

4. CORPORATE MANAGEMENT

4.1. Introduction – The importance of corporate management

During the first plenary session and the separate expert meeting in Budapest it was underlined by the participating experts¹¹⁶ that PT enterprises and organising authorities today are undergoing a cultural change. Despite being at different transition stages in their evolution, all are making some kind of switch from a technical culture to a service culture and from an administrative culture to a performance/management culture. This was more evident for the PT systems of the new Eastern EU MS that have been going through a fundamental structural change in their operating environment that was brought about from the political system change. Nevertheless the Western European PT companies are facing the same obstacles in principle; typically they are on a further stage within the development path, which was confirmed during the second and third expert meeting as well as by on-site interviews with managers of PT companies.

Furthermore, PT enterprises face a dual and sometimes conflicting challenge: to cut costs while simultaneously improving performance and quality based customer orientation. There is the need to cut costs, because resources – in particular public money – are more and more finite and quality has to be improved, because it is the only way to keep present customers and to obtain new ones. The satisfaction of this need is even more difficult if we consider as well rising personal incomes and an overwhelming increase in private car ownership in the new MS.

This dual cost and quality requirement applies to the vast majority of the new MS and necessitates a firm commitment from all management levels and staff in the organisation, in particular those PT corporations that have entered in contractual agreements with other stakeholders and the public authorities in general.

In April 2005, the OECD approved new Guidelines on the Corporate Governance of state-owned enterprises (SOE)¹¹⁷. These guidelines represent the first national benchmark in the field and were adopted following a far-reaching consultation process of the actors concerned, including the general public in OECD and non-OECD countries. They do not set out to prevent or discourage the undertaking of privatisation programmes, but to guide states in their efforts to exercise their ownership function more effectively. The aim is to make SOE more competitive, efficient and transparent and to ensure that there is a level of flexibility in the market where private companies can compete with SOE.

The guidelines compel states to be more active stakeholders by centralising or, at the very least, effectively coordinating the shareholder function within the public administration. On the other hand they also strongly urge states and governments to limit political meddling in the day-to-day management of (regional and local) enterprises and to let management teams or advisory boards exercise their responsibilities. The boards of these enterprises appear to be the key for balancing the power between managing directors and administrators. Boards must be in a position to exercise their steering function while acting as management watchdogs. In this

¹¹⁶ Due to confidentiality reasons promised to the experts taken part in the Corporate Management sessions, in this chapter no expert names will be mentioned!

¹¹⁷ www.oecd.org/daf/corporate-affairs/soe

respect, it is vital that their mandate is clearly defined and their independence is increased and respected.

From the ensuing WG meetings it was pointed out that it is better for all board members to be aware of their responsibilities vis-à-vis all shareholders, and not just to those who appointed them. Finally, the OECD guidelines also recommend systematic reporting on board performance, drawing inspiration from good practices in the private sector. Regarding the transparency and disclosure of information, the guidelines call for a strengthening of internal audit mechanisms and for the performance on independent external audits.

This illustrates the importance for governments and other authorities to recognise the responsibility of (even partly) SOE towards their ‘stakeholders’ and respecting their rights. For corporate management it means that ‘stakeholder management’ is becoming one of their main core competencies.

All of the above have to be considered with respect to the specific features of the PT sector, and that is the variety of possible different relationships and arrangements between organising authorities and operators.

The following PT actor categories can be considered (see figure 6 below):

- Operators (e.g. individual companies, groupings of companies, private companies, public companies)
- Authorities (e.g. local, regional and national political and transport authorities, supra-national authorities such as the EC)
- Customers (e.g. PT users and user lobby/groups)
- Suppliers (e.g. manufactures/producers and financier of transport infrastructure and equipment)
- Third parties (e.g. citizens as tax payers, car drivers, lobby and other groups dependent on general traffic conditions such as shop keepers for load/unload operations that exercise pressure against privileges for PT, ecologists)
- Staff (of operators)

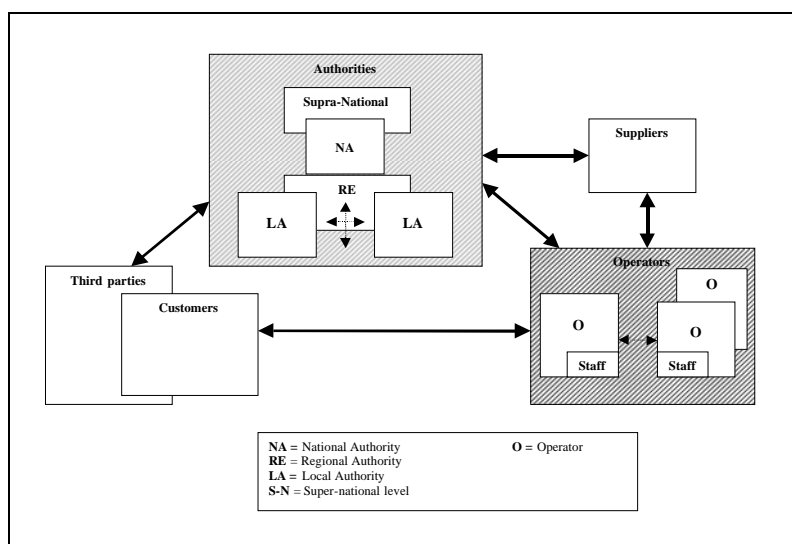


Figure 6: structure of public transport actor categories

This review shows that most developments focus on operators and authorities and the style and contents of the dialogue between them, leaving the remaining actor categories a bit in the shadow. However, important evolutions are seen in the relationship operator and client or operator/authority and suppliers.

As far as operators are concerned, it has been approved by the experts that the major developments can be registered in three areas:

- Privatisation, including the various problems at the moment of privatisation, such as downsizing and labour conflicts, and the results of privatisation experiences, especially in the UK (besides London and Northern Ireland)
- Company restructuring, including management changes, downsizing, outsourcing
- Collaboration among operators, acquisitions and mergers

Regarding authorities responsible for PT the trend seems to go towards much greater collaboration at national or more local level (e.g. common PT provision in two neighbouring cities or regions) and mixed level (e.g. between regions and local authorities).

Authorities are currently undergoing restructuring processes often as a result of improved collaboration. Competencies are reshuffled, entities are integrated and/or new types of authorities are established solely in charge for PT or the overall mobility in an area. The creation, forms of organisation, functioning, competencies, advantages and drawbacks of restructured and/or new authorities are discussed in the following chapters.

Another study that also has some relevance to SPUTNIC is ISOTOPE, which was a project that was funded by the EU and which tried to assess the relative merits of existing legal and organisational frameworks for Urban Public Transport (UPT) across Europe, and identify areas for improvement. Among other issues the project's findings were that:

- The initiative for creating and specifying the UPT network should rest with local authorities – a fully deregulated system was found not to address collective goals and system integration in an adequate way
- Network design should be under the control of the administrative authority, although the design work may be contracted out
- A UPT authority must include representation from the communities directly affected by the UPT system
- A regime of 'limited competition', where authorities define the transport product to be delivered and invite tenders for its execution by candidate operators is to be preferred over full regulation (monopoly supply) or full deregulation
- In order to tackle urban mobility problems, partnerships between operators and authorities should be established that include clear definitions of standards of service and responsibilities

4.2. Corporate - Performance management

4.2.1. Management know-how and methods in use

“Performance management is defined as a strategic and integrated process that delivers sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of individual contributors and teams. Performance management is strategic in the sense that it is concerned with the broader issues facing a business if that business is to function effectively in its environment, and with the general direction in which the business intends to achieve its longer-term goals”¹¹⁸

In service industries in general and in labour intensive industries in particular, such as PT, performance management is highly integrated with corporate management since labour is crucial not only in producing the service but also in marketing and selling it to the customer.

The switch from an administrative culture to a performance/management culture is not an obstacle specific to the PT sector, as the same type of transition processes are also an issue in other industries. Integrated models of performance management aiming at organisational change-culture are being introduced, such as the European Foundation for Quality Management (EFQM) model¹¹⁹, the Balanced Score Card method, Business Process Reengineering, Change Management, Total Quality Management (TQM), Benchmarking, SWOT analysis, Key Performance Indicators, to name a few. These new contemporary management practices and methods can assist PT enterprises in becoming more fully-fledged service providing companies which are better equipped to simultaneously meet the demands of their organising authority, their shareholders and their customers and creating value to all.

4.2.2. Present situation in a changing market environment

During the first WG meeting in Barcelona/Spain the experts concluded after an in-depth SWOT analysis that the operators and organising authorities each have a significant role to play in the PT system's overall success. Although there is no single model, the performance level of each of the existing models nevertheless depends on the system-wide governance and division of responsibilities, leading to a clear definition of the transport system's overall objectives.

This relates to political objectives, but also to the economic objectives, which represent the economic performance requirement of the transport system; and service-quality objectives, which translate the ambition to provide high quality passenger services.

Irrespective of whether SOE or private companies are involved, neither one automatically sets the tone for the performance of the transport system as a whole, either at a political, economic or service-quality level. In all cases the use of objectives, mainly through contracts, helps to define the right levels of performance and the selection of performance indicators to monitor these levels of performance.

¹¹⁸ Michael Armstrong, “Performance Management: Key Strategies and Practical Guidelines, 2nd Edition, Kogan Page, 2000

¹¹⁹ European Foundation of Quality Management, <http://www.efqm.org>

In a number of new MS, effective competition and in some cases privatisation in urban transport is still limited (although there are a number of encouraging signs from several countries). The reasons for this are often similar to those in the old MS, but there seem to be some factors, which are of particular relevance for new MS:

- Relatively slow progress in some countries on legislation and structural changes which would allow and drive competitive solutions
- Problems with compensating operators for discounts and free services and insecurity of operations subsidies generally. Thus the subsidised part of the sector is commercially unattractive in a number of countries
- A reluctance to allow private PT companies to openly make a commercially acceptable profit on loss-making lines thus discouraging the market entry of a wider range of players and detracting from transparency
- Missing know-how for establishing an appropriate framework with a fair risk balance between all stakeholders
- Reluctance by cities to break-up existing city-owned monopolies and thus lose control over operations. There is a fear of a chaotic impact on service integration and quality
- A reluctance in some countries by cities and regional offices to award long-term contracts to operators, which implies loss of control over operations and a loss of bartering power. Yearly contracts seem to encourage maintenance of the incumbent
- Scepticism over the real impact and fairness of tendering, when it is introduced. This implies a need for very careful planning and monitoring

Some learning points and solutions naturally suggest themselves and have been implemented successfully in some new MS:

- Create long-term co-ordinating support programmes at national level (including policy on legislation and investment grants for local and regional infrastructure projects), which aim at creating more attractive PT systems
- Develop contractual forms and legislation which stimulate quality and cost reductions even on subsidised public service lines
- Intermediate competition models (between separate entities all owned by a single public authority), which bring benefits and reduce the risk of damaging effects of competition in an immature regulatory environment and keep control and integration in the hands of the public authority
- Use of EU regulation on competition as a lever for increased legislative progress and wider discussion of the benefits of genuine competition
- Training/consultation programmes for key players on possible forms of public sector obligations, subsidy guarantees, transformation, national co-ordination, transport management organisation, contractual and competition models

4.2.3. Use of performance indicators

Performance indicators are linked to a successful performance measurement system and are quantifiable measures used in assessing management's success towards the achievement of system objectives.

In PT agencies, as in every other industry, the attainment of goals is of paramount importance in being able to provide a better level of service, in attracting new passengers and in reducing costs.

Although there is a consensus that there is a need for an evaluation framework for PT, there is no general or common agreement on how to define and measure the performance of a PT system. Part of the problem revolves around the definitional ambiguities surrounding the key terms and concepts of PT performance. This is due to the fact of two diametric viewpoints: one position supports the definition of PT as a business to be regarded solely under economic aspects. The counterpart sees PT as a public service assigned to accomplish a variety of often conflicting socioeconomic objectives. Nevertheless, almost everyone agrees that PT performance is multidimensional and multi-objective consisting some or all of the elements of efficiency, effectiveness, quality of service and societal impacts.

In using these indicators as a diagnostic tool for improving the provided service it is useful to keep in mind three main lines of analysis:

- Time-trend analysis: the aim is to determine how the PT system improved over a series of years
- Peer group analysis: the objective is to compare the PT system with other systems in its class
- Management By Objectives (MBO) analysis: the purpose is to determine how successful the PT system has achieved the established standards.

A similar exercise was performed within the EU "Urban Transport Benchmarking Initiative" which was launched in November 2003 and aimed basically in promoting best practice in urban transport mobility policy in cities across Europe and the then accession countries. The aim was to compare the strengths and weaknesses of different city's transport system with those of the other cities taking part in the initiative.

Statistical analysis on various themes (Behavioural and social issues in PT, Demand management, Cycling, City logistics and Public Transport and Public Policy) was performed in order to suggest reasons for the variation in performance. In the Public Transport and Public Policy thematic network a number of indicators were collected and some good practices, regarding accessibility, ticket and fare integration, level of patronage, were identified. As it was pointed out the Urban Transport Benchmarking Initiative was mainly concerned with overall mobility issues in the city and not specifically with PT organisations.

The usefulness of each specific performance indicator to be chosen can be evaluated upon its internal characteristics, such as:

- Applicability within the same processes
- Adaptability to a specific planning with specific objectives

- Promptness: timely availability of information
- Clarity: ensuring that everybody measures the same thing, especially in peer analysis
- Economy: should not impose unnecessary financial burden
- Basis for action: accountability should be clearly identified and understood

Case box: Use of performance indicators by the PT Company of Buzau, Romania

Buzau city in the South-Eastern part of Romania has a population of 138 thousand inhabitants and is being served exclusively by Transbus SA, which operated under a management contract with the City Council. Under this contract a number of KPI are monitored and a certain level of performance must be achieved by the operator. The City Council sets the timetables and fares and subsidizes Transbus for the operating deficit that is being accrued. Transbus operates approximately 40 buses in peak periods, 10 of them being low-floor to cater to people with disabilities. There are 10 routes overall with a total length of 67 km. The average daily passengers carried are about 26 thousand and the annual figure for passengers is more than 9 Mio.

The use of KPIs as a management tool in helping staying focused on the company goals and quantifying results, thus being able to better manage and operate the system, reduce cost, improve service and comply with the management contract stipulations with the City council.

The core indicator used by Transbus to measure bus performance is punctuality. That is the number of minutes the passengers have to wait above what should had been expected if the route was operated as scheduled. Traffic operation improvements have reduced congestion, increased operating speed and improved operations.

Overall, the KPIs used by the Transbus can be classified in four main categories:

1. Technical or efficiency indicators

- a) Coefficient of fleet use, measured as the ratio of vehicles operated daily with respect to the total fleet
- b) Vehicle productivity, measured as the average daily kilometres covered by each bus
- c) Average age of the fleet, reflecting on the vehicle characteristics

2. Economic or financial indicators

- a) Period of debt recovery from others, measured in days as a ratio between overdue debt payment with respect to the turnover
- b) Period of repayment of own debts, measured in days as a ratio between overdue own debt payment with respect to the turnover

3. Labour force productivity indicators

- c) annual income per employee, measured a ratio between the company's annual income with respect to the number of employees

4. Safety indicators

- a) number of accidents annually
- b) number of human injuries caused by the accidents annually
- c) percentage of accidents that were company's fault.

Case box: Performance management and improvements in Ploesti, Romania – a CIVITAS project

Integration of software management systems is one of the main factors in the optimisation of the global transport system across the city area. The effective use of transport resources is quite often strongly linked with the quality of communication and the efficiency of systems.

In 2005 RATP Ploiesti became partner in the CIVITAS-SUCCESS project. One of the work packages in this project refers to Telematics. Therefore, RATP continued its activity to implement GPS system for all the bus fleet. The EC, through CIVITAS programme, co-financed this activity and, as a result, by the end of 2006, 156 GPS equipments were installed on buses and 28 panels were placed in stops. Since 2007 the total bus fleet has been monitored via GPS system and 38 real time information panels have been placed in stops.

Now there is only a single dispatching centre in RATP Ploiesti that co-ordinates the whole activity of the bus fleet. Before using the GPS system there were 46 dispatchers placed at the end of each route. Now there are 26 traffic dispatchers that work in three shifts, 24 hours a day. Moreover, the communication between the drivers and the dispatching centre was highly increased and, as a consequence, the promptness in solving all unexpected situations (accidents, faults, etc.) has improved.

With the implementation of the system the performance of the total bus fleet can be measured and managed, particularly in special cases of disturbances. With this, not only quality of services for passengers has been improved, but also internal productivity of the services. On one side 20 dispatchers could be moved to other jobs within the company or left the company, on the other, drivers and vehicles can be used more productive based on the performance figures created by the GPS-based bus traffic control system.

Further to the above, as mentioned previously various management models have been applied in the PT that incorporate the use of the different performance indicators. Total Quality Management, Benchmarking, Total Quality Control, EFQM and Balanced Score Card are some of the most prominent management models that in varying degrees try to address the issue of how to improve management. After all, it is true what management experts say in that:

“If you can’t measure something, you can’t control it.

If you can’t control it, you can’t manage it.

If you can’t manage it, you can’t improve it.”

4.3. Restructuring of organisations

4.3.1. Causes and effects of restructuring organisations

PT in most European countries is going through a phase of rapid and intensive change¹²⁰. In general there is a much stronger focus on cost reduction due to the fact that there is an unwillingness or even financial incapability from the public authorities to cover the increased subsidies that are required due to the soaring costs (especially fuel) and the fact that in most cases fares have not kept in line with these cost

¹²⁰ Incentive Agreements in Public Bus Transport, UITP, September 1998

increases. Furthermore emphasis is placed on improved passenger service and satisfaction as transport companies have come to realise that the customer is the key to their existence. In a number of countries, where previously a monopoly situation existed, the market has opened for competition and a tendering procedure for the award of contracts has been established or at least, the former operator has to fulfil targets set by the authorities. In these gradually widening legal and institutional frameworks more and more countries have turned to privatisation as a way to increase efficiency and reduce their financial burden.

While the reasons for engaging in any PT reform are many fold, the reform process is always difficult, since it affects all stakeholders (transport authority, municipality, passengers, and employees) and usually the decisions that are being made are considered unpopular while their effectiveness is questioned.

During the second WG meeting in Zagreb on the topic of “Restructuring” the overall conclusions reached by the experts was that the broad forces that are generating momentum for a reform in the PT sector in general are the following:

- External forces of competition and in many cases the deregulation of the market
- The financial and operational benefits from private sector participation
- The Europe-wide operators in the European market, who are often more effective in winning certain tendering procedures and can obtain certain economies of scale

In the same meeting in Zagreb the experts reached consensus on the fact that PT companies are not only affected by the three factors mentioned above, but moreover by the following six forces and challenges mentioned in a report sponsored by the Transportation Research Board¹²¹:

- The quality of life and the economic vitality of the urban areas is increasingly threatened by sprawling development, rising congestion, the increasing cost of public services whose performance is often declining, and the increasing reluctance to commit funds to address these problems under traditional programs
- Socioeconomic trends tend to diminish the relevance of traditional PT services. These trends include single-parent working households, two-earner households, flexible work schedules, and widely dispersed service-sector employment opportunities
- The ‘enabling environment’ in surface transportation is replete with fragmented responsibilities, as well as regulatory constraints, conflicting policies and goals, and restrictive ‘stove-piped’ funding mechanisms that often limit the ability of organisations to adapt quickly and frustrate efforts to enhance responsiveness to shifting travel markets and changing conditions

¹²¹ Emerging New Paradigms, A Guide to Fundamental Change in Local Public Transportation Organizations, TCRP Report 97, Transportation Research Board, 2003

- The organisational culture and dynamics of local PT organisations historically have posed a barrier to change and are reinforced by long-standing policies, programmes, and regulatory frameworks, as well as deep-seated, change-resistant perspectives and attitudes on the part of many industry managers and many in the labour force
- The quality of the customer experience has not fully emerged as a dominant focus in the delivery of local PT services as it has in many other service and commercial enterprises. Performance measurement is dominated by operational, output-based measures
- Local PT organisations historically have been slow in the deployment of state-of-the-art information and other emerging technologies that have become commonplace and, in fact, are increasingly expected by customers in most other markets and industries

To one degree or another, every local PT organisation is confronting pressures for change stemming from these forces and factors.

From these experiences, a number of consistent themes and principles have emerged that provide a framework for fundamental change in local PT organisations. These themes and principles include

- (Re-)establishment of the quality of the customer's experience as a central, strategic focus for the organisation
- Separation of strategic responsibilities focused on the quality of the customer's experience from responsibility and accountability for the actual production of goods and services
- Systems of performance measurement that bring into balance the quality of the customer's experience (the emerging strategic goal) and the efficiency with which resources are used (the production goal)
- Reliance on expanded partnerships and alliances with both public and private partners and providers (for-profit and not-for-profit) to ensure responsiveness to shifting customer needs and cost effectiveness in meeting them
- Introduction of state-of-the-art information technologies that can link the organisation to both its partners and its individual customers in real time

4.3.2. Approaches to restructuring

Based upon the various presentations and discussions in the second WG meeting in Zagreb, the overall conclusion was that although a paradigm shift occurs mainly in response to a crisis in the performance of an organisation or in response to outside demands, it is possible that paradigm shifts can also be implemented through proper planning, design, right combination of leadership, insight, approach, and resources. In either case, successful organisations manage a direct change through a continuous process involving the tasks, steps, and activities highlighted below. No matter how large a change is contemplated, a systematic approach is needed to guide, manage, and sustain fundamental change¹²².

¹²² New Paradigms for Local Public Transport Organizations, TCRP Report 58, TRB, 2000

In this referenced report four phases of change are typical in any organisation regardless whether it is experiencing minor or major changes in the surrounding environment or whether its approach is proactive or reactive. These four phases were very well recognized by the experts of the Corporate Management meetings and include:

- Phase I: Recognising the need for change
- Phase II: Leading and planning change
- Phase III: Making change happen
- Phase IV: Institutionalising new approaches

Phase I: Recognising the need for change

During the initial phase of the restructuring process, the need for change becomes apparent, broadly recognised, and legitimised. For this to happen, the scope and breadth of change required needs to be recognised throughout the organisation. Regardless of conditions in the external environment, the organisation must have the structures in place and the resources committed to continually assess the need for change, including

- Open lines of communication to the authorising and financing institutions (i.e. those who can alter the 'enabling environment' for PT organisations)
- Regular and timely feedback from stakeholders and constituents (customers)
- Structures to scan and assess the environment (usually in the leadership)
- Support from subject matter experts and development communities

Phase II: Leading and planning change

A great deal of progress has been made throughout PT in identifying and engaging a broad spectrum of stakeholders, particularly in support of local transport project and funding initiatives. Where stakeholder groups and local transport coalitions have been engaged, they tend to be well-informed and effective advocates. In addition, PT organisations are increasingly engaging in 'visioning' exercises directed at articulating an expanded future role for PT in their communities. Stakeholder engagement and visioning processes, however, have rarely been directed internally to the organisations, their mission, their structure, and their business processes. Especially experts from Hungary, Estonia and Poland recognised this situation in their respective organisations.

Leading and planning change requires some variation of the following activities:

- Committing leadership at the highest levels
- Forming a powerful guiding coalition
- Creating a vision
- Communicating the vision
- Planning for and creating short-term wins

Phase III: Making change happen

Experts from the UK and the Czech Republic underscored that the resistance to fundamental change in PT organisations may be stronger than in other businesses and industries since agility in public institutions has been constrained over time by layers of legal, regulatory, and administrative requirements. Because the span of control of PT managers and even of board members is limited, the mechanisms for making and sustaining fundamental change in organisational mission, institutional structure, and business processes require a commitment of leadership as well as resources. This is a long and iterative process that often requires several years of sustained effort

- Bringing the organisation structure, processes, incentives, and people into sync with an external environment increasingly dependent on rapid change
- Instant, in-depth information exchange
- Attention to customers' and consumers' personal needs is the next phase of change

Phase IV: Institutionalising new approaches

The final phase of the change process focuses on ensuring that the organisation can continue to react and respond to changes in markets and the surrounding environment in which it operates. Institutionalising new approaches is not a static process of introducing and 'freezing' successful practices. This phase of the change process requires transforming the organisation so that it can proactively anticipate and adjust to changing circumstances in the external environment and in the organisation's evolving capability. Three major activities in this phase include:

- Empowering managers and personnel to act on the vision by removing obstacles to change
- Consolidating success and continuously learning and improving performance
- Reinforcing the connection among behaviour and success and developing leadership

These activities allow the organisation to embed the proactive elements of the change process in the organisation, take advantage of strategic opportunities and establish an environment of trust.

A special note was made by experts from Hungary, Poland and Croatia about the fact that the process of PT labour reform often requires the elimination of provisions from existing labour regulations that unduly constrain flexibility and productivity. Overstaffing, in particular, has been a pervasive feature of PT systems in new MS. To achieve more cost-efficient operations will usually require reductions in the workforce. To achieve this result in a socially acceptable way should be a prominent concern of the authorities. One way to achieve this is to ensure that social protection programmes exist to make this adjustment as smooth as possible and not to provoke undue labour unrest.

In addition it is necessary that the workforce of a PT organisation should be involved in the reform process from its earliest conceptual phase. Experience in other fields indicates that the best way to built confidence in the reform process by all affected

parties is to broaden the sphere of participation and responsibility to include all stakeholders.

Case box: restructuring Berlin public transport

After the fall of the Berlin wall in 1989 it was clear that the two PT companies BVG (West Berlin) and BVB (East Berlin) had to cooperate as closely as possible. This led to a merger in 1992. Immediately after the merger BVG¹²³ faced three challenges:

- Relation with authorities
- Dilapidation of infrastructure in East Berlin
- Low productivity in both West and East Berlin

Two elements were considered as performance incentives; namely competition in the market and financial constraints. Neither existed before 1992 and both BVG and BVB were the only operator within their part of the city and abundant resources (human on both sides, plus financial on the Western side) were allocated. As a result productivity was quite low. A 'classic' solution was found: two methods were used; staff reduction and investment in processes and people, in order to raise productivity rapidly.

An attempt to reduce the workforce began immediately after the merger. The process was smoothed by restricting layoffs and replacing them with contractual social plans. Early retirement schemes and voluntary departures, eased by financial compensation, were the instruments mainly used. In parallel, emphasis was put on technological innovation: several projects were launched, such as the replacement of 70% of metro station staff and the introduction of semi-automated metro driving or integrated software solutions for accounting and operational planning. Investments in new material also allowed maintenance needs to be cut. By 2008 BVG aims to be an excellent local PT operator, providing public services at a level of quality not yet known to Berlin inhabitants and visitors.

Case box: restructuring Salzburg public transport

Based on a merger of the regional and the local provider of public services in Salzburg (gas, electrical power, telecom, water supply, PT) the pressure on the PT business unit to restructure increased rapidly. Different phases were passed in a total of seven years:

- Short term cost savings by immediate staff reduction
- Strategic development towards a 'railway' company, focusing on trolleybus/railway and selling off the diesel bus activities
- Expanding railway business via tenders and direct awards and take over of operations
- Strategic revision of network structure (revenue oriented) and step by step expansion of the trolleybus-network
- Implementation of a specific system of key performance indicators for the various business fields

¹²³ Berliner Verkehrsbetriebe, <http://www.bvg.de>

In the meantime public subsidies could be reduced by half, cost covering ratio in total is around 85%. Some business activities are profit making (some trolleybus lines, cargo).

4.4. Development of skills and competences

4.4.1. The present skills gap

A skills gap is a significant gap between a PT organisation's skill needs and the current capabilities of its workforce. It is the point at which an organisation can no longer grow and/or remain competitive in the sector because its employees do not have the right skills to help drive the business results and support the organisation's strategies and goals.

How people and organisations work and develop is becoming an important aspect of organisational capacity and a contributor to strategic objectives. The capturing of knowledge requires to hire qualified personnel or to offer development opportunities to existing staff. This presents a considerable organisational challenge and a greater commitment of line managers as leaders and coaches.

Given the scale of changes that are likely to be made linking on- and off the job learning, apprenticeships and traineeships, and the organisation of work, there is considerable work to be done to maintain and enhance the climate of employment relations with representative stakeholders inside and outside PT companies. The ownership of and commitment to development processes by employees as part of their development is of fundamental importance and employees and their representatives will need to be convinced of the need for change. The redefinition of competitive relationships in the PT sector has increased the direct pressure on companies and their employees.

4.4.2 Options and frameworks for training and development of staff

In the VOYAGER final report "A Vision for Public Transport in Europe", the development of skills and competencies was formulated as a great challenge for all PT organisations all over Europe, and there is an increasing need for more permanent staff training.

Fundamentally, nothing is new in the practice of training and development. Learning in organisations has a very long history. Experimentation and the passing on of skills are the oldest form of learning. New knowledge and new competences is based experience and Learning is the driving factor in the development of people's careers and their employability. Change in the nature of work and the skills and knowledge required is happening more quickly than before and lifelong learning is becoming a more important requirement for lifelong employment. What is new is the context in which learning in a PT company is becoming more important as a source of performance improvement on company, team and individual level. The management and development of human resources (HR) in PT companies plays a crucial role in managing the changes in markets, the development of new organisational structures, the introduction of new technologies, new management theories and work methods.

Constraints on expenditure due to competition are accompanied by parallel calls for improved services, designed to meet the needs of individuals. Under these new market conditions in most European countries PT companies are obliged to adopt a radically changed orientation towards the management of their HR and in particular to the training and development of all levels of management in order to meet their new strategic objectives in the future. PT companies cannot escape entirely from cost increase by competition, but they can create their own new markets by moving up the value chain through innovation and customisation to meet the needs of authorities and increasing discriminating customers.

In this changing environment the role of HR management becomes extremely important and therefore more emphasis should be placed on the development and implementation of so-called strategic management development programmes for both newly and long employed managers. Programmes like these run in companies in various European states. Examples are: France (RATP/Paris), The Netherlands (Connexion), Germany (Bremen/BSAG¹²⁴) and Bucharest (RATB¹²⁵). These management development programmes can be offered at company level, national or even at European level. Total investments in management development are estimated at 2% to 5% of the total management wages, but in new MS this percentage is much lower.

SPUTNIC experts consider the middle management as the most neglected group regarding HR management, as they feel the pressure of having to implement most of the changes from top to bottom without properly knowing the appropriate procedures. This knowledge and skills are critical in building and maintaining the right levels of innovation, service, quality and efficiency within the companies and to create the right organisational culture, which is needed for a modern service providing PT company.

4.4.3. Some issues in new EU MS

- Due to privatisation, reorganisation and cost reduction programmes there is a tendency that less money can be spent on management development activities and HR development in general. In some states as Germany the present solution is that standard budgets for management development and HR development are being defined in the frame of tendering, mergers and takeovers
- PT companies have difficulty in hiring top-managers, as they are competing with other industries which offer better salaries and/or working conditions. This is very much the case in the new MS, in large, more European or more global 'conglomerate' PT companies (e.g. in France and The Netherlands) employing top-level PT managers as CEO, executive or as a member of the board of directors
- In terms of management development little attention is paid to middle management, although there lies the implementation point for crisis management and management of change programmes

¹²⁴ Bremer Straßenbahn AG, <http://www.bsag.de/>

¹²⁵ Regia Autonoma de Transport Bucuresti, <http://www.ratb.ro>

- There is a lack of well-structured career programmes for new academic managers which prevent companies to hire or to keep these high potentials inside the company or the PT sector in general. Especially in new MS young potentials show very little interest in management or specialists jobs in PT companies, as they find other private organisations more interesting in regard to salary and development offers
- So far little research has been done on the use of competency management in PT companies all over Europe
- The total amount of so-called Transport academies or "transport knowledge centres" is very low in Europe and Europe wide training programmes like the UITP "European training of Public Transport managers" are being developed at a very slow rate
- Many PT companies in new MS have no management development programmes themselves and therefore a participation in programmes of national transport academies should be supported
- Most PT companies make very little use of e-learning applications or forms of "blended learning" (i.e. a combination of classroom and e-learning) in order to facilitate a learning environment for their personnel

4.4.4 Competency management

An organisational core competency means the collective learning in an organisation, especially how to co-ordinate diverse production skills and integrate multiple streams of technologies. It is key to what makes the organisation competitive, distinguishing it from other organisations, i.e. it is a strategic strength of the company.

For PT companies that seek to differentiate more clearly their offer to individual customers and groups of customers and engage creativity and discriminating decision-making by a large proportion of their workforce, a different approach to the management and development of their personnel's competencies is required. Increasing competitive pressures have emphasised the need for skilled and competent managers and employees. Therefore it is not surprising that the use of competences and competency frameworks is on the rise in PT companies throughout Europe.

In some cases, PT companies (e.g. France [RATP], Italy [SAB], The Netherlands [Connexion]) have developed their own set of competencies for top-level people or even for front-liners. On a national level a task analysis has been developed to describe the functions of different types of drivers (e.g. in The Netherlands, as developed by VTL¹²⁶).

Case box: training initiatives

The EC has initiated some training programmes in the urban transport sector with projects like:

- TRUMP (European Training Program for Urban Transport Experts)¹²⁷ is a training programme for urban transport professionals that aims to deliver a comprehensive programme of European training seminars designed for mid-

¹²⁶ Vakopleiding Transport & Logistiek, www.vtl.nl

¹²⁷ www.Transport-Training.org

career transport managers and executives working in local/regional authorities and related bodies, or for PT operators in the EU MS

- PORTAL (Promotion Of Results in Transport Research And Learning)¹²⁸ is a three year project co-financed by the EC within the 5th RTD (Research and Technological Development and Demonstration) Framework Programme which aims to accelerate the take-up of EU research results in the field of local and regional transport, through the development of new education and training courses and teaching materials. The beneficiaries of the project will be education and training organisations providing courses and organisations and individuals interested in enhancing their knowledge and skills base in these topics. The PORTAL project consortium involves the active participation of partners from 24 countries in Europe. The PORTAL user needs survey indicates that many employees in PT companies, especially talented managers, claim that they have no time for training. More short courses are needed. This is a particular problem in new MS where the supply of courses from the private sector is very weak due to inconsistent demand

4.4.5 Recruitment strategies and methods

The discussions with SPUTNIC experts and first research show that a large percentage of PT companies in Europe (and especially in new MS) already have great difficulty in hiring new personnel, especially top management and drivers. The need to develop new recruitment strategies was already mentioned as one of the major challenges in the VOYAGER document “A vision for PT in Europe”. In accordance with the outcome of one of our Corporate Management questionnaires this will become even worse in the near future if no special initiatives or measures are implemented. A problem for top managers at the moment is the fact that they are going to work for a ‘public’ company instead of an independent commercial company, which also poses an image problem for them. In most European countries salaries for PT managers seem to be lower than those in other sectors.

HOT TOPIC: Employer Branding

Employer branding is a concept borrowed from the business side of the enterprise. Product or service branding exists for decades and is designed to develop a lasting image in the minds of the customer so that they start to automatically associate quality with any product or service offered by the owner of the brand. An employer brand does the same in that it creates an image that makes (potential) employees want to work for the company because it is a well-managed firm where workers are continually learning and growing. Once the image is set, it generally results in a steady flow of applicants. PT companies manage two interrelated brands, a service brand in the mobility market and an employer brand in the labour market. The service and employer brands are related and mutually supportive. A strong service brand can play an important role in the strength of the employer brand. The employer brand, in turn, is instrumental in attracting and retaining employees who can add value to the company and its services, thus reinforcing the service brand.

¹²⁸ www.eu-portal.net

As far as bus, tram and metro drivers are concerned there is a problem that the image of their job is not very high, which was underscored by experts from Iceland, Hungary, Estonia and Poland. Also they cannot obtain an official national diploma, but only an internal certificate/or diploma of the company they are working for and being trained with. Another trend is that companies are hiring more and more people as part-time workers or on temporary basis from independent personnel service companies.

In this respect one Corporate Management expert from the UK referred a number of times to the coming implementation of periodic training of drivers, in accordance with the EU Directive 2003/59. The EU passed the Driver Certificate of Professional Competence (CPC) Directive in 2003. This will affect all professional drivers and for new drivers it introduces a new initial qualification, which is the driver CPC. All drivers, new and existing, will then have to undertake 35 hours of training every five years to ensure that their Driver CPC is current. This is known as Periodic Training.

Periodic Training is designed to confirm and expand on the existing knowledge and skills of each driver to ensure that they continue to be safe, courteous and fuel efficient drivers. (see “Hannover” case box below on fuel efficiency) The implementation of the EU directive, which is due in September 2008, will also enable drivers to keep up to date with ever changing regulations and to benefit from training throughout their whole career.

Case box: Driver training at Üstra Hannover, Germany (an Eltis case)

ÜSTRA Hannover, a transportation company in Germany with two bus depots, 59 bus lines has been carrying out trainings for all drivers since 2004 on anticipatory and energy saving driving. The training takes one day and consists of a practical and a theoretical part. They are carried out internally and are refreshed once a year by teamwork.

The theoretical part is carried out with an easy-to-use computer programme which includes questions on technique, maintenance, driver’s behaviour and an exercise on the basis of a driver’s behaviour simulation. Every apprentice and newly acquired personnel will be trained as well. In addition, 25 of all buses in use are equipped with fuel gauges.

The practical part of the training is carried out under real conditions. The education vehicle is equipped with a fuel gauge and drivers are accompanied by internal driving instructors who give advice.

Results of the driver training

- Annual fuel cost saving for buses approximately 100.000 EUR (3-4% reduction)
- Achieved reductions vary in seasons. Depending on climatic conditions the share of side consumers (heating or Air Condition) can vary and is not influenced by driving behaviour
- Eco Driving does not lead to longer driving time. Even in normal operation there will be no negative effects on punctuality
- An improvement of comfort to customers due to a reduction of longitudinal and transverse acceleration

- The majority of drivers approve the training after initial rejection, the lessons learnt will also be practiced privately
- Anticipatory driving contributes to accident prevention
- Less brake and clutch wear can be expected

As a result of good experiences, the public services and subcontractors joined the training. Therefore, all experts concluded that another hot topic is emerging namely, that at this very moment quite a few PT companies are not really well prepared to deliver training to all their new and existing drivers as per September 2008 in accordance with the requirement of the CPC.

4.4.6. Overview of training and development approaches and focus on the use of new learning technologies

In a broad sense e-learning can be defined as: any form of learning that makes use of an IT network for distribution, interaction and facilitation.

E-learning is becoming more and more extensively available in Europe. Surveys in Lithuania for example show that distance-learning is a method which would suit PT managers in combination with class training – a so-called blended-learning approach.¹²⁹ However in many other European countries this still has to be implemented.

Many e-learning initiatives are granted only a short life, because they have been developed with a too strong focus on technology or creativity or are insufficiently aligned with the specific PT work situations and the perspective of the staff target group. This can lead to e-learning tools not being used or not contributing to a higher output or a better performance.

Before developing e-learning programmes for PT enterprises some good practices so far should be taken into account and find ways to create a more effective e-learning culture in a PT enterprise. Discussion among e-learning practitioners in PT should be promoted and an inventory could be made of existing e-learning content used for certain target groups in PT enterprises. A good example was given by experts from Warsaw/Poland where PT managers have access to an external Business Academy portal, where they can find articles on management and management methods.

The EC is also strongly promoting the use of information and communication technologies (ICT) in education and training and has opened up a portal for this purpose which shows a great amount of ongoing projects.¹³⁰

4.5. Conclusions

Based upon the above statements the following conclusions can be drawn for the state-of-the-art in corporate management in PT:

1. Major developments are currently taking place in PT and which are impacting corporate management. They are registered in many areas and they can be summarized as following:

¹²⁹ www.cedefop.eu.int

¹³⁰ www.elearningeuropa.info

- External forces of competition and in many cases the deregulation of the market
 - Privatisation, including the various problems at the moment of privatisation, such as downsizing and labour conflicts.
 - Company restructuring, including management changes, downsizing, outsourcing
 - Collaboration among operators, acquisitions and mergers
 - The emergence of Europe-wide operators in the European market, who are often more effective in winning certain tendering procedures and can obtain certain economies of scale
2. Corporate management, although well known in many private industries, needs to be further developed for purposes in the PT sector, which means at first hand to assess the different roles of the stakeholders within their specific situation
 3. There is evidence, however, that paradigm shifts can be fostered by design, through the right combination of leadership, insight, approach, and resources. Successful organisations manage a direct change through a continuous process involving the tasks, steps and activities that need to be undertaken.
 4. Performance indicators should be used in order to create a successful performance measurement system and in assessing management's success towards the achievement of system objectives.
 5. A common strategy should be developed and guidelines should be delivered for the restructuring process as well as for the time after
 6. The transition processes forced by any reason needs for its success a certain framework starting with the conviction of owner, authority, management and staff to be on the right track, a strong commitment of management and staff, a reliable political directive, a transparent and reliable financing situation and a motivating environment for management
 7. Quality of staff and transparency creating and controlling instruments play a key role for successful implementation of restructuring
 8. In order to be able to recruit the right amount and quality of staff each PT organisation has to remain attractive as an employer and offer programmes for qualifying staff at all levels. Further investments in new learning technologies will increase the learning capability of an organisation and its employees.