

## Chapter 3

# Multi-Level and Multi-Stakeholder Governance in Essential Services. The Case of the Public Transport System in Madrid<sup>3</sup>

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### Introduction

Nowadays, public transport in large cities is facing multiple challenges worldwide due to increasing mobility needs and greater complexity. On the one hand, urban sprawl has led to a significant increase in travel between urban centres and their periphery, and between the periphery and suburban areas. The construction of new infrastructures to facilitate mobility and the traditional lack of adaptation of urban planning policies to urban transport policies has encouraged the use of private vehicles. However, the serious air pollution problems in cities, which cause millions of deaths annually worldwide, the problems of road congestion, the need for sustainable transport models that limit dependence on fossil fuels, and the need, evidenced by the COVID-19 pandemic, for healthy cities based on the design of open and shared spaces, make public transport systems a central element in building liveable cities.

As will be seen below, the organisation of the public collective passenger transport service in the Madrid region corresponds to two management approaches: on the one hand, it is the result of the multilevel cooperation of all the public administrations with responsibilities in the region; and, on the other hand, it is based on the integration of these public actors and private commercial operators in a consortium that is responsible for the comprehensive management of the transport system from the planning and financing of investments to the approval of the fare policy.

In the following section, the theoretical approaches that illustrate the analysis of the public transport system in the Madrid region are highlighted. Subsequently, the text describes the territorial structure of the region and the legal framework that allows the creation of a transport consortium that leads to different ways of integration of

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public and private stakeholders. Finally, the chapter ends with the main conclusion of the case study and suggests topics for discussion and further reading.

**Keywords:** multi-level governance, multi-stakeholder governance, public-private partnerships, public transport services, public governance

### **Theoretical framework**

The solution to many urban problems, and social problems in general, requires an approach based on multi-level governance, i.e. a form of cooperative government between different territorial administrations to deliver coherent policies in specific functional areas such as public transport. The underlying argument is that no level of government acting alone can solve most policy problems, with the result that multiple levels must cooperate with one another (Agranoff, 1989; Niemann and Schmitter, 2009; Pierre 2011; Phillimore, 2013; Poliak et al., 2017; Palladino 2020). In this sense, multi-level governance implies a pragmatic concern with finding solutions to shared problems through specific forms of regulation, decision-making processes and common resources that all tiers of government bring to the table.

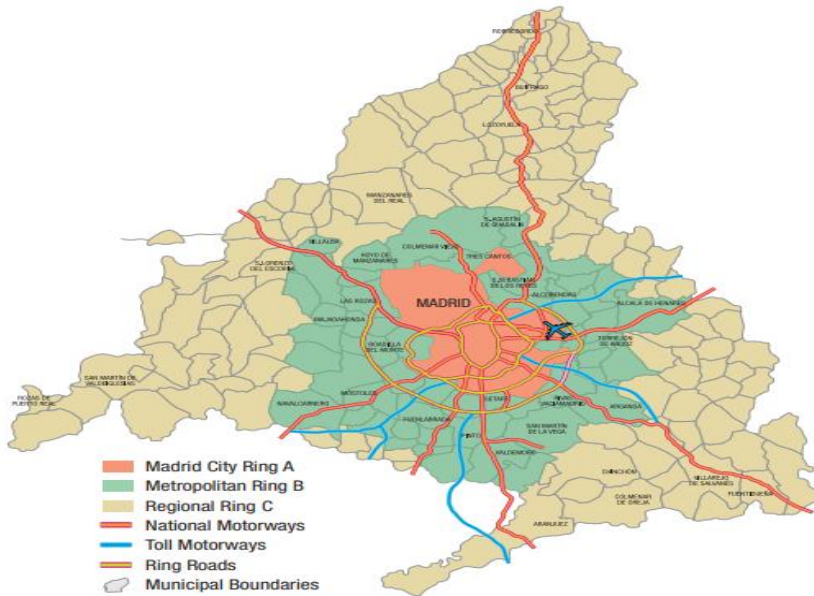
The idea of multi-level governance tries to capture the complexity of the relationships between levels of government. Besides, this idea carries a further implication: as with pluralism recognizes not only that public institutional actors interact to take decisions, but that private stakeholders can play an important role in decision-making and particularly in public policy implementation (Ruano, 2015a). In these conditions, governance appears as a form of government in which the coherence of public action (problem definition, decision-making and implementation) does not depend on the isolated action of one level of government, but on the adoption of forms of coordination between institutional and social actors (Ruano, 2015b). This inter-organisational management process immediately refers to the notion of a network, used as a metaphor to illustrate the existence of different actors (public or private) connected to each other through various patterns of interaction. The result is a situation of mutual dependence between public and private actors in the production of public services. (Kooiman, 2002; Pollit, 2003; Huxham, 2003), which blurs the traditional image of public authorities making decisions in isolation and a civil society that finances and is a passive recipient of public services. On the contrary, the notion of governance, by incorporating a plurality of actors in the design and implementation of policy, gives way to an arena of negotiation and horizontal (non-hierarchical) coordination based on mutual trust and shared interests.

### **The foundation of the Regional Transport Consortium of Madrid**

The Autonomous Community of Madrid, one of the 17 regions into which Spain is divided, concentrates almost 7 million people (6,779,888 inhabitants) and is the third largest urban concentration in Western Europe after Paris and London in an area of 8,028.5 square kilometres. Of this total population, almost half is concentrated in the city of Madrid (49.18% with 3,334,730 inhabitants), surrounded by a metropolitan ring of large and medium-sized cities with a further 3 million inhabitants in an urban

continuum closely linked to the city of Madrid for reasons of physical proximity and economic connection (ring B), and the rest of the region (ring C), with small and rural municipalities.

**Figure 3.1 Territorial Structure of the Region of Madrid**



*Source:* Regional Transport Consortium of Madrid, 2020

In accordance with the State Law (Law 7/1985 on the Bases of the Local Regime), urban public transport is a competence of the municipalities (article 25.2.g), so they can exercise this competence to satisfy the needs of their citizens in relation to this essential service. However, for the 149 Spanish municipalities with more than 50,000 inhabitants -that represent 1.83% of the 8,131 municipalities in Spain in 2021 and concentrate 53% of the Spanish population (25 million out of a total of 47 million) (National Institute of Statistics, 2022) - it is a compulsory competence.

The foundation of the Regional Transport Consortium of Madrid (CRTM in Spanish) by the Law 5/1985 of the Regional Parliament, two years after the creation of the Autonomous Community of Madrid, is a unique organisation for several reasons: firstly, it is an example of multilevel management between different territorial governments that place their transport networks (rail, metro and buses) at the service of a body with its own legal personality for the integrated management of urban mobility; secondly, it is an experience of delegation of municipal powers to a supra-municipal body that ends up acting as a metropolitan government for the integrated management of urban transport; and thirdly, it is a governance structure that gives private operators access to the common network in the management of an essential public service.

### ***Institutional description***

The Regional Transport Consortium of Madrid is an autonomous body of the regional government that is responsible for the comprehensive provision of urban transport services to the inhabitants of the 179 municipalities of the Autonomous Community of Madrid that voluntarily joined it. Its operation is the result of 4 types of integration: administrative, fare, modal and technological.

#### ***Administrative integration***

The founding of the CRTM in 1985 created a single public transport authority with the capacity to make autonomous decisions on investment, pricing and management of the urban transport system throughout the Autonomous Community of Madrid, based on the association of municipal governments and the delegation of their transport competencies to the consortium.

Its Board of Management is made up of 20 representatives from public and private organisations such as the Autonomous Community of Madrid (7), the city of Madrid (3), other municipalities (3), the central government (2), private transport operators (2), trade unions (2) and consumer and user associations (1), and is chaired by the Minister of Transport of the Autonomous Community of Madrid.

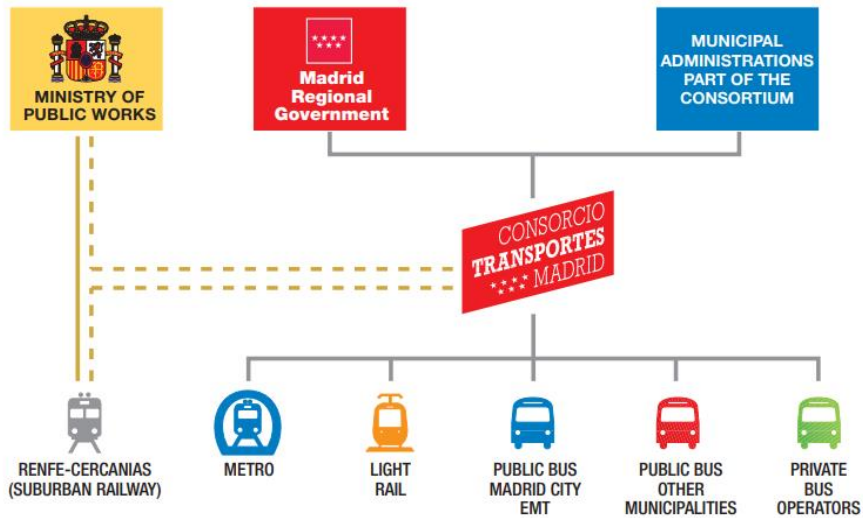
The main objectives of the CRTM are strategic and tactical:

- The planning of transport infrastructure;
- The establishment of a single fare system;
- The establishment of a financing system;
- The coordinated planning of transport services;
- The management and the economic control of the transport system;
- The creation of a brand image of the transport system and the unification of external relations with users.

The main operators of the system are:

- Metro de Madrid: Autonomous Community of Madrid-owned public company;
- Empresa Municipal de Transportes (EMT): public company owned by the city of Madrid;
- Urban transport in other municipalities: public companies or private concessionaires;
- RENFE Suburban Train Services: State-owned public company;
- Suburban Bus Services: private operators connecting the different cities in the region and between Madrid and the metropolitan ring;
- Light Rail Services: private concessionaires;
- Interchange Terminals: private concessionaires.

**Figure 3.2 Stakeholders integrated in the Regional Transport Consortium**



Source: Regional Transport Consortium of Madrid, 2020

The creation of an integrated transport system requires an institutional architecture that favours sustainable and equitable cooperation between the different actors in order to respond to the needs of travellers because particular interests and institutional barriers between the different stakeholders can block the integration of public transport networks (urban and interurban buses, metro, commuter train and light rail). Flexible integration contracts allow the parties to contribute their expertise in their field of competence and establish relationships covering financing and revenue sharing, transport timetable planning, infrastructure management, user relations, system quality management and responsibility sharing. The clear definition of transport policy needs and objectives, as well as trust between the actors, is the basis for successful institutional integration in a single body in which all parties are represented.

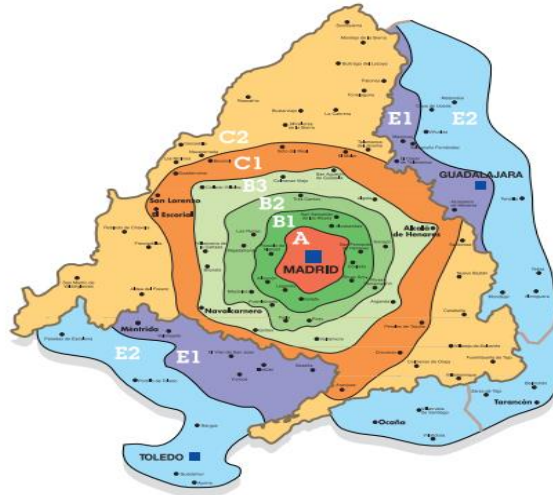
Before the creation of the Transport Consortium, the user had to purchase a ticket to use each network (bus, metro or train) and decisions on the planning of services rested with the owner of each transport network. Since then, institutional integration has allowed the shared management of the system as a whole, so that complex cooperative management between administrations allows public transport users to easily use all the networks with a single ticket.

#### *Fare integration*

The Transport Consortium prepares and approves a common system of fares. It also markets and advertises the different transport tickets and distributes the revenue among the operating companies. For this purpose, the region of Madrid is divided into six fare zones which set the price to be paid by the passenger. As can be seen in Figure 3.3, two zones outside the Madrid region (E1 and E2) are included, although

these territories belong to the bordering region of Castile-La Mancha up to a distance of 60 and 85 kilometres respectively. This is because the centrality of Madrid means that thousands of people commute daily to study or work, and the Consortium has signed collaboration agreements with the neighbouring region to facilitate the movement of these commuters and integrate them into the system.

**Figure 3.3 Fare zones**



*Source:* Regional Transport Consortium of Madrid, 2020

The costs of the system, as in other countries (Stojić et al., 2018; Mróz & Swianiewicz, 2020; Arranz, 2021), are financed by public contributions from the different territorial administrations (State, Autonomous Community of Madrid and associated Municipalities) and the rest is covered by user contributions from fares, as shown in the following table:

**Consortium`s Sources of Funding**

**Table 3.1**

PUBLIC GRANTS	Millions of euros	% Public Grants	% Total
Central Government	127	7.67	5.67
Region of Madrid	1,337	80.83	59.69
City of Madrid	167	10.09	7.45
Other municipalities	23	1.39	1.03
<b>Total public budgets</b>	<b>1,654</b>		<b>73.84</b>
<b>Fee revenues</b>	<b>586</b>		<b>26.16</b>
<b>TOTAL</b>	<b>2,240</b>		<b>100</b>

*Source:* Own elaboration on the basis of official data from the Annual Report of the CRTM, 2020

Typically, more than 60% of the cost of the system is subsidised by public administrations, especially by the Madrid region, while around 40% is covered by users' charges.

However, as can be seen in Table 3.1, the incidence of the pandemic in 2020 led to a drastic fall of the demand compared to the previous year, and with it, the shortening of the passengers' funding of the system. In any case, beyond these extraordinary circumstances, the trend in recent years has been a progressive increase in the share of funding from public administrations and a consequent reduction in the contribution of the passengers.

Two factors have contributed to this issue: first, public transport fares are often used as an electoral claim by political parties; and second, there is a growing awareness of the need to promote public transport and reduce private car use as a way to achieve liveable cities even at the cost of increasing the public funding of the system.

The Consortium, on the other hand, rewards operators for the service provided based on the level of passenger demand and the inclusion of service quality commitments. Integration costs money and the risk is shared by all parties in the system in the long term. This requires a well-structured organisational and regulatory framework to delineate the responsibilities of each party.

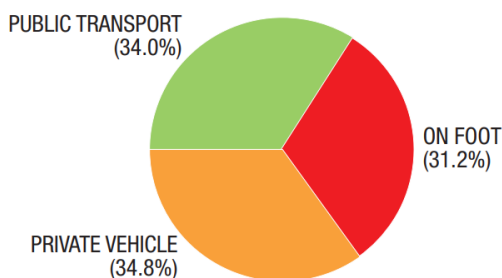
#### *Modal integration*

Modal integration plays an essential role in the success of any metropolitan transport system. In the integration of the different modes of transport, interchange stations function as gateways to the city of Madrid as they are the destination point for the radial corridors that connect the cities of the metropolitan ring with the city of Madrid, and where different modes of transport (metro, buses, and trains) coincide to facilitate the mobility of passengers.

These infrastructures are 30-year concessions for the construction and their operation, where private partners recover their investment by means of collecting a fare from each regular bus passenger that get on or off at the station and by the commercial exploitation of parkings, retail outlets, advertising areas or vending machines among others.

According to the Consortium's data (CRTM, 2018), journeys in the Autonomous Community of Madrid are mainly distributed between three modes of transport: 34% travel on foot (31.2% in the city of Madrid), 24.3% use public transport (34% in the city of Madrid) and 39% prefer the private car (34.8% in the city of Madrid), while other alternative modes (mainly cycling) are slowly starting to take off.

**Figure 3.4 Distribution by modes of transport in the city of Madrid**



*Source:* Regional Transport Consortium of Madrid, 2020

The annual demand for public transport has grown since the creation of the Consortium in 1985 and the monthly travel pass in 1986. Its evolution has been reflecting the economic situation. For this reason, the economic crisis of 2007-2008 led to the contraction of the demand until the economic recovery of 2013-2014, which is reflected in a new increase until 2019 (see Figure 3.5).

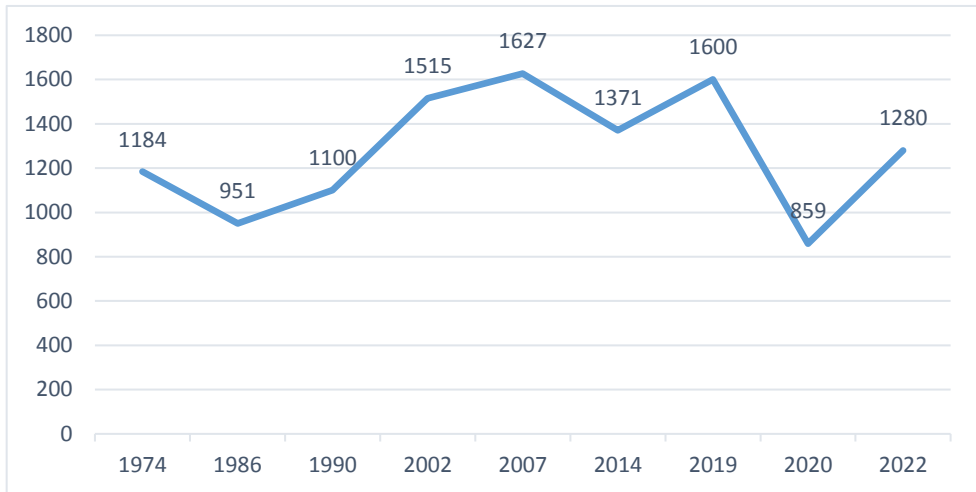
As it can be appreciated, the annual demand for public transport reached 1,600 million trips, representing 4,383,561 journeys per day and an average of 236 trips per inhabitant annually, which places Madrid at a very high level of public transport use among the Spanish and European cities.

The major challenge for the transport system during 2020 was to maintain the service delivery despite the large fluctuations in demand. Thus, 859.6 million passengers travelled in 2020 compared to 1,600 million the previous year, with demand falling by more than 90% at the worst moment of the pandemic, in April, because of the confinement of the population and the suspension of non-essential activities.

COVID-19 health and economic crisis led to a sharp drop in transport use, especially during the lockdown periods in March and April 2020. Since then, public transport use has been slowly recovering, although it has fallen by 47% in 2020 compared to the previous year and has reached 80% of the usual demand level in 2022 due to the teleworking measures taken during the lockdown periods and a light increase in the use of private transport perceived as safer after the pandemic.



**Figure 3.5 Public transport demand in Madrid per year (in millions)**



Source: own elaboration on the basis of official data from the Regional Transport Consortium of Madrid, 2020

### *Technological integration*

Lastly, the Integrated Public Transport Management Centre (CITRAM in Spanish), as a part of the Consortium, coordinates the information on infrastructure and services of the different transport modes that operate in the whole region. The Centre provides real time information about the status of the public transport networks and gives integrated responses to all public transport stakeholders (customers, operators, emergency services, etc.). This way CITRAM can take decisions faster coordinating the entire transport system, which is especially important in case of big events in the city, major disruptions or security threats.

The different modes of transport are conceived as parts of a single multi-modal system and in this sense CITRAM monitors the proper functioning of the whole system.

### **Conclusion**

The idea behind the implementation of an integrated public transport system is that the sum of all parts is more valuable to the final users of the system than fragmented solutions. This requires investing in costly infrastructure, sharing costs and remunerating operators, reaching agreements on tariffs and service planning, carrying out studies to fit to the behaviour of different types of users and, in short, sharing responsibilities between stakeholders of different kinds and interests, public and private, commercial and non-profit, on the basis of a multi-level, non-hierarchical and mutually dependent relationship.

### ***Questions/Tasks/Debate topics for classroom discussion***

- The case shows an example of multilevel cooperation between governments belonging to different territorial levels (municipalities, regions and central government) for the joint provision of a public service. What obstacles do you think may hinder cooperation between different territorial governments? Illustrate your answer with a case you know.
- Similarly, the case is an example of a public-private partnership in which private operators participate in the provision of a public service on the basis of an agreement in which all parties assume risks (the outbreak of a pandemic, the bankruptcy of a company, a political change, etc.). In what other cases and under what conditions do you think private operators should provide public services?
- Public transport is a type of service subsidised by public authorities in which the user only pays a part of the actual cost. Currently, there is a debate about the part to be paid by the user or by the public authorities (i.e. tax payers) or even whether this type of service should be completely free of charge for the user. What is your argued position on this issue?
- One of the major problems in large cities is air pollution associated with the use of private transport. City governments have come up with different responses to this problem (restricting the use of private vehicles in city centres, building park-and-ride facilities, etc.) What do you think are the most effective measures and why?
- Using this case as a reference, find out about the organisation of the public transport system in your city. What differences do you find between both models? What are the reasons that explain them?

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