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INTERNATIONAL CONFERENCE ON COMPETITION &
OWNERSHIP OF BUS & COACH SERVICES

Workshop 1

EXPERIENCE FROM DIFFERENT COUNTRIES

(Chairman's Introduction)

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Derek Scrafton
Director-General of Transport
South Australia

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(Chairman's Opening Statement)

Introduction

When the Conference on Competition & Ownership was being planned, the organising committee suggested that the Chairman of each workshop should prepare a background Resource Paper in addition to chairing the session.

As the abstracts and formal papers were received and the response to the invitations to attend the Conference were accepted, the wide range of authors and their direct experience became apparent, even though that experience might not be reflected in the specific papers the individuals are contributing to the Conference. Eight resource papers have been assigned for discussion by Workshop 1, with a score of other papers in the other workshops also available for consideration.

Given that most of the Conference papers outline experiences from different countries, a detailed or specific paper is not required for Workshop 1; my role in Workshop 1 should only be that of Chairman.

This overview paper therefore outlines the resources directly assigned to Workshop 1 for review, identifies others available in the conference papers, and selects some experiences from countries not directly represented at the Conference. Some questions are raised for consideration in the Workshop, without in any way limiting the scope of our deliberations. The only constraint I would impose is to ask you to take account of the specific topics being dealt with in the other workshops, so we avoid duplication to the extent it is possible to do so. The other workshops cover

2. Major Issues e.g. incumbent power, collusion, privatisation;
3. The Bidding Process;
4. Operator and Organisational Issues;
5. Interest Groups;
6. Costing, Scheduling and Demand;
7. Productivity and Performance.

Some of these topics will be easy to eliminate from our discussion, such as those on the bidding process (3) and the role of interest groups (5); others will get some airing in Workshop 1, given the content of our resource papers.

Workshop 1 should also try to identify issues not picked up elsewhere in the Conference, and place the particular experiences outlined in the resource papers in a general context of changes in competition and ownership.

Some General Comments

The resource papers for Workshop 1 cover Canada, Australia, China (presented in the general session); U.S., China, Thailand, Singapore and Hong Kong (presented to the Workshop); and two papers on U.K. experience, (John Hibbs in the general session, and Martin Higginson to the Workshop).

The background report of the meeting of European Conference of Ministers of Transport (ECMT) held in Madrid two years ago provides some statements which it might be possible to validate or repudiate from the experience described in these resource papers:

- a) When demand is strong, the easing of economic regulations (prices, capacity, operating licences) results in "cheaper services, innovations and rationalisation of operations".
- b) "By concentrating on profitable markets, operators can reduce their deficits".
- c) "Public undertakings may have difficulty adopting to their new role if they continue to be assigned several objectives".
- d) When demand is not sufficient to generate competition, easing of economic regulations may reduce "the attractiveness of services" (ECMT, 1988).

The ECMT also cautions that "the benefits of increased competition" cannot be regarded as established once and for all. Low prices set up to attract custom may be short-lived, while collusive arrangements and mergers are unlikely to be permanent. The response in one country to greater competition in bus and coach services will be different to another - it is these differences we need to identify in the Workshop and try to understand and explain them: different economic, cultural, political or industrial bases; different time horizons; differences between modes; even different emotional responses to buzz-words such as "privatisation".

The ECMT report warns against seeing economic benefits as the sole criteria of performance, particularly where these benefits "are essentially commercial". Keep in mind non-internalised costs such as "disamenities, congestion, concentration of activity". Access to information is a particular social problem facing the users in a competitive environment (perhaps it always has been in a regulated one?), and safety needs to be maintained.

In a similar vein, Gabriel Roth & George Wynne in a ~~Multisystems~~ report to UMTA in 1982, outline the regulatory obstacles "to provide the climate in which private suppliers can make an optimum contribution to the mobility of our cities" including "an urgent need to remove many of the powers that government officials have over transport services". Based on my experience in Australia, removing many of the government officials would be one way to achieve

this objective - our attitudes to subsidy of local bus services, to the continued provision of local rail services, and the regulation of taxi services is unbelievable. The Amos & Starrs resource paper summarises this situation, and highlights the contrast with unregulated interstate coach services.

My last general advice is to try to identify very specifically the experiences from different countries. It will be difficult to isolate the factors influencing change, but we should always separate privatisation from deregulation, and describe the conceptual basis for change in a particular country which can affect its potential for transferability elsewhere. Davis, Smith & Hewa (TRB 1988) have done this for privatisation, defining it as "an expansion of traditional economic and management thought" rather than "another fad" or "philosophic stance". Ken Orski argues we should stress the range of private initiatives in transportation (Henke, 1986), within which the privatisation of urban services is one small and not even recent component. Certainly the UMTA conferences on the private sector and public transport have always aimed for a balance of sessions including such aspects as private finance for capital projects and joint redevelopment of facilities.

We must also maintain a balance in considering services: this Conference is about bus and coach services, not just urban buses.

The European Experiences

The United Kingdom experience is well represented at the Conference with two papers for consideration by this Workshop. Finland is the only other European country with a paper. The absence of papers describing the Western, Eastern and Southern European experience will perhaps be offset by contributors' knowledge of ownership of bus and coach services in these regions - many of you have direct knowledge of the industry in such countries, some having worked or undertaken research there (e.g. John Hibbs, Peter White and Michael Taylor).

France must have much to teach us. Over 80% of urban bus services are provided by the private sector, albeit mainly on contract to public authorities (Reynaud 1985). France is often quoted as the big spender on public enterprises, but if one excludes the SNCF and Ile de France, the private sector has a very strong involvement on public transport. Changes include the gradual deregulation of road freight transport since the late 1970s, when the Guillaumat Report was presented. The report found that regulation had not achieved its aims to protect the railway under a guise of coordination and "its perverse effects" (Bonnafous und.) were worse than its advantages.

An experiment in increasing private participation in the transport of schoolchildren comes from West Germany. Lorenzen (1986) describes the history, the contract negotiations and problems associated with transferring this

business from the public to the private sector. The opposition raised to the process, mainly from trade unions and the publicly owned transit systems, is surely of interest and relevance elsewhere. It certainly is to those of us here in Australia.

Frank Colcord (1979) draws attention to the significance of political factors in transport decision-making, in comparing the situation in Sweden with U.S.A. In recent years the public vs private debate has been dominant, but even ownership differences by level of government can create differences in wage rates, levels of service, and service objectives (public enterprise or public service or attempting both at once). The political sub-system is critical in achieving change, but this is a subject for Workshop 5.

The progress made in Finland in converting the State railways, post office and telecommunications into off-budget public companies is mirrored in several other countries. Are there any lessons for the bus and coach business or are the communications enterprises in a bigger league? In Ireland the 1986 Act which removed quantity licencing of road freight also split up the CIE into three operating companies : rail, Dublin transit, and rural bus. I would like to hear the results of that decision.

Switzerland and the Netherlands are small countries which emphasise the interrelationship between of the economic, social and environmental impacts of transport. Both countries also recognise the need for their domestic transport policies to reflect the links to the rest of Europe; they have the objective to minimise regulation, but insist on their rights to protect the physical, environmental and cultural amenities.

Spain has a policy of relaxing the conditions on competing road and railway services, introducing more flexible licences (zonal, off-peak, special use, etc.), and encouraging autonomy of enterprises and self-regulation. Has this change in philosophy been reflected in services?

Lessons from Asia & Africa

Peter Rimmer's resource paper brings an up-to-date report on bus services in Thailand, Hong Kong and Singapore. Avishai Ceder brings first-hand information from the Middle East, and Lida Song and his colleagues' resource paper reports on China.

The breadth of experience at the conference on Asia complements previous written material, for example the 1982 Roth & Wynne report to UMTA which covered the transit operations in Hong Kong, Kuala Lumpur, Bangkok, Manila, Calcutta, Istanbul and Singapore. Similarly, Ushio Chujoh's recent paper (1989) updates the situation in most ASEAN cities, concluding with the comment that

"There is much to be learnt from the urban public transport of developing countries. The most important is the fact that an efficient transport system is basically built up spontaneously by consumer choice and competition."

Chujoh also says "Japan ... should refrain from forcing her inferior systems on developing countries"! Whilst the breakup and privatisation of JNR has been much discussed and expounded, without Chujoh's research (1985) there would be little reported on the ownership of Japanese bus services. (The situation is similar in France; high speed trains have a magnetic attraction!)

Roth & Wynne's UMTA report also described the objections of the franchised bus company in Nairobi, Kenya, to the matatu services. Presumably in the intervening years the situation has been resolved; can anyone report on the present status? And on the private bus operation in Khartoum, Sudan, established after years of unsatisfactory municipal operation.

Further south in Africa, Swaziland's 750,000 population is served by a public transport system "entirely in the hands of the private sector and (which) receives no subsidies" (Markman 1988). Although bus companies are regulated, permits are readily available, and there is competition on most routes, though some time slots are regulated.

Following a major policy review in the mid-1980s in the Republic of South Africa, a White Paper on National Transport Policy was released in 1987, followed by a five-part package of legislation removing regulation from freight transport and devolving responsibility for passenger transport to regional and local government (Kluever 1988). Privately provided inter-city bus & coach services have been encouraged and SATS has withdrawn many rail passenger services. Between 1982 and 1988 six municipal bus services were privatised (Forshaw & Freeman 1989).

Other Countries

From discussions with contacts developed as a result of South Australia's use of guided buses in a metropolitan corridor, I am impressed by some South American countries' achievements using buses, and the use of different bus types to serve different functions e.g. the 13,000 colectivos of Buenos Aires, Argentina which service 75% of public transport trips and 54% of all trips. Do they still do so profitably? Are there other South American experiences that are relevant to Workshop 1?

Returning close to home, neighbour New Zealand has plans for major reform of the road passenger transport industry (bus, coach, taxi) following similar changes to the road freight industry. "All route protection provisions for bus operators will be abolished and open competition will be allowed to exist between passenger operators (including taxis). In the future, subsidies will go to operators who have tendered for, and won, contracts to supply specific services in return for specific subsidies" (MoT 1988). However, there are some soft spots e.g. "Regional Councils will have the power to subsidise services without calling for tenders". Hopefully, some of our colleagues from across the Tasman can enlighten us as to progress towards implementation in New Zealand, and perhaps also explain how the provision of information is to be handled by the industry or government under the new regulatory regime.

The Agenda

The agenda for Workshop 1 is set by the contents of the resource papers already presented in the general session together with those to be presented today by Wayne Talley, Martin Higginson and Peter Rimmer.

I have queried the progress of specific developments in my summary review of the regulatory and organisational setting in some other countries, mainly requests to contributors to enlighten and update our knowledge of the situation elsewhere; but I would like to raise a few general questions - not for additional consideration, but to keep in mind as we review the resource papers:

1. What can we learn from the experience of competition and ownership in other countries? To what extent is it applicable elsewhere?
2. Can we apply experience of deregulation and privatisation of other modes to the bus and coach industries - from rail, trucking, aviation, communications etc.?
3. What residual controls exist following privatisation or deregulation? How is rider safety determined and enforced?
4. Who are the winners and losers in a particular country or operation? Are there geographic, institutional or modal variations?
5. Can we learn anything from Eastern Europe, a region not covered, even in my summary review?

6. Have the changes in ownership and competition contributed to the debate on returns to scale in the bus and coach industries?
7. In a privatised deregulated environment, who fosters and funds research and development programs? Who funds the provision of infrastructure? Is there any coordination of services?
8. How do we ensure adequate information to the users in a deregulated environment? What tangible progress can be reported in the provision of readily accessible information to users in frequently changing situations?
9. To whom can users turn when the level of services offered are less than adequate?

In summary, the aim of the Conference and this Workshop session is to identify and disseminate practice that is both transferable and beneficial. To do so, we should also describe the things not to do, so the pitfalls can be avoided by others, or at least recognised when the same mistakes are made as the wheel is reinvented!

D.S.

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