Although the official title of this workshop was “Public Transport: Experience with Corporatization, Deregulation and Privatization”, it really focused on “Deregulation, its forms and alternatives” and because of the interests and expertise of participants looked at ownership and deregulation predominantly of buses but also trains and, to a limited extent, taxis. The resource papers represented a broad spectrum of views on these issues. The papers are briefly reviewed here.

Fiona Knight gave a detailed review of the imminent New Zealand plan for deregulation due for implementation on July 1st 1991. It revises and extends the U.K. approach with greater emphasis on integrated land transport planning. Multiple operators may register to compete in any area. There is a careful tendering process to obtain lowest price operating contracts for non-commercial services required by local districts and tender sizes are small to allow the widest possible market entry and ensure the sub-division of large government operations. In the time leading up to the, July 1991, implementation date, significant changes have been made to weaken the effects of competition during a several year transition period.

Roger Graham explained the “competitive franchise” approach currently being introduced in New South Wales, Australia. It builds on an existing unsubsidized bus industry which operates in the outer suburbs of Sydney and in country areas. Franchise areas are offered to current operators subject to satisfactory service. Renewal after 5 years is to be dependent upon equalling or surpassing average industry fare, frequency, fleet age and operating performance. If standards are not met the area is contested on the basis of the best service offered as are new areas. Since the old average becomes, in effect, the new minimum standard the industry is expected to improve over time.

The Swedish Experience: Kjell Jansson (from his paper with Bosse Wallin) detailed the competitive tendering structure introduced in 1989 with the aim of retaining the welfare aspects of central planning but minimizing the production costs. County transport authorities plan all bus services, but operating responsibility is supposed to be put out to lowest price tender, although discretion is allowed in selection of operators. Subsidy is considered necessary. The State Railways have been divided into a public operator and an administration responsible for rail infrastructure. Private operators can thus offer rail services over the public rail lines, and there is one company doing so.

Japan’s experience with private rail operators was presented by Ken’ichi Shoji. The 172 private rail companies (including 14 majors) have a significant role in rail transport. They receive no significant subsidies and rail operations, including those in less densely populated areas, are profitable even though fares are regulated and reasonable. Further more companies continue to invest in rail as well as complementary real estate development. Effective management skills have been crucial to these companies successes.

Kofi Obeng developed cost functions for transit service in the U.S. He found that private providers have lower average costs than public providers due to more efficient use of labor and that they also realize larger economies of scale.

Peter White’s plenary session paper detailing the U.K. experience, in London versus elsewhere in Britain was also viewed as a resource for this workshop. He reported increased efficiency and growth in ridership in London where competitive tendering has been introduced progressively. Elsewhere in Britain under complete deregulation the outcomes have been mixed, with, overall, a decrease in ridership, level of service and operator income, the latter having implications for fleet replacement. The interpretation of these effects is complicated by depressed economic conditions.

Following presentation and discussion of the resource papers, the workshop sought first to define, then to explore the differences between Deregulation, Competitive Tendering and Competitive Franchise with a view to assessing the effectiveness of each. A secondary aim was to consider the appropriateness of the separation of rail infrastructure and operation. We agreed that the essence of Deregulation is to allow free entry with the market controlling service planning and operation. COMPETITIVE TENDERING controls entry with services determined by a non-operating planning authority which accepts competitive bids for operation (with
possible negative tenders). COMPETITIVE FRANCHISING controls entry but level of service is based on the average of all franchised areas and operators must supply this service by internal cross subsidy. It was recognized early that there was a fundamental dichotomy of views between those who believed that planning should be left to market forces and those who felt that government planning agencies would always be better.

There was considerable discussion of the term “competitive franchise” with few but the Australians believing it was appropriate. Some people were willing to accept that there was a degree of threatened competition in the system. Others would not even agree to that. By coining the less controversial term franchising with competition, we were able to have a more reasoned discussion of the merits of New South Wales (NSW) model. This led us to one of the most important discussions of the workshop: on the importance of contextual dimensions in considering what form of regulation is appropriate in any city, state or country. Although this seems somewhat obvious when stated, it points to the dangers of adopting a model which has been successful in one place for another without first taking careful note of possible contextual differences. The most important contextual dimensions were identified as: political conditions, economic conditions, demand and demographics, initial industry structure and the broader competitive context. Political conditions are exemplified by the strong belief in Sweden that the governments is best able to plan a good service for the people. Economic conditions affect the potential for subsidies from limited government funds. Demand and demographics affect both degree of subsidy and type of service. In small country towns in New Zealand it is more economical to provide taxi transport than a fixed route bus service. Initial industry structure prompted the government of NSW to propose their new model. The broader competitive context must also be considered. Are there sufficient potential operators for real competition? Since private motor vehicles are the dominant competition for public transport in most areas, road policies such as charges, both direct or indirect, are part of this context. The large number of rail passengers in Japan is partly due to road congestion. A valiant attempt was made to set up a general multidimensional framework to provide some general guidelines on types of systems most appropriate for specific contexts. Whilst it helped the participants think about the issues and consider a wide variety of contexts, from U.S.S.R. to Brazil, the resulting framework proved too complex to develop in the time available and led back to the need for consideration of individual cases.

We were, however, able to identify some objectives for public transport irrespective of context. It would aim to provide a stable and responsive service, maximize ridership and hence the welfare of society by reducing congestion and pollution. This should be provided at minimum cost to government by a viable (in the long term) industry. This led to a set of general recommendations. Re quality: there should be strong minimum quality standards and anti-trust legislation with consideration of the public interest. Formal management training should be promoted for bus operators. Re subsidy: Cost-benefit analysis of community service obligations with respect to routes and times of service should be conducted and user side subsidies should be given greater consideration. Re planning: bus priority measures should be encouraged. When there is no centralized planning authority comprehensive timetable information compatible between operators should be provided and integrated ticketing encouraged.

The final considerations of the workshop hinged on the question of whether privatization was really a key issue or whether the form of regulation of planning and operation was more important. Some workshop participants strongly believed that true sensitivity to the market would only develop under the incentives provided by private ownership. Such issues may be resolved at the next conference when there will be further evidence of corporatized government agencies competing in deregulated markets. There was also a strong feeling by the private operators from Britain that in time the efficient operators left in the market would halt the trends noted by Peter White. Time should also show whether New Zealand has “improved” deregulation and whether the NSW model is an effective alternative.

One of the most pleasing aspects of this workshop was the co-operation shown by participants with very diverse opinions. This made us more productive and whilst people weren’t “converted” they came away with a much better understanding of other views. Time was our major enemy and prevented us giving the consideration we wished to specific railway issues.