

RECENT EVOLUTION IN THE BUS AND COACH INDUSTRY AND ITS ECONOMIC FUNDAMENTALS

Stephen Lucas, Chairman, Bus Industry Confederation, Australia

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RECENT HISTORY

Over the last decade there have been many changes at the operational level but glacier-like movement towards a more strategic approach from government.

The obvious changes have been the privatisations of public monopolies in Melbourne, Perth and Adelaide. These changes have saved the State treasuries money and reduced the government's involvement in the operation of services, however the money saved has not generally been reinvested in the transport system, although in Adelaide and Perth there have been increases in service levels accounting for some of the savings.

There have not been any further privatisations and it is interesting to note that 5 of the 8 states and territories still have significant public monopolies in their capital cities.

At the operational level there has been investment by multinationals (Connex, Transdev and NEG) some of this has been spectacularly unsuccessful.

THE NATIONAL OUTLOOK

There is no national public transport strategy in Australia and States run their systems with little or no reference to the Federal Government. On their part, the Federal Government does not wish to become involved in PT, as they perceive funding issues as avoidable in the short term and support of PT to the detriment of the private car as a political negative (despite research that shows the opposite is true)

In the current political cycle (perhaps a federal election in 12 months time) there is the beginning of a fundamental change occurring with some federal politicians. This change is primarily about their perception of PT as a solution rather than a problem.

A catalyst for this change is BIC's focus on working with governments to identify what can be achieved, firstly within the constraints imposed by treasuries, but also longer term with a much larger PT budget. The principles we are espousing in our work are detailed in several documents (available on www.bic.asn.au).

The BIC Policy Statement

This clearly sets out Industry goals and unambiguously defines the path the Industry has chosen in order to meet those goals

The BIC response to the Fuel Tax Enquiry (Getting the price right)

This paper shows how unsustainable our current transport system is and puts some dollar numbers on external costs. It also implies how long the economic levers need to be in order to influence modal choice

In addition to those papers the first National Public Transport Summit was held in Canberra in March of this year.

The summit identified that

1. There is a national interest in PT
2. An institutional framework is key to engaging the national interest and pursuing action at a national level
3. There has been an alliance formed between UITP, The Bus Industry Confederation and the Australian Railway Association (The National Passenger Transport Alliance) and this alliance will develop strategies, an agenda and an organisational structure for action at the national level
4. Australia needs a non-modal national policy for PT and low-impact modes.
5. The federal government should initiate a small number of prioritised programs that make sense to implement nationally

These efforts are starting to focus attention on PT as a potential voter issue at the federal election, especially in outer urban areas where low incomes and poor PT services are the norm as well as in regional areas where social dislocation and access are becoming issues.

Up until now, where the federal govt has been involved (e.g. disability and environmental legislation) they have done so without becoming enmeshed in the mechanical or funding issues that their legislation created.

This will be difficult to maintain because there is now more of a focus on PT and other low-impact modes. There is also a realisation by the States that Federal involvement in strategy will assist them in the delivery of their services.

INSTITUTIONAL ARRANGEMENTS

There is little hope of effective PT reform without the involvement of all governments in support of strategy. After our National Public Transport Summit the PT Committee of the Standing Committee on Transport (SCOT) has been reconvened and it is via this body that Industry must influence the political and bureaucratic process.

As stated previously the States run their own race and, while they have broad strategy, there are few clear goals or targets (there are certainly no National PT goals). This makes it very difficult to establish tactics that meet the aims of the strategy. In any event it seems that the strategy in most cases is to maintain the status quo and keep the cost as low as possible

It is not as though the Federal Government does not spend any money on transport (or quasi PT). There are a variety of federal programs that fund travel for veterans, native Australians, the elderly and so on. The problem is that no one knows what these programs are achieving and whether they are an effective use of resources.

The National PT Alliance is committed to “selling” the advantages of a holistic approach to PT. In doing this it will certainly be pointing out the cost of doing nothing. Our big advantage is that doing nothing is not an option and we are the only effective solution to the rapidly growing costs associated with transport

A key linkage is the link between the cost of the user’s transport choice and the amount the user contributes to meeting that cost. When you add that to low and/or poor infrastructure investment it is not surprising that PT struggles to grow its share of the market.

The State PT strategies tend to be broad statements of purpose with generalised goal statements i.e. “make a positive change to people’s travel behaviour”. There is nothing wrong with this as long as targets and tactics back it up. That does not generally occur.

Ad hoc infrastructure investment is the direct result of not having a clear strategic approach. Two recent examples of transport projects not based on sound strategy are:

The Liverpool to Parramatta busway where the operations have been let to the public operator. Apart from the concern that this has caused the private operators (who thought they would get the job because they were cheaper) the performance of this busway has been abysmal. In essence it doesn’t go where people wish to go and is not easy to access – it is hard to escape the conclusion that the reason this busway exists has nothing to do with PT

The Airtrain from Brisbane to the airport is arguably the least patronised rail service in the world and this public/private partnership is going to cost someone a lot of money that could

have been much better spent. Although money spent on long term infrastructure like this should be supported, and even this project may, in the long term, be successful.

These failures do a huge amount of damage to the PT cause. Politicians love to cut ribbons but remember very clearly their involvement in any unsuccessful projects.

Pricing

Treasuries dominate political decision making in Australia. That is not going to change soon. Defence and Security are priorities at the federal level and Health and Education at the state level. In order to fund the service and infrastructure upgrades needed to improve sustainability transport needs money. The sensible way for this to happen is better pricing via fuel taxation in the first instance moving to externality charging including congestion charging in the big cities.

The argument that people should pay for the costs of their transport choice is compelling but political suicide without good PT services. That will be the challenge we face in moving to a more transparent fuel tax regime. I believe that as long as the funds raised are spent on PT then it will be palatable to the electorate

Systems at the Operational Level

A great deal of money and effort is expended making sure that services are run as “cheaply” as possible. Contractual arrangements are usually draconian in favour of the regulator and are conducive to operators (public and private) doing what they can to minimise service and maximise revenue. This has to change.

It is interesting to note that while we have gross, nett and 2-part tariff type contracts in Australia the cost of providing the services doesn't differ a lot between the private operators regardless of the type of contract. The public providers are more expensive (for the usual labour related reasons) but their costs are reasonable compared to the “old public monopoly” costs.

This focus on cost-minimisation is misplaced or at least over emphasised by government. Where we are failing is in the lack of coherent strategy and in the relationship between the regulator and the operator.

One of the challenges facing the National Public Transport Alliance is how to gain acceptance of a holistic approach to PT contracts and service delivery that will reinforce the goals of the (yet to be formulated) National PT Strategy.

One thing is clear, the state regulators do not have the capacity to achieve a result on their own and neither does the Industry, therefore a co-operative approach must be taken. This spells the end of the Master/Servant approach that is endemic in Australia

WAY FORWARD

PT reform must start at the top. Our Federal Government must take the lead in setting the strategies needed to attain a sustainable transport system.

Despite their natural aversion to becoming involved in an area dominated by the States some federal politicians are beginning to understand the advantages that PT offers both politically and economically.

This is being reinforced by a shift in community attitudes. This shift is occurring because of social and economic isolation allied with a perception that travel choice should not be a luxury only afforded to those living in capital cities.

Pricing reform is a key to enabling governments to force the modal shift necessary.

Contractual arrangements between operator and regulator are less important than a good relationship with shared goals backed up by a strategic approach from government.

A performance-based approach will deliver the result required as long as it reflects the goals set in the strategy