Public Procurement at the Local Government Level

Actor roles, discretion and constraints in the implementation of public transport goals

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Lisa Hansson
Table of contents

Introductory chapter with concluding discussion


*Co-author statement: In Paper II, the data collection was made by Lisa Hansson while the analysis was performed in co-operation with Johan Holmgren.
Detailed table of contents: Introductory chapter with concluding discussion

Introduction .......................................................................................................................... 1
  Purpose .............................................................................................................................. 3
  Form of thesis .................................................................................................................... 4

The empirical study: procurement in the public transport sector ........................................ 5
  The public procurement jurisdiction ................................................................................ 11

Previous research .............................................................................................................. 14
  Public procurement at the local government level .......................................................... 14
  Public transport at the local government level ............................................................... 17
  Previous studies in relation to this thesis ..................................................................... 19

Theoretical approach ......................................................................................................... 20
  Choosing a theoretical approach ................................................................................... 20
  Rational choice institutionalism: the principal–agent approach ................................... 22

Method ............................................................................................................................... 29
  The research process ..................................................................................................... 29
  Preparatory studies ....................................................................................................... 30
  Case study approach and process tracing .................................................................... 31
  Analysing and synthesizing the findings ...................................................................... 35

Summary of the papers ...................................................................................................... 37

Concluding discussion ...................................................................................................... 39
  New questions for future research ............................................................................. 50

References .......................................................................................................................... 52

Appendix: Interview guides .............................................................................................. 60
Public Procurement at the Local Government Level

Introduction

The background to this study is the ongoing new public management (NPM) reforms instituted in the public sectors of many countries, including Sweden. The public sector now permits competition, and in recent decades there has been a great expansion of public authorities’ purchasing of goods and services through competitive tendering. For example, in the Swedish public transport sector, competitive tendering has gone from covering 7% of services in 1998 to 95% in 2005. It is estimated that all public transport bus services are now open for tendering (Alexanderson 2010). In addition, there is an increase in the use of public procurement in many other policy areas (Boyne 1998). Just within Sweden, the value of public procurement is estimated to total approximately SEK 500 billion. In the European Union (EU) as whole, the value of public procurement is estimated to total approximately 16% of EU GDP or EUR 1500 billion (Konkurrensverket 2011).

The overall aim of this thesis is to gain further knowledge of how the Swedish local government level is affected by requirements to use public procurement through competitive tendering. Both domestically and internationally, several attempts have been made to increase the use of public procurement1. For example, EU countries have joint public procurement directives that articulate a contract model that public organizations are obliged to use when purchasing goods or services. In public administration in Sweden, courses are offered to practitioners concerning the legal aspects of conducting public procurements, and conferences have been held to upgrade knowledge and increase the use of public procurement (see e.g., Miljöaktuellt 2011). In Sweden, not using public procurement when it is required is a violation of law and subject to court ruling. This means that politicians or civil servants may not circumvent the use of public procurement.

1 The formal term is “public procurement through competitive tendering”, which emphasizes the competitive aspect of the purchasing. For practical reasons, I will use the shorter terms “procurement” or “public procurement”. These terms refer to procurement through competitive tendering unless otherwise stated.
However, public sector use of procurement is not always trouble free. Every day in Sweden one can find newspaper articles concerning various problems with procurement, sometimes focusing on politicians’ or civil servants’ misuse of public procurement regulations (GP 2009) and other times on the decision making process (Svd 2009). A survey indicates that many local officials find procurement regulations to be disruptive, constraining their ability to implement political decisions in accordance with local interests (DS 2009). The relationship between the private and public sectors is also seen as problematic, and private entrepreneurs involved in procurements claim that they have become caught in a “mechanical super bureaucracy” (Upphandling 24 2009). It is uncontroversial to say that public procurement through competitive tendering has affected how the public sector delivers various welfare services, in terms of legal documents defining the procurement process, and how various actors must act and interact.

Procurement has attracted the interest of many in the research community. Empirical evidence of the cost-saving effects of using procurement is extensive. Many economics studies have found an initial cost reduction of approximately 20–30% when procuring public goods and services through competitive tendering, and thereby making funds available for other public services (see, e.g., Ferris and Graddy 1991; Savas 2002). Procurement has been analysed from a more critical perspective in political science, which has, for example, questioned whether procurement actually increases accountability problems, and whether the model sacrifices service quality for efficiency and cost savings and ultimately “hollows out” the state (see e.g., Millward 1996; deLeon and Denhardt 2000). However, actual empirical evidence cited by political science scholars is limited. Their discussion and claims regarding public procurement are based largely on findings regarding NPM in general and not on specific empirical data regarding public procurement, making the present study important (see further discussion in the section “Previous research”).

I argue that it is not enough to have empirical data concerning the economic effects of procurements; it is also necessary to look behind the processes and analyse public procurement in relation to the public administrative system in which it is working. This thesis will help broaden our understanding of public procurement at the Swedish local government level.

Because public procurement involves a range of factors e.g. – legal, contractual, economic, and technical – one can address it from various perspectives. In this study, I focus on public procurement at the local government level and, more specifically, on the actions taken by
various actors when public procurement is required to be used in the implementation of public transport goals. Though this focus somewhat limits the scope of the study, it is useful, as it may lead us to new understandings of the actions that the actors take when procurement is required. Depending on what actions are taken different implementation outcomes occur, and we can from studying actions also learn what may lie behind a successful or a non-successful outcome (Hill and Hupe 2002). Traditionally, decision making and implementation have been analysed separately, politicians being viewed as decision makers and civil servants as implementers of the decisions (see, e.g. Lasswell 1936; Easton 1965). Many scholars, however, have abandoned this view of the separation of politics and administration (Barrett 2004). This thesis takes the same approach, and sees implementation as a process involving interaction between various actors. Though these actors may play different roles, they all play a part in the process of moving from political vision to final output. The introduction of public procurement has arguably increased the number of actors involved in the implementation process (Longvar and Odsland 2010). To capture the complexity engendered by this proliferation of actors, a principal–agent approach is used here. This means that the implementation process is interpreted as subject to multiple principal–agent relationships.

Purpose

The overall purpose of this thesis is to gain further knowledge of how the Swedish local government level is affected by requirements to use public procurement through competitive tendering and, more specifically, understand the actions taken by included actors when public procurement is required in implementation of public transport goals.

This purpose will be addressed by considering three research questions.

The two first questions are related to the actions taken by the actors:

- How is discretion maintained and expanded in implementation processes in which public procurement is required?
- What roles do various control mechanisms and incentives play in implementation processes in which procurement is required?

In this thesis it is assumed that the actions are based on an interaction between different principals and agents. The third question is therefore related to the interactions between actors:
Based on the conclusions of discretion and control mechanisms, how can we understand the interaction between principals and agents when procurement is required at the local government level?

Form of thesis

This thesis takes the form of a compilation thesis and consists of an introductory chapter and four papers. It has the following form (see Figure 1).

Figure 1: Form of thesis.

<table>
<thead>
<tr>
<th>Introductory and concluding chapter</th>
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<tbody>
<tr>
<td>Introduction</td>
</tr>
<tr>
<td>The empirical study</td>
</tr>
<tr>
<td>Previous research</td>
</tr>
<tr>
<td>Theoretical approach</td>
</tr>
<tr>
<td>Method</td>
</tr>
<tr>
<td>Summary of the papers</td>
</tr>
<tr>
<td>Concluding discussion</td>
</tr>
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<td>Solving procurement problems in public transport: Examining multi-principal roles in relation to effective control mechanisms</td>
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<td>Bypassing procurement regulation: a study of rationality in local decision making</td>
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<td>The private whistleblower: defining a new type of role in the public system</td>
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<td>The tactics behind public procurements – an integrated actor approach</td>
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This chapter is preparatory, providing background information necessary for understanding the research area and the papers. It introduces the empirical policy area, previous research, the theoretical framework, and methodology. The sections of the chapter provide an overview, while the papers examine the theoretical concepts, previous research, etc., at greater depth.
Short summaries of the papers are then provided. The summaries are followed by a concluding discussion. It is recommended that the four papers are read before the concluding discussion, as the aim of which is to draw overall conclusions based on the four constituent papers.

**The empirical study: procurement in the public transport sector**

Government in Sweden is a multi-layered system. Central government creates a framework in which local government operates. The latter comprises 21 counties in which 290 municipalities and 21 county councils (two of which are organized as regions) operate; these bodies in turn may delegate responsibility to other agencies, for example, local public companies (Montin 2007).

Local self government has historically been one of the keystones of Swedish government (Wihlborg and Palm 2008). Although subordinate to the authority of central government and parliament, local government has a fair degree of independence to adapt its policies to local requirements. The local government level provides a range of services to local residents, including social services, education, and public transport. In recent decades, economic strains have appeared at the local government level. In response to economic strains, various market models of how to organize and steer the local public administrations have been introduced and tested in many municipalities (Montin 2007). Some reforms have been initiated by central government, for example, the requirement to use procurement through competitive tendering, while others are local initiatives.

Various combinations of public and private interaction in providing public services are found in local government today. For example, a public authority may chose either to produce a service in-house or to subcontract it to private actors. A public authority may also finance the service using purely private or public means or, as has been popular lately, using a public–private partnership. Some services have also been deregulated, becoming purely private. These various combinations are making it difficult to distinguish between what is public and what is private (Montin 1992). Lundqvist (1998) has drawn up a taxonomic table that makes it possible to sort out various privatization attempts according to whether the financing, production, or regulation is handled by public or private actors, see Table 1 (Lundqvist 1998).
Table 1: A taxonomy of privatization.

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<th>Activity</th>
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<td>Regulation</td>
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<td>Financing</td>
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Table 1 makes a clear analytical distinction between public and private for each activity; as with all taxonomies, however, individual activities may involve mixed responsibilities (Lundqvist 1998).

This thesis focuses on public procurement in the public transport sector, the position of which is indicated by the gray boxes in the taxonomy of privatization (see Table 2).

Table 2: A taxonomy of privatization: public procurement of public transport in Sweden in grey boxes.

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<th>Activity</th>
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<td>Regulation</td>
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Source: Table adapted from Lundqvist (1998:15)

As shown in Table 2, public transport as policy area is regulated by public actors, for example, via national procurement legislation and various public transport directives. The service is financed partly by public subsidy and partly by selling fares. The amount of public subsidy varies from county to county, ranging from 38% in the county of Skåne to 75% in the county of Gotland. Almost all public transport is produced by private operators (Trafikanalys 2010).
Using the public transport sector as an empirical case offers several benefits. Public transport is one of the local government policy areas that most frequently uses public procurement. As shown in Figure 2, only 7% of local traffic volume was subject to public procurement in 1988; this proportion had risen to 70% by 1995 (Alexandersson et al. 1998) and to 95% by 2001 (Alexandersson and Pyddoke 2003). It is estimated that almost all public transport services are today open for tender and are in their second or third tender period (Alexandersson 2010).

Figure 2: Procured bus traffic, 1986–2001


As presented in Figure 2, public procurement has been used in the public transport sector for several years and can be seen as one of the more “mature” policy areas when it comes to public procurement. The experiences and lessons learned from actors in this mature policy area may interest both stakeholders and researchers in other areas.
Public procurement related to implementation of public transport goals also yields valuable insights into interaction between multiple actors, both public and private. The taxonomy of privatization presented in Table 2 gives an overview of where public transport is located in the privatization discussion. A more specific description of the actors involved, however, is needed if we are to understand the context of this thesis. The main responsibility for ensuring that public transport is provided to citizens lies at the local government level, meaning that central government has decentralized the task to the local government level. The central level’s main task is regulative, i.e., passing laws concerning public transport and procurement. It also has a financial role, by subsidizing the local government level in each county (SLTF 2002). Hence, it is the county council and the municipalities within a county that share overall responsibility for ensuring that public transport is provided (SFS 1978:438). County councils and municipalities each comprise an elected political board and a public administration. In many municipalities and counties, decisions concerning public transport are formally taken at the political level by the municipal board or the county council board; some municipalities have a special political board responsible for public transport. Each board has its own public administration in which civil servants operate. Many small and medium-sized populated municipalities and county councils have employed one civil servant to handle public transport, while the largest populated municipalities may employ a group of civil servants for this purpose.

Responsibility for coordinating public transport is delegated to a county public transport authority (PTA). The PTA is the authority that executes the regional and many local traffic procurements (SFS 1997:734). In most counties, the PTA has the juridical status of a public company and is jointly owned by the county council and municipalities. The PTA has a

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3 When I use the term “local government level”, I am referring to municipalities, county councils, or other local public organizations. If I am referring to a specific organization, then I will cite its name, for example, “the municipality”, “the public transport authority”, or “the public procurement unit”.

4 According to the law, each county can decide how to organize its public transport, for example, whether it wants to divide responsibility between the county council and the municipalities or whether it wants the county council or the municipality to shoulder all responsibility. In almost all counties, the responsibility is divided between the county council and the municipalities (SFS 1978:438).

5 I have chosen to use the term “civil servants” for unelected personnel working in public administration, including personnel at the municipal, county council, and national levels and employees of publically owned companies. Sometimes the civil servant is specified further, for example, “county council director” or “president of the public transport authority”; otherwise, the term “civil servant” will be used in a general sense, for example, “one civil servant in a municipality”.

6 In this thesis the “PTA” is in most cases the same as the “procurement entity”, or the “procuring agency” and the terms are used interchangeably through the thesis. In some papers the term PTA is used and others the term procurement entity. In this chapter the term PTA will be used when referring to procurements in the public transport sector.
The PTA has considerable decision making freedom, but the municipalities and the county council set its overall budget frame (SLTF 2002). The PTA is also required to fulfill the demands of the PTA board, i.e., the owner’s wishes (SOU 2009:39).

Most counties have, besides a county council and municipalities, a regional cooperation body consisting of representatives of the country council and each municipality. It has the same organizational structure as the municipalities and county council, except that the political board is not directly elected by the people. In public transport, some of the planning responsibility traditionally borne by the county council has been shifted to the regional cooperation body (SOU 2009:39). This means that the regional cooperation body has the formal ability to engage in public transport matters. However, it is important to note that the ownership of, and therefore the budgetary influence over, the PTA still lies with the county council.6

I have chosen to mainly focus on the public officials involved in public transport at the local governmental level. Besides these there are numerous private firms and actors that are highly involved in the provision of public transport, since it is them who actually provides the traffic to the citizens. This is regulated in the procurement contracts.

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6 As of 1 June 2010, new legislation was passed concerning the organization of public transport. This is now on trial in two counties and will eventually presumably be implemented in all counties. The main change initiated by the legislation is that the PTA becomes a unit either of the county council or the regional cooperation body, not a public company as it is today. In addition, public transport is to be deregulated and procurement is to be conducted as a supplement where the market is thin. These changes have not yet been implemented, however, and were not known when the study was conducted (Prop. 2009/10:200).
As shown in Figure 3, public transport is a policy area in which multiple actors must interact to implement a transport goal. Studying implementation processes involving public transport procurement allows one to capture the interaction between actors and learn more about them and their interaction. Interaction between actors has been examined in other implementation studies of outside procurement. For example, some studies have analysed various partnerships at the local government level (Pierre 1998). A typical example from Sweden is work on regional growth plans and regional development plans, in which actors from the county must agree on future county developments via plans and strategic documents. These documents are often in a “vision state”, and there are no large penalties if the documents are not adhered to.
Studies indicate that many plans are not actually realized, which is sometimes explained by the fact that actors may have other agendas than those stated in the plan (Pierre 1998). In implementation processes where procurement is required, various actors also need to agree on a document (i.e., the procurement document), but the significant difference in the case of public procurement is that the document has concrete implications and effects, as the document determine the type of service to be procured. This in turn means that actors may disagree with each other when formulating such documents, raising another issue to be handled. By analysing procurement in public transport, we can gain knowledge of such implementation processes involving multiple actors.

Choosing a sector that involves multiple actors may also contribute to more practical findings concerning procurement. It has become more common to use joint procurements at the local government level. A joint procurement is when two or more public organizations cooperate in procurement, for example, two municipalities procuring a service together (Ds 2004:37). This is common in public transport services as well, and the findings of this study may contribute to knowledge of joint procurements on a more general level.

Another benefit of choosing to study the public transport sector is that it can provide new empirical knowledge that enhances our understanding of existing studies. Such research makes empirical contributions to the field of public transport and to the discipline of political science. Today, very few political science scholars are using the public transport sector, compared with other welfare services provided by the local government level, as an empirical subject of study. Such research may also add empirical detail that enhances the understanding of implementation conveyed in existing transport research where the politics behind the actual processes have received less attention (see further discussion in the section “Previous research”).

The public procurement jurisdiction

Actual responsibility for local and regional public transport lies at the local government level, though the local level must adhere to national legislation. The main points of the juridical framework of procurement in Sweden will be described in this section.

Since 1995, Sweden has been a member of the EU. The EU directives concerning public procurement are incorporated into the Swedish Procurement Act, which regulates almost all
public procurement.\textsuperscript{7} All public organizations, for example, local government agencies, county councils, and municipalities, must comply with the Act when they purchase, lease, rent, or hire-purchase supplies, services, and public works. If a public organization does not comply with the law, the country may be taken to the European Court of Justice. (SFS 2007:1091).

The stages of a procurement procedure are regulated by law. Six distinct types of procurement procedure can be used depending on the value of what is to be purchased, and the rules differ when purchasing goods or services valued above or below the current threshold value\textsuperscript{8} (Vinnova 2006). In this thesis, public procurements conducted through competitive tendering, often by means of an “open procurement”, are analysed. An open procurement is the most common procedure for purchasing services valued above the threshold values. Open procurement is covered by the EU Directive on Public Procurement and must be advertised in the EU’s central database TED (SFS 2007:1091).

The actual procurement process can be described as follows in Figure 4.

Figure 4: The process of an open public procurement.

\textsuperscript{7} Since 2007, Swedish procurement regulations have consisted of two directives, SFS 2007:1092 and SFS 2007:1091, the one applicable depending on the services or goods are to be purchased. Many of the specific regulations, however, are the same in both laws (Pedersen 2008). I have chosen to describe the overall components of the procurement regulations; these components are found in both directives.

\textsuperscript{8} The current threshold value for goods and services is EUR 387,000 (Konkurrensverket 2010).
First, purchasing needs must be identified and specified. The needs are then written down into a document called invitation to tender. The invitation to tender must clearly specify what is to be procured, what requirements apply, and what the procedure is for evaluating the tenders (Vinnova 2006).

The procurement must then be advertised publicly. Depending on the type of procurement process chosen, different rules apply as to where the advertisement is to be published and how long the period must be between when the advertisement is published and when the tendering period expires (Vinnova 2006).

The firms that are interesting in competing for the procurement contract are then sending in their bids. When the tendering period expires, the bids are opened for evaluation by the public organisation that advertised the procurement. The bids are then examined to check whether they meet the requirements set forth in the invitation to tender. There is no allowance for subsequently adding to or correcting tenders (Vinnova 2006).

The remaining bids that meet the requirements are then evaluated. When evaluating a bid, various principles must be followed: 1) the principle of non-discrimination based on nationalism or regionalism, i.e., competing firms should not be given preferential treatment on the basis of being local or national; 2) the principle of equal treatment, i.e., all firms and their bids should be judged on the same merits; 3) the procurement process must be characterized by transparency, openness, and predictability; 4) the proportionality principle, i.e., the procurement requirements must be naturally related to the service being procured and not be unrealistic or unnecessary; and 5) the principle of mutual recognition, i.e., documents and certificates issued by authorities in a Member State must be accepted in other Member States (SFS 2007:1091).

After choosing one or several winning bids, a period of ten days must past before signing the procurement contracts. In this ten-day period, any bidder that thinks that any of the principles has been broken may report it to a county administrative court in Sweden (Vinnova 2006).

If a bidder appeals the decision within the allowed period, the county administrative court may rule that the procurement should be restarted, or that it may only be concluded once any fault has been remedied. The court may also rule with immediate effect that the procurement may not be concluded while a court hearing is pending (Vinnova 2006).
Previous research

To build an understanding of the research field, I will provide an overview of previous research of public procurement and public transport that may be relevant for this thesis. It is in the field of economics that we find most studies concerning public procurement at the local government level. As will be seen, political science oriented studies of public procurement related to the local government level have in general had a quantitative perspective, leaving for example the process aspects of implementation behind. Due to the great impact economics has had on procurement research, I have chosen to review parts of the transport economics literature concerning public procurement, along with the relevant literature that describes procurement in relation to research into implementation.

Public procurement at the local government level

Arguments on whether public procurement is a positive or negative instrument for the local government level

There are two main areas that has been subject of research concerning procurement through competitive tendering at the local government level; one is analysing different reforms and determining how extensive the use of public procurement is at the local government level in various countries (see, e.g., Painter 1991; Boyne 1998). These studies show that there is an increasing use of procurement throughout Europe. Related to these studies are also analyses of why and what effect it may have whether if local authorities chooses to produce in-house or outsource (see e.g. Johansson 2006). The other area concerns the question whether it is cost efficient to use public procurement when purchasing public goods or services, and often takes point of departure in the fact that the use of procurement has increased (see, e.g., Arrowsmith 1998). Several studies have found an initial cost reduction of approximately 20–30% when procuring through competitive tendering (see, e.g., Savas 2002). However, in some cases, the cost reductions decrease when the second round of tendering is conducted (Bekken et. al. 2006), though competitive tendering remains more cost efficient than the former system (Brown and Potoski 2003). Based on these studies it may be concluded that public procurement can be seen as enabling goal achievement at the local government level, since it makes funds available for other public services.

Nevertheless, the argument for using contracts such as public procurements is that these contracts enhance both efficiency and accountability, because they combine market
competition with a more stringent performance control system. The concept of procuring public services through competitive tendering came from a theoretical view in economics arguing that public bureaucrats have little or no incentive to provide the best possible service at the lowest cost possible, and instead act in their own self-interest. The purpose of using competitive procurement is to shift operational decisions from bureaucrats in the public sector to private firms competing for contracts. To win contracts, firms cannot let themselves be inefficient, since someone else would then be awarded the contract (Boyne 1998; Martin et al. 1999). The system of contracts is also supposed to force politicians to specify targets and objectives more clearly (Nagel 1997; Christensen 2001). Several studies have questioned these assumptions and asked whether procurement through competitive tendering actually increases accountability and efficiency (see, e.g., John et al. 2004; Erridge 2007; Lamothe and Lamothe 2009). Fredriksson et al. (2010) survey of local Finnish politicians, demonstrates that expectations of cost benefits are the most important factor influencing willingness to increase the use of competitive tendering. Pinch and Patterson (2000), however, have analysed the extent to which competitive tendering has undermined the real and potential contribution of local public services to regional economics. Their study examined the UK and used quantitative methods to analyse various contractual outcomes. It demonstrates that a new and uneven pattern of regional economic development has emerged, and that procurement has weakened the capacity of local authorities to intervene directly to promote the economic, environmental, and social regeneration of their regions. The authors discuss the lack of competition between procurement models, and suggest that a more flexible procuring system would be beneficial (Pinch and Patterson 2000; see also Bivand and Szymanski 2000).

From an accountability perspective, one question that has been raised is whether government officials are giving preferential treatment to special interests (i.e., local firms or domestic firms from elsewhere in the country) (Hoekman and Mavroidis 1997; Martinet et al. 1999). Kelleher and Yackee (2008) have demonstrated that contracting out may provide new opportunities for special interests to influence policy making. A few studies examine situations in which procurement has been used as an empirical basis for discussing and analysing corruption in general (see, e.g., Andersson 2002). More “positive” analyses of the relationship between public officials and private supplier are also found. For example, Erridge and Greer (2002) have analysed the possibility of trust building between public actors at the central government level and private suppliers in procurement relationships (see similar findings in Forney and Ottooz 1997; Entwistle and Martin 2005). Bovaird (2006), referring to various market relationships existing between public and private actors, argues that new
forms of collaboration are found and that relationships between multiple actors on both the demand and supply sides in the public domain challenge the traditional market concept.

Implementation of horizontal goals
Another large area that may be referred to implementation is related to how contracts may be designed and evaluated in order to meet different horizontal goals. (see, e.g., Roodhooft and Van den Abbeele 2006). An ongoing project in Sweden is analysing how various environmental criteria are developed in procurement models. As part of this project, Carlsson and Waara (2006) have examined how actors working with procurement integrate environmental concerns into their procurement process. They have used secondary statistics on surveys conducted by practitioners in Sweden and EU as whole as well as in-depth interviews with actors in Swedish municipalities. (Carlsson and Waara 2006; see also Lundberg et al. 2008, concerning environmental effects). Seen in relation to this thesis, the present work lacks a discussion of the process preceding contract writing, i.e., the negotiation with the political level on how to reach environmental standards, etc. Overall studies of interaction between multiple actors, for example, between civil servants and elected politicians in procurement processes, are difficult to find (see also discussion in Murray 2008). There are studies of single actor groups, where the main studied group seems to be public officials working in the procurement entity (see e.g. Brown and Potoski 2003, also discussion above concerning accountability). However, some studies do take account of local politicians, mainly examining the attitudes of local politicians towards competitive tendering (see e.g. Murrey 1999; Sørensen and Bay 2002).

Public procurement an example of a new public management model
In political science oriented studies, public procurement tends to be discussed in relation to the concept of new public management (NPM), public procurement being seen as one of many NPM models that have influenced the political-administrative system. Numerous studies have analysed procurement in relation to various privatization reforms. (Graham and Prosser 1987; Prosser 1990; Painter 1991; Tompson 1993; Bivand and Szymanski 2000; Savas 2002; Wassenaar et al. 2010). In addition, numerous textbooks discuss NPM reforms, and consider procurement an example of a NPM mechanism (Milward and Provan 2000) However, from reviewing these texts it is clear that contracting is often just mentioned in passing, or a chapter is devoted to describing the basics of contracting (see, e.g., Considine 2001; Christensen and Lægreid 2003). In this context NPM models are approached from different perspectives, often
taken departure in a discussion of whether there is a shift in governing terms, arguable that the public sector has gone from government to governance indicating a more fragmented steering where there is a grater interaction between public and private actors. Public procurement is also discussed in relation to different state models, for example the “super-market model”, where it is presumed that the government has a service-providing role, with an emphasis on efficiency and good quality (Hood 1998, in Christensen and Lægreid 2003, p. 15). Studies have also tried to underline weather the introduction of different NPM-models have replaced democratic values by more market-oriented values that promote cost efficiency (Osborn and Gahbler 1992). However, the theoretical implications are discussed in terms of NPM in general and not in relation to the specific factors that may enhance public procurement. I found this problematic, given that NPM is a collective name referring to market reforms in the public administration domain. It is impossible to find a dominant explanation of what NPM actually is or of its effects; instead, there are many and varied specifications of what constitutes NPM (Dunn and Miller 2007). Despite the loose definitions, many scholars include procurement when collectively discussing NPM, and often take a normative position opposing it (see, e.g. Lundqvist 1998).

Public transport at the local government level

Previous studies of public transport demonstrate that decision making involves relationships between several actors when responsibility often is divided between a PTA and local authorities. In 1999, Van de Velde published an article in which he introduced the “strategic–tactical–operational” (STO) framework as a way to describe the organization of public transport. The framework has its origin in principal-agent theory and since its introduction in 1999, the STO framework has been used extensively in transport economics research into organization (see, e.g., Hensher 2007; Bray and Wallis 2008; Finn and Nelson 2002).

Notably, most studies referring to the STO framework use it for descriptive purposes, i.e., when describing the organization of public transport in a specific country or when describing

9 A more extensive version of this overview is found in Hansson (2011, forthcoming). A good overview of public procurement related to bus contracts are found in Lidenstam (2008), see also Gwilliam (2008) for an overview of transport economic research.

10 The main feature of the framework is its three-level structure. The strategic level refers to strategic planning; on this level, actors, such as politicians and their staff, formulate the general aims of public transport and determine, in broad terms, the means to attain the aims. Actors operating on the tactical level, such as public transport authorities, then make decisions that can facilitate achieving the general aims set at the strategic level. Actors on the operational level also determine how the means suggested on the strategic level can be used most efficiently. At the operational level, actors such as bus operators, ensure that orders are carried out efficiently (van de Velde 1999).
changes in the responsibility of various actors due to reform. Sweden is often mentioned in these studies and the tendering procedure is sometimes referred to as the “Scandinavian model” (van de Velde 2005). The roles of actors belonging to different institutional contexts are simplified in the STO framework. This is most obvious in the use of the “strategic level”, where the STO framework simplifies the political institutions, mainly by defining every actor above the PTA in the hierarchy as part of the “strategic” level. This means that, for example, in describing a country such as Sweden, where public transport is decentralized, the municipal and the national governments are assigned the same role, i.e., “strategic”.

The PTA is by far the most studied actor in public transport. It is mainly consultancy reports that have considered the relationship between the PTA and the municipalities or county councils. These reports argue that the owners (the municipalities and county councils) do not actively work on public transport issues, implying that power over public transport development lies in the hands of the PTA (Hellström et al. 2002; Boverket 2003; Lindvall 2003; Vägverket 2004). Christensson (1997) argues that neglect of the political aspect has allowed some PTAs to grow so strong that they have come to live their own lives independent of the wishes of their owners (i.e., municipalities and county councils). Hellström et al. (2002), on the other hand, claim that the owners themselves are responsible for operators failing to meet objectives, and want owners to become more active in the process (Hellström et al. 2002). Gottfridsson (2005) has a more differenced perspective on the matter. He demonstrate that municipal actors are very dependent on other actors at other levels and the decision making process involves a compromising between different interests (Gottfridsson 2005; see also Nilsson et al. 2005; Storbjörk 2005; Rönnbäck 2008).

The Principal–agent approach is a commonly used in both public transport and public procurement studies (see, e.g., Boyne 1998; Soudry 2006). However, it must be noted that this body of theories has mainly been developed in experimental or quantitative empirical situations. Thus, conclusions drawn regarding actors’ actions, values, and beliefs have not really been subject to qualitative analysis. Experimental social science has increased in popularity among social scientists (Fors 1997; Bergh 2010), but there is ongoing debate among political scientists and economists as to whether theories from experimental social science (e.g., principal–agent theory and game theory) are applicable in empirical testing (Fors 1997). It is often argued that there is little connection between empiricism and theory. For example, Ståhl (1997) claims that the assumptions underlying game theory are rarely relevant to decision makers because they do not “want” to behave in accordance with the complexity of the theory’s assumptions (Ståhl 1997). In view of the debate on the pros and cons of
Experimental science, it is relevant to ask how findings regarding public transport and public procurement can be tested and developed by applying them to an empirical study using qualitative methods.

**Previous studies in relation to this thesis**

To understand how procurement can affect the local government level, I have identified certain points that justify my choice to limit the research focus to actions taken by actors when public procurement is required in the implementation of public transport goals. First, it is relevant to analyse procurement at the local government level as a process involving a range of actors. Several studies have analysed reform changes, changes in legislation, and whether or not tendering is effective, but seem to have overlooked the actors in doing so. Assumptions regarding the actors have been made based on quantitative studies (i.e., examining attitudes towards public procurement), and some studies examine one or two actors/institutions involved in the implementation process, for example, the PTA or the firms competing for contracts. However, process studies considering how actors behave in relation to each other in procurement processes are needed. Second, findings have also shown that different actors have different power, e.g., some studies claim that the PTA is a powerful actor that politicians have a difficult time controlling (see, e.g., Christensson 1997). But the studies need to be complemented by an understanding of how different actors use its power, and in line with this, why it might be difficult to control the PTA. Third, qualitative studies of actors in relation to the different use of the procurement legislation are needed. Mainly using surveys, previous studies have demonstrated that local-level public officials sometimes bypass procurement regulations by, for example, favouring local or domestic firms (see, e.g., Martin et al. 1999). However, other studies indicate acceptance of the procurement legislation (Fredriksson et al. 2010). In order to grasp the whole picture, it is therefore important to analyse both implementation processes in which procurement regulation have been bypassed and processes in which it have been followed.
Theoretical approach

Choosing a theoretical approach

I have chosen to apply a theoretical framework of rational choice institutionalism, more specifically, principal–agent approach, in analysing the empirical findings. The choice of approach was not obvious as first, since it has been criticized for being too simplifying and instrumental (Hindmoor 2006). It was mainly the empirical relevance that underlay my decision to use a principal–agent approach, but also a more theoretical curiosity contributed to the choice.

Gaining knowledge of local government by studying implementation processes is a classic theme in political science. This study focus on understanding the actions taken by actors in implementation processes. This is an important perspective, since depending on what actions are taken different implementation outcomes occur, and we can from studying actions also learn what may lie behind a successful or a non-successful outcome (Hill and Hupe 2002). The top-down view, influenced by the Weberian perspective on bureaucracy, was long dominating the implementation studies (see e.g. Pressman and Wildavsky 1984, cited in Hill and Hupe 2002). This view is based on a separation between politicians and civil servants. Here, decision making is seen as the process that results in the authoritative decision, made by politicians, while the implementation process is undertaken by objective civil servants who ensure the decision is acted on, i.e., decision making and implementation are seen as separate processes (Barrett 2004). The distinction between decision making and implementation is problematic in many ways. First, many actors are involved in both processes. The actors responsible for implementing policy decisions are also often involved in shaping the decisions. Second, the implementation process is often imprecise relative to the decisions made during implementation, prompting new decisions and sometimes rethinking the direction of the original decision (Hill and Hupe 2002). Numerous scholars have pointed out that politics and administration cannot be considered in isolation from each other and research shifted to analyse other sources of power within the organisation (Peters 2001). A large amount of studies began analysing civil servants and their role in the implementation, arguing that they possess a great amount of power to influence the outcome of an implementation process. A bottom–up perspective became popular in seeking to understand implementation problems (Lipsky 1980; Hill 2003). We know today that public administration is less restrained towards its civil servants than suggested by the traditional view of politics (Barrett 2004). Civil servants are employed to implement political decisions in specific policy areas,
but it is important to remember that the organization consists of individuals who interact with each other, based on their own realities and interests that the individuals seek to enhance (Beetham 1996).

Many scholars today argue that it is impossible to explain implementation by considering it solely from a top–down or bottom–up perspective (O’Toole 2000). Instead, it is important to bear in mind that several actors are involved in implementation (Kooiman 2000). This shifts the focus to analysing and understanding how these actors are integrated in the process (Ewalt 2001). This perspective is suitable for the implementation context that I am analysing. Introducing public procurement has entailed many regulations based on a hierarchal view of the separation between politics and implementation. For example, the control system is based on a hierarchal structure in which the European Union may exercise control though its lower channels (i.e., the national governments) and the national governments in turn through their channels (i.e. the local government level). Within the local government level the procurement should be based on a performance system where the political level should state their demands, and in the end the private companies that are contracted should be realising the demands. On the other hand, we have seen from other studies that public procurement in implementation processes may involve several bottom–up aspects, for example, the procurement entity has greater ability to influence the invitation to tender and the purchasing than do the politicians. Previous studies have indicated that using public procurement in the public transport sector involves several actors with combined resources. The same actor can assume different roles, acting as a decision maker in one situation and an implementer in another, and this fact needs to be captured and explained. Instead of separating the concepts of decision making and implementation, I prefer to regard implementation as a process that involves interaction between various actors. Though these actors may assume different roles, they all play a part in the process of moving from political vision to final output. The principal–agent approach describes relationships in the form of delegation chains; this makes it possible for one actor to be analysed as a principal in one situation and an agent in another, capturing actor complexity. The principal–agent approach stresses that there are hierarchal chains that need to be accounted for, doing so while combining top–down and bottom–up aspects, since it takes account of the agent’s power to circumvent delegated tasks.

My choice of theoretical approach was also based on interest in trying to apply principal–agent approach in a local government context using qualitative methods, in this way contributing to the development of principal–agent approach. When I conducted the two research overviews, it became clear that principal–agent approach has been frequently used in
studies of public procurement in general and of public transport procurement in particular. These studies have often had a background in economics and a specific emphasis on analysing the delegation of responsibility between procurement entities and the firms competing for contracts, doing so based on a modelling or quantitative data approach. My thesis uses a qualitative methodological approach and focuses on another part of the delegation chain: public officials.

Rational choice institutionalism: the principal–agent approach

The rational choice institutionalism (RCI) approach used in political science has its origins in rational choice theory, adding the effects of institutional arrangements and the interactions between individuals and institutions to the analysis. RCI emerged as a critique of the narrowly economic rational choice theory, its main objection being that rational choice theory did not answer questions concerning how preferences come into being and why they vary from person to person. Rational choice theory largely failed to explain why decisions made in public organizations are related to context (Rakner 1996). RCI places the concept of rationality in context, and argues that explanations of social outcomes must include both actor preference and the institutional settings in which actions are taken (Rakner 1996); i.e., actors are embedded in networks, contexts, and institutions, and strategic choices are considered to take place within these constraints (Booth et al. 1993).

I will here provide an overview of the central elements of the principal–agent approach, which are further addressed in the constituent papers of this thesis. It should be noted that the principal–agent approach is broad, incorporating various theoretical considerations. This overview will only briefly introduce the approach, which is further problematized and, when needed, complemented by other theories in the appended papers.

Implementation through chains of delegation

Principal–agent approach aims to explain the actions and outcomes of a process in which one or several principals delegate authority to one or several agents.

The principal–agent approach is viewing relationships between actors in terms of delegation chains, and it is argued, to explain the outcome of a process one must identify the strengths
and weaknesses of the delegation chains (Andersson 2002). The basis of such delegation is that a principal wants to achieve something. The principal cannot complete the task acting alone due to lack of knowledge or other resources, such as time. The principal therefore identifies agents who are most likely to have the skills needed to achieve the principal’s goals. The principal then chooses one or several agents and “enters into” a contract with the agent. These contracts define the relationship between the principal and the agent and include both positive and negative incentives applicable to the agent. These incentives are crucial, since the agent’s agenda may differ from that of the principal - the incentives are used to ensure that the principal’s goals are aligned with the agent’s interest.

Chains of delegation can found at all levels of the political system. For example, in a representative democracy, the chain of delegation starts with the voters and extends to the elected politicians. In this case, the voters are principals who choose politicians to be their agents in charge of making public decisions. The elected politicians in turn constitute a parliament, which can be seen as a principal relative to the prime minister and government. In this case, the prime minister and the government are agents. Chains of delegation are also found in government. The government delegates power to the public administration at the national level, making the government the principal and the actors working in the public administration the agents. The same types of delegation chains are found at the local government level: voters elect politicians and politicians form a local parliament, which in turn elects a local government, for example, a municipal board. The municipal board then delegates authority to the public administration in which civil servants work. The public administration can then delegate authority to private contractors to implement certain municipal services (Andersson 2002). As has been illustrated, the principal may be an agent in one context (e.g., elected politicians are agents towards the voters) and a principal in another (e.g., elected politicians are principals towards their civil servants in the public administration). When addressing the chain of delegation, it should also be noted that, in a public setting, it is common for a diverse collection of principals to delegate authority to one or several agents; this understanding was developed by Moe (1984, 1985) and further examined in McCubbins et al. (1987, 1989; see also Soudry 2006).

To analyse procurement in implementation processes at the local government level, using principal–agent approach, I will categorize the actors as principals or agents. I need to identify

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\(^{21}\) See Tallberg (1999) for a further discussion of rational choice institutionalism in relation to the principal-agent approach.

\(^{22}\) These contracts are sometimes formalized and other times not formalized.
the roles of each actor involved: Is it acting as an agent or a principal, and in what context? Are several principals delegating responsibility to a single agent? Interaction between principals and agents is assumed throughout this thesis research. However, I paid special attention to the structure of delegation chains in paper I, Solving procurement problems in public transport, in which delegation chain is discussed in relation to control mechanisms. In addition, paper IV, The tactics behind public transport procurements, also pays special attention to the delegation chain, specifically discussing the relevance of hierarchy in principal–agent approach. I argue that the context of public transport procurement involves several horizontal relationships between actors and that analyses of this should be taken into account in principal–agent approach.

Agency discretion and implementation problems

In this thesis discretion is one of the key component when trying to understand the actions principals and agents take. Hill (2005) argues that understanding discretion calls for the analysis of actions that do and do not comply with the rules. “Rules have the purpose of specifying the duties and obligations of officials, while discretion allows the officials freedom to choose a course of action” argues Hill (2005: 206). From a principal–agent perspective, discretion is often referred to as “agency discretion” (Epstein and O’Halloran 1994). When a principal delegates a task to an agent, the agent gains enhanced discretion to act. Naturally, the principal wishes the agent to use its discretion in a way that fulfils the delegated task. However, most research in principal–agent approach has concentrated on instances when the agent is not fulfilling the task the principal had delegated, i.e., the agent is using its discretion in a way that leads to deviation in the implementation outcome (Parsons 2005).

A great amount of research has tried to explain why an agent may not behave in a way that advances the task that the principal has delegated. (see e.g. Miller and Moe 1983) A core assumption in understanding such behaviour in rational choice approaches is that individuals are undertaking the actions that, given the information available, they think constitute the best way of attaining their own goals (i.e., they are behaving rationally) (Davidson 1984). One factor in explaining implementation failure is that principals and agents are acting based on their own interests, which are seldom completely aligned, and that this may affect the outcome of the task that is delegated. Niskanen (1971) argue that civil servants in public organizations have an interest in maximizing their own budgets, and that the agents’ focus on budget maximization can be seen as a main factor explaining why civil servants act in a way that does not fulfil politicians’ goals. Niskanen’s view of civil servants as striving for budget
maximization were long dominant but has been developed, and today other interests are also seen as affecting civil servant behaviour, for example, the public interest (Waterman and Meier 1998).

Principal–agent approach tells us that analysing how discretion is used calls for examining the interest that underlies the agent’s actions. *Paper II in this thesis, Bypassing procurement regulation: a study of rationality in local decision making*, addresses this factor in principal–agent approach. In this paper, I examine what underlies the behaviour of local public officials when they bypass procurement regulation.

Another component of agency discretion is the assumption, given that agents and principals do not share the same interests, that the agent may strategically use its information or knowledge advantages to hide its actions from the principal or to play several principals off against each other (Tallberg 1999). The background to this finding lies in the fact that principals delegate responsibility to agents because they lack the knowledge or time to perform certain tasks. The principal becomes therefore dependent on the agent performing its task properly. An agent on the other hand may uses this knowledge advantage to its own benefit; for example, an agent may give misleading information on the performance level to the principal (Knott and Hammond 2007).

To understand agency discretion, one should therefore also analyse how agents use their information or knowledge resources to influence the principal, an approach underpinning papers I and III included in this thesis. *In paper IV, The tactics behind public transport procurements*, I explicitly examine how an agent may use information in a strategic way vis-à-vis principals when planning a procurement process. In paper IV, I also complemented the theoretical framework with power dependency theory, as devised by Rhodes (1992), and argued that principals and agents are dependent on each others’ resource and may exchange resources to gain influence in relation to other agents or principals.

**Control measures, incentives, and sanctions**

To reduce implementation problems, a principal can use various control measures towards the agent. Many studies applying principal–agent theory have tried to identify tools that the principals may use to constrain the agents’ discretion, so that the task the principal has stated not will be lost in the delegation (see e.g. discussion in Miller 2005).
One type of control mechanism is reporting, i.e., the agent reporting all relevant information and all actions undertaken to the principal. Reporting has been criticized for its great cost and for taking considerable time and attention away from the operational tasks assigned to the agent. Another inherent problem in reporting is that agents have an incentive to make reports that reflect favourably on them or to reveal information strategically (Andersson 2002; Lane 2005). A second control mechanism is when the principal directly monitors the agent, for example, via investigations (McCubbins and Schwartz 1984; Andersson 2002). A third control mechanism is often referred to as the “fire alarm” system, when a third party observes the agent’s activities and reports them to the principal (McCubbins and Schwartz 1984; Soudry 2006).

In discussing control mechanisms, it is important to point out that principal–agent analysis in a bureaucratic setting does not always assume a conflict of goals or interests between agent and principal (Waterman and Meier 1998). Waterman and Meier (1998) argue that if the agent and principal have the same goals, then the need for monitoring is reduced.

In seeking to understand how the principal can restrain or steer the agent, one can identify and analyse the use of the control measures the principal has at its disposal. Two papers included in this thesis specifically analyse the control mechanisms. In paper III, The private whistleblower, I examine the possibility of controlling agent circumventions of procurement regulations and introduce the concept of “private whistleblower”, a monitoring function I have found in the procurement context.

It should also be noted that, for control mechanisms to be effective, the principal must be able to impose incentives or sanctions on the agent (Soudry 2006). Control mechanisms, incentives, and sanctions have different transaction costs, and are more or less effective depending on how much time and effort the principal can put into enforcing them (Lane 2005). For example, if the agent’s risk exposure is too high (or too low), the agent’s performance will be negatively affected in relation to the cost the principal bears. If the sanctions are difficult to implement or non-existent, the risk of being punished for poor performance is low or non-existent to the agent. The consequence is an ineffective control mechanism (Sappington 1991). This means that the actions principals and agents take must be seen in relation to their expected transaction costs. Bergh (2010) argue that, even though specific sanctions may be effective, nothing can guarantee that the state or public officials will actually use them; it is therefore important to determine which of the available sanctions are being used and why. In paper I, Solving procurement problems in public transport, I analyse
the use of control mechanisms related to sanctions in a case of implementation failure. In the 
paper, I analyse the effectiveness of control mechanisms in a large delegation chain (i.e., the 
EU–national government–local government–procurement unit chain) and demonstrate that the 
threat of sanctions may be more or less effective depending on the agent’s calculated risk.

This section has provided a short overview of the central elements needed to understand 
rational choice institutionalism and, in particular, the principal–agent approach. I have 
attempted to use principal–agent approach as a framework for understanding the empirical 
findings. As will be seen in the appended papers, I have not attempted to apply principal– 
agent approach in its entirely approach in each paper, but instead treat one or two central 
elements of the approach in each. It should also be stressed that, though the principal–agent 
approach has theoretically formed this thesis, I have, when needed for the analysis of the 
empirical findings, complemented the principal–agent approach with other theories to 
strengthen the analysis. As presented in Figure 5, each paper will address one or two elements 
of the principal–agent approach in greater detail.
Overall purpose: To gain further knowledge of how the Swedish local government level is affected by requirements to use public procurement through competitive tendering and, more specifically, understand the actions taken by included actors when public procurement is required in implementation of public transport goals.

<table>
<thead>
<tr>
<th>Research questions</th>
<th>How research questions relate to specific papers</th>
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<tbody>
<tr>
<td>How is discretion maintained and expanded in implementation processes in which public procurement is required?</td>
<td>Paper II: Bypassing procurement regulation: a study of rationality in local decision making</td>
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<td></td>
<td>Paper IV: The tactics behind public procurements: an integrated actor approach</td>
</tr>
<tr>
<td>What roles do various control mechanisms and incentives play in implementation processes in which procurement is required?</td>
<td>Paper I: Solving procurement problems in public transport: examining multi-principal roles in relation to effective control mechanisms</td>
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<td></td>
<td>Paper III: The private whistleblower: defining a new role in the public system</td>
</tr>
<tr>
<td>Based on the conclusions of discretion and control mechanisms, how can we understand the interaction between principals and agents when procurement is required at the local government level?</td>
<td>Paper I: Solving procurement problems in public transport: examining multi-principal roles in relation to effective control mechanisms</td>
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<td>Paper II: Bypassing procurement regulation: a study of rationality in local decision making</td>
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<td>Paper III: The private whistleblower: defining a new role in the public system</td>
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<td>Paper IV: The tactics behind public procurements: an integrated actor approach</td>
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In the concluding chapter, I will further discuss the empirical findings and their application to the principal–agent approach.
Method

The research process

I have used a research methodology in which there was interaction between theory and empirical data throughout the research process. Early on in the process, I chose an overall theoretical framework, compared the implications of the framework with the empirical data, and then complemented the findings with additional theoretical concepts as needed. This process was conducted iteratively over time, and theory and the empirical data were allowed to inform each other several times. The research process used is outlined in Table 3.

Table 3: The research process.

<table>
<thead>
<tr>
<th>Project premises</th>
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<tr>
<td>Research overview: public transport</td>
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<tr>
<td>Explorative interview study</td>
</tr>
<tr>
<td>Overall purpose</td>
</tr>
<tr>
<td>Research overview: public procurement</td>
</tr>
<tr>
<td>Pinpointing the purpose</td>
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<tr>
<td>Theoretical understanding: NPM, implementation, principal–agent</td>
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<tr>
<td>Sorting out theoretical concepts</td>
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<tr>
<td>Pinpointing the purpose</td>
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<tr>
<td>Collecting empirical data</td>
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<tr>
<td>Analysing the data</td>
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<tr>
<td>Complementing/redefining some theoretical concepts in the principal–agent approach</td>
</tr>
<tr>
<td>Start writing paper 1</td>
</tr>
<tr>
<td>Pinpointing the purpose</td>
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<tr>
<td>Collecting empirical data</td>
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<tr>
<td>Analysing the data</td>
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<tr>
<td>Complementing/redefining some theoretical concepts in the principal–agent approach</td>
</tr>
<tr>
<td>Writing papers II–IV</td>
</tr>
<tr>
<td>Overall synthesizing</td>
</tr>
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</table>

As can be seen, the data were collected at various stages. In this section, I will discuss the methodological choices made concerning case study selection, data collection, and data analysis.
Preparatory studies

The empirical policy area was determined before I started the research, since it was financed by an external research foundation (VINNOVA). I needed to study public transport with a focus on an area concerning organization, politics, planning, actors, and power. I took several preparatory actions before actually designing the thesis and used a three-step approach in the preparatory studies. First, I broadly reviewed public transport studies. Based on the findings of that review, I then conducted the explorative interviews. After that, I went back and focused my study on public procurement and, based on that decision, undertook a second review of research into public procurement.

The research overviews. When conducting research, it is important early in the research process to get an overview of the research area, a sense of what research has been done before and what can be learned from it. The research overviews had two purposes: the first was informative, since I wanted to learn about the empirical field, while the second was to identify the research area and the type of research missing from it, i.e., so I would not duplicate existing work (Esaiasson et al. 2004). For both research overviews, I used a systematic approach when sorting out the existing research. I reviewed international and domestic scientific articles and books. I also read reports issued by various research institutions, such as the Swedish National Transport Research Institute and the Norwegian Transport Economics Research Institute. Three scientific databases were used, i.e., SCOPUS, JSTOR, and Libris, to identify relevant literature. I then narrowed it down by using different key words, concerning politics, decision making, and organizations. When reading the articles, I tried to identify three components: a) the theoretical foundation, b) the empirical area, and c) the methodological approach (Esaiasson et al. 2004). Despite the quite broad area covered by the keywords, I found that both public transport research and procurement research was quite limited and that the subject was mainly discussed from an economic perspective.

Explorative interviews. From the review of public transport research, I learned that very few studies focused on the political actors in local public transport. I conducted four explorative interviews with local politicians to gain a sense of their functions, to determine whether their roles would merit further study. The politicians were active in a municipality of average population; they were all members of the municipal board, and represented each political party. The lesson I took from these interviews was that the politicians had difficulties speaking in concrete terms about their involvement in public transport policy making.

\[13\] In this municipality, public transport issues are handled by the municipal board and not by a special board.
preferring to speak about political visions. It was not until I asked about a specific process, and their involvement in it, that they gave more specific information concerning their role in the task. Notably, most interviewees mentioned aspects of public procurement, so this was clearly something important, though difficult for the politicians to grasp.

Case study approach and process tracing

The empirical material concerns events taking place when public procurement must be used in implementing public transport goals. I have used a case study approach, more specifically, the process tracing method. The advantage of a case study approach is that it can capture the complexity of a problem (George and Bennet 2005). The cases were selected in a two-step process (studies 1 and 2, see Table 4) and were made according to different criterion.

Table 4: Overview of the empirical cases

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<thead>
<tr>
<th>Study 1: One county</th>
<th>Study 2: Rural municipalities</th>
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<tbody>
<tr>
<td>One implementation process that complied with the procurement legislation</td>
<td>Four implementation processes that did not comply with the procurement legislation</td>
</tr>
<tr>
<td>One implementation process that did not comply with the procurement legislation</td>
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*Study 1* is located to one county and consists of analyses of two different implementation processes. The case selection was made according to three criterions. First, the implementation processes had to have occurred in a county where the PTA is 50% county council owned and 50% municipally owned. The county also had to have a regional cooperation body. Due to the joint ownership affecting public transport issues, it was important to include the municipalities, county council, and regional cooperation bodies. The studied processes would therefore include the purchasing of both regional and local public transport. This criterion was important to allow for generalization, though joint ownership is the most common ownership structure Sweden. Second, the county had to have relative recently conducted the public procurements. This was important due to the tendency criteria: I wanted the politicians and public servants to have a clear memory of the process (Thurén 1997). Third, I needed to choose a county where there had been both procurements where the procurement law was followed and procurements where the procurement process had been
appealed to court. Based on the various criteria, I chose a county that was currently undertaking a large public procurement for its public transport system and in which a procurement had been appealed to the EC. I then started to select the empirical data (see details in the next section). Paper I and IV are based on the findings in study 1. Parts of paper III are also based on the findings from this study.

Study 2. When analysing the interviews conducted for study 1 I discovered a pattern that lay outside the actual processes studied, a pattern that became evident when municipal respondents more generally discussed procurement of local traffic. The municipal respondents were sometimes afraid of procuring since it might jeopardize local political goals. As a result, various tactics were supported in an effort to circumvent the procurement directives. This pattern was not evident in the larger joint procurement processes analysed in study 1, in which many municipalities were not particularly active. Based on this finding, I returned to the original purpose of the thesis and asked whether, to fulfil the purpose, this finding merited further study or whether I should abandon it. I decided to extend the study and collect more empirical material that focused particularly the municipal level. This meant that I had to broaden the focus of the study to include not only one single case study (in which both local and regional actors are involved), but also to analyse procurement processes in which local authorizes had circumvented the public procurement directive. This somewhat changed the methodological nature of the study, but I believe that the search for deeper understanding and the implications of my research purpose called for this additional analysis.

The second study is therefore only focusing on the municipal level and on actors’ circumventions of the procurement act. The identification of case were made through multiple methods, since such irregular actions are not always reported to the courts or officially documented (Bergh et al. 2010), I systematically analysed newspaper articles selected using various keywords. The articles were then limited to those treating bypasses of procurement processes that concerned purchasing local public transport (i.e., bus, train, ferry, special transport, and school transport services) over the years 2002–2009. I started out with a list of 1189 articles; the articles were coded by 1) actor type (i.e., private versus public), 2) what action the actor had taken in the procurement process (i.e., whether or not the violation was reported to court), and 3) if they were stated, the motives cited for the action taken. In

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14 The newspaper articles were found using the Retriever database, which includes full text articles from 400 Swedish newspapers and magazines.
15 A legislative amendment to the procurement regulations in 2002 made it easier to appeal procurement results, hence the starting year of 2002.
addition, type of transportation mode was identified. I also systematically analysed cases reported to Swedish county courts and identified cases in which violations were suspected. When conducting interviews for the previous study, I also obtained information from public officials on their and other municipalities’ efforts to circumvent procurement regulations. I also contacted several other actors, i.e., public officials working for national agencies, who gave me information municipalities that had attempted to circumvent procurement regulations. I then chose four processes to look further into, the choice being made strategically based on the criterions of similarities and differences. The processes were similar in that they all involved local authorities taking actions to circumvent procurement regulations when procuring special transport in rural areas, though they differed in the extent to which legal procurement boundaries were stretched. Cases were selected not to facilitate statistical generalizations, but to grasp various arguments and actions taken, in attempt to understand why procurement regulations at local level were bypassed. *Paper II* is based on findings from this study, so as is parts of *paper III*.

**The empirical data**

I used process tracing as the main method for selecting empirical data. In process tracing, the researcher examines a large amount of data, ideally from a wide range of sources (George and Bennet 2005). I used public documents (e.g., court documentation and board protocols from municipalities and other public agencies), interviews, and newspaper analysis to gain a good overview of the events involved in the processes. The benefit of using several types of data is that the collected data can be cross-checked across multiple sources, which increases the robustness of the findings (Tansley 2007).

*Public documentation* was the main data source for this study. I have analysed an extensive selection of public documentation, mainly comprising meeting protocols, letters, and reports. This material dates from 2000–2010\(^\text{16}\) and was collected from the studied municipalities, county council, and regional cooperation body, as well as from various national agencies and the EU. The main purpose of the documents was to gain an understanding of the actions and events that occurred in the various procurement processes. They were also used to identify key actors, and served a control function in relation to the interview data. It was generally easy to obtain the empirical material and the documentation was often extensive; for example, some files that included over 300 items (e.g., e-mails, letters, and meeting notes). It was sometimes

\(^{16}\) The years 2000–2010 were chosen based on when the processes started and ended.
more difficult to obtain the documentation, however, despite the legal right of access. For example, one municipality allowed me into the archive, but when it was time to copy the documents, the staff claimed that there was no copy paper left. In some organizations, it was difficult to obtain the classification number for the items I needed, which forced me do detective work. I used various approaches; for example, I managed to obtain the classification numbers for one municipality by turning to a neighbouring municipality involved in the same process and finding the numbers in their documents (e.g., classification numbers are often cited in letters). Despite the minor obstacles when collecting public documents, I believe that I was able to access almost all the required documentation; if I accidently missed some items; I hope that the issues these dealt with have been covered by the other type of empirical material.

*Interviews in process tracing.* Tansley (2007) demonstrates that interviewing is relevant to process tracing approaches used in case study research. The strength of using interviews to complement document-based research is that interviews may confirm information collected from other sources. This was the main purpose of using interviews when analysing the studied processes. In addition, interviews may provide new information that advances the research process, for example, by establishing what people think and what their attitudes, values, and beliefs are. The interviews were also helpful in trying to reconstruct sequences of events (Tansely 2007). Most of the interviews were conducted in relation to study 1, in which 18 public officials (i.e., politicians and civil servants) were interviewed. In this study politicians and public servants from seven of 12 municipalities, the county council, and the regional cooperation body as well as the PTA president were interviewed. I selected municipalities based on factors that distinguished them from each other (e.g., population, size, and geographic location), as well as on their activity/lack of activity in the procurement process as indicated by the public documents. I chose interviewees based on their position in the delegation chain in relation to public transport responsibility in each organization. For example, to capture the political level in each municipality, I chose to interview the board chair, since all political public transport decisions are made by the board. At the municipal level, I also interviewed the civil servants working on public transport or public transport procurement issues. I thought of also interviewing actors from the other municipalities, if I found it necessary, in a second interview round. However, the results of interviews from the first round were often similar, so I decided that the first interview round was enough to build an understanding of the processes (Yin 2003). In addition to the 18 interviewees, I also attempted to interview four others, but for various reasons (e.g., lack of time, living abroad, no response to the request) it was impossible to contact them. In study 2, I interviewed leading politicians and civil servants involved in three of the cases. I attempted to conduct interviews
in all studied municipalities, but experienced more difficulties gaining access. In the end, when presenting the findings, I chose to use data from only one implementation process, a process for which both interview data and other empirical data were extensive.

When constructing the interview guide, I used the information gathered in the document study combined with the focus of my theoretical basis. The interview questions were relatively open-ended. I generally asked respondents to describe the procurement processes and, during their descriptions, asked additional questions, for example: Why did you contact that person? How did the politicians react when you said that? The interviews lasted in general one to one and a half hour and were usually conducted at the interviewee’s office or in a conference room.

*Newspaper articles.* As discussed in the section on case study selection, mass media material was used when selecting municipalities that circumvented public procurement regulations. Newspaper articles relating to each case were also analysed. Newspaper articles were used in relation to the case study for informational purposes, i.e., to identify actions taken and actors involved that were not mentioned in the public documents or the interviews. When it came to circumventing procurement regulations, many actions were not recorded in public documents, making newspaper article analysis an important information source (Andersson 2002).

*Secondary data.* To gain an understanding of the cases, I have also collected public statistics, consultancy reports, public reports, etc. These sources were mainly used for informational purposes, to build my understanding of the geographical context, the procurement regulation, etc.

**Analysing and synthesizing the findings**

Analysing the empirical material was an ongoing process. It is important to be aware that the reconstruction of what occurred is based on my interpretation, derived in part from putting together the “puzzle pieces” comprising others’ actions and interpretations (Summerton 1992:25). To achieve an analysis that is as true as possible, I have critically assessed and weighed the value of the collected data and tried to recognize any pitfalls that may limit their usefulness (George and Bennet 2005; Tansley 2007). It is here that having a broad range of source material on the basis of which to compare, contrast, and evaluate information becomes crucial (Summerton 1992).
In the analyses, I have used the theoretical foundation mainly in a “theory-consuming” way, meaning that I use the theory to sort out, analyse, and explain the outcomes found in the empirical material. I used the key elements of the principal–agent approach that I identified as central for the analysis, for example I have tried to identifying delegation chains and categorize the actors in terms of their principal and agent roles. It is important to stress that I kept an open mind regarding the theoretical basis, in the sense that when needed for the analysis, I complemented the principal–agent approach with additional perspectives, for example, in paper IV by citing Rhodes (1992) and paper II by citing Kjellberg (1995). This thesis also contains some elements of theory development as well. If the theory development undertaken in a qualitative study is to be valid, the new factors need to be tested again deductively (Esiasson et al. 2004). In cases in which I have found factors that may advance theory development, I have identified them explicitly, but not conducted a new study to test them. This is something that that remains for future studies.

Lundquist (1998) states that an empirical study can reach different levels of abstraction, by either analysing or synthesizing. In this thesis, I have aimed both to analyse and make a synthesis. The first level of abstraction is analysing. Analyses are often based on first-hand empirical material and are supported or explained by existing theories. Each paper in this thesis should be seen as an analytical contribution, meaning that each paper concentrates on one or a few factors found in the theoretical approach and analyses these factors in depth. The purpose of the thesis is thus not achieved in each paper taken individually. A synthesis is often based on existing analyses and may be more abstract than them; its purpose is to help form a larger picture than that presented by individual analyses (Lundquist 1998).

The final chapter of the thesis aims to provide a synthesis. The various analyses conducted in each paper are combined in an attempt to synthesize and achieve the overall purpose of the thesis. A requirement for synthesizing is that the individual analyses be based on the same ontologies and use similar methodological approaches (Lundquist 1998). One benefit of writing a thesis in compiled paper form is that one can take a more comprehensive perspective and have a broader purpose than when writing a monograph, though it may be difficult to meet the requirements for synthesis. I thou believe it is possible to achieve synthesis in this thesis, though the synthesis conclusions should be treated with more caution than those made in the individual papers. The empirical material presented in the thesis was largely collected before I started to write the papers, and the methodological approach to collecting data remained the same throughout the process; however, the selection of cases in studies 1 and 2 was made based on different criteria. I have consciously endeavoured to stick to the
theoretical approach of rational choice institutionalism in each paper but, as has been pointed out, when needed for the analysis, the principal–agent approach has been complemented with additional perspectives.

Summary of the papers

Paper I: Solving procurement problems in public transport: Examining multi-principal roles in relation to effective control mechanisms

Paper I takes its point of departure in the fact that the PTA has circumvented the procurement regulations in purchasing bus services. It analyses how the institutional relationships between actors in a principal–agent chain affect the possibility of exerting control over a PTA. The theoretical factors examined were the delegation chain in relation to the presence or absence of control mechanisms. It was demonstrated that no homogenous group of principals at the strategic level is monitoring the actions of the PTA, complicating the possibility of controlling the PTA. I concluded that the actions different principals took towards the PTA had different effects. Many of the incentives directed by the central government towards the PTA were clearly ineffective; instead, it was the incentives administered accordingly to the hierarchy of levels of the delegation chain that were the effective ones. Paper I also demonstrated that agency problems are not always related to asymmetric information; they can also be related to an ignorance of the information provided. Several times, the principals received information on the actions the PTA was to take; despite this, they chose not to intervene.

Paper II: Bypassing procurement regulation: a study of rationality in local decision making

Paper II takes its point of departure in the fact that local officials are sometimes tempted to circumvent procurement regulations to achieve local political goals. The paper examines strategies used by local government decision makers to bypass procurement regulations and analyses the rationality underlying their actions. It demonstrates that there appears to be support for using public procurement through competitive tendering and for complying with procurement legislation. It was only when the procurement process was giving rise to unwanted outcomes that local actions were taken that deviated from procuring via competitive tendering. It is therefore concluded that certain actors believe it is important to comply with the laws, but even more important to achieve desired outcomes at the local level. Another
important conclusion drawn in this paper concerns the outcome of the implementation process. It was not the political decision to procure special transport that was seen as unsatisfactory in itself, but the negative effects that came with the procurement process; i.e., the loss of regular taxi service was seen as a problem, and was used to justify circumventing the procurement regulations. The officials interviewed here stress that private taxi services should be seen as integral to a functioning local infrastructure and therefore as a public sector responsibility. Apart from this, local businesses exerted considerable pressure on the municipalities to secure the existence of taxi services.

Paper III: The private whistleblower: defining a new type of role in the public system

Paper III takes its point of departure in the fact that monitoring is difficult when it comes to detecting deviating actions committed by civil servants. This paper demonstrates that, in the case of public procurement, private actors have taken on a type of monitoring role towards the public sector. The paper provides an understanding of this monitoring role, called “the private whistleblower”, and discusses its theoretical and practical implications for the public system. The main conclusion is that the private whistleblower can play a significant role in upholding the public system. However, it is important to note that upholding the public system is not the main purpose of the private whistleblower, but rather a positive external effect. It is also proposed that the legal framework of public procurement allows the private actor to blow the whistle, but that the incentives for doing so are often too low. The results indicate that there is a missing link between juridical opportunities to report wrongdoing and actions actually taken by private actors.

Paper IV: The tactics behind public transport procurements: an integrated actor approach

In Paper IV, the interrelationships between the actors planning a public transport procurement process are identified and explained. Taking a point of departure in existing principal–agent chains, the perspective is complemented with Rhodes’ power dependence theory. I conclude that resource dependency exists between actor groups, for example, between civil servants and politicians, and that this relationship can be seen as a classic principal–agent chain. Hence, hierarchical chains exist in the planning process leading to a procurement document. However, I also concluded that the traditional principal–agent relationship is complemented by horizontal relationships, for example, between civil servants at the municipal level. The paper also concluded that there is a dominant coalition that employs strategies in the rules of
the game to regulate the process of exchange, which confirms the findings of Rhodes. It is clear that the PTA is the dominant institution and that the actors working in the PTA form a dominant coalition. The PTA, however, is dependent on political and financial resources from the principals to achieve its agenda.

Concluding discussion

The background to this study is the ongoing NPM reforms that the public sectors in many countries, including Sweden, have undergone. The public sector now permits competition, and in recent decades there has been a great expansion of public authorities' purchasing of goods and services through competitive tendering. However, as has been demonstrated, the public use of procurement is not always trouble free. This study has seek to gain further knowledge on the affect public procurement has at the Swedish local government level and, more specifically, understand actions taken by actors when public procurement is required in implementation of public transport goals.

Through case study method, an in specific process tracing, various implementation processes have been examined. One studied process complied with the procurement regulations, while the others included elements that circumvented them. In each process, the actions taken by involved actors have been the focus. The findings have then been presented in four papers. In this section, I will discuss some conclusions that can be drawn when comparing the results of the papers. I have concentrated the discussion to three areas. The first area concerns the use of discretion. Discretion is a central element in implementation processes, since an actor can use its discretion to influence the outcome of an implementation process. The second area concerns control mechanisms related to incentives. This is also a central element in understanding implementation, since an actor can use various control mechanisms and incentives to constrain other actors’ discretion. The last area discussed concerns the actors at the local government level and their relationships with each other. This area refers to the discussions of discretion and control mechanisms, summing up the lessons that can be learned concerning involved actors.
Conclusions regarding how discretion is maintained and expanded in implementation processes in which public procurement is required

One central question in this thesis concerns actors’ use of discretion in implementation processes in which public procurement is required. A core question related to this is how discretion is created, maintained, and controlled. This section discusses how discretion is created and maintained, while the next section will focus on control mechanisms.

When using a principal–agent approach, it is possible to analyse an actor as both a principal and an agent depending on the part of the delegation chain analysed. For example, municipalities and county councils assume both agent and principal roles. Politicians at the local government level can be seen both as principals towards civil servants at the local government level and as agents towards the central government. How can we understand political discretion at the local level when actors are in such a dual position?

First, viewed as principals, local politicians may expand their use of discretion in other policy areas by delegating responsibility to procure transport to the PTA. In line with the delegation between principals and agents, principals delegate the procurement responsibility to the PTA; by doing this, they are also maximizing their own resources to be used on other policy areas. This behaviour was discussed in paper IV. Similar behaviour is described in paper I, when the municipalities are described as taking a very passive role in the infringement process, letting the PTA handle the case themselves. Second, the local politicians’ discretion in implementation processes where procurement is required may be constrained by central actors’ legislative procedures. As was demonstrated in paper II, local politicians may have an interest in using their political mandates in a way that is in conflict with procurement regulations. The national government (the principal) wants the procurement regulations to be followed, and in this upholds a competitive climate. The local governments are now constrained in their decision making, since they are required to follow the Procurement Act when purchasing transport services, despite their local autonomy. However, third, the local politicians can make this constraint into a “positive” outcome for themselves by taking actions that circumvent procurement regulations. A clear example of this strategy is found in paper II, which describes politicians encouraging the circumvention of procurement regulations in order to give preferential treatment to local interests. The circumvention of procurement regulations can be used as a way to expand its discretion.
Relating to the third point, can local political discretion be regarded as something positive or negative when the “misuse” of procurement regulation can be seen as positive from a local perspective and negative from the national government perspective? Is it an implementation problem or simply the exercise of local autonomy? Coble and Crothers (1998) argue that discretion per se should be seen as neutral, in that it is neither good nor bad in itself; rather, it is the context of its use that establishes its meaning or appropriateness (Coble and Crothers 1998). This perspective may be suitable when analysing discretion in chains of delegation. In the principal–agent approach, an agency problem occurs when an agent is not using its discretion in a way that the principal wishes. This means that the use of discretion may be judged differently depending on whether the actor is viewed as a principal or an agent. Depending on what part of the delegation chain, a given action can therefore be seen as creating implementation problems or as supporting local autonomy.

Another example that strengthens the value of judging the use of discretion in relation to its context, concerns the actions of the PTA described in papers I and IV. It is clear here that the PTA possesses considerable discretion towards its principals. The difference between the cases in papers I and IV is that the PTA described in paper I uses its discretion in a way that creates a deviation in the outcome that is not satisfactory from the principal’s perspective, while the agent described in paper IV uses its discretion in a way that complies with the principal’s wishes. This means that discretion itself does not have to lead to agency problems or deviated implementation outcomes (this goes in line with Waterman and Meier 1998). In paper I, the PTA maintains its discretion by not changing the procurement contracts, despite numerous attempts by the EU and the central government. The PTA also justifies its actions by arguing that the principals at the local government level are informed of the situation and are not interfering in the actions of the PTA. Paper IV demonstrates that the PTA maintains its discretion by controlling the procurement process and by negotiating between different principals’ wishes. The PTA’s approach towards the principals is to use dialogue and to inform them of the process. Focusing on dialogue gives the principals the impression that the PTA is limiting the amount of hidden information it possesses. However, as demonstrated in the paper, the PTA is still controlling the dialogue and information given. Despite this, the output of the process is seen as positive by many principals.
Different use of discretion leads to different implementation outcomes

The findings regarding use of discretion indicate a pattern of different implementation outcomes when procurement is required at the local government level. Actors at the local government level need to take account national requirements in the form of the procurement law, but must also achieve local political goals when procuring goods and services. That is, two factors need to be combined when using public procurement at the local government level: 1) compliance with procurement legislation and 2) advancing the fulfilment of desired local political goals. Combining these two requirements is not necessarily a problem, so complying with the procurement legislation may be included in the desired political goal. However, as demonstrated here, these two factors cannot always be aligned. I have found different implementation outcomes depending on how actors behave in relation to compliance/non-compliance with the law and fulfilment/non-fulfilment of local political goals. The different implementation outcomes are illustrated in Table 5.

Table 5: Various implementation outcomes when procurement legislation and political goals are included in the same process.

<table>
<thead>
<tr>
<th>Implementation outcome</th>
<th>The political goal</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Fulfilled</td>
<td>Not fulfilled</td>
<td>Fulfilled, but the outcome had a negative local effect</td>
</tr>
<tr>
<td>The Procurement legislation</td>
<td>In compliance</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td>Not in compliance</td>
<td>D</td>
<td>E</td>
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</table>

The horizontal rows in Table 5 indicate two alternatives for implementing the procurement legislation, i.e., the agent can act in compliance with or not in compliance with the procurement legislation. The agent can also take actions that fulfil or do not fulfil the local political goal (here in this thesis the main goals in the implementation processes has been to provide different type public transport services for its citizens). The vertical columns indicate three outcomes regarding the political goal. The first two refer to whether or not the political goal is fulfilled. The third alternative refers to when the implementation outcome is in accordance with the set goal, but the outcome results in a negative local effect for the
principal at the local government level. This third alternative is interesting, since it is a result that was not expected when I started this study; I will discuss this result later.

Combining compliance/non-compliance with procurement legislation with fulfilment/non-fulfilment of the political goal gives six implementation outcomes, as follows:

Box A represents an implementation process in which both the political goal was fulfilled and procurement complied with legislation.

Box B represents an implementation process in which the political goal was not fulfilled but procurement complied with legislation.

Box C represents an implementation process in which procurement complied with legislation and the political goal was fulfilled, but the outcomes gave rise to negative local effects.

Box D represents an implementation process in which the political goal was fulfilled but procurement did not comply with legislation.

Box E represents an implementation process in which the political goal was not fulfilled and procurement did not comply with legislation.

Box F represents an implementation process in which the political goal was fulfilled and procurement did not comply with legislation, and the outcomes gave rise to negative local effects.

These possible implementation outcomes are based on the findings of this thesis. For example, the Box A outcome is described in paper IV where the procurement process complied with the law and the political goals were fulfilled (i.e., to provide bus services that had integrated bus lines and met high environmental- and traffic safety standards). Examples of the Box D outcome are found in paper I where the implementation outcome, to provide bus services, was satisfactory to the local government authorities, but the PTA did not comply with the procurement legislation. Box B and E outcomes are referred to when the political goal is not fulfilled. At an initial stage of this research project, I believed that examples from the cases concerning special public transport in rural areas (paper II) would be found here. However, paper II concludes that the actual implementation could be referred to Box A, in view of the political goal of providing special transport services and complying with the
procurement legislation as the outcome. Instead, it was the local effect of the outcome, losing the taxi service, that changed the direction of the implementation process and resulted in another outcome, Box F.

One conclusion is that the grey column regarding the negative effects needs to be accounted for in understanding implementation outcomes when public procurement is required.

I would like to point out that the main focus on this thesis has not been on implementation in relation to evaluate goal fulfilment per se; instead the main focus is on the actions taken in the processes. I have either not found examples of all six possible outcomes in this thesis. In a multiple principal context it needs to be stressed that not all the principals will agree on goals. (Waterman and Mayer 1998) This makes evaluation goal fulfilment difficult since the evaluation sometimes needs to be done towards several goals. The figure is therefore something that needs to be tested further in another study.

Findings in papers I and II also confirm the assumption that implementation is a process that may take different directions over time (Hill and Hupe 2002). Examples of changes over time are cited in papers I and II (see Table 6). As has been stated, in paper II, the main political goal was to ensure that special transport service was provided. This was realized in compliance with the procurement legislation (see Box A, Table 6). However, when it became clear to the principals that the taxi service might vanish, due to the new special transport agreement, the principals then reversed their decision, and now specified that a regular taxi should exist in the municipality, placing the process in Box C. The actions that were then taken in an attempt to achieve this goal leave the process in Box F. One conclusion is that the direction of the implementation process can change over time, and a process can go from being in compliance with the procurement regulation and the political goals (as in Box A) to noncompliance with procurement legislation (Box F).
Table 6: An implementation process may change direction over time.

<table>
<thead>
<tr>
<th>Implementation outcome</th>
<th>The political goal</th>
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<tbody>
<tr>
<td></td>
<td>Fulfilled</td>
</tr>
<tr>
<td>The Procurement legislation</td>
<td>In compliance</td>
</tr>
<tr>
<td></td>
<td>A</td>
</tr>
<tr>
<td></td>
<td>Paper I (part 2)</td>
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<tr>
<td></td>
<td>Not in compliance</td>
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<td></td>
<td>Paper I (part 1)</td>
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A different example of change of direction is cited in paper I. Here the principal’s goal (i.e., to provide bus services) was fulfilled, but the procurement did not comply with procurement legislation (Box D). When the local authorities were threatened with losing a large amount of subsidy, they made a new decision regarding the agent and demanded that the procurement should also comply with procurement legislation. The outcome of the process eventually landed in Box A.

Conclusions regarding the roles of control mechanisms and incentives in implementation processes in which procurement is required

A central factor in the principal–agent approach is the principal’s ability to control and monitor the agent’s behaviour. This factor is very evident in this thesis, since it is assumed that an effective control function would minimize the possibility of an undesired outcome. (Miller 2005) To understand how the principal may prevent implementation problems, it is important to identify and analyse the use of the control measures and incentives that the principal has at its disposal.

In the papers, we have seen that the responsibility for monitoring the agent is not located in one principal; instead, several principals and other actors share the responsibility for monitoring the agent. For example, in paper I, in the cases of the PTA being reported to the
European Commission, several principals were expected to monitor the agent. Varian (1990) also discusses this fact, and argues that monitoring structures often include incentives that encourage agents to monitor and steer other agents (Varian 1990; see also Tallberg 1999).

It is also clear that the effective use of control mechanisms is related to the agent’s presumptive risk of sanctions. It is difficult to identify a single, overall effective sanction when it comes to actions bypassing procurement regulations (this is in line with Sappington 1991). A sanction may be effective on one agent but less effective applied to another. This was clear in paper I regarding the threat to take Sweden to the European Court of Justice. We can see from the case study that the threats to fine the national government were not effective incentives towards the PTA, the municipalities, or the county council at the local government level. It was not until the national government went to the county council and threatened it with a fine that the county council became involved and in turn put pressure on the PTA to change its behaviour.

Another conclusion regarding control mechanisms is that the principals do not always exercise their ability to control the agent. The principal–agent approach argues that principals, in their monitoring function, depend on obtaining correct information from the agent. I would like to point out that the studies I have conducted contain several examples of an agent providing information, i.e., fulfilling its reporting function towards the principal, which the principal then chooses to ignore or bypass. Paper I demonstrates that the PTA informed the municipalities and county council of the infringement process and the actions it was taking, but that the principals did not react to the information. The same pattern is identified in paper IV when it comes to political engagement and, for example, asking questions. Waterman and Meier (1998) argue that if the agent and the principal have the same goals, then the need for monitoring is reduced. This may be the case in paper IV. However, it can also be argued based on paper I, that a low risk of sanctions on the principal would also lead to a reduced monitoring function. A reduced monitoring may also be explained by resource exchange, i.e. a one principal can taken on the monitoring on behalf of other principals.

In addition, a new type of monitoring function, presented in paper III, has also been identified in this thesis. I called this function “the private whistleblower”, since its reporting of wrongdoings has a positive effect in terms of upholding the public system. It is a monitoring role that merits further investigation, in line with theoretical discussions of greater interaction between public and private actors in public society. It can be seen as a complement to existing monitoring functions described in principal–agent theory.
It is possible to conclude that both direct and indirect control mechanisms are used in the implementation processes when public procurement is required. That different types of control mechanisms is used goes in line with several other principal-agent studies (see e.g. McCubbins and Schwartz 1984). In this material the focus has mainly been on ongoing control mechanisms, however it is important to stress that there is one mechanism that has played a large role; the procurement legislation itself. As were discussed in previous section, the legislation has an affect that it constrains discretion and is in this sense also a highly present mechanism when understanding the actions taken.

Conclusions regarding the interaction between principals and agents when procurement is required at the local government level

The discussion has so far identified conclusions regarding the use of discretion and control mechanisms. Based on what we have learned about discretion and control mechanisms, how can we understand the interaction between principals and agents when procurement is required at the local government level?

The benefit of using a principal-agent approach is that it permits the analysis of procurement from a perspective in which either the whole principal-agent chain or a part of the delegation chain is taken into account. The principal or agent can also be understood by focusing on relationships between and within various analytical levels, for example, the government (i.e., European, national, and local government levels), institutional (e.g., municipality and county council), and actor levels (e.g., politicians and civil servants).

Conclusions regarding government level refer to when the central government level is seen as a principal relative to the local government level. The central government’s role is mainly regulatory, i.e., requiring the local government level to follow procurement regulations when purchasing transport services. It also plays a financial role by giving grants to the local government. It is possible to conclude that this principal’s plays a very withdrawn role in the implementation of public transport. The agent in terms of the local government level often accepts the premises of public procurement and assumes responsibility for public transport. Rothstein (2002) argues that it is important that that those who are to implement the policies believe in what is to be implemented (Rothstein 2002). As has been presented here, the relationships between both government levels are often seen as unproblematic. However, as
was demonstrated in papers I and II, the local government level may choose to circumvent procurement regulations in certain situations. The belief in procurement is then assigned a lower priority. In these cases, the central government needs to interact with the local government level more actively. Lessons from paper I indicate that the central government first approaches the PTA and not the agent that is directly beneath it in the hierarchical delegation chain. This approach turns out to be ineffective; instead, it is only when the central government level approaches the agents that are closest to it in the delegation chain that steering becomes effective. A similar pattern is found in Egeberg et al. (2007), where the authors have analysed direct implementation structures in relation to local adaptation. They argue that direct implementation structures make it easier for the central level to limit the extent of local adaptation (Egeberg et al. 2007).

Based on paper I, it is also possible to draw conclusions regarding the actions of a single principal towards multiple agents, when the multiple agents share implementation responsibility. As was demonstrated in paper I, the central government’s strategy is to put pressure on one agent at a time, first approaching the PTA and then the county council. This means that the principal may choose to pressure just one agent despite its sharing of responsibility with other agents. This county council, in this context an agent, gets in turn the responsibility to steer other agents in the right direction.

At the institutional level, it is clear from both papers I and IV that the PTA (here operating as the agent) possesses considerable power to steer the implementation process, and uses this power to steer it in a direction favourable to its interests. Descriptions of a powerful PTA is also to be found in Christensson (1997), however, note that, in contrary to Christensson (1997) the PTA is not independent, instead its actions are dependent on the principal’s actions; this is exemplified in papers IV. In paper IV, I concluded that power dependency exists between both the vertical delegation chain, i.e., between principals and agents, and between actors at the horizontal level, i.e., between different principals. Regarding multiple principals at the institutional level, it can also be concluded that there is a resource exchange between each other in procurement situations, e.g. letting one principal focus on one aspect of the question (e.g., county council determines the budget) while another focuses on something else (e.g., the municipalities determine the contents of the procurement). Gottfridsson (2005) has demonstrated that municipal actors are very dependent on other actors at other levels and the decision making process of public transport and the process involves a compromising between different interests Gottfridsson (2005). This goes in line with the findings in this thesis. The lessons from paper IV may be seen as an addition to Gottfridsson (2005) where it
is shown that the PTA takes on a “negotiator role” and parries between the different interests. On this level it is also possible to see that there is an interaction of both public and private organisations in the implementation of public transport, and that there is a dependency here as well, see paper III.

As on the government level, principals at the institutional level exercise more direct control over processes in which the outcomes are unsatisfactory. This is for example illustrated in paper I, in which the county council is described as more active in controlling the PTA (the agent in this case) when it was risking a large loss of subsidy.

Looking further at the actions taken at within one institution, on actor level, referring to municipal politicians as principals and municipal civil servants as agents, it is possible to see from paper IV that the delegation and exchange of resources between the different actor groups seems clearly satisfactory overall. The politicians seem to rely so highly on civil servants, that they sometimes do not even ask questions (see paper IV). This type of behaviour may be interpreted as a “loose steering”, which goes in line with arguments in other NPM studies (Christensen, Lægreid 2003). As discussed regarding paper II, we also see local politicians taking a more direct role in the implementation processes regarding special transport services. It is noteworthy that the same type of actors described as bypassing the procurement regulation in paper II, act very indirect in other procurement processes, for example, in papers I when the PTA was reported to the EC. In this case, most of the municipal politicians were not directly affected by the verdict of misuse of the procurement process.

Overall, this thesis has seek to gain knowledge of how the Swedish local government level is affected by requirements to use public procurement through competitive tendering, and more specifically, understand the actions taken by included actors when public procurement is required in implementation of public transport goals. It can be conclude that discretion is used on various ways. Depending on the role the actor is given in the delegation chain, discretion may be judges as something positive or negative. Public procurement has the effect on the local governmental level in a way that it can be used as a tool in order to create discretion; however it also has constraining functions. This study, along with others, indicate acceptance of the procurement legislation, however there are situations where bypasses are made, which opens up for the need of other control mechanisms and incentives in relation to the legislative requirements. Seen from another perspective, this study also show that procurement may be seen as conflicting with the values promoted on the local level. A principal–agent approach opens up for analyses of an actor’s various roles and makes it possible to understand its
actions from different perspectives. I believe the main benefit of using the principal–agent approach has been that it makes it possible to analyse the same actor as both agent and principal. There are some precautions that need to be taken when seeing an institution or a government level as an agent or a principal. The main aspect is the assumption of rationality. Principal-agent approach is an actor-oriented approach and the assumption of rationality (i.e. an individual is acting based on their own interests) should be taken with caution. Even though individuals that are acting rational constitutes an institution or a governmental level, it is not the same to say that the institution or the governmental level is rational. When different rational are to meet or compromise the outcome may not be seen as rational (Mueller 2003). This element of the approach may therefore be used with caution. As evident throughout this thesis, I have had an open mind towards the theoretical approach in the sense that I have complemented the principal–agent approach with additional perspectives. The principal–agent approach has been criticized for not being applicable in empirical studies (Fors 1997). I have not have the attempt of testing whether the principal-agent approach is valid instead it has mainly had a theory consuming purpose. The eclectic use of perspectives can therefore instead be seen as a suggestion on how experimental theories may be combined with others theories when analysing a large empirical study.

New questions for future research

While writing this thesis numerous questions have been identified that may merit further study. I have chosen to point out two questions that, based on the new knowledge acquired here, deserve particular attention and may be relevant to further research.

The first concerns the private actor or sector as part of the public system. Many political science studies of NPM examine how the public sector has adopted private sector management tools and steering mechanisms. In paper III, I turned this analysis around, and demonstrated that the private firm or actor could also adapt to the public sector. I would say that both the public and private sectors affect each other. This view is in line with what is often referred to as the governance concept and leads to a more fragmented view of the public and private domains (Christensen and Lægreid 2003). Further research is needed that examines private actors’ and firms’ adaptation to the public sector and, more specifically, that analyses whether private actors have taken on features that are primarily seen as public.

The other aspect that may be studied further is the effect public procurement requirements have on municipalities located in rural areas, and whether procurement laws in fact cause
problems that are specific to rural areas (something that also goes in line with Pinch and Patterson 2000). One potential problem originates from the structure and organization of local businesses. In the case described in paper II regarding taxi services, where there is such low density of taxi demand that no firm can survive with private taxi service as its sole revenue source, there is a clear necessity to combine taxi operations with other services (i.e., firms and/or individuals must engage in several business areas that are more or less related). For example, it is not at all uncommon for a farmer also to be active in the tourist sector or be a part-time cab driver. Having multiple sources of revenue enables firms to be active in businesses in which local demand is low. In this case, having a contract for special transport service provision makes it possible to provide private taxi services as well. The important implication of this is that the loss of one income source might force a firm to shut down its services in other areas, since the business as a whole is no longer profitable. Taking this into account, rigid procurement laws might result in the closure of businesses in unexpected areas if some firms lose contracts in other areas. The possibility of such occurrences raises the question of whether current procurement laws might be harmful to the local business climate in rural areas. I suggest that further studies be conducted in which procurement effects are analysed in relation to the local community as whole, taking into account several services, and not analysing just one policy area.
References


SFS (2007: 1092) Lag om upphandling inom områdena vatten, energi, transporter och posttjänster.


Appendix: Interview guides

Example of an interview guide used in study 1

Background questions

The county, public transport as part of regional development
The background to the regional goal? What reports has been important in this work? How does public transport relate to this goal? How did the public procurement process come in?

The content in the procurement document in relation to other reports
What was the aim of the procurement? What were the most important questions from a municipal perspective? From a regional perspective? What questions were finalized?

Describe the process concerning the recent procurement of bus services
When do you think the process with the procurement started? How did it start? Describe the process (additional questions are asked related to the stages in the process; e.g. how did the municipality react here? What reports was important in the work with the procurement? Tell me about the traffic technical group in the PTA – what does it do? How is this group related to you municipal work? Did you cooperate with different municipalities? Describe the round of consultation. What was the role of the Trivector report?).

More explicitly, how did you work with the process on a municipal level? Describe the process in KS, AU, meetings etc. (additional questions are asked related to the stages in the process).

Procurement changes - the bus procurement that were appealed to the EC
Describe the process (additional questions are asked related to the actions taken in the process; e.g. what did you do when you heard that the process had been appealed? How did you work towards the PTA? The Regional cooperation body? Did you cooperate with different municipalities? When the process was appealed again, what did you do?).

How did you work with it on a municipal level, describe the process (additional questions are asked related to the stages in the process).

In what aspects were your municipality effected?

The interviews were conducted in Swedish with a Swedish questioner; these examples are therefore translated into English. The interviews were made semi-structured which means that additional questions have been asked in relation to the main questions. For practical reasons are several of the additional questions not presented in these guides.
Lessons learned

Your own work
Approximately how many hours/week do you work with public transport? Local questions? Regional questions? Who do you have the most meeting with when it comes to public transport? How often? Who would you recommend me to interview?

Example of an interview guide used in study 2.

Background questions

The special transport services in the community
How is it now? How was it before? Did the municipality do the procurement or was it handled by the PTA? In collaboration with other municipalities?

The taxi operations in the community
How it looked before the procurement in 2007? One or several firms? Did they have contracts to supply on special services?

The procurement of special transport
Was it the first time the PTA should handled the process? What municipalities participated? How did the preparations go? Tell me about the planning process (politicians /civil servants in the municipality? The PTA? Did you discuss to originally enter regular taxis in the contracts? Why? Why not? What motivated the decision?

Taxi companies criticized the contract - even went to court
Tell me about this, what did you do? Had a good relationship with them before? Were you thinking of cancelling the contract? Did other taxi companies react? The end of the procurement? Who won? When did you understand that the taxi would be reduced?

Reduction in regular taxi services
What information did you get regarding a reduced taxi service, from whom? Why was it important to keep the regular taxi service?

Efforts to get back the regular taxi
Tell me about the process. Did you turn to the PTA? What did they do? In what way did you cooperated with the other municipalities? The regional cooperation body? The operators that had won the special transport service
contracts? What alternative solutions were discussed? What actions were taken? What was the alternative solution to the PTA? What advantages / disadvantages would that have?

Attempts to procure regular taxi
How did this solution come up (politicians, civil servants?). It was only for the summer, why? Why not an open tender? Who did the procurement? The first procurement failed, tell me about the process. What lied behind the decision to try again? What reactions have you received regarding the attempts of procuring regular taxi?

Taxi today
How is it solved today?

Procurement of special transport services today
How do you look at the next procurement of special transport services? What are your relationships with the PTA?

Lessons learned
