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THE IMPACT OF ENFORCING REGULATION (EC) NO. 1370/2007 IN THE CONTEXT OF REORGANIZING THE MUNICIPAL PUBLIC SERVICES OF ROMANIA'S CAPITAL

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Abstract

The paper presents the impact of applying Regulation (EC) 1370/2007 of the European Parliament and of the Council on public passenger transport services by rail and by road, adopted with the goal of eliminating disparities between the transport enterprises in different Member States, on the municipal public service Regia Autonomă de Transport București, fourth largest in size on the continent.

The assumption of the paper is that the coordinates of ensuring high-quality passengers transport services by means of regulated competition, imposed by this Regulation, outline a “new framework-model” for the manner of organizing and functioning of operators in this field.

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INTRODUCTION

The reconfiguration of public administration and its services, for the purpose of increasing their efficiency, constitutes a topic of interest not only on the agenda of national governments, but also on that of the European institutions, closely related to the changes occurred at the level of the sociopolitical and economic architecture of each state.

In the context of consolidating the public administration decentralization and of applying the principle of subsidiarity, the improvement of the management of the *community public utilities services* understood by the European law regulations in the matter as *Services of General Economic Interest (SGEI)*, with an important role in creating social cohesion and regional development, constitutes a distinct plan within the strategies, policies, initiatives, programs or reforms that pertain to these services, of any local public authorities, especially of those afferent to large territorial collectivities.

An important segment of the local public utilities sector is constituted of the *urban public transport services* which did not experience great progress, being considered an *institutional orphan*, due to the progressive reduction of public expenditure assigned to this field.

The context in which these services are performed is complex, in constant evolution, influenced both by the characteristics of the collectivity they serve (cultural tradition, history, geographical condition etc.) and by the characteristics of the actual activities with character of service provision, which justify variable degrees of the community action and the use of different instruments.

For these considerations, the paper will focus on the way in which the ground-surface public transport services are adapted, according to the Regulation (EC) no. 1370/2007.

At present, at the level of the City of Bucharest, the supra-terrene public transport service is provided by the *Regia Autonomă de Transport București (RATB)*, under the subordination of the General Council of the City of Bucharest, being “the main local passenger public transport operator in Romania, and as regional operator contributing to the development of the metropolitan area and to the improvement of its inhabitants’ quality of life” (RATB, Activity report, 2013).

Because, at present, RATB records significant losses⁽¹⁾, the regia must be included with priority in the reorganization programs, finding itself in a decisive moment, also brought about by the need to align its organization and functioning to the European concepts and principles regarding the utility and public interest services, comprised in *Regulation (EC) no. 1370/2007 of the European Parliament and of the Council on public passenger transport services by rail*

and by road⁽²⁾, as derived from the observance of the deadlines imposed by the act, starting with year 2016.

In this sense, we aim, within the paper, to answer the question: “What are the actions foreseen at the level of the public administration of the City of Bucharest, the determining factors and the associated risks, in order to transform RATB according to the provisions of *Regulation (EC) no. 1370/2007*?”

The methodology used is preponderantly qualitative and is based on the analysis of official documents, case-study and structured interviews with the representatives of Bucharest City Hall.

In this sense, the paper will comprise an applicative research regarding the identification of the main directions of involvement of the Bucharest City authorities and of RATB in order to align the management of the supra-terrene public transport service in the City of Bucharest to the current reality, according to the European regulations relevant in the matter.

DIMENSIONS OF PUBLIC SERVICES IN ROMANIA

Generally, it can be stated that public services represent useful activities designated to meet a social need. Public services, understood in broad sense, represent ensembles of persons and things, created in order to satisfy a public need, by a public community, under its authority and control (Matei, 2000).

Conceptual dimension of public services

Public service may be defined as a general interest activity developed by a state organization or a local collectivity organization and which is set up by the competent authorities – public and/or local authorities, with the purpose of assuring the requirements’ gratification of the community members (Iorgovan, 2002).

The characteristics of a public service are the following (Stefan et al, 2013): satisfies a local utility; it is in a continuous process of transformation, depending on the community needs; it is in a continuous legal relationship with the public administration which set it up and which leads it; it is submitted to a legal system, controlled by public law principles, which differentiate it from the services of private companies.

The diversity of social requirements conducts to a distinction between *public service* and *service of public utility*. The distinction relates to the fact that the public service is organized by a state organization and the service of public utility is accomplished by a non-state organization (Matei, 2000).

In various countries there are services provided not only by the state services, but also by big local

communities as: regions, departments, provinces, counties.

Public services function on the ground of fundamental rules or principles which must be equally respected by public administration and the private organizations which these activities of public interests have been entrusted to. These principles are (Matei, 2006): *principle of equality* of all the citizens concerning access to public services. All interested persons can ask and benefit from the satisfaction of certain needs, equally, without privileges or discriminations; *principle of continuity* consists in assuring the ongoing function of the public services and belongs to the public service, which must permanently answer to general interests needs; *principle of adaptability* of the public services to the new public exigencies of the general interest, as a result of technical, economic and legal changes occurred in the public services fields, and which influence and determine the new conditions of function of these services; *principle of neutrality* states that public services have as unique purpose the satisfaction of the general interest and not of other interests.

Legal dimension of local public services

The legislative framework elaborated by the Government created the bases of a coherence of development of the sector, in accordance with the stipulations of the European requirements directives, having as finality the increase of the quality of the provision of public services to consumers at competitive prices.

A. Law no. 215/2001 on Local Public Administration (Republished in the Official Gazette of Romania, Part I, No. 286/2006)

The Law represents the most important legislative instrument for regulating local public services. The law stipulates two categories of local public services. The first category, *public services organized by local public administration authorities*, comprises public services organized as *autonomous regies, trading companies or other public or private forms* that deliver a public service for a commune or town. The second category, *public services subordinated to local public administration authorities*, comprises only those public services from the organizational chart of *local council*. The local council approves the regulations of organization and operation for public services; it establishes the competence and salaries for the staff, under the conditions stipulated by law.

According to the Law, the local and county councils may contract, under the terms of law, works and services with public utility, under the limit of the amounts approved by local and county budget. At the same time, the local public administration authorities may decide on concession or renting services of local interest, as well as participation, with registered capital or goods in trading companies, in order to achieve works and services of local public interest.

B. Law 326/2001 on Public Services of Communal Housing (Official Gazette of Romania, Part I, No. 359/04.07.2001)

According to the Law, the public services of communal housing are developed under the local public administration authority and their purpose is to supply public utility services. The public services of communal housing are grouped in various categories, such as, for example: water supply; centralized heating, except the activities of producing heat energy in co-generation; public illumination; local public transport etc.

C. Government Expedite Ordinance no. 54/2006 regarding the contracts of concession of the public goods and Government Expedite Ordinance no. 34/2006 regarding the award of public procurement contracts, public works concession contracts and service concession.

According to these regulations, the concession is based on a contract: the conceder transfers for a determined period, not longer than 49 years, the right and obligation to exploit the goods, activities or a public service to the concessionaire, who acts on his own risk and accountability, in exchange for a fee.

The law stipulates 19 fields which can become the object of a concession and we can enumerate, as example, the following: public transport; highways, bridges, tunnels with pay-tolls; road, rail, harbor infrastructures and civil airports; postal services; or any other goods, activities or public services that are not forbidden by special laws.

Reform dimension of local public services

In 1989, Romania launched a long chain of transformations, triggered by the transition from the centralized economy, specific to communist states, to the capitalist-type economy, characteristic of democratic states. These transformations were reflected at the level of all state institutions and operation mechanisms, including public administration.

It was underlined that an important component of the public administration reform process is the reform of public services. In the current context, we cannot achieve a wide-ranging reform of the state without an adequate change of the public services provided by central and local public administration (Andrei et al., 2010).

The reform of the *public utilities community services* (PUCS) represents a commitment undertaken by the Government of Romania in the process of accession to and integration into the EU, *the provisions of these services at European standards constituting one of the most important and complex tasks under the responsibility of the central and local public administration authorities* (Institute for Public Policies, 2009).

In the meaning of European law, PUCS are understood as being *Services of General Economic Interest (SGEI)*, art. 14 of the Treaty on the

Functioning of the European Union (TFEU), as well as Protocol no. 26 attached to this treaty, assigning SGIEs an important place among the common EU values, due to the important role they have as promoters of fundamental rights and of social, economic and territorial cohesion.

According to the legal regulations in our country, these services are under the responsibility of the local public administration authorities, are established and managed according to the decisions adopted by the deliberative authorities of the administrative-territorial units, these services being actually executed by means of public services and economic agents, generically called – operators, which act under the control and coordination of the local public administration authorities.

In order to see these reforms, we choose to analyze how the public services form the capital of Romania were reorganized with the accent on the local transport public service which, according to the national and European legislation, is a SGIEI.

REORGANIZING THE PUBLIC TRANSPORT SERVICES OF BUCHAREST

The national legislation provided that urban public transport is part of the community services of public utility and it shall be provided within administrative-territorial units under the supervision, management and coordination of local public administrative authorities.

According to a regulation adopted in year 1997 [3] and currently still in effect, the central or local public administration authorities that had under their authority autonomous regias had to urgently reorganize them, within 6 months from the entering into effect of this expedite ordinance. This was also the case of the supra-terranean public transport service from Bucharest-RATB, which represents the object of the case-study.

RATB suffered, after the change of the communist regime in our country, two reorganizing processes (1998 and 2000), but neither according to the requirements of GEO no. 30/1997, even though the expedite ordinance establishes both misdemeanor-like and criminal-type of sanctions, if not enforced.

RATB as *local interest autonomous regia* has its own patrimony, own economic management and financial and functional autonomy, the municipality granting a *compensation for the public service obligation*, with significant weight in the budget of Bucharest.

This could be explained also because of the rather poor condition of urban transport infrastructure which requires massive investments and creates high operational costs. This fact, combined with a low level of average wages, which makes it a tough decision to increase fares, have led to a need to provide funding for urban public transport. The level

of funding is rather high. For example, in Bucharest, some 50-60% of the fares are subsidized.

But according to the new requirements of the EU, all transport services have to be in accordance with the provisions of the European laws.

The existing regulations also regulate the relations between public transport operators and local authorities, meaning that it is mandatory to conclude contracts whereby local public transport services are awarded.

Local authorities shall select the method of awarding the local public transport services, also they shall adopt the Public Transport Programme and the local public transport legislative act, on the basis of the standards adopted through the European and national legislation.

Dispositions of Regulation (EC) no. 1370/2007 of the European Parliament and of the Council on public passenger transport services by rail and by road affecting the local public service transport

Transport is one of European Union's foremost common policies. It is governed by Title VI of the Treaty on the Functioning of the European Union (Articles 90 to 100).

The aims and goals of the EU transport policy look sound and consistent (opening up the European market via better transport infrastructure and services, the latter made more competitive, to the benefit both of efficiency and distributive goals), even overcoming strong resistance of vested interests and national egoisms (Parlagi et al., 2001).

In this sense, we can underline two main principles of the EU transport policy (Ponti et. al, 2013): competition and a wider market are essential conditions for both efficiency and accelerated technical progress. This principle is mitigated by the objective of social protection of the possibly affected workers and citizens; enlarging and promoting competition, wherever possible, and fostering efficiency through effective regulation wherever needed.

The EU Transport Policy refers also to the local public transport of the Member States, in which the Policy had a lower than expected impact.

This can be explained because in local public transport there is no common practice of competitive tendering and privatization, because of the direct award and historical rights to municipal operators, or other operators owned by the authorities (in countries like Germany, Austria, Switzerland, Spain, Italy, Belgium, Ireland, Poland, Romania etc.) (Van de Valle, 2008).

In this regard, the EU first elaborated two Regulations (EC) 1191/69/EC and (EC) 1893/ mainly concerning public service obligations in transport by rail, road and inland waterway.

Regulation (EC) 1370/2007 created the rules for awarding public service contracts and in particular the circumstances in which they should be the subject of

competitive tendering. But, Regulation 1370/2007 created many interpretation problems. These questions mainly concern the definition of the internal operator, the rule of confinement of such internal operator, the rules applicable to the award procedures (Public Procurement Rules or Regulation 1370/2007), under compensation, the transitional period regarding the contracts awarded before the entry into force of Regulation 1370/2007, subcontracting and the concept of exclusive rights.

According to an interpretation on Regulation 1370/2007, public tendering of service contracts is not mandatory: “Subject to the relevant provisions of national law, any local authority may choose to provide its own public passenger transport services in the area it administers or to entrust them to an internal operator without competitive tendering”. However, the regulation sets the trade-off local administrations should face: in-house providers should be prohibited from taking part in competitive tendering procedures outside the territory of their administration. Public tendering, on the other hand, “shall be open to all operators, shall be fair and shall observe the principles of transparency and non-discrimination”. Negotiated procedures are permitted, provided that such procedures are in accordance with the principles of the Regulation policy (Ponti et. al, 2013).

This Regulation is only valid in the case of payment of compensations for public service obligations or of granting of exclusive rights for the execution of public service obligations (Van de Valle, 2008).

According to the Regulation, a Member State may organize public transport through general rules and national laws and, where these involve rules for compensation or exclusive rights, according to Article 3 para. (1), there are additional obligation to conclude a *public service contract*.

If the general rules provide a compensation or if the competent authority considers that the application of general rules require compensation – a situation Romania is also in, one or more public service contracts must be concluded, defining, on the one hand, the obligations and, secondly, the parameters for compensation to cover the net financial effect (in accordance with Articles 4 and 6 and the Annex to Regulation (EC) no. 1370/2007).

A public services contract defines the rights and duties of the contracting parties, authority and operator.

Thus, article 4 of the Regulation states that three essential conditions required to be fulfilled by the operator of public transport service must be stipulated in the public service contracts: clearly define the public service obligations that have to be observed by the public service operator; establish in advance in an objective and transparent way the parameters on the basis of which the compensation payment is to be calculated, in a way that prevents overcompensation; establish arrangements for the allocation of cost differentials related to public services delivery. These

costs may include, in particular, the costs of staff, energy, infrastructure charges, maintenance and repair of public transport vehicles, rolling stock and installations necessary for operating the passenger transport services, fixed costs and a suitable return on capital.

In regards to the compensation received for the services provided by the recipient in executing public service obligations, it may be given in the following situations: by cumulative compliance with the Altmark criteria, in which case it is not considered State aid; in compliance with the provisions of the Commission Communication on the application of EU rules on State aid compensation granted for the provision of services of general economic interest - SGEI (2012 / C 02/08).

The Altmark criteria are (Altmark, 2003 ECR I-7747): the recipient undertaking must actually have public sector obligations-PSO to discharge, and the obligations must be clearly defined; the parameters on the basis of which the compensation is calculated must be established in advance in an objective and transparent manner; the compensation cannot exceed what is necessary to cover all or part of the costs incurred in the discharge of the PSO, taking into account the relevant receipts and a reasonable profit; where the undertaking is not chosen pursuant to a public procurement procedure which would allow for the selection of the bidder capable of providing those services at the least cost to the community, the level of compensation needed must be determined on the basis of an analysis of the costs of a typical, well-run and adequately equipped undertaking.

Where the conditions are satisfied, the compensation is not considered to amount to State aid. As these are cumulative criteria, where only one condition is not met, the compensation constitutes State aid and is subject to the notification requirement and standstill obligation laid down in Article 108(3) TFEU (Klasse, 2003).

Dispositions regarding the organization of the overground transport local public service of Bucharest Municipality – Bucharest

In Romania, the main transport operators in large cities are autonomous authorities placed under the supervision of local public authorities (RAT Bucharest, RAT Ploiesti, RATP Iasi, RATP Brasov, etc.) or they are entirely state-owned commercial companies, placed under the supervision of local or central authorities (SC Tursib SA Sibiu, SC Transurb SA Vaslui, SC Transport Public SA Bacau). National legislation provided that urban public transport is part of community services of public utility and of economic and general social interest and it shall be provided within administrative-territorial units under the supervision, management and coordination of local public administrative authorities.

Regarding RATB, it is a local public service-provider and it operates on the principle of continuity and of

general purpose, proceeding over 120 predetermined routes (tram, trolley, bus) on the territory of Bucharest and across Ilfov County (RATB serves an area of 563 sq km, of which 228 sq km is located in the urban area).

From the perspective of the award of the delivery of this public service by a local public administration entity with legal personality, RATB operates under Decisions of Bucharest City Hall no. 1179 / 10.12.1990, respectively, no. 899 / 12.11.1991.

The definition given by the Regulation on the notion of *public service contract* is a broad one, which takes into account regimes and legal traditions of the Member States, and includes different types of legally binding acts, allowing that the relationship between the competent authority and the operator does not take the form of a contract, in the strictest sense of the term. The definition also covers the decisions taken by the competent authority, specifying the conditions under which the authority itself provides the services or entrusts the provision thereof to an internal operator.

The performance carried out by RATB is regulated at national level by Law no. 92/2007 on the operation, management, financing and operation control of public passenger transport, as amended and supplemented. The law refers to certain activities regarding the local public transport: the *compensation* given by the local budget for both operating activities for which the compensation is granted (according to article 17, Section n, "covers the difference between the costs incurred by the carrier to perform the service and the amounts actually received as a result of delivery of public transport") and *investment* (under article 17, Section k "financing, contracting or guaranteeing loans for the realization of investment programs aimed at developing and improving transport service"); a profound social and economic character, which involves "partial or total support of public passenger transport costs for some disadvantaged groups, established by decision of the General Council of Bucharest or by law" (according to article 17, Section a).

Regarding the constitutive characteristics of public service contracts drawn from Art. 2 (i) of the Regulation, the legal act establishing RATB can be treated only partially as a public service contract, as the act reveals the local authority's decision to grant a particular operator (RATB) an exclusive right, but does not include the three conditions mentioned in Art. 4 of the Regulation. Since such an agreement would include not only rights and obligations for each part ⁽³⁾, but also quality standards for the public service, the methodology and procedure used for calculating the tariffs, the contract can be understood as a performance contract between the Municipality and the public operator (autonomous regia-RATB).

According to a normative act adopted in 1997 and in force today, the central government or local authorities which were under autonomous authority

must carry out their reorganization within 6 months from the entry into force of this expedite ordinance.

Although the Ordinance proposals were a modernization based on the best practices of the relationship between local councils and the autonomous Regias, the transitional period envisaged by the legislation of only 6 months, turned into a "normality" that is lasting for almost two decades. There are many constraints to the full implementation of this transition, highlighted in the literature on the functionality of the diagnosis of autonomous Regias: the pressure to keep tariffs below the full cost recovery; low incomes that make cost recovery tariffs inaccessible for most of the population; lack of counting equipment of the number of passengers; huge investment needs; lack of tradition in monitoring and enforcing service quality standards etc. (Matei, 2006).

CASE-STUDY: CRITICAL ANALYSIS ON THE PERFORMANCE LEVEL OF RATB, ACCORDING TO ENFORCING REGULATION (EC) NO. 1370/2007

One of the models of performance analysis of an economic entity is the profit and loss account, a model that indicates the degree of effectiveness of the autonomous Regia on the line financial results.

In order to determine the criteria to serve as operational instrument for increasing the efficiency of RATB, in 2014, the Regulatory Municipal Authority of Public Services (RMAPS) of Bucharest carried out a diagnostic analysis on the activity, economic and financial state of RATB, in order to substantiate courses of action regarding the allocation, sizing and efficient use of material, human and financial resources.

A first critical finding relates to the calculation of compensation for local public transportation services. Thus, in order to provide social protection for transport users of local public transport services, Law no. 92/2007 provides that the General Council has to pay the price difference determined as the difference between the costs incurred by road transport operator to perform the service and the amounts actually collected as a result of the transport. But, at RATB level, this compensation is calculated as the difference between the costs effectuated by the operator and the collected amounts according to the public passenger transport activity. However, between the expense and the cost of a product or service there is a significant difference, since not every expense is expense of production and consequently a cost element.

The term "costs of road transport operator registered or authorized carrier, as appropriate, to perform the service" cannot be assimilated with the term "expenditure performed by public transport operator", and to determine the level of compensation recorded as the difference between total expenditure and total

income is not in the spirit of Law no. 92/2007 (RATB, 2013). Thus, there emerged the conclusion that the compensation is used as a tool to complete RATB total revenues estimated in the budget to cover the estimated total costs in order to balance the budget.

Another critical point highlighted by the Report is the fact that making a profit is not a priority for RATB, although profit can emphasize a number of economic and financial issues as: the efficiency of activities; incentives of managers, shareholders and employees, may provide a new vision of economic and financial management which can be an important source of self-financing and self-development of RATB.

Annually, the financial effort of the Bucharest Municipality is considerable and, at least for the financial years 2009-2012, the activity of RATB was balanced (net profit is higher than or equal to zero), but its gross profit declined during these four financial years, as RATB went to significant losses in 2013 (see Table 1).

One of the explanations given in relation to this trend of profit decreasing is due to the fact that managers and directors of RATB, in order to avoid pressure from the General Council of the Bucharest Municipality, or those from syndicates unions to increase salaries and increase subsidies accorded to the Regia, have especially chosen accounting procedures that reduce profits. On the other hand, the RATB top management had an interest in keeping the image of achievement of the performance indicators included in their contracts of management.

Another reason for maintaining the non-profit society could derive from practical reasons such as not making payments to the local budget from a profit which has no counterpart in cash, accrual accounting requires registration as income (income differences in price subsidies and gratuities) without those having been actually received (RMAPS Report, 2014). From the Report, another general conclusion can be underlined, namely that at RATB the degradation of performance is resulting from the negative trend net change for the analyzed period 2009-2013, because of the variation of component elements of net turnover: sold production, revenue from the sale of goods and income for the differences of the subsidies and gratuities (RMAPS Report, 2014).

In 2013, the great decline in the volume of net turnover is due to the significant decrease in the volume of the compensation, due to the positive increasing revenues from the sale of travel tickets and subscriptions (see Table 2). There is also a decline in labour efficiency, a situation that reached its maximum in 2012 and that affected the indicators in 2013.

Regarding the operating expenses, they have increased considerably over the period 2009-2013 along with a significant decrease in the number of passengers, as a result of migration passengers traveling by other means and the purchase of securities urban travel cheaper and with reduced

number of travels. Covering these costs was achieved by increasing revenue from compensation.

Other optimization measures for employee costs were not initiated, excluding the collective labor contract, and social spending has a significant share in total employee costs. However, year 2014 is characterized by an increase in the expenses related to term of management contracts and to the board of administration of RATB to achieve maximum ceiling conferred by national rules.

The importance of local public transport sector in Bucharest is significant, although the number of travels made annually presents an obvious decreasing trend in 2008-2013 (Figure 1), and taken the kilometers performed indicator shown in Figure 2, the rapid downtrend recorded in 2010-2013 can be observed (see also Table 3).

SWOT analyses of key dimensions on the activity of this regia for the period 2008-2014 reveal the following matrix:

Strengths: monopoly on the market of the local transport in Bucharest owned by RATB; financial balance supported by a positive average of added values and by the actions of the top management to reduce total expenditures; using the SAP- Integrated Information System for human resource training plan; *Weaknesses:* lack of a human resources strategy; reduction of work productivity accompanied by an increase in personnel expenses; incoherent system of management accounting and costing; towards the end of the analyzed period the operating activities had no economic performance; (Causes: about 60% of travelers do not validate the card, 99% of passengers who have a valid subscription card do not validate it, and at least 50% of the passengers have a type of compensation or a free subscription); drastic reduction of reserves; increased indebtedness of RATB; existence of IT projects approved but not implemented (ex.: SAP data archiving); lack of benchmarking able to provide measurement and monitoring of processes through a set of performance indicators (effectiveness and efficiency), including the identification of best practices (RMAPS Report, 2014).

Opportunities: increased incomes from selling travel documents, by increasing the number of payable travels (tickets and subscriptions) and/or the transportation tariff increase; the possibility of the debt re-calculation; the review of the contracts which RATB cannot respect; the possibility of establishing partnerships with similar international operators; use of technology in data storage – “cloud computing”.

Threats: the lack of a profit-oriented management; significant increase of the compensation given by the General Council of Bucharest Municipality for the local public transport service operation; decrease in traveling due to passengers shifting to other modes of transport and/or due to the acquisition of cheaper subscriptions; decreasing quality of service provided because of lower circulating park, over-crowded

urban traffic, insufficient own lanes etc.; increased material expenses mainly due to the constant increased electricity prices and fuel consumption; conditions which generate adjusting tariffs or compensations, as well as specific procedures applied to such situations are stipulated in the management contracts. No such an agreement was concluded between RATB and CGMB. Under these circumstances, the modification of tariffs and the compensations transport service presents a high level of relativity, subjectivity and dependence on the political will of the moment (RMAPS Report, 2014).

As at present RATB has losses, it should be included as a priority in the reorganization programs, also due to the need to align its organization and operation to the concepts and principles of the Regulation on public interest and utility services, as resulting from compliance with the deadlines imposed by the act since 2016.

Regulation (EC) no. 1370/2007 defines a “new framework model” regarding the coordinates of transport services ensuring safe, effective and high quality through regulated competition imposed by EU for the organization and functioning of the operators in the field. The model must allow a more open local public transport market, free and in line with European standards data, in order to emphasize a more flexible service, less costly and ready for when it will be assigned according to the general rule imposed by Regulation- the rule of free competition.

In light of this model, in the proposals to an efficient local transport service that reflects the sustainability of the service there can be distinguished the following directions: an economic dimension, a social dimension and an environment dimension. The economic dimension takes into account the economic sustainability of resource efficiency, accompanied, implicitly, through their better planning and coordination of a reconfiguration of economic and financial resources by creating cost centers. The social dimension concerns the principle of universality and protects target groups requiring particular social protection. The environment dimension refers to the efficiency of energy consumption with environmental sustainability.

Among the main measures can be included: reorganizing the entire management system (organizational decision making, informational and methodological), car park modernization, accessing and using European funds for developing RATB etc.

A first measure initiated by the Bucharest authorities regarding the reorganization of RATB took into account the urban development of local collectivities near Bucharest, which leads not only to increased demand from the population that RATB to ensure an integrated transportation in the region, but also opens and the possibility of using alternative routes that can lead to efficiency of cost (unification less profitable or unprofitable routes with routes that offer profit).

In order to ensure an unitary coordination of a strategy for the integration of public transport services in the metropolitan area Bucharest-Ilfov by providing joint development, expansion, modernization of infrastructure and better pricing policies, Bucharest, together with more administrative units from the neighboring county Ilfov, decided to cooperate and associate, in accordance with the provisions of the Law 215/2001 on local public administration, republished and the GO no. 26/2000 on associations and foundations and GD no. 855/2008 approving the articles of association of intercommunity development associations subject of public utility. They established in May 2015 the Bucharest Metropolitan Transport Association (BMTA).

As stated in Decision of General Council of Bucharest, BTMA has as responsibilities the creation, organization, regulation, financing, operation, monitoring, contracting and joint management of public passenger transport services and, at the same time, the common implementation of investment projects of regional interest, to the establishment, modernization and/or development, as appropriate, public utility systems in service on the basis of its development strategy.

Another measure to be taken by the authorities is to amend the administrative act regulating the organization and operation of RATB, aligning it to the European rules, but taking into account the social, administrative and economic of Bucharest. From this perspective, there is a strong current at the level of the competent local authorities and at the RATB management to provide exclusive rights for local public transport service under a public service contract awarded directly to RATB. This intention is sustained, on the one hand, by the transitional period granted by the Regulation and, on the other, by the historical and economic reasons.

CONCLUSION

Although through the main concerns of the Bucharest local authorities are the activity performance in local public services and to the local transport policy, the alignment to performance standards is a slow and an incremental process. An important impulse has been given, however, by the need of alignment to European requirements, particularly those imposed by Regulation (EC) no. 1370/2007.

The Regulation foresees to evaluate the situation reached after the end of the transitional period when the Commission will establish a report assessing the development of the quality of public passenger transport services and the effects of direct awards.

In this context, as it emerges from the critical analysis of RATB, it can be stated that there is a necessity of a rigorous substantiation of alternatives to custody of this service so that the option chooses by the decision

makers to be the optimal and consistent one in accordance with historical and economic reality of the local community.

Even in the event of temporary solutions of custody monopoly service, the local authorities must improve the transition to a market competitive type operation imposed by the Regulation.

A first set of possible solutions to be implemented in the immediate future to improve RATB performance are considered tracking expenditures through cost centers, upgrading the system of validation travel tickets, the increase travel cost ticket, reduction employees, reactivation and expansion of modern electronic management of the car parks etc.

The results will be reflected in a gradual decrease in the compensation paid by the Municipality for providing the public service until its final elimination, but equally in the increased satisfaction of citizens of Bucharest. It must be underlined that this Regulation is only valid in case of payment of compensations for public service obligations or of granting of exclusive rights for the realization of public service obligations. The text is of more limited relevance in those cases where no exclusive right is granted.

The RATB external environment analysis shows that there are a number of opportunities that can enhance the performance of this entity, but it cannot fully benefit from them because, as our analysis indicates of the internal environment, RATB does not have the necessary capacity to do this.

Local transport policy creates on which this service is provided and this fact requires the achievement of sustainable development goals in order to eliminate imbalances between urban and rural collectivities.

There is a need of a real involvement of local authorities in the organization and management of public transport services and, also, of expediting the privatization of the main transport operators. Once this stage is completed, the award of contracts based on transparency principles, equal access to the public services market, effectiveness and competition should become real principles of solving the public transport requirements.

Notes

(1) The net loss of the financial exercise registered for year 2013 is of 46,969,664 lei, according to Table 1 Situation of the net result and of the profit tax in [17].

(2) The Regulation entered into effect in year 2009, and the general rule regarding the guaranteeing of competitive procedures for public service contract awarding, procedures open to all operators in an equitable, transparent and nondiscriminatory manner having a transition period of 10 years, until December 2019.

(3) For example: minimal working conditions, passenger rights, the needs of persons with reduced mobility, environmental protection, security of passengers and employees as well as collective

agreement obligations etc. Powers granted to the competent local authorities in accordance with the principle of subsidiarity.

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ANNEXES

Table 1: *Statement of income and total expenditures respectively for the financial value of the gross 2008-2013[17]*

	2008	2009	2010	2011	2012	2013
Total revenues (lei-Romanian Currency)	827,983,199	929,427,705	927,008,462	881,026,931	902,348,716	871,243,449
Compensation		521 mil			520 mil	464.4 mil
Total costs (lei)	827,983,199	925,233,658	924,431,309	879,932,202	901,682,038	918,213,113
Profit (lei)	0	4,194,047	2,577,153	1,094,729	666,678	
Loss (lei)						46,969,664

Source: Elaboration on the data provided by the RMAPS Report, 2014

Table 2: *Evolution of net turnover for 2009 to 2013[17]*

	2009	2010	2011	2012	2013
Variation in net turnover (CAN)(lei)	53,683,890	-6,466,625	-15,811,085	12,566,752	-51,997,479
Variation of sale production (lei)	-1,402,337	-5,301,005	-9,916,345	4,772,702	4,688,224
Variation of income from sale of goods (lei)	86,227	-165,620	105,260	-205,950	-93,703
Variation of income from which compensations related to CAN (lei)	55,000,000	-1,000,000	-6,000,000	8,000,000	-56,592,000

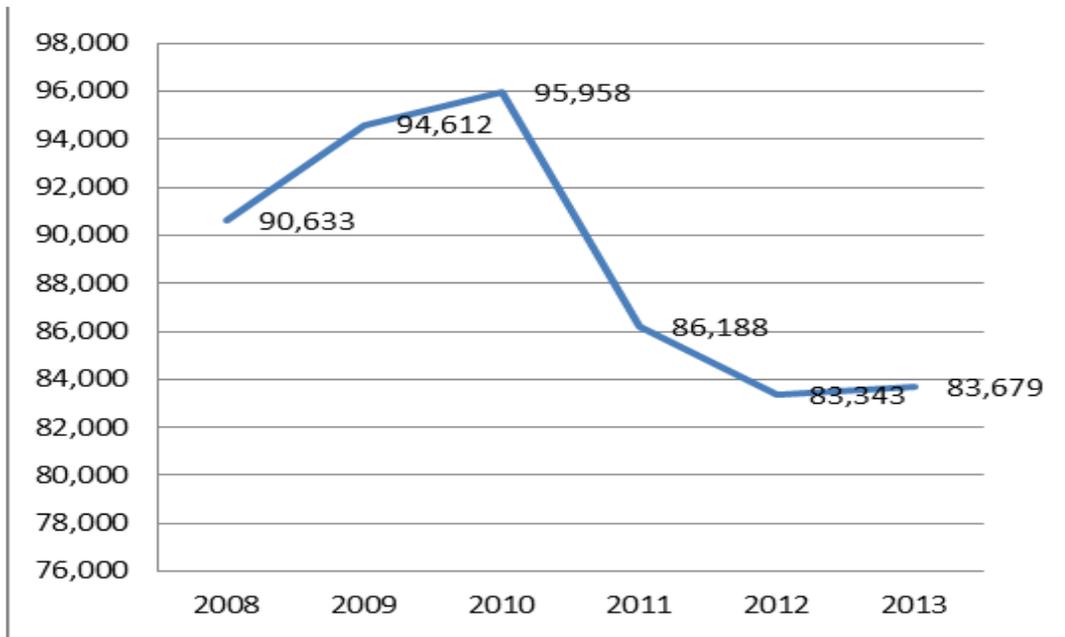
Source: Elaboration on the data provided by the RMAPS Report, 2014

Table 3: *Evolution of transport services and the number of travels made 2008-2013[17]*

Indicators	2008	2009	2010	2011	2012	2013
Transport benefits (vehicle turnover/km) - thousands km	90,633	94,612	95,958	86,188	83,343	83,679
Performed travels	805,015,000	788,282,000	761,100,000	769,261,000	750,946,000	725,605,000

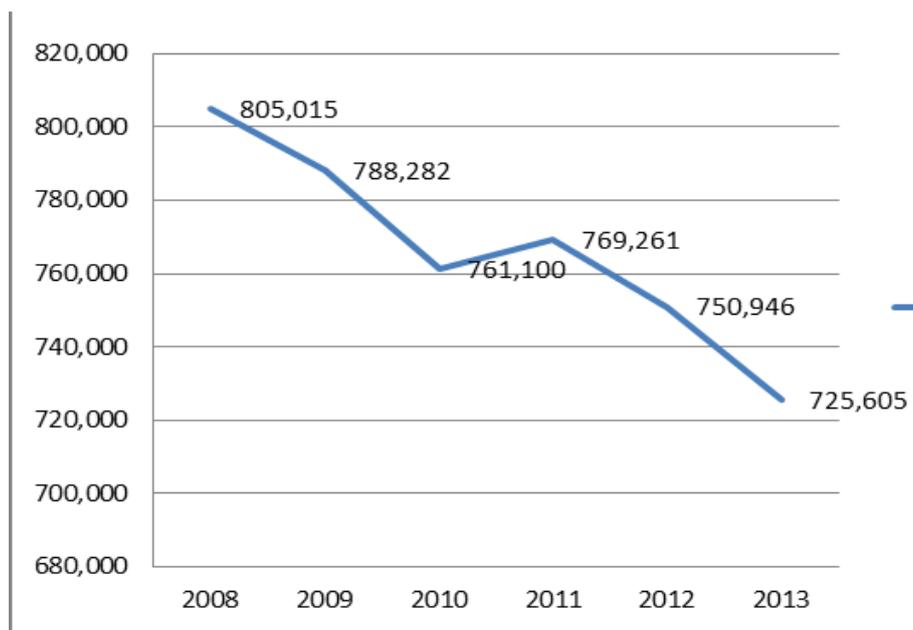
Source: Elaboration on the data provided by the RMAPS Report, 2014

Figure 1. Evolution of travels number 2010-2013 (thousand trips)



Source: RMAPS Report, 2014

Figure 3. Evolution of the number of kilometers annually performed (thousand kilometers) [17]



Source: RMAPS Report, 2014