

Report on Workshop 1: Competition Policy

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Introduction

Workshop 1 was concerned with the development and experience with competitive policies in the passenger transport (principally urban) sector world-wide. Six papers were presented covering a wide range of issues and covering experience in five continents.

Table 1 provides an overview of the papers presented. While all could be described as relating in some way to competition policy, they were a varied selection. Paper 1 (Donald Davis) provided an historic perspective on the development of urban transport regulation in Canada. Paper 2 (Stewart Joy) and Paper 3 (Ian Wallis) described experience with passenger transport (principally bus) regulatory reform in Zimbabwe, India, and New Zealand. Paper 4 (Bengt Finnveden) covered the Swedish experience with taxi deregulation. Paper 5 (Paul Truelove) was concerned with issues relating to regulatory reform and the introduction of competition on the British Rail network. Paper 6 (Patrick Bonnel) examined urban transport policies in selected West European cities.

Summary of Papers

Paper 1 (Donald Davis) described and appraised the developments in passenger transport services and their regulation in Canadian cities over the 25 years to 1939. It described the rise of private sector jitneys (shared-ride taxis with fixed or variable routes) in competition with the conventional (streetcar) services provided by municipal operators; the effects of this competition on the conventional services; and the response to this competition by the regulatory authorities (involving safety regulations, operating restrictions, and, in some cases, outright bans).

The regulatory response succeeded in restoring the public sector monopoly and retarding technological change and innovation. However, it did hasten the introduction of motor buses to supplement the streetcars. Overall, it was concluded that the restrictions and bans on the jitney services were not in the public interest.

Paper 2 (Stewart Joy) addressed approaches by which the benefits of contestability can be introduced in the urban bus market, while avoiding some of the undesirable effects of completely deregulated policies (i.e., involving free entry and market determination of fares and services). These undesirable effects may include an over-supply of services at high fares, excessive traffic volumes in congested areas, and lack of service coordination integration.

The paper focused on experience in two developing cities — Harare (Zimbabwe) and Dehli (India). In Harare, the maintenance of an unsubsidized urban bus service was being challenged by the operation of illegal "emergency taxis," which obviously fill a market need. The bus franchisee's competitive response to the "emergency taxis," through competing premium-fare mini-buses, is itself a threat to the viability of the regular bus services.

In Dehli, the bus regulator has embarked on a change that will have the effect — often sought in theoretical analyses — of letting loose a large number of single-owner buses to compete on an established

Table 1

Workshop 1: Overview of Papers					
Author	Affiliation	Title of Paper	Countries Covered	Subject Matter	
Donald Davis	University of Ottawa (Canada)	Regulation, Monopoly, and Competition in Canadian Urban Transit: 1914 - 1939	Canada	Historical perspective on developments in urban transport in Canada.	
Stewart Joy	Stewart Joy Associates, Melbourne (Australia)	Problems of Retaining the Benefits of Regulated Bus Services with Competitive Entry	Zimbabwe, India	Case studies in two developing cities (Harare and Delhi), where alternative to totally unregulated bus competition are being applied with the aim of avoiding some of the problems of fully-deregulated policies.	
Ian Wallis	Travers Morgan (NZ) Ltd. (New Zealand)	Local Transport Deregulation New Zealand Style: Experience to Date	New Zealand	Description and appraisal of the first two years of managed deregulation of the urban transport system in New Zealand.	
Bengt Finnveden	Ministry of Transport and Communications (Sweden)	Taxi Deregulation in Sweden	Sweden	The nature and impacts of the deregulation of the Swedish taxi industry in July 1990.	
Paul Truelove	Aston University, Birmingham (UK)	Open Access versus Exclusive Franchise: Problems of Introducing Private Sector Competition on to Rail Systems Operating both Intercity and Local Services	United Kingdom	A case study for the Birmingham area of the implications and difficulties of operating exclusive franchises in the metropolitan parts of the British Rail network when shared use of assets is involved.	
Patrick Bonnel	Laboratory of Transport Economics	Comparison of Urban Trip Policy in Europe	W. Europe	Comparison of urban transport policies adapted in selected cities in France, Switzerland, Spain, Italy, and Norway.	

theoretical analyses — of letting loose a large number of single-owner buses to compete on an established operator's routes but under an imposed maximum fare. This follows an earlier Calcutta example but with a more formal entry procedure.

The two cities provide examples of situations where the government is attempting to have the advantages of a formally-organized, schedule service bus network available to low-fare riders (including students and concession riders in Dehli), while providing other riders with the benefits of high frequencies and less heavily-loaded vehicles. While, in both cases, the establishment of contestability has brought significant user benefits, this is at the risk of diminution of service for particular user groups. Meeting the goal of maintaining service for all present users will require the re-imposition of some regulatory structures.

In each case, the successful maintenance of the dual system, with the implicit guarantee of all-day service from the primary operator, depends upon either strict control of the competitors' output or subsidy for the primary operator.

Paper 3 (Ian Wallis) described the regulatory reforms introduced for local passenger transport services in New Zealand in 1991 and summarized the effects to date of the reforms on services and fares, on operator efficiency and on employees, and on subsidy levels. The "managed deregulation" system that has emerged in New Zealand is something of a hybrid between the more "pure" deregulation introduced in the UK (outside London) and the publicly-controlled route contracting system operating in London (and various other countries).

The main effects of the regulatory reform were identified as major efficiency improvements by public operators (now corporatized); little change in overall fares or service levels; some adverse effects on patronage, particularly in the initial months; and substantial reductions in public subsidy requirements. There has been limited service innovation, a low level of fleet renewal, and some adverse effects on service quality.

The main issues still not satisfactorily resolved under the new system were noted as: (1) Need to encourage service development and innovation by operators and/or regulatory authorities; (2) Dangers that insufficient competition will lead to establishment of local monopolies thus pushing up contract prices; (3) Need to encourage greater investment in the industry principally for bus fleet renewal; (4) The maintenance of service quality and service stability in the competitive environment so as to encourage patronage; and (5) Difficulties of applying proper competitive pressures to ensure efficiency in provision of rail services, where there is a monopoly of these services.

Paper 4 (Bengt Finnveden) describes the "deregulation" of the Swedish taxi industry in 1991 and commented on the lessons learned and the subsequent regulatory modifications. The 1991 "deregulation" essentially involved the abolition of quantity licensing but with increased stringency of quality licensing.

The main impacts of reform were: (1) Increase in the taxi supply and service levels particularly in the main urban areas; (2) Reductions in driver wages and increases in working hours; (3) Emergence of a range of fares and vehicle standards but with little change in fares on average; and (4) Increases in taxi usage.

The reforms have been generally adjudged as very successful. While the quality regulations were fine-tuned in early 1993, there has been no serious suggestions of reverting back to the previous quantity licensing system.

Paper 5 (Paul Truelove) was concerned with the problems of introducing private sector competition in rail systems with specific reference to proposals for British Rail. It first addressed the issue of whether

"open access" was achievable in practice or whether exclusive franchise arrangements are needed. It then examined how exclusive franchises could be managed in practice when different franchises need to share the use of assets.

The paper focused on Birmingham to show some of the problems involved. It described the proposals to relocate intercity services from the present station (Birmingham New Street) to a new station (Birmingham Heartlands) and to change track networks in inner Birmingham to accommodate this. One of the main objectives of this proposal is to effectively separate the local and intercity services and thus allow the different franchises to be more independent.

The main conclusions of this paper were: (1) The ideas behind the privatization of British Rail were based on the principles followed in the bus industry, but there were much greater difficulties in the case of rail because of the high component of infrastructure and other capital assets; (2) Major problems were being encountered in practice with the "open access" approach — potential bidders have shown little interest, because they would be unable to control some of the major inputs to the service; (3) The separation of track infrastructure and signalling from train operations leads to many difficulties in practice; (4) Even with exclusive franchises, many problems arise relating to joint use of track, stations, etc. — to overcome such problems, elaborate management systems and/or substantial capital investments are required.

Paper 6 (Patrick Bonnel) compared urban transport policies adopted in selected Western European cities in France, Switzerland, Spain, Italy, and Norway. It examined the associations between the policies adopted in each city and the travel patterns and modal shares. It involved cross-sectional analyses only; no rigorous analysis of cause and effect, therefore, was possible, and any conclusions need to be drawn with caution.

The main conclusions from the paper in terms of urban transport policies were: (1) Successful urban transport policies need to embrace a comprehensive and consistent package of measures covering all transport modes; (2) Successful policies also require political will and appropriate public funding; (3) Traffic constraint policies require public and political consensus; (4) Development of the public transport system is necessary but not sufficient to influence modal split; (5) It is feasible to reduce inner area car travel without complete car bans (e.g., through traffic calming, traffic cells, etc.); (6) Parking policies are an efficient means of restraining traffic; (7) Road pricing is useful as a financing source (e.g., Oslo) as well as a traffic restraint measure.

Conclusions

The workshop involved a very wide selection of papers, some of which were only loosely related to competition policy. This factor, together with the varied background of the participants, meant that the workshop spent more time in discussing a wide range of issues related to the papers than in drawing general conclusions to competition policy.

The following important general issues of competition policy were addressed by the workshop, and in some cases, conclusions were reached:

The prime importance of contestability in influencing the efficiency and effectiveness of service delivery.

Ownership issues and the appropriate role for governments in passenger transport. Historically, governments have been heavily involved in the provision of services, because private companies went broke (or were taken over) and, in the cases of major systems (e.g., metro lines), were too big to fund

privately. However, it was concluded that direct service provision by governments is rarely appropriate. The role of governments should be to decide on broad service requirements, to set and monitor quality standards (safety, etc.), and to determine the best and most efficient means of service delivery; services themselves should be provided by other (private) parties.

The situations in which full (quantity) deregulation may be appropriate and those in which it may be either impractical or undesirable. Railways (with particular reference to British Rail) were noted as a case where there are severe practical constraints on the extent to which deregulation can sensibly be achieved.

In cases where full (quantity) deregulation is undesirable, how might the undesirable side-effects be reduced by a degree of additional regulation, and what sorts of additional regulation might be appropriate in which situations? This is a topic that is central to the debate on the approach to regulatory reform in many countries. However, the workshop was able to make little progress on resolving the questions, and much work is still needed.

