

# The DSB, Corporatization and Coordination

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## 1. Introduction

During the last 15 - 20 years reforms inspired by so-called New Public Management have swept the public sector all over the world. This is also the case in the transport sector. One can divide NPM reforms roughly into two groups, reforms regarding internal organisation, and reforms that are interorganisational and regard the organisation of the public service (Klausen and Ståhlberg 1998). This paper deals with interorganisational reforms.

Since the mid-1980s what might look like an organisational revolution has taken place in the Danish transport sector. Previously, the Danish state railways (DSB) ran trains as well as the busses and ferries. When the possibilities of building large bridges linking together different parts of Denmark and linking Denmark and Sweden were discussed, they were expected to be state bridges. 88% of the busses in the Greater Copenhagen Area were in-house production by a politically managed company. The sole large airport in Denmark, Copenhagen Airport, was run by Copenhagen Airport Service, which was an administrative unit in the Ministry of Transport.

Today, this organisational set-up has been drastically changed. The former state railways has been split into several corporations - some of which have private owners, while others are publicly owned. Two of the large bridges have been built (the third is subject to a decision making process), and the owner of them is a limited company, however the Danish (and the Swedish) State are the only shareholders. Several buss companies nowadays run the busses in the Greater Copenhagen Area and they are all subject to tendering. The Copenhagen Airport today is a limited company quoted on the stock exchange, the state having 33.8% of the shares. Other changes have been seen, but these are probably the most important. In Denmark, the term often used for this process is “corporatization”, this differs from privatisation, because the new corporations are not necessarily private, although regulated according to civil law. “Quangos” is an commonly used – and vague - label for these corporations. Quango is an acronym for “quasi non government organisations” (Barker 1982: 4).

These reforms in the sector are equivalent to similar reforms in other societal sectors. However, at the level of the Danish State, the transport sector to a large extent has been subject to reforms. Some years ago, The Danish Ministry of Transport characterized the area as a sector, where “the development of new forms of organisation and management [...] have had large impact”, so that the transport area “today is the sector having the widest range of governance forms, [and] now is a kind of exploratorium” (Trafikministeriet 1998: 49). This development is continuing.

The organisational revolution is reflected theoretically. In political science, a huge amount of literature written over the past few years argues that the nation state is taking a new shape.

Many labels are used to characterize these changes of order. Several authors talk about “governance” - a buzz word which is used in a multitude of ways<sup>2</sup> - but often to describe a “structural change from one formal and authoritative centre of public decision and policy making [...] (‘government’) towards a multitude of more or less autonomous entities, public as well as private institutions, associations

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<sup>1</sup> From 1st of September 2003: Senior Research Political Scientist at Institute of Transport Economics, Oslo.

<sup>2</sup> For an explanation of different interpretations of the term governance, e.g. Rhodes 1997: 46-53 and 2000a: 54-63.

and actors, networking within their respective domains of policy making ('governance') (Hansen 2001: 110). Marketization is one among other causes for this development.

Rhodes studying the British situation is sceptical towards the ability of coordination. Analysing the new organisational set-up, he finds that the policy of marketizing public services makes coordination more difficult. He argues that external dependence as well as internal fragmentation of the state "create many challenges to the capacity of core executives to steer" and he continues saying that "NPM created a greater need for coordination while reducing governmental ability to co-ordinate" (Rhodes 2000b: 350-351).

According to Rhodes, also in Sweden "a lack of coordination" has been a result of fragmentation (Rhodes 1997: 101). One problem being that marketization corrodes trust, cooperation and shared professional values (Rhodes 2000b: 353 and 359). "Competition and co-operation mix like oil and water!", as he puts it (Rhodes 1999: 82)<sup>3</sup>.

While Rhodes looks at the British situation when talking about fragmentation, lack of coordination and corrosion of trust, my focus is the Danish situation. Elsewhere, Rhodes has analysed how NPM reforms in Denmark and Great Britain differ. He concludes that the two governments have introduced markedly different policies under the label of NPM. A matter of fact that he explains by reference to different governmental traditions in each country. Rhodes also notices differences in corporatization and contracting-out, the British reforms being more radical (Rhodes 1999). Britain has experienced a lot of privatisation, while in Denmark we experience corporatization often with the state as a prime shareholder. Regarding tendering, the differences are of a similar kind. In Denmark there has been a lot of urging to contract-out but the actual increase is not large. This is different in Britain which has experienced a lot of contracting out (Rhodes 1999: 343-344).

Hansen distinguishes between two dimensions of NPM, namely the market and the management oriented dimensions of NPM. She stresses that the Danish efforts - as in most of Europe - have predominantly been along the management dimension, while reforms in Britain, New Zealand and Australia have been more of the market oriented type (Hansen 2001: 107-109).

Rhodes' and Hansen's characterisation of the British and Danish situation might be correct at the general level. However, precisely in the transport sector we do to some extent experience that previously public activities are converted to private business (e.g. parts of the DSB) and we do experience more tendering. Although definitely not as marked as in the British transport sector, the market oriented dimension of the NPM concept is pronounced in the Danish transport sector. Thus, one could expect the British experiences regarding coordination and trust to be present in the Danish transport sector to some extent, too.

In transport, coordination is of particular interest. Different parts of the transport system have to work together as a consistent whole. Just-in-time is a concept in logistics and freight transport but in passenger traffic everybody also wants to be everywhere just-in-time. To the extent that we want to solve environmental problems caused by transport through a change in modal split, a coherent and coordinated transport policy and planning is also necessary<sup>4</sup>.

## **2. Aim and scope of the paper**

This paper deals with reforms of the organisation of transport in Denmark. More specifically, I centre on corporatization, although tendering as well as decentralization to regions and municipalities are

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<sup>3</sup> See also Stoker 1997: 74 and 78.

<sup>4</sup> The need of coordination in transport is reflected politically, see e.g. European Commission 2001: 41 and 77.

also important elements in a coherent picture of interorganisational NPM reforms in the sector. Corporatization goes hand in hand with the division of large organisations into smaller ones.

The aim of the paper is to discuss two questions:

- How coordination is achieved, and
- If coordination today is more difficult than in the previous situation.

I define coordination as the process of “ensuring consistency and coherence within a set of interacting policies or projects ‘owned’ by one or more departments or organisations” (Challis et al 1988: 29).

I limit the scope of the analysis to political and governmental authorities and those organisations and corporations which have experienced reforms. All other sorts of (private) organisations are not included in the paper.

I furthermore limit the paper by analysing and discussing only one corporation, the largest railway corporation in Denmark (DSB) and its environment. The DSB is chosen because it is the corporation which has undergone the most comprehensive changes in terms of corporatization and division in the sector.

The empirical part of the paper concern changed conditions for coordination as it looks from the point of view of persons of central importance in the DSB and the Ministry of Transport. Thus, Six persons have been interviewed for this paper: A former permanent secretary of state in the Ministry of Transport, two former deputy permanent secretaries in the Ministry of Transport, of which one is also member of the supervisory board in the DSB, a former chairman of the supervisory board of the DSB, a former chief executive officer in the DSB, and finally a head of division in the DSB. All interviewees have seen a draft of the paper and confirmed their quotations. The interviews were carried out during spring 2003. It might be relevant to mention that although five of the interviewees are chosen because of their former occupation or position they all retired recently.

This paper is part of an ongoing research project concerning changed conditions for planning and policymaking as a consequence of interorganisational NPM reforms in the sector. Hence, I will proceed with case studies of policymaking processes. What I present here are preliminary conclusions.

### **3. What has happened to the DSB?**

In the mid-nineteenth century, the first railway tracks were opened in Denmark. The railways were organised as limited companies often with the state involved to some extent. The Danish state however took over the main lines in Jutland and Funen, and in 1880 the railways in Zealand (Lyk-Jensen & Harder 2000: 244-248, Olsen 2000: 805, DSB 1947). In 1885 a directorate-general for railways was founded, and from 1915 this directorate functioned as a department, i.e. the director general was referring directly to the Minister for Transport (Sørensen 2001: 68). Later shipping and bus business became part of the DSB's activities.

This way of organizing means that running the railways was the responsibility of an organisation which was part of a politico-administrative system with the Minister for Transport as the head. The organisation remained until 1993 where several changes followed in rapid succession, and further changes are expected in the future. It is the consequences of these changes which are the subject of analysis in this paper.

In 1993, the DSB was changed from a directorate-general to an agency in the Ministry of Transport. Two years later the corporatizations and divisions began. The DSB Shipping as well as the DSB Busses were hived off into limited companies, however in the first place with the DSB as the only

shareholder. In 1998 the former DSB Shipping Ltd amalgamated with a German shipping company under the name of Scandlines Ltd, Scandlines Denmark Ltd being a subsidiary company. Today, the Danish Ministry of Transport and the German Railways each own half of the share capital. The DSB Busses Ltd some years later was sold to a private bus company, Arriva Denmark Ltd.

1997 is the year where a vertical separation of the remaining DSB took place. So far, infrastructure as well as operating the trains had been the responsibility of the DSB, although the responsibility resided in different sections of the organisation. In 1997 however, an agency responsible for the infrastructure was formed, The Danish National Railway Agency (Banestyrelsen), and the DSB was left with the responsibility of operating the trains. The Danish Railway Inspectorate was formed, too, mainly being responsible for safety issues.

Corporatization and division in a period of 10 years caused that the Danish State Railways (DSB), which formerly was a directorate-general, today is divided into a number of corporations of which some have amalgamated into or been bought by other companies:

- The Agency of Traffic for Railways and Ferries (Trafikstyrelsen)
- The Danish National Railway Agency (Banestyrelsen)
- The Danish Railway Inspectorate
- DSB - independent, public corporation
- DSB S-train Ltd
- Scandlines Denmark Ltd
- Railion Denmark Ltd
- Arriva Denmark Ltd
- Danske Fragtmænd A.m.b.a. (Danish Road Hauliers Ltd)

In 1999, the DSB was changed from an agency to a so-called independent, public corporation, however with the state as the sole owner. Only once before had this type of organisation been used, that is when the Danish directorate-general of Postal Services was changed into an independent, public corporation. This type of organisation has several similarities with a limited company. Also in 1999 the electrified railways of Greater Copenhagen, the so-called S-trains, were hived off and made into a limited company with the DSB owning all shares.

Also, corporatization of the goods transport hit the DSB. The Goods Division originally consisted of two sections of which one was sold to the private company, Danske Fragtmænd (Danish Road Hauliers), while the other section joined the German-Dutch Railion Group. At the same time, Railion Denmark Ltd was established as a subsidiary company of the Railion Group. The DSB has 2% of the shares in the Railion Group<sup>5</sup>.

Recently, The Ministry of Transport has changed the Danish National Railway Agency into a purely productive activity and established an Agency of Traffic for Railways and Ferries having the responsibility of tendering traffic, planning railway infrastructure projects and safety tasks.

Hence, the DSB in a period of 10 years developed from a directorate-general referring to the Minister for Transport, to several units owned in different ways and to different extent by the state: Three state agencies (The Agency of Traffic for Railways and Ferries, The Danish National Railway Agency and The Danish Railway Inspectorate), an independent, public corporation (DSB), three limited companies with the Danish State owning respectively 100% (DSB S-train Ltd), 50% (Scandlines Ltd), and 2% (Railion Group). Furthermore, two sections were sold off to private capital (DSB Busses to Arriva Ltd, and a section in the Goods Division to Danske Fragtmænd A.m.b.a.).

Goods transport in Denmark now works as a free market without subsidization from the state. Passenger transport in principle can also be free traffic but in practice contracts are made either after negotiations with the Ministry of Transport or after invitation of tenders. By January 2003, a new

<sup>5</sup> To complete the picture, it should be mentioned that DSB has established foreign limited companies, e.g. DSB Sweden Ltd and DSB UK Ltd, and DSB has ownership in others, e.g. Roslagståg Ltd i Sweden (which operates a railway track in a suburb to Stockholm) and HIT Rail BV (DSB 2003: 7).

train operator (Arriva), after tendering, took over part of the lines previously run by the DSB. The DSB and the DSB S-train Ltd now run approximately 90% of all passenger train traffic in Denmark.

However, the reforms of the DSB are not finished yet. Probably, the DSB will be transformed from an independent, public corporation into a limited company (as has happened to the Postal Services), providing the possibility of selling shares. One also could expect that the DSB S-train Ltd will be sold. As an interviewee said in connection to this research: “The S-train could be sold, the organisation is cut-and-dried for it”. Some interviewees also mention the possibility of a common organisation of Public Transport in Greater Copenhagen, which would imply some changes for the DSB.

Of importance for an understanding of the Danish Railway System are two other initiatives. Firstly, a new metro system has been established in Copenhagen. This system is built and run by a partnership called Ørestad Development Corporation which furthermore has two subsidiary companies. Secondly, the state’s shares in the local railways have been transferred to regional authorities. The state, on average, owned 55% of the share capital in these railway companies.

Now, do these changes affect coordination?

#### 4. How is coordination achieved?

On the present railway policy making scene, a lot of actors are on the cast list, while in the old days the DSB played the lead. In the introduction I quoted Rhodes as arguing that the marketizing of public services in Great Britain created fragmentation, which created a greater need for coordination, while reducing the governmental ability to coordinate. Hence, one could imagine that coordination nowadays is more difficult.

Before approaching the empirical data, I will define three mechanisms of coordination. In a famous article published in 1990 Powell distinguishes between three concepts, namely market, hierarchy and network. Powell rejects the widespread conviction that all sort of coordination can be usefully arrayed along a continuum where market is at the one end and hierarchy at the other. Rather, he finds it “meaningful to talk about networks as a distinctive form of coordinating” (Powell 1990: 301). Inspired in particular by his article, some important characteristics of market, hierarchy and network respectively could look like this:

	<b>Market</b>	<b>Hierarchy</b>	<b>Network</b>
Normative basis	<i>Contract – Property rights</i>	<i>Employment relationship</i>	<i>Complementary strengths</i>
Means of communication	<i>Prices</i>	<i>Routines</i>	<i>Relational</i>
Methods of conflict resolution	<i>Haggling – resort to courts</i>	<i>Administrative fiat - supervision</i>	<i>Norm of reciprocity – reputational concern</i>
Key to coordination	<i>The invisible hand</i>	<i>Commands</i>	<i>Trust</i>
Amount of commitment	<i>Low</i>	<i>Medium</i>	<i>High</i>
Tone or climate	<i>Precision and/or suspicion</i>	<i>Formal, bureaucratic</i>	<i>Open-ended, mutual benefits</i>

(Lowndes & Skelcher 1998: 319, Peters 1998: 297-299, Powell 1990: 300, Rhodes 2000b: 353).

My main contribution to Powell’s characterization is an addition of a new parameter, namely the “key to coordination”. On the market, in a hierarchy and in a network, I see the keys to coordinations as the invisible hand, commands and trust, respectively. A few words about trust: Interdependency and cooperation in network engender trust, and trust is an important lubricant in network negotiations.

Rhodes expresses it this way: “Networks are a distinctive way of co-ordinating and, therefore, a separate governing structure from markets and hierarchies (or bureaucracies). Trust is their central co-ordinating mechanism in the same way that commands and price competition are the key mechanisms for hierarchies and markets respectively” (Rhodes 2000b: 353).

A complementary comment to the model concerns negotiations. I see negotiations as an important element in all three coordination mechanisms, however not reflected in the model above. Negotiations in hierarchy are influenced by the knowledge that a hierarchy exists. Thus, the coordination capacity of negotiations “can be enormously increased by virtue of the fact that they are embedded in the hierarchical structure.” Scharpf talks about negotiations in the shadow of hierarchy (Scharpf 1994, quotation from p. 40). Negotiations in the market are characterized by contractual relationships over property rights, haggling, precision and suspicion. While the interdependency in networks implies a different tone or climate in negotiations, and some degree of a common understanding marks the negotiations. Thus, Powell stresses - a bit exaggeratedly - that “parties to a network agree to forego the right to pursue their own interests at the expense of others” (Powell 1990: 303).

Now, market, hierarchy and network are analytical concepts, which in a modern Welfare State hardly exist distinctly. The pure form does not exist. In everyday interactions elements of market, hierarchy and network will often be present.

As explained earlier, the DSB has been divided into several organisations. My interviews leave the impression that especially three are of importance regarding coordination. Hence, The Danish National Railway Agency, the DSB S-train Ltd and The Ministry of Transport, which today attends to some of these duties which earlier the DSB itself took care of. Other relevant stakeholders are The Danish Railway Inspectorate, Railion Denmark Ltd and Arriva Denmark Ltd. (In future, the recently established Agency of Traffic for Railways and Ferries will be of importance, too) Some degree of interdependency exist between on the one hand the DSB and on the other hand these organisations.

More than any, the DSB is dependent on The Danish National Railway Agency. This agency is the DSB’s most important contractor. A large contract regulates the relationship, a contract which has to be negotiated (Pfund 2002: 88-89). One can imagine the extent of the negotiations necessary by watching how the responsibility of every single platform is divided: “Carrying out the split on the platform level was crucial. As a general rule, [The Danish National Railway Agency] was assigned technical equipment, service equipment, and platform infrastructure on its surface and below, whereas most equipment above the platform surface was assigned to the DSB. For example, all the ‘Do not cross tracks’ signs belong to [The National Railway Agency] since they fit into the order and safety signs category, whereas the DSB owns the station name signs. [The Danish National Railway Agency] is responsible for cleaning the platforms, but the DSB must empty the garbage bins. In turn, cleaning the railway station is the DSB’s responsibility. One can imagine the practical impact [...] Contrary to the general rule, passenger information equipment belongs to [The Danish National Railway Agency], including the station clock” (Pfund 2002: 81).

Most interviewees find that the number of negotiations has increased. As expressed by a former chief executive officer in the DSB: “All along you have to negotiate your way to solutions. You cannot command or make a resolve to do something and then carry it through, as you could if you were the sole actor.” In connection with several examples he correspondingly said: “Now it is a situation of negotiations, where everybody has to get something”. A head of division in the DSB said that negotiations also took place previously, “But it makes a difference whether there is one at the head of the table who is in the same circle, or there are three different ones. We find it a totally different situation.”<sup>6</sup>

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<sup>6</sup> A former chairman of the DSB board finds that the amount of negotiations probably has not increased, and if they have it is due to a transition phase. However, he emphasized that he as chairman was not involved in that sort of negotiations, it rather went on at other levels of the organisations. For it, I do not assign so much importance to this contradictory statement.

Now, how can we understand this sort of negotiation which seems to have increased? Does it exemplify a hierarchy, a market, or a network form of coordination? To some extent we experience negotiations in the shadow of hierarchy. Everybody knows that in many ways, and if not sooner then at the annual meeting, the ministry will let its influence tell. The hierarchy supplies the Ministry of Transport with strong power resources in negotiations with the DSB. A former head of division in the ministry talks about “bastions of power”. The number of negotiations in the relation between the DSB and the Ministry of Transport has increased partly because the ministry today contrary to earlier has a general obligation to coordinate railway policy (previously the DSB was a department itself), and partly because of the DSB’s status as independent public corporation.

But we also experience the market as a coordination mechanism. The characteristics are contracts, prices, haggling and suspicion. Interviewees articulated that a suspicious culture exists between the DSB on the one hand, and The National Railway Agency and the Ministry of Transport on the other. A former permanent secretary of state in the Ministry of Transport talked about the new economics of contract where the corporations only safeguard their own interests.

Finally, negotiations and relations having the characteristics of networks are also experienced. A head of division in the DSB said, “On the day to day work level, on the employee’s side, people want things to work, and the conflicts there are between the DSB and The National Railway Agency haven’t been at that level [...]. Basically, people have had 30 years in the same company, and you cannot deprive them of these things they have had together [...] It would have fallen apart, in terms of traffic, if things hadn’t worked at the bottom level”. And a former chief executive officer in the DSB said: “When things worked between the DSB and The National Railway Agency after the division and has done so for many years after [...] the reason is that the man below in the system, e.g. the one responsible for the timetable, knows who his counterpart in The National Railway Agency is, and calls him and talks with him. Many problems are solved at that level.” Similarly, regarding the platforms one author stresses that the cleaning teams from the DSB and The National Railway Agency, respectively, help each other out<sup>7</sup>. Hence, a common background, in this case a common history, is an important precondition for networks. That is also reflected theoretically. Thus, Powell stresses that “[n]etworks should be most common in work settings in which participants have some kind of common background – be it ethnic, geographic, ideological, or professional. The more homogeneous the group, the greater the trust, hence the easier it is to sustain network-like arrangements” (Powell 1990: 326).

Thus, many relations are characterized by complementary strengths, trust, and a high amount of commitment. It seems, however, that a vertical distinction exists. It is the employees at lower levels in the organisations which are able to negotiate in a network-like manner, while at the top level of the organisations market-like and hierarchical forms of negotiations are prevailing. A head of division in the DSB puts it this way, “It is more the bosses who are allowed to romp about and are allowed to destroy things when they are set free. There have never been so many director jobs as there are today.” However, the vertical distinction is not total. Conflicts and tough bargaining at the top of the organisations influence interactions at lower levels of the organisations: “It is obvious that this management infects down through the system. When it is negative up there, it will end up by being negative down here, too.”<sup>8</sup>

Against this background, my conclusion is the following: The amount of negotiations has increased, and these negotiations reflect all three types of coordination mechanisms: hierarchy, market and network. Thus, to some extent I can confirm the hypothesis one could advance, following Rhodes, that the reforms have created fragmentation which again causes cooperation and negotiations.

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<sup>7</sup> Pfund 2002: 81.

<sup>8</sup> In an other context he mentions the “war expenditures” which have been paid (DSB -Trafikplanlægning og miljø: *Taleseddel ATV*, 16.11.2001, internal document)

Furthermore, my conclusion is that hierarchy and market are dominating at the top levels of the organisations, and thus the more strategic decisions, while network is dominating at lower levels of the organisations.

In this section, I have discussed three mechanisms of coordination, market, hierarchy and network, and their presence in the DSB's environment. In the next section, I will discuss whether coordination is more difficult today.

## 5. Is coordination threatened?

The interviews give the impression that coordination today is more difficult and more time-consuming. A former chief executive officer said: "By accomplishing these divisions, you add fuel to the fire, and people's understanding of their independence increases, and then they try to behave as such, and it makes the task of coordinating and managing more difficult. Thus, no doubt that the break away of the DSB S-train in a special limited company made the task of managing considerably more difficult and more complicated. It raised some expectations by the employees [...] which created a good deal of friction that otherwise would not have arisen". And regarding the vertical split in rail (The Danish National Railway Agency) and trains (DSB) a head of division in the DSB said: "It is like this that in all the initiatives we take there is always something regarding the rails, and there is always something regarding the trains. You cannot make a train without seeing to it that the infrastructure matches it. And it is obvious that it creates an enormous amount of coordination. It is a strain that coordination work"<sup>9</sup>.

A former deputy permanent secretary from The Ministry of Transport emphasized that the vertical division in rail and trains has been a necessary method of making more effective the system. However, he expressed the problem of coordination by saying that the ministry lacks competence, tools, information and the resources to be capable of steering sufficiently well. The general expectation is that the forthcoming reforms will contribute to resolve these problems.

The quotations stress that today the *process* of coordinating is more difficult. However, some interviewees also found that the *output* of the processes is poor compared to earlier. The specific examples either concern coordination of timetables across modes (ferry/train) and across operators (DSB/Arriva), or regarding infrastructure investment. Following a definition formulated by Peters of coordination as an end-state, one could say that incoherence and lacunae are among the experiences<sup>10</sup>.

Above, I quoted Rhodes for saying that marketization corrodes trust, cooperation and shared professional values. Thus, Rhodes stresses that marketization threatens coordination through network, because trust, cooperation and shared professional values lie at the heart of network and network management. That is an understanding which was confirmed in some of the interviews. E.g. a former chief executive officer talked about the special relationship that "cement" the different organisations because of their history. He characterized the current situation as a process of "weathering" of the cement. He expected that "all these mechanisms [which make the system function] will gradually dry up or disappear, and then the system will gradually function worse and worse."<sup>11</sup>

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<sup>9</sup> See also Fuchs 2002: 241. A coordination body with representatives of The Danish National Railway Agency on the one hand and train operators on the other has existed (Danish National Railway Agency Act, § 4). Formally, it still exists but meetings have not been held for 1½ year. Instead, the agency coordinates with each train operator bilaterally.

<sup>10</sup> Peters refers to coordination as "an end-state in which the policies and programmes [...] are characterized by minimal redundancy, incoherence and lacunae" (Peters 1998: 296)

<sup>11</sup> Such a development seems to have taken place in the British Railway sector. Hence, an inquiry after one of the railway accidents in Great Britain stated in a report: "Privatisation has created a big cultural change. There is now little inter-linking of culture from one company to another. There has been a loss of comradeship between drivers, signalmen, cleaners etc. There is no longer a sense of working together. Questions of delays



In such a case, the share of coordination that takes place by network will have to be substituted by either coordination by hierarchy or by market mechanisms. In continuation of this, a former deputy permanent secretary in the ministry talked about the need for more regulation.

The question raised in this section is if nowadays the process of coordination is more difficult than earlier, and if coordination is threatened. The answer seems to be that it is more difficult at all levels, and that the share of coordination taking place through network is threatened. In the above section, the conclusion was that hierarchy and market is dominating in the strategic decisions. If that is true, a future weathering away of network coordination should not threaten the strategic decisions. However, coordination among employees at lower levels of the organisations might in the future be threatened<sup>12</sup>. Future reforms in the railway sector probably will advance the market as a mechanism of coordination at the expense of hierarchy and network. Thus, an important question for future research is, if market mechanisms will be able to handle coordination sufficiently.

## 6. Conclusions

The number of negotiations has increased, and these negotiations reflect all three types of coordination mechanisms: hierarchy, market and network. Thus, also network as a mechanism of coordination has increased. The increased number of negotiations is a consequence of the division of the DSB into several units. Hierarchy and market seem to be dominating at the top levels of the organisations, while network is dominating at the lower levels of the organisations. Also the process of coordination is more difficult and complicated than earlier.

The reforms have started a process, and in future I expect a weathering away of network coordination which can threaten coordination among employees at lower levels of the organisations.

Now, are these conclusions generalizable to other parts of the transport sector in Denmark which have experienced reforms of the same kind?

Due to the formal conditions we can divide quangos into four categories depending on whether the state owns shares and if the Act that establishes the corporation stipulates special conditions:

- The Controlled: State sole shareholder. Stipulations in law.
- The Connected: State shareholder among others. Stipulations in law.
- The Affected: State owns shares. No stipulations in law.
- The Autonomous: State does not own shares. No specific law.

In this categorization the DSB belongs to The Controlled. The state is the sole shareholder and the DSB Act leaves the state with considerable possibilities to control the DSB. E.g. the corporations formed to build the large bridges belong to the same category. One could expect to get similar findings investigating other corporations belonging to The Controlled, while one could expect different findings studying corporations belonging to some of the other categories. However, the categorization is only based upon the formal conditions. Thus, a broader study of the corporations might leave us with other categories.

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and attribution of blame strengthen the divide. This has led to a lack of confidence in others. No one is encouraged to discuss someone else's problem, or volunteers, or shares information" (Landbroke Grove Inquiry, seminar on employee perspectives on safety, 18 October 2000, here quoted from Wolmar 2001: 182). Now, it is important to remember that the British reforms in the railway sector are considerably more radical than the Danish. Hence, one cannot directly transfer the experiences to Danish conditions.

<sup>12</sup> Implementation theory stresses that the processes of policy implementation are just as important for the policy output as the processes going on during the genesis of policy (e.g. Winther 1990). Hence, a future lack of coordination among these employees might threaten also the output of strategic policy decisions.

## Acknowledgements

I have received valuable comments to a draft of this paper from three interviewees and from three colleagues at Roskilde University, Ole Jess Olsen, Anne Jensen and Andrew Crabtree.

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