li>▪ Railways Act</li> </ul>

<sup>11</sup> For relevant European legislation see Schweiger 2006.

<sup>12</sup> Most recently amended in 1999.

<sup>13</sup> Most recently amended in 2006.

<sup>14</sup> Most recently amended in 2004.

Under the ÖPNRV-G, with the exception of railway passenger traffic, the provinces and municipalities are responsible for the planning of local and regional transport.<sup>15</sup> There is also a tendency to decentralisation in the Passenger Transport Routes Act (KlfG), in which, since the latest amendment, the provinces are responsible for granting licences on bus routes (except for cross-border routes). This tendency has been further strengthened in an amendment to the ÖPNRV-G, which was presented by the government in early 2006 and which was the subject of intense discussion. According to the draft, responsibility for the funding of the LRPT is also to be devolved to the provinces, while the central government will in future limit itself to providing the current level of subsidy – however the government also does not wish to increase existing subsidies, which in view of the uncertain development of costs has led to strenuous protests by the provinces.

Since the mid 1980s the provinces have founded “transport associations” on the German model to fund LRPT.<sup>16</sup> The main aim was the introduction of a standardised fare system and an integrated timetable. As already mentioned, Austria has in the meantime been divided up in to eight transport associations that cover the whole country. Most of these cover one province. The provinces of Vienna, Lower Austria and Burgenland were originally divided up into two transport associations. In the meantime they have merged into one association – the Eastern Region Transport Association (VOR).<sup>17</sup>

Transport associations are forms of cooperation to optimise the general service of the LRPT. As such, they include the regional authorities responsible for funding the LRPT –these are also the provinces and municipalities – as well as the companies operating the public transport in the respective area. As major source of transport funding, the federal government initially was also part of the associations, but has gradually withdrawn with increasing decentralisation. The relationship between the regional authorities and the companies is based on civil-law contracts. These include on the one hand the founding and funding contracts, in which the financing regional authorities commit themselves to covering the system-related expenses, and on the other hand the service contracts, in which the rights and obligations of the companies operating within the transport association are laid down. Within the transport association there is a steering committee with representatives from the funding bodies. This is empowered to lay down the fundamental guidelines. For their part, the companies are expected to form separate cooperative associations. In addition to medium-term planning much of the daily business (apart from actual passenger transport) is run by a separate body – the transport association company. Specific tasks of the transport association company include:

<sup>15</sup> Under the ÖPNRV-G, it is the task of the federal government to ensure a basic local and regional public railway service.

<sup>16</sup> The first transport association was the Eastern Region Transport Association in 1984.

<sup>17</sup> The transport associations are: Eastern Region Transport Association (VOR), Lower-Austria-Burgenland Transport Association (VVNB), Upper Austria Transport Association (OÖVV), Salzburg Transport Association, Tyrol Transport Association, Vorarlberg Transport Association, Styria Transport Association, Corinthian Transport Association.



- development and application of a standardised fare system
- coordination and ordering of transport services and processing of transport service contracts
- accounting, compensation payments and subsidies
- sales and marketing
- adherence to quality criteria.<sup>18</sup>

The transport associations set up since the mid 1980s did indeed lead to an integration of the existing systems – in this regard, as Leonhard Höfler (2002) wrote, they actually represented a “milestone” – but not necessarily to a restructuring of the LRPT. Most of these companies just operated with new fares and timetables.<sup>19</sup>

Only since the end of the 1990s have transport associations started to order additional services and routes. The background was the break-up of the state transport operations and their transfer to private companies. As a result of the loss of cross-subsidy – in the case of Postbus for example by the telephone business – the newly profit-oriented companies threatened to stop operating routes that despite ticket price compensation (free travel for school students and apprentices, reductions for pensioners and disabled persons) were running at a loss.<sup>20</sup> After the federal government refused to cover the losses, the provinces stepped in and offered the companies additional funds to continue operating the routes. A regular customer body developed out of this.<sup>21</sup> Until the 2006 amendment to the Passenger Transport Routes Act, however, existing contractors – the service licensees – had to be contracted for additional services, at least as long as they were willing, to operate the additional routes for “economically reasonable” payment.<sup>22</sup>

The preferential treatment of the companies that already had a contract came up against the disapproval by the European Commission.<sup>23</sup> In reaction to a reminder from the Commission in 2003, in the most recent amendment to the Passenger Transport Routes

<sup>18</sup> The quality criteria include: accessibility of the system (also for physically handicapped people); personal and operational safety; no serious infringement of employment and social security regulations; travelling comfort; uniform and comprehensive information systems; reduction of pollutant emissions and the ability to use transport association tickets. Some transport associations have additional quality criteria, but in praxis no means to enforce them (Interview E1).

<sup>19</sup> Some losses as a result of the new fares and timetables (if for example a passenger changes without buying a new ticket) were until recently compensated in the context of the “old income guarantee”.

<sup>20</sup> The additional support was undoubtedly also one reason why Postbus was for a short time able to record a profit.

<sup>21</sup> Interview E1.

<sup>22</sup> Interview D2.

<sup>23</sup> The stumbling block was the award of a contract by the Transport Association of Tyrol (VVT) in 2002. The VVT decided that the side valleys in East Tyrol, an extremely remote part of Austria, should be better linked to the public transport network. The VVT contracted Postbus AG (in the meantime ÖBB Postbus) to serve the additional routes. The VVT guaranteed an annual supplement of €700,000 (from the funds of the province of Tyrol). The contract was concluded for an indefinite period, but could only be terminated by either side after five years. The Innbus AG, which had been hived off from the Innsbruck transport companies in 2000 and was owned by the city of Innsbruck, felt it had been by-passed by this procedure and appealed to the European Commission over infringement of procurement and competition rules.

Act (KlFG) the preferring of existing licensees was abolished. Instead, the 2006 KlFG demands that in the ordering of additional services, these services are awarded according to public procurement law.

Yet there are two major exemptions from this rule. First of all, local authorities still have the possibility to award contracts to internal contractors under certain terms. If they comply with the requested conditions, communities can continue to award transport services to municipal transport operators (this exemption is upheld in the most recent European Commission proposals for the re-organisation of LRPT).<sup>24</sup> Excluded from the obligation to tender are secondly all services which do not need additional subsidies apart from the aforementioned ticket-price compensations. They somewhat euphemistically are declared economically profitable although ticket-price compensations make up for between half and two-thirds of their revenues (the law accordingly differentiates between “own-business transport services” and “social transport services”).<sup>25</sup>

Given the fact that “almost all payments granted by the government are deemed to be fare revenues and are thus constituting a status of profitability” (Wieser 2002:71) what remains to be tendered are particularly low frequented routes and mostly even not entire routes but additional services on existing routes or extensions of existing services. However, the share of tendered services has increased rapidly in recent years.

Table 4: Financing (1998)

Federal subsidies		Million euro
	Public-benefit services by the Federal Railway Company	819.3
	Federal contribution to the underground	457.8
	Investment subsidies for private railways	109.0
	Transport associations	30.9
	Payments within the scope of the revenue sharing act	47.8
	Free transport for pupils, students and apprentices	279.4
	Subsidies for the transport of pupils, students and apprentices	3.4
Subsidies by provinces and municipalities		478.0
Total subsidies		1,297.3

Source: Wieser 2002.

<sup>24</sup> European Commission 2005.

<sup>25</sup> “Own-business transport services are those whose costs are exclusively covered by the proceeds of ticket sales. The proceeds of ticket sales also includes government-stipulated ticket-price compensation to guarantee special prices for particular passenger groups as well as the compensation of ticket prices for other reasons. Social transport services are those whose costs cannot be covered by proceeds of ticket sales alone and which require a funding contribution by the government, provinces or municipalities in order to be maintained.

As has been said, orders are somewhat the exception. As a rule the initiative goes back to the company. Companies that wish to offer local transport services need a licence. The procedure to acquire a licence is regulated in the Passenger Transport Routes Act (KlfG). In principle any company or natural person can apply for a licence for a particular local transport route. The granting of the licence depends on fulfilling the conditions prescribed in the Act. This includes, first of all, a range of professional, technical and commercial conditions (above and beyond this, professional conditions are laid down in the occupational-access decree in scheduled and occasional passenger transport).<sup>26</sup>

Essential points in the procedure are above all the examination of the routes including the examination of possible technical problems (for example in connection with the use of planned bus stops). The examination by the authorities – since 2006 the provincial administrations have been responsible for everything except cross-border transport – in no way refers to which company can make the lowest offer.<sup>27</sup>

Originally, the licensing procedure included an examination of need – the authorities check whether a new route makes commercial sense – but this was abolished in a first stage of liberalisation at the end of the 1980s. To date the law still includes a passage saying that the new licence is not be granted if existing transport companies that operate partly or wholly in the area of the new route are commercially endangered by it.<sup>28</sup> But the opinions as to whether a right to exclusion can be derived from this (the licence for a particular route can be awarded only to one company) are disputed.<sup>29</sup> In any case the administrative court has recently placed ever stricter interpretations on the question of commercial threat.<sup>30</sup>

On the other hand the KlfG demands that

for the optimisation of public passenger transport. . . the supervisory authorities [have] to promote that the interests of the various transport carriers . . . are balanced and their services and payments are harmonised. To this end they are to promote the voluntary cooperation and alliances of companies, such as joint route services or transport associations for example.

In other words, if several companies apply for the same licence, the authority can prescribe that the applicants set up a joint transport service.<sup>31</sup> In a similar way, the law on local and regional public transport prescribes that transport associations are to avoid the running of parallel routes.<sup>32</sup> As routes outside the transport associations are hardly

<sup>26</sup> There is specific examination of the reliability, professional suitability and solvency of the applicant as well as the suitability of the roads concerned. As a result of the procedure, the applicant for the licence can be subject to a range of conditions. These include, for example, timetables and conditions on the erection of bus-stop signs.

<sup>27</sup> Interview D2.

<sup>28</sup> Existing companies and municipalities concerned both have to be given a hearing in the procedure.

<sup>29</sup> Interview E1.

<sup>30</sup> Interview D2.

<sup>31</sup> Interview D2.

<sup>32</sup> Instead of such parallel traffic, consideration should be given to an improved provision or service of other areas, in particular in areas that are not or are insufficiently served by public transport.

viable, in practice there is rarely direct competition between two or more companies on the same route. According to the federal competition authorities, such parallel traffic accounts for approximately six per cent of scheduled passenger transport routes (Bundeswettbewerbsbehörde 2003). Under pressure to reduce expenditure on LRPT, individual municipalities have started to apply for licences themselves. As licence holders they can then very well entrust provision of the service to the company that makes the best offer.<sup>33</sup>

The licences last eight years.<sup>34</sup> In exceptions, for example in a transport requirement over a limited period or for the optimisation of an offer, the licensing period can be granted for a shorter period. Until the 2006 amendment, the licensing period was ten years. More importantly in this connection, however, is the fact that licences are no longer automatically extended on application. Again, owing to the reminder by the European Commission in 2004, in the case of an extension the procedure must be rolled out again. To this extent it is not an extension but a re-conferral of the licence.

The awarding of licences for rail passenger transport is regulated by the Railways Act (EibG).<sup>35</sup> As in bus transport every company or natural person can apply for a railway license if the person or organisation meets the requirements laid out in the EibG. Not surprisingly the list of technical requirements is longer than in the KlfG. While railway infrastructure and the operation of trains has been separated in order to enable different operators to use the same railway system, in passenger transport competition so far has not developed in a significant way. The state-owned ÖBB still covers 98 per cent of passenger transport (AK Wettbewerbsbericht 2005:121). According to the latest communication from the Commission railway services will also in future be exempted from the obligation of competitive tendering.<sup>36</sup>

According to the Local and Regional Transport Act the federal government is legally obliged to guarantee the basic provision of public local and regional rail passenger transport.<sup>37</sup> The federal government has attempted to shift the responsibility and the costs for the maintenance of the railway system to the provinces, but so far the provinces which are already under heavy financial pressure have resisted the move. However, in order to relieve the burden on the government the ÖBB has stopped numerous small railway routes in recent years. As a result of cost-saving the quality in existing local and regional rail services has been deteriorating in recent years.<sup>38</sup> Partly former railway services were replaced by the railway company's own bus services. Hence if there is competition is not so much between different railway companies but between railways and the cheaper but ecologically more damaging bus services.

<sup>33</sup> Interview D2.

<sup>34</sup> The latest Commission proposal also envisages a maximum of eight years for operating a route (European Commission 2005).

<sup>35</sup> Most recently amended in 2004.

<sup>36</sup> European Commission 2005.

<sup>37</sup> To the extent of the 1999/2000 timetable year.

<sup>38</sup> Interview A1.

As a whole, the previous liberalisation steps in LRPT in Austria are very limited. Changes in the direction of liberalisation take place as reactions to the corresponding EU guidelines and then only when the Commission exercises the appropriate pressure. Until now, the situation seems to be that there are indeed many suppliers who, however, practically enjoy a local monopoly. In the audit of the merger of Postbus and Bahnbus (to ÖBB-Postbus) the government competition authority came to the following conclusion (2003):

As a result of the strict public licensing system under the Passenger Transport Route Act and the transport-association system decreed by the Local and Regional Transport Act, competition is possible only to a very limited extent. De facto, too, competition – in particular between the Postbus and Bahnbus – has hardly taken place.

In other words: where there is no market there cannot be a market-dominating position of an individual company either. With the last amendment to the KlfG, the first competition-promoting elements were introduced through the obligation of competitive tendering for certain contracts. The share of services subjected to competitive tendering varies significantly among the 8 transport associations.<sup>39</sup> In certain associations it may not be more than 10 per cent of the total business. Hence, as a representative of a transport association notes, “they want us to expand competitive tendering but they do not give us the necessary instruments.”<sup>40</sup>

The obligation for companies to re-apply for licences can also be seen as a first step in the direction of more competition. Although there are still legal obstacles (commercial threat to other businesses, obligation for cooperation in transport associations) two or more companies can now apply for a license for the same route. One possible outcome is that the large private companies apply for licenses previously held by ÖBB-Postbus.<sup>41</sup> For international companies individual licenses are hardly interesting (as the Postbus example has shown they are rather interested in large route packages).<sup>42</sup>

### 3. *POLITICAL BACKGROUND*

The reticent liberalisation of LRPT in Austria is not least a question of the weak political support for the liberalisation project. Politicians and passengers are largely satisfied with the existing service.<sup>43</sup> It is rather the rising costs that are causing headaches. Owing to the increasing pressure on public expenditure (Maastricht criteria),

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<sup>39</sup> Interview F1.

<sup>40</sup> Interview E1.

<sup>41</sup> Interview F1.

<sup>42</sup> Interview A1.

<sup>43</sup> In an international study, the satisfaction of passengers with LRPT in several European cities was surveyed (Barcelona, Geneva, Helsinki, Copenhagen, Oslo, Stockholm). Vienna came out relatively well. Above all in the area of “personal safety”, Vienna was in front of the other cities (Unfried 2005).

it is the provinces and municipalities that are most interested in the introduction of competitive tendering. The government is certainly interested in cutting costs, but on the other hand, as the owner of the ÖBB and ÖBB-Postbus, it is also interested in maintaining their market share. The same is true of the cities that own municipal transport systems. Within the transport associations there are different opinions on whether liberalisation will actually lead to a reduction in costs.

The Austrian People's Party (ÖVP) adopts a split position. On the one hand it is in favour of liberalisation, and in recent years as the governing party has also taken the first steps to liberalisation. On the other hand, the ÖVP traditionally represents business interests, and the private Austrian transport companies are strictly against the introduction of more competition. They expect that only the large international companies would profit from liberalisation and the domestic medium-sized companies would be left by the wayside. Alongside the Chamber of Economy, the Chamber of Labour is also against liberalisation, because it fears negative consequences for the quality of transport and for those employed in it. The Social Democratic Party (SPÖ), which is close to the Chamber of Labour, is also against liberalisation. Above all, the strong Social Democratic Party in the capital, Vienna, is interested in the fact that the city transport will continue to be operated by the municipal transport operators. The Greens are indeed also for the protection of municipal transport, but otherwise could well imagine more competitive elements in LRPT.

The opportunistic attitude of the political players can best be illustrated by the example of the sale of Postbus. In 1999, in the course of the liberalisation of the post office, the earlier post and telegraph administration was transferred to a private company – Post AG. Postbus, which at the time already operated a large part of the rural local and regional transport, became the subsidiary Postbus AG. Until 2001, Postbus AG, which had been in deficit and previously always supported by internal cross-subsidies within the post and telegraph administration, remained in the ownership of Post AG. Then, with the medium-term aim of selling it, Postbus was transferred to the state holding company ÖIAG. Meanwhile the company has managed to transform itself from a loss to a profit making business (partly at the costs of the provinces and municipalities which covered parts of the losses from particular unprofitable routes).<sup>44</sup> As a result there were several offers from potential buyers. According to newspaper reports, the French company Connex was interested in Postbus.

In view of a threatened foreign takeover, politicians from all camps came out for “an Austrian solution”. Ultimately, the railways (ÖBB) acquired Postbus and merged it with the railways' own Bahnbus. As a concession to the private companies, the deal was subject to the condition that a third of all routes should be sold on to private bus companies. The ÖBB then put together 31 sales packages. From a “transparent, Europe-wide bidding procedure” there emerged a purely Austrian solution with Austrian purchasers. Obviously the packages were too small to interest international bidders.

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<sup>44</sup> Interview E 1.

Despite resistance, it must be assumed that owing to the guidelines from Brussels, competitive tendering will increase in importance in Austria, too, in the coming years. There has therefore been a general welcome for the Commission's most recent proposals including exceptions in tendering for urban transport that is provided by one's own services, for railways, for marginal services (less than 300,000 km per year) and for small companies (less than 20 buses and a total service of less than 500,000 km per year and a total contract volume of less than €1.7m per year).<sup>45</sup>

## 4. EFFECTS OF LIBERALISATION

Although competition in LRPT in Austria is still within bounds, in recent years through extensive restructuring the public transport companies above all have partly prepared themselves for future competition.

### 4.1. *Wiener Stadtwerke*

Together with other municipal services, Vienna's municipal transport service was outsourced and transformed into a private but publicly owned company in 1999. As such Wiener Linien GmbH became a subsidiary of Wiener Stadtwerke Holding AG, which is still 100 per cent owned by the City of Vienna (Atzmüller/Hermann 2004:69). In order to full fill the requirements for internal contracting Wiener Linien introduced separate accounting systems for infrastructure and transport services as well as signed an operating agreement with the city which lay down in detail the scope of the service to be provided by the company (routes, frequency, minimum number of trains on each line etc.). The contract is also intended to promote the individual responsibility of management and thereby the private-enterprise orientation of the company. With the signing of the contract the operational risks (e.g. a sudden reduction in passenger numbers) lays with the company (Unfried 2005). What the consequences are when the company loses more money than the subsidies granted by the "transport contract" remains to be seen. After all the owner of the company is still the City of Vienna.

In order to cut costs, there have been continuous staff reductions in recent years. Since the mid 1990s the number of employees has fallen by about 10 per cent, while the public transport network has simultaneously been extended. The staff reductions have led to an intensification of work. On the other hand there was also a wage cut for newly employed workers. Since 2001, new employees have earned around 13 per cent less than colleagues who were taken on before 2001. In connection with the profit-orientation, there has also been outsourcing. This first affected the cleaning service, which previously employed around 100 of its own workers. Now it is done by workers from private cleaning companies who are employed on essentially worse conditions (Atzmüller/Hermann 2004). In a kind of trial run, the operation of a bus route has also

<sup>45</sup> European Commission 2005.

been outsourced. Surprisingly, in the tendering process Postbus emerged as the best bidder.<sup>46</sup> On the other hand, the workshop area, which many private bus companies have outsourced, remained in the company.

#### 4.2. *ÖBB-Postbus*

As described above, Postbus was transferred to a private company as part of Post AG in 1999. In anticipation of the coming liberalisation, from 1997 the post office carried out several waves of early retirement in order to reduce staff levels. Alongside early retirement there were also financial offers for younger employees to leave voluntarily. In 2001, Postbus AG was hived off from the post office and integrated into the ÖIAG.<sup>47</sup> Meanwhile the company had managed to move from a loss making to a profit making business. In addition to additional payments by provinces and communities this was primarily achieved by a dramatic cut in labour costs. In three years staff levels were reduced by 20 per cent (from 3,200 to 2,600).<sup>48</sup> Workers who went into retirement were not replaced. After the transport services were extended at the same time, this, along with the introduction of new vehicles and technology, was only possible by a massive intensification of work mainly through the reduction of idle time caused by breaks between routes. The company started to fill in these gaps with occasional services.<sup>49</sup> Labour costs were not only cut by the reduction of employment and intensification of work. As with the Viennese municipal services, since 2001 new workers at Postbus were employed on worse conditions than their colleagues who had joined earlier.<sup>50</sup>

## CONCLUSIONS

There are two types of competition in LRPT: competition for the market and competition in the market. Competition for the market takes place when several companies compete for a tendered route. Competition in the market takes place when several companies drive the same route to compete for passengers.<sup>51</sup> In Austria, until now there has been neither competition for the market nor in the market. The reason lies not least in the contradictory way in which transport services are organised, operated and regulated. While the operation is still guided by the free and independent companies principle – companies seek licences independently – the organisation is heavily oriented

<sup>46</sup> Interview A1.

<sup>47</sup> ÖIAG (Österreichische Industrieholding AG) is a body which administers the state's shares in companies. Since the late 1980s it has more and more become a vehicle to privatise state-owned companies, in the last years increasingly also to privatise public services. The most recent example is the Austrian Post AG.

<sup>48</sup> Interview B1.

<sup>49</sup> Interview B1.

<sup>50</sup> Interview B1.

<sup>51</sup> Competition for the market has been introduced particularly in north-European countries (increasingly also in Germany). Competition in the market dominates in Britain (outside London).



on central planning by the transport associations. The preservation of the free enterprise spirit would demand for competition in the market, while a high-level of co-ordination is compatible at best with competition for the market.

After the disastrous experience with the UK's competition in the public transport market, the European Commission now clearly favours the competition for the market-approach (advertised as 'controlled competition').<sup>52</sup> First elements of competition for the market were introduced through mandatory tendering following the regulations of the public procurement law. So far the obligation only applies to a minority of routes (new legislation allowing for several providers to apply for the same route licenses also opened the possibility for competition in the market but this possibility exists only theoretically because at the same time other regulations require potential competitors to form joint services). However, in the long run Austria will not be able to withstand pressure from Brussels and increase the number of contracts subjected to competitive tendering even if most national actors, including the private bus companies, would prefer to maintain the existing system. Much will depend on the fact if a new government is prepared to introduce major changes in the existing system of regulations.

In any case, a large share of LRPT will remain excluded from competitive tendering. This includes all the municipal transport services including Wiener Linien which is the largest company in the sector as well as the railways and hundreds of small bus companies. As it is now more competition will mainly increase pressure on publicly owned companies outside the urban centres to reduce labour costs. Most notable this concerns ÖBB-Postbus with its above-average old and above-average paid workforce. The expected reduction in labour costs is the main argument of the liberalisation advocates in Austria, while the coverage and quality of services play no or only a marginal role in the public debate. Most experts are satisfied with the existing system (Austria is fully covered with integrated transport associations). Although there is no competition in LRPT in Austria, or only to a very limited extend, this does not mean that there were no significant changes in recent years. Following the cost argument changes were mainly introduced in publicly owned providers and mainly were aiming at reducing labour costs. As a result staff numbers were repeatedly reduced at ÖBB-Postbus as well as Wiener Linien. In both cases there were also cuts in wages for new employees. The case of ÖBB-Postbus were cuts were particular deep also shows that more competition can likely lead to a deterioration of service quality. Due to increasing cost pressure ÖBB-Postbus has closed down a number of repair shops with the effect that busses are less frequently inspected.<sup>53</sup> The Local and Regional Transport Act lists a number of quality criteria and some transport associations have introduced additional

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<sup>52</sup> European Commission 2005.

<sup>53</sup> Interview B1.

quality standards, but so far there are no meaningful quality checks due to a lack of resources.<sup>54</sup>

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<sup>54</sup> Interview E1.

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