

Governance of Infrastructures and Services of General Interest in Europe

Coordinating Public, Private, and Non-Governmental Stakeholders

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Abstract: Declining populations and limited financial leeways of states and municipalities are challenging the provision of infrastructures and services of general interest in regions across Europe. Strengthening the involvement of commercial and non-governmental stakeholders in the provision of these infrastructures and services will be key to maintain a spatially comprehensive supply. States and municipalities will, however, retain a leading role, as they are the only ones to command the full range of levers to secure services and infrastructures – ranging from regulatory, over incentive-induced, to informational levers. Commercial enterprises can be involved mainly by regulation, civil society organisations mainly by information and motivation (cf. Kersten et al. 2012: 89), but voluntary (often incentive-induced) co-operations between two or all three sectors are also gaining importance. Securing services of general interest and infrastructures is, therefore, increasingly becoming a complex governance task. In order to ensure a spatially comprehensive supply, states and municipalities need to coordinate between different administrative layers and stakeholders from all three sectors by using the full range of possible levers.

Challenges in the Provision of Infrastructures and Services of General Interest

The term “infrastructure” describes facilities which are necessary for the functioning of societies and serve the public weal. It may, for instance, encompass physical networks for transport, telecommunication, energy and water supply, or social facilities such as hospitals, schools and the like. The notion of infrastructures is closely linked to the notion of “services of general interest” (SGI). The term “services of general interest” derives from EU legislation and describes services which are necessary for the functioning of societies and also serve the public weal (cf. EC 2004). The term is usually applied to encompass services such as fire protection, health care, education, public transport, telecommunication, energy and water supply and so forth. Infrastructures are often the base for providing SGI. The rail network, for instance, is necessary to provide public transport by rail. It, therefore, makes sense to consider both at the same time.

In various regions across Europe, declining populations are posing a challenge for the provision of both infrastructures and SGI. Other things being equal, a decline in population will lead to a decline in demand, thereby undermining revenues of infrastructure and service providers. This in turn will often lead to a decline in the supply of services and infrastructures and, hence, to a decline in the availability of infrastructures and services and ultimately to a lowered residential and economic attractiveness of the respective regions. An out-migration and, hence, a further decline in population will become likely (Hahne 2013: 9). Apart from that, a decrease in population will undermine public revenues and limit the financial leeway of public authorities. In parts of Europe, financial crises are posing an additional strain on public revenues.

Until 2030, a population decline is to be expected in 41% of all NUTS-2-regions (cf. Eurostat 2016). Presumably, even the current influx of refugees will only bring temporally and spatially confined alterations to this trend. Rural regions with already low settlement densities are particularly affected. In these regions, infrastructure and service providers haven often already

suffered from a low economic viability. In the case of closures, users have to travel long distances to comparable infrastructures and services.

As state and municipalities are no longer capable of maintaining the same level of supply, private and non-governmental stakeholders are gaining importance as infrastructure and SGI providers. Meanwhile, social welfare obligations strongly oppose a complete retreat of states and municipalities from infrastructure and service provision. This is calling for a new division of responsibilities between public, private, and non-governmental stakeholders (Kersten et al. 2012: 86 – 91).

The article deals with the question of how responsibilities for infrastructures and SGI and the associated concepts of infrastructures and SGI have changed over time. The concluding part shows what requirements need to be fulfilled to make a new division of responsibilities between public, private, and non-governmental stakeholders work.

Public Infrastructures and Services

Given the societal and social importance of public infrastructures and SGI, their provision was traditionally understood as an obligation of public authorities. Until the 1990s, publicly owned enterprises had monopolies for public transport, mail and telecommunication, energy and water supply in most European countries. This is particularly noteworthy against the background that citizen initiatives and organisations had often played a key role in initially establishing and maintaining infrastructures and SGI until the early 20th century.

This understanding began to change, however, in the 1980s and 1990s, when inefficiencies of public monopolies became increasingly apparent. Lacking competition caused lacking innovation both with regard to production and products (Frey 2008: 51). Public enterprises often struggled with responding to consumer demands, and some had accumulated high debts.

Functional Privatisation of Infrastructures and Services

This led to the emergence of a paradigm of functional privatisation according to which states and municipalities should no longer be providers, but guarantors of infrastructures and SGI. States and municipalities limited themselves to safeguarding the common weal by planning, steering, and controlling infrastructure and service provision, whereas the actual delivery was carried out by private companies (cf. Schuppert 2005). Private companies were deemed to be more efficient due to greater incentives for innovation. As a result, public monopolies were replaced by a publicly regulated market competition.

This process, however, did not follow the same patterns for all infrastructures and services. In mail and telecommunication, for instance, this new mode of provision was largely realised throughout Europe. Formerly state-owned enterprises were privatised, and states and municipalities limited themselves to ensuring a functioning market competition and the compliance with universal service obligations through private companies. In local public transport, individual services were put out to tender subject to conditions predefined by states and municipalities. In education, on the contrary, states and municipalities largely kept their old role and continued to provide services themselves. As a result, a range of different divisions of responsibilities between public and private stakeholders emerged – from complete public control to a predominant private control with limited public influence.

In recent years, however, both state-focussed and market-focussed approaches have reached their limits. In the light of decreasing populations and shrinking financial leeways of states and municipalities, traditional modes of infrastructure and service provision are becoming increasingly unviable.

Governance of Infrastructures and Services

Citizens in regions with declining populations will, therefore, have to take over a greater degree of self-responsibility. It should be borne in mind that non-governmental stakeholders have always played a role in providing infrastructures and services, and this is particularly the case for rural regions.

The voluntary fire brigades in Germany and Austria are an important example. (Therefore, the understanding of infrastructure and service provision as a public obligation is a simplifying one even with regard to the 20th century.)

If a spatially comprehensive provision of infrastructures and services is to be maintained, all three sectors have to be involved. Already now, services and infrastructures are often provided in a complex interplay of stakeholders from the public, commercial and civil realm (Dehne 2013: 7). How responsibilities are shared between public, private, and non-governmental stakeholders will differ depending on the respective infrastructure or service, as well as on regional circumstances. The three sectors, therefore, form a triangle with continua between the three poles representing varying degrees of responsibility. Broadband internet provision is an example of infrastructures and services with a particular abundance of different organisational solutions. There are examples for almost all combinations between public, private, and non-governmental stakeholders with regard to network installation on the one hand and network operation on the other (cf. Maretzke / Ortwein 2012).

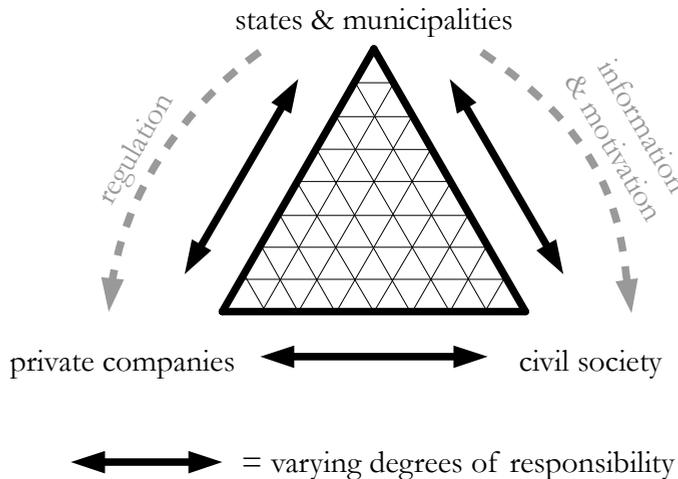


Fig. 1: New division of responsibilities between public, private, and non-governmental stakeholders for securing infrastructures and services of general interest (own illustration).

States and municipalities will, however, retain a leading role in this triangle as they are the only ones to command the full range of possible levers – ranging from regulatory, over incentive-induced, to informational levers. Commercial enterprises can be involved in infrastructure and service provision mainly by regulation, non-governmental organisations mainly by information and motivation (cf. Kersten et al. 2012: 89), but voluntary (often incentive-induced) co-operations between two or all three sectors are also gaining importance. Securing infrastructures and SGI is, therefore, increasingly becoming a complex task of governance.

Implications for States and Municipalities

This new conceptualisation provides a mental frame for an improved understanding and, thereby, an optimisation of contents, stakeholders, and processes of infrastructure and service provision. Two important implications can be drawn for states and municipalities.

On the one hand, states and municipalities need to coordinate between stakeholders from all three sectors at different administrative layers by using the full range of possible levers. In order to develop and stabilise cooperative relations between the participating stakeholders it may be sensible to establish a central network management detached from public administration. At the regional level, regional management agencies are suitable for this role.

On the other hand, states and municipalities are still in charge for ensuring a basic level of infrastructures and SGI even under difficult circumstances. A viable regional economy and civil society critically depends on a basic level of these infrastructures and services. Without them, a further demographic and economic decline would be inexorable. Such a basic level of supply could, for instance, consist of infrastructures and services from fire protection, health care, education, mail, telecommunication, and mobility (cf. Stielike 2010 for a detailed discussion).

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