



Verband der öffentlichen Wirtschaft
und Gemeinwirtschaft Österreichs

Resilient Local Public Services

The Austrian Approach to Managing and
Financing Services of General Interest

Webinar – LPSA Online
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Agenda

- About VÖWG
- Institutional Context in Austria
- Liberalisation Pressure and Fiscal Challenges
- Conclusion

Speaker

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Association of Public Services and Enterprises Austria (VÖWG)

Advocacy and coordination platform for Services of General Interest
(SGI) in Austria

- Founded in 1952;
- Supporting more than 120 public and municipally owned enterprises that ensure the provision of essential local public services (SGI)
- President: Barbara Novak (City of Vienna – Executive City Councillor for Finance)
- International networks: SGI Europe, Aqua Publica Europea, CIRIEC
- Cooperation: VKU (Germany), VDV (Germany)

Our Members

Today, VÖWG brings together over 120 members – including municipal and public enterprises, ministries, public institutions and sectoral associations.

Our Members – Providers of Core Local Public Services

- **Infrastructure & Utilities**
 - Energy generation and supply
 - Drinking water, wastewater and waste management
 - Public transport and mobility
- **Social and Community Infrastructure**
 - Limited-profit housing associations and municipal housing
 - Hospitals and long-term care institutions
 - Educational, cultural and research institutions
- **Institutional Actors**
 - Cities, municipalities and regional authorities
 - Social partner organisations and public funds

Institutional Context in Austria

- Political and Administrative Structure of Austria & Long-standing municipal responsibility for public service provision
- Legal and organizational structures
- Example: *Wiener Stadtwerke* Group

Political and Administrative Structure of Austria

Federal System

- National Government & 9 regional Governments

2.092 Municipalities

- On average 3405 inhabitants per municipality (excl. Vienna)
- 65 % under 2500 inhabitants
- Only 70 a population over 10.000

Quick Facts:

- Population: 9 million people
- Area: 84.000 km²
- GDP per capita: 51 400 € (EU: 37 930 €)
- EU Member State since 1995



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Local Responsibilities and Public Services

- Instruments of Public Service Delivery
 - In-house operation
 - Municipal enterprises: Self-supply through enterprises owned and operated by the municipality (focus next slides)
 - Outsourcing
 - Public-Private Partnerships
- Österreich verfolgt einen „**Public Service first**“-Ansatz, mit Fokus auf Eigen- und Inhouse-Leistungserbringung statt Privatisierung.
- For small municipalities: Importance of inter-municipal cooperation
- *Recommended Study by KDZ: LOGOV: Local Government in Austria - Responses to Urban-Rural Challenges*

With the Public service concession, the municipality transfers the right for full or partial provision of public services to a third party.

All municipalities are legal entities with the right to

- own property
- run businesses
- levy municipal taxes
- manage their own financial affairs

Tradition and Advantages of Municipally Owned Enterprises in Austria

- **Austria is among the countries with a strong tradition of locally anchored public service provision** (comparable to Germany, Denmark and parts of France).
 - Key sectors such as water, waste, energy, public transport and social infrastructure are predominantly organized, financed and operated by municipally owned enterprises.
- **Advantages of public/municipally owned enterprises**
 - Public value-oriented governance rather than short-term profit maximization
 - Long-term infrastructure planning, technical expertise and security of supply under municipal control
 - Cross-subsidization: revenues from economically viable services support socially necessary but structurally loss-making services within integrated municipal service groups

Legal and Governance Framework

- **Municipalities hold primary responsibility for local infrastructure and service provision.**
 - Legal foundations are anchored in national and provincial law, including the Water Rights Act and Waste Management Act. The public provision mandate is politically and legally safeguarded.

Example: *Wiener Wasser* – 100% Municipal Ownership and Control

- Since 1873: First High Spring Water Pipeline (~95 km)
- Since 1910: Second High Spring Water Pipeline (~183 km)
- Water flows to Vienna by natural gradient — no pumping energy required
- Approx. 430 million liters of spring water per day for Vienna
- Source and protection areas remain permanently under municipal ownership



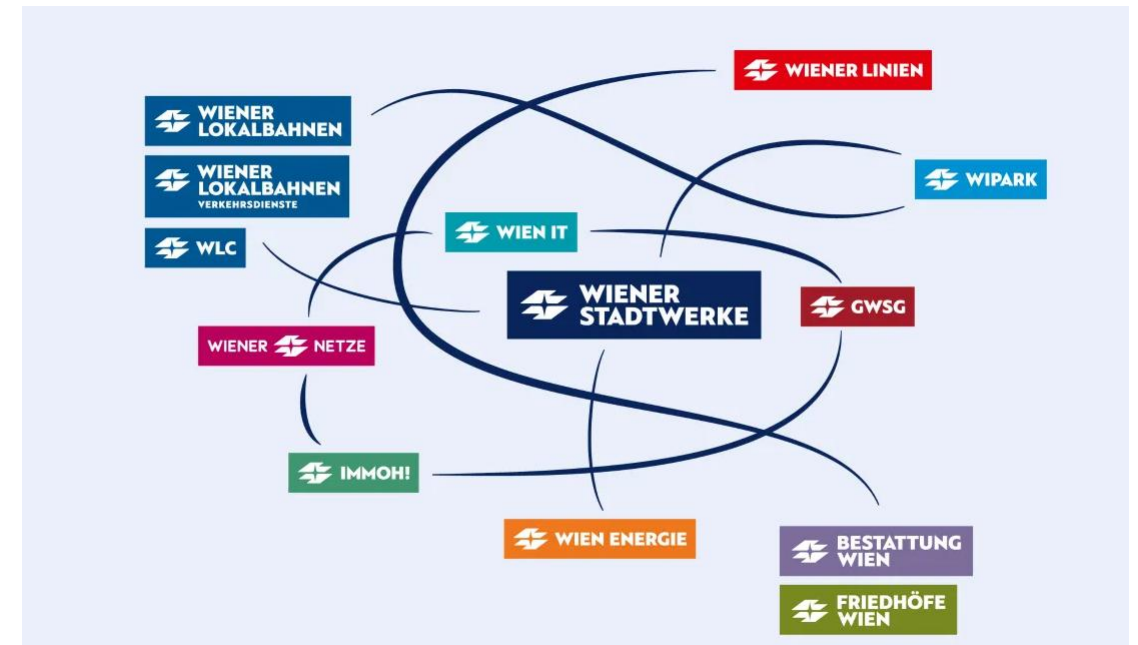
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Organizational Forms of Municipally Owned Enterprises

- **Legal forms:** typically limited liability companies (GmbH) or joint-stock companies (AG), held in **100% municipal ownership**.

Example: *Wiener Stadtwerke* – an integrated municipal service group providing essential services for about 2 million people in Vienna.

- Mobility: Wiener Linien, Wiener Lokalbahnen
- Energy & Networks: Wien Energie, Wiener Netze
- Urban Infrastructure & Services: (WIPARK, Wien GWSG (limited-profit housing)...))



Copyright: Wiener Stadtwerke

<https://www.wienerstadtwerke.at/arbeitgeberin>

Example Vienna: *Wiener Stadtwerke* as an Integrated Municipal Service Provider



- The **municipal Wiener Stadtwerke Group** is an integrated group under municipal ownership
- **Key figures (2023)**: ~18,000 employees; Annual turnover: ~€6.2 billion; Annual surplus: ~€760 million; Investments: ~€1.3 billion per year (mainly in energy, heat and mobility; infrastructure); Equity ratio: ~48%

Liberalisation Pressure and Fiscal Constraints

- Implications of EU internal market and competition rules
- Limited fiscal capacity at the municipal level
- Example: Public swimming facilities as non-market essential infrastructure

Impacts of EU Internal Market and Competition Rules

- **EU internal market and competition rules** open market segments in energy, transport and waste management.
 - Competition typically emerges in commercially profitable segments, whereas basic service provision, network stability and universal territorial coverage remain municipal responsibilities.

This can distort investment incentives: private operators optimise for short-term returns, while municipalities remain responsible for security of supply, network quality and universal access.

Example Austria: Rail Transport

- **Westbahn (private operator)** focuses on the high-demand, commercially attractive Vienna–Salzburg corridor.
- **ÖBB (public operator)** also provides extensive regional services and is responsible for infrastructure maintenance and network provision.



westbahn

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Limited Fiscal Capacity: Challenges from the Perspective of Municipalities

- **Current challenges as perceived by municipalities:**
 - Increasing investment needs for climate neutrality, grid expansion, digital infrastructure and building renovation
 - Rising interest rates since 2022 have increased the cost of financing
 - EU fiscal and stability frameworks constrain municipal budgetary flexibility
 - Demographic dynamics (population growth, commuting flows, socio-spatial heterogeneity) increase infrastructure demand

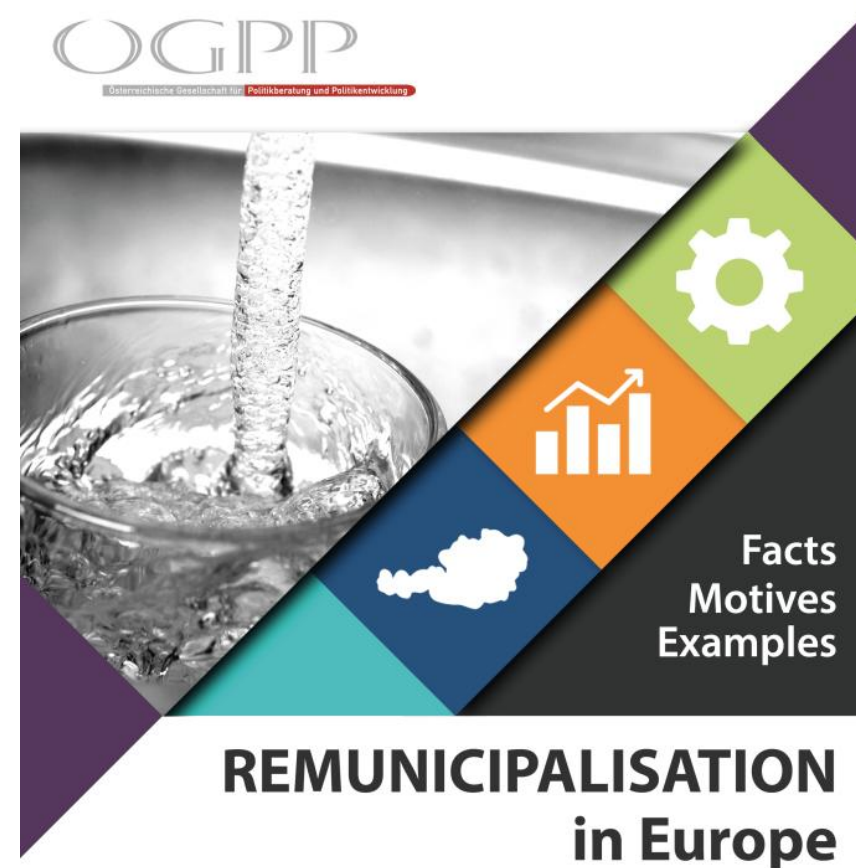
Example: Public transport and municipal swimming facilities are **structurally loss-making**, yet **essential for social inclusion and public well-being**

Public Swimming Facilities as an Example of Non-Market Essential Infrastructure

- **Financial Challenges**
 - Operating costs (energy, staffing, maintenance) have increased, while admission fees do not cover full costs
 - High investment needs for renovation and energy-efficient modernization
 - Public swimming facilities are essential for social inclusion and public well-being
- **Role of Integrated Municipal Service Provision**
 - Cross-subsidisation within municipal service groups enables the financing of swimming facilities through surpluses from commercially viable sectors (e.g., energy, networks, parking)
- **Evidence from Privatisation Models**
 - Privatisation models have been shown to result in higher prices and deferred investments – see study on next slide

Remunicipalisation: Evidence from Europe

- **Around 700 cases of remunicipalisation have been documented across 20 European countries.**
 - Most cases concern energy and water services, followed by waste management and public transport - Germany: 347 cases; France: 152 cases; United Kingdom: 64 cases
 - Empirical evidence shows that privatisation often led to: • Higher prices; Declines in service quality; Deferred investments; Reduced local control.
 - Remunicipalisation enables: Public value-oriented governance; Stable and socially equitable pricing; Sustained investment in infrastructure, and Retention of local economic value and employment.



Source: “Remunicipalisation in Europe” (2019), Austrian Association for Policy Consulting and Policy Development.

https://politikberatung.or.at/fileadmin/studien/oeffentliche_dienstleistungen/Rekommu_online_englisch.pdf

Conclusion

- Public service provision as critical infrastructure
- VÖWG recommendations for high-performing local public service provision
- Closing remarks

Public Service Provision as Critical Infrastructure

- **The resilience of communities depends on the reliability and continuity of public service provision.**
 - Security of supply is a public good
 - Critical infrastructure must remain functional in times of crisis
 - Public service provision ensures social participation, mobility and quality of life — not profit maximization
 - Structurally loss-making services require stable long-term financial support
 - Public governance ensures stability and long-term continuity

VÖWG Recommendations for Resilient Local Public Service Provision

- **Provide legal certainty for in-house procurement**
 - to safeguard municipal steering capacity within EU procurement law
- **Strengthen inter-municipal cooperation**
 - through clear legal and financial frameworks for pooling resources
- **Maintain and further develop cross-subsidisation mechanisms**
 - to ensure stable long-term financing of socially necessary but structurally loss-making services

Conclusion

Resilient local public service provision is not primarily a question of cost.

It is a matter of **institutional design** and **shared societal responsibility**.

- **Public service provision functions as an integrated system.**
 - Municipalities require their own public service enterprises that they can strategically govern.
Market logic alone cannot ensure security of supply, reliability or equal access.
- **Resilience arises from integrated municipal service groups.**
 - Cross-subsidisation systematically links commercially viable and structurally loss-making services. Without this coupling, service performance and public value mandates erode.
- **Liberalisation creates structural asymmetries.**
 - If public service provision is treated purely as a market product, universal service, affordability and equal treatment come under pressure.

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Annex

1. In-house Operation

- **Definition:** The municipality provides services directly within its administrative structure or through an internal unit (e.g., local waterworks, road maintenance, public cleaning).
- **Legal basis:** Municipal Law and public finance regulations; no separate legal entity required.
- **Advantages:** Strong local control, full democratic accountability, long-term planning stability, and exemption from public procurement procedures.
- **Typical fields:** Water and wastewater, waste collection, local infrastructure, small-scale social services.
- **Assessment:** The most common and preferred model in Austria, especially for small municipalities that rely on direct control and cost transparency.

Annex

2. Municipal Enterprises

- **Definition:** Publicly owned companies at municipal or inter-municipal level (usually GmbH or AG), providing services under municipal control.
- **Examples:** Wiener Stadtwerke, Energie Klagenfurt, Innsbrucker Kommunalbetriebe. Characteristics: Operate with economic flexibility and independent accounting but serve public-interest objectives.
- **Advantages:** Allow cross-subsidisation — revenues from commercially viable sectors (e.g., energy) can support loss-making but socially essential services (e.g., swimming pools, public transport).
- **Assessment:** A cornerstone of Austria's public economy — the backbone of local public service provision.

Annex

3. Outsourcing

- **Definition:** Contracting private companies for specific services under public procurement rules.
- **Examples:** Waste collection, winter road maintenance, facility management, specialised care services.
- **Risks:** Dependence on market prices, short-term performance focus, and reduced transparency.
- **Assessment:** Used selectively; Austria prefers retaining key services in public hands and outsourcing only where specialised expertise or temporary capacity is needed.

Annex

4. Public–Private Partnerships (PPP)

- **Definition:** Long-term cooperation between municipalities and private partners, involving shared investment, risk, and returns.
- **Examples:** School buildings, sports facilities, energy efficiency and broadband projects.
- **Risks:** High contractual complexity, long-term commitments, and potential loss of flexibility.
- **Assessment:** Rarely used in Austria due to administrative complexity and preference for public ownership and control.

Annex

- According to the Austrian Federal Constitution (*Bundes-Verfassungsgesetz*, Art. 116–118), municipalities are **independent legal entities** with self-governing authority. They form the **lowest level of Austria’s federal structure**, alongside the nine federal states (*Länder*) and the federal government.
- Each municipality (*Gemeinde*) possesses:
 - **Legal personality**, allowing it to own property, enter contracts, and run enterprises;
 - **Financial autonomy**, including the right to levy local taxes and manage budgets independently;
 - **Administrative competence** in all local matters, such as spatial planning, water supply, waste management, local roads, and community infrastructure;
 - **Public service responsibility**, meaning that essential services can be delivered directly (*in-house*), through municipally owned enterprises, or via inter-municipal cooperation.
- Municipalities can also **grant public service concessions**, transferring service provision rights to third parties under defined legal and financial conditions — though this is less common in Austria than in many EU countries, as public ownership remains the dominant model.