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COMPETITION AND OWNERSHIP IN LAND PASSENGER TRANSPORT

Selected Refereed Papers from the 8th International Conference (Thredbo 8), Rio de Janeiro, September 2003

Edited by

DAVID A. HENSHER

Executive chair and Co-Founder
The Thredbo Series and
Institute of Transport Studies
The University of Sydney

2005

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San Diego – San Francisco – Singapore – Sydney – Tokyo
Dedicated to the memory of Professor Michael E. Beesley, 3 July 1924 – 24 September 1999

Co-founder of the Thredbo Series
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FOREWORD

The International Conference Series on Competition and Ownership in Land Passenger Transport (known as the Thredbo Series) has been held biannually since the first conference in Thredbo, Australia, 1989. Thredbo 2 through to 8 have been held in Tampere, Finland, 1991; Toronto, Canada, 1993; Rotorua, New Zealand, 1995; Leeds, UK 1997; Cape Town, South Africa, 1999; Molde, Norway, 2001; and Rio de Janerio, Brazil in 2003. Papers from the Thredbo 6 and 7 conferences (Cape Town and Molde) are on the Institute of Transport Studies (Sydney) web site (http://www.its.usyd.edu.au) under the Thredbo icon. In the past we have published the Workshop reports in Transport Reviews but for Thredbo 8 they are published herein.

Established in 1989 by Professor David Hensher and the late Professor Michael Beesley CBE, the series has attracted high quality participation and delivered a large portfolio of impressive material synthesising developments not only from developed economies but increasingly from developing economies.

The objective of the conference series is to provide an international forum to examine competition and ownership issues in public transport, reporting on recent research and experience and developing conclusions on key themes. The focus is on determining the effects of different forms of competition, ownership and organisation for land-based passenger transport on operators, users, governments / funders and society as a whole. Directed to a broad audience of policy makers, planners, infrastructure and service operators, consultants, researchers, academics and students, these conferences are recognised as the

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1 The first six conferences are documented in the sources listed below:
Thredbo 1 (Australia): Special Issue of Transportation Planning and Technology, 15, Nos 2-4, 1991.
Thredbo 7 (Norway): The Sixth International Conference on Competition and Ownership in Land Passenger Transport. Transport Reviews, 22(3), 335–370.
premier international forum dedicated to the analysis and debate of competition and ownership issues in land passenger transport.

The conference typically features plenary sessions over four days and a series of intensive workshops based around keynote papers and a series of resource papers providing a range of international perspectives. There is a strong emphasis on what policy lessons can be learnt from recent experience internationally and what issues warrant further investigation.

The 8th Conference was hosted by The Transport Engineering Programme of the Federal University of Rio de Janeiro and convened in September 2003, in Rio de Janeiro. We especially thank the Chairs of the local organising committee, Prof. Rômulo Dante Orrico Filho—Federal University of Rio de Janeiro, Prof. Joaquim José Guilherme de Aragão—University of Brasília and Prof. Emílson Medeiros dos Santos—Federal University of Rio Grande do Norte. Their efforts made the 8th conference a great success.

Leading up to the 8th Conference, the international steering committee decided it was time to expose the intellectual and policy contributions that have characterized the Thredbo series over the last 15 years. This book is the first of what we plan as an ongoing series to share the international influence of the papers, deliberations and workshop reports from the series.

The support of many individuals who have hosted the Thredbo conferences since 1989 has made this series what it is. I am indebted to Joaquim José Guilherme de Aragão, Helen Battellino, Wendell Cox, Olav Hauge, Fiona Knight, Rosario Macario, Chris Nash, Rômulo Dante Orrico, Jonathan Preston, Anti Talvitie, and Jackie Walters. In addition, Ken Gwilliam, Gordon Mills, Didier van de Velde and Ian Wallis who have been active contributors from the outset. Finally, a special thanks to Ruth Steel and Louise Knowles for their support in preparing this volume.

David A. Hensher
Sydney, November 2004

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2 Other members of the local organising committee are Prof. Carlos Alceu Rodrigues (Military Engineering Institute), Prof. Ronaldo Balassiano (Federal University of Rio de Janeiro), Prof. Hostflio Raimon Neto (Federal University of Rio de Janeiro), Prof. Antônio Brasileiro (Federal University of Pernambuco) and Mr. William Alberto de Aquino Pereira (National Association for Public Transport).

3 The International Thredbo Committee is: Prof. David Hensher (University of Sydney, Australia (Chair)), Prof. Ken Gwilliam (previously World Bank, USA, current ITS Leeds); Prof. Chris Nash (University of Leeds, UK); Dr. John Preston (University of Oxford, UK), and Mr. Wendell Cox (Wendell Cox Consultancy, USA).

4 All papers have been peer reviewed by at least two reviewers.
PROFESSOR MICHAEL E. BEESLEY, CBE

3 July 1924 - 24 September 1999

Prepared by David A. Hensher

Professor Michael Beesley, one of the transport’s most illustrious and influential academics passed away on 24 September 1999. He will be much missed.

Commencing his academic career as a lecturer in Commerce at Birmingham University, then Reader in Economics at the London School of Economics, he became the UK Department of Transport’s Chief Economist for a spell in the 1960s. Michael Beesley was a founding Professor of Economics at the London Business School and subsequently Emeritus. His main teaching interest was the contribution of economics to developing organisations’ strategy. He started the Small Business Unit and was Director of the PhD programme from 1985-1989 at the London Business School.

His widely known work in transport economics has had a major impact on the literature and the way we think of the transport task. He advised the UK Government on approaches to deregulation of buses in 1984-5. Among his numerous academic and other publications have been many dealing with the question of evaluating Government policies for industries in which the public interest is a major concern. His work at the London Business School centred on the implications for management in, and the management by the Government of organisations receiving public financial support, and issues of deregulation and privatisation in telecoms, transport, water and electricity. He became Economic Adviser to the UK electricity regulator, OFFER, immediately the office was established in 1989. This involved him in addressing a wide range of competition policy and economic efficiency issues. In September 1994, Michael was appointed Economic Adviser to OFGAS (the UK Office of Gas Supply).

He was Managing Editor of the Journal of Transport Economics and Policy from 1975 to 1987; and was on the editorial board member of that Journal and of several other academic journals up to his passing.


Michael was a market economist to the limit, arguing that many economists and those not fully acquainted with the subtleties of markets failed to understand the dynamics of
competition, relying heavily on the existence of stable equilibrium in the search for solutions to efficient markets. While not denying the importance of equilibrium, Michael saw it as nothing more than a moving feast that never exists but which can usefully reinforce the notion of competitive dynamics in which we strive for an efficiency outcome based on some neoclassical principles of static efficiency. Michael also had a great deal of concern about competitive regulation (e.g., tendering) as a way of securing the real benefits of efficient markets (as best illustrated by the debate between Beesley-Glaister and Gwilliam-Mackie-Nash in Transport Reviews (1985)). Beesley and Glaister argued from theory for economic deregulation in contrast to competitive tendering for the provision of local scheduled bus services (Michael’s influence came through in the early drafts of the Bus Act in Britain in 1986—I was privileged to see the first draft that he penned before the government advisers got to it).

The obituaries in the press in Britain by Stephen Littlechild, Harold Rose, Christopher Foster and David Currie speak volumes of Michael’s contributions: ‘the most influential industrial economist of his generation in the field of transport and public utility policy’, ‘he was the intellectual architect of the privatisation, competition, and deregulation of the utility industries in the 1980s’, ‘in 1983 he published with Stephen Littlechild the principles for RPI-X (price cap) regulation, which became the fundamental tenet of the UK regulatory model’, and ‘many informed commentators see Michael Beesley as the grandfather of the British model of regulation’.

REFERENCES


INTRODUCTION

David A. Hensher
The University of Sydney

The aim of this book is to bring together in one volume a selection of the best papers presented at the 8th International Conference series on Competition and Ownership of Land Passenger Transport (known as the Thredbo Series), including the workshop reports.

The first conference in this series was initiated by Professors Michael Beesley and David Hensher and was held in Thredbo, New South Wales, Australia in May 1989. The key papers were published in a special edition of Transportation Planning and Technology (Hensher et al., 1991). This conference focused on bus and coach services. The policy background was dominated by the research emerging from the deregulation of local bus services in Great Britain outside London in 1986 (competition-in-the-market) and the experiments with competitive tendering (competition-for-the-market) in London and a number of US cities. Some of the major themes that emerged from the conference were:

1. The need to break the nexus between services and subsidy.
2. The assessment of cost savings associated with different forms of market arbitration.
3. The role of the minibus as a major technological enhancement.
4. The role of competitive contracting and the need for an open book approach.
5. The importance of travel cards and other intermodal ticketing.
6. The role of performance and productivity measurement.

The second conference in the series was held at Tampere, Finland in June 1991 with the proceedings published by Viatek (Beesley et al., 1992). The euphemism 'competition and ownership' in the conference title was replaced by 'deregulation and privatisation', but a more significant, and longer lasting, change was that 'bus and coach' was replaced by 'passenger transport'. Rail systems were considered for the first time, as was road pricing and investment, whilst the conference also had a temporary dalliance with airlines. Competition policy (anti-trust to Americans) emerged as an issue and had its own workshop, whilst externalities were considered—not just congestion, but also safety, use and non-use values, the environment and impacts of urban form and life styles. Of the seven themes that summed up the second conference, two and a half were continuations of the first conference's themes.
The discussions on the role of market and alternative forms of intervention and on the progress in contracting and tendering were a continuation, as was the discussion of new approaches to encourage competitive efficiency, at least in terms of the functional separation of intermodal ticketing. Other new approaches discussed included property development and value capture, allocations of land/zoning and the privatisation of planning. The other four themes were new to the conference:

1. The need to determine the proper role for pro-competition agencies.
2. The need to establish a framework for modal rivalry.
3. The need to promote the political acceptability of reform agendas.
4. The need to establish better theories of technique and planning practice.

The third conference was held in Toronto, Canada in September 1993, with the proceedings published by the Ontario Motor Coach Association (Love, 1994). The conference's coverage of surface passenger transport embraced for the first time taxi, light rail and guided bus. The conference's familiar themes of the impact of competition and competition policy and of competitive tendering continued to be explored. An important contribution was provided by the workshop on infrastructure policy for roads and railways where detailed recommendations were made concerning the stages in implementing an infrastructure program and concerning the maintenance of, operation of and access to infrastructure. The role of economic regulation, must notably price capping and licence conditions, was also assessed.

The fourth conference was held in July 1995 at Rotorua, New Zealand. The full proceedings were produced by Transit New Zealand (1995), whilst summaries of the conference and its workshop reports were published in Transport Reviews (Hensher and Knight, 1996). The policy backdrop for the conference was the liberalisation of the New Zealand economy. This resulted in the Transport Law Reform Act of 1989, which (in 1991) deregulated bus and coach services, and the privatisation of New Zealand Rail in 1993. Three of the five workshops examined the now familiar themes of competitive models and impacts; regulatory reform and transport policy development; and international experiences in competitive operations. The rail sector had its own workshop as did user requirements.

The fourth conference detected an overemphasis on cost-minimisation ('doing the thing right') at the expense of user requirements ('doing the right thing'). Improved understanding of the relationships between contract duration and incentives appeared to offer a prospect of being able 'to do the right thing right'. Other themes that emerged were the need to ensure quality and transparency of data (assessment of the New Zealand reforms appeared to be hampered by lack of data), to determine efficient transport prices (and in particular determine the role for congestion pricing and complementary non-pricing actions) and to determine the appropriate relationship between infrastructure owners and operators (and especially access and pricing mechanisms).

The fifth conference in the series, held in the United Kingdom, was organised against the policy backdrop of the election of the new Labour Government in Britain with commitments to increasing regulation of the bus and rail sectors, and the European Commission's Green Papers on the Citizen's Network and Fair and Efficient Pricing. The principal interest
remained in land-based public transport, particularly bus and rail transport, but with interest also in the interaction between public transport and private road-based passenger transport.

An important statement at the conference was that competitive forms adopted by different countries will depend on and be tailored to national or regional administrative or entrepreneurial capabilities, as well as to initial market conditions. Discussions focused on the various forms of competition for-the-market by making a distinction between strategic, tactical and operational functions, now known more widely as the STO framework. No consensus could be reached on an optimal form of contract specification. The idea of quality partnerships became a priority theme, as a practical means of low-level regulation as well as incentives that are considered necessary to achieve outcomes that are consistent with the broader goals of transport policy. The workshop reports were published in *Transport Reviews* (see Preston and Nash, 1998).

**The sixth conference** held in Cape Town, South Africa provided an international platform to discuss passenger transport competition and ownership issues. As South Africa is in the process of implementing a new policy on competition and ownership in public transport, and has advanced far in this process, especially in terms of bus transport, many of the discussions centred on international experiences and the lessons South Africa could learn from such experiences. The focus was on five main themes:

1. Competition in public transport with the aim to provide an assessment of developments and trends in tendering and competition in public transport. Different organisational models for land based passenger transport were reviewed under three broad models: free competition with residual regulation—the British model; public ownership and regulation, and a set of models based on competitive tendering. Three variants were identified of the third model; firstly the Scandinavian model pertaining to ferries in Norway, bus and rail systems in Sweden, and less obviously, to bus in certain cities in the United States. Secondly, the French model of management contracts and thirdly hybrid models in which quality as well as price was taken into account. The latter models are being considered by the European Commission, Italy and South Africa.

2. Funding of public transport and infrastructure differentiated between funding and financing to avoid ambiguities. A workshop considered whether and how government funding might be associated with pre-determined outcomes as well as the sourcing of government and other funding.

3. User needs and impact on public transport focusing on the theme of quality in public transport. A workshop considered how international experiences of performance of public transport (and its monitoring) could be used to the benefit of specific countries. The complexity of informal transport service delivery and risks in formalising it to such an extent that its contribution is minimised, if not eliminated, were discussed. Recommendations were proposed pertaining to user needs, quality partnerships, diversity of basic needs, and development of guidelines on how service quality should be measured.
4. Management of public transport systems. The key themes that emerged dealt with the regulatory reform process, the institutional response to the regulatory reform process and performance evaluation in terms of the public transport system response to these processes. A workshop concluded by stating that public transport is operating in an environment of constant change and that transport management has, out of necessity, to be on the boundary of continual and dynamic change—challenging the existing and entrenched views and the stimulation to move along the constructive spiral of change.

5. Ownership and organisation of public transport and infrastructure dealt with, amongst others, the developing and transitional economies, 'economic empowerment' in the transport reform processes, the relationship between quality and regulatory reforms as well as rail reform initiatives in Western Europe, South Africa and China.

The seventh conference held in Molde, Norway, provided a forum for review of the latest developments in the provision of land-based public transport. The main themes were:

1. Competitive tendering of public transport
2. Competition and regulation of public transport
3. Ownership and organisation of public transport services
4. Funding of public transport and infrastructure
5. Management of public transport systems

The Eighth conference held September 2003 in Rio de Janeiro Brazil, provided the latest forum with the workshop reports plenary papers and selected papers presented in the ensuing chapters. The themes were:

1. Performance based contracts
2. Competition and regulation
3. Regulatory and planning tools
4. Institutional frameworks
5. Funding issues
6. Service quality
7. Performance measure and data
8. Regulation and management in thin markets

This book is structured in line with the eight themes of Thredbo 8. The 8th conference identified 8 themes to be carried into Thredbo 9 (to be held in Lisbon, Portugal) in September 2005:

1. Innovation in public transport (PT)
2. Monitoring and auditing—experience and progress.
3. Design of auto-competitive public transport.
4. Creating and maintaining trusting partnerships.
5. The informal sector—what we can learn and how to preserve its pluses while eliminating its negatives.
6. Contract design and implementation issues (including what incentives do and do not work).
Introduction

8. Personality, champions and leaders.

The following chapters provide a current assessment of the state of the art and practice of institutional reform in the land passenger transport sector throughout many countries in the developed and developing world. The chapters recognise the diverse geographic, cultural, political and economic contexts within which reform occurs, and the often slow pace of change in many countries where negotiation and decision making is overlaid by the broader agendas of governments.

REFERENCES


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THE ROAD TO RIO: A BRIEF HISTORY OF THE INTERNATIONAL CONFERENCES ON COMPETITION AND OWNERSHIP IN LAND PASSENGER TRANSPORT

John Preston
Transport Studies Unit, University of Oxford.

1. INTRODUCTION

The aim of this paper is to set the scene for the Eighth International Conference on Competition and Ownership. This is done by reviewing the past seven conferences in this series. In so doing, we will build upon an earlier paper prepared for the Fifth Conference (Preston and Nash, 1997). We will also draw upon the workshop reports that since the Fourth Conference onwards have appeared in the journal Transport Reviews (full citations given below). It should be noted that papers from the Sixth and Seventh Conferences, along with a discussion page, are available on-line at: http://www.its.usyd.edu.au/conferences/thredbo/thredbo_main.asp.

We will then suggest some unifying (or indeed dis-unifying) themes that might stimulate discussion at this conference before drawing some conclusions about the impact of the Conference series.

2. THE PAST

Details of the previous seven conferences are summarised by Tables 1 and 2, along with a provisional outline of this conference. Each conference will be described in turn.
### Table 1. Summary of Previous Conferences 1989–1995

<table>
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<td>Privatisation &amp; Deregulation in Passenger Transportation</td>
<td>Competition and Ownership in Surface Passenger Transport</td>
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<td>The Bidding Process</td>
<td>Externalities: Public Interest &amp; Private Gain</td>
<td>Infrastructure Policy for Roads &amp; Railways</td>
<td>Rail Sector Issues</td>
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<td>Operator and Organisational Issues</td>
<td>Management, Institutional structures, the TPP and the Future of PT</td>
<td>Planning and Analysis</td>
<td>Regulatory Reform &amp; Transport Policy Development</td>
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TPP = Transport Planning Process  
PT = Public Transport
Table 2. Summary of Conferences 1997–2003

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<td>Competition Policy: A New Area</td>
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PT = Public Transport * Provisional: Excludes Plenary Papers

2.1 Thredbo #1

The first conference in this series was instigated by the late Michael Beesley and by David Hensher and held in Thredbo, New South Wales, Australia in May 1989, with the key papers being published in a special edition of *Transportation Planning and Technology* (see, for example, Hensher, Battelino and Beesley, 1991). This conference focused on bus and coach services. The policy background was dominated by the research emerging from the deregulation of local bus services in Great Britain outside London in 1986 (competition-in-the-market) and the experiments with competitive tendering (competition-for-the-market) in London and a number of US cities. The local context was provided by the findings that Australian private bus operators had lower costs than public operators (Hensher, 1987) and the return of a Liberal government in New South Wales minded towards reform of the bus and coach industry. Some of the major themes that emerged from the conference were:

1. **The need to break the nexus between services and subsidy.** In particular, the need to move from blanket to targeted subsidies was recognised, as was the need to define the
initiating responsibilities for commercial and social services. An ongoing debate was instigated about the extent to which deregulation and decreasing subsidies are separate policies or are inextricably linked policies. It has been argued, by Michael Beesley and Stephen Glaister amongst others, that the main driving force of the reforms to the British bus industry in the 1980s was to drive down subsidy, although this was a policy that dare not, at the time, speak its name. If decreasing subsidy was taken into account, deregulation was arguably a success. Evidence for this can be found from an unlikely source (Mackie, Preston and Nash, 1995). However, competition-in-the-market is only a success if compared to the regulated regime, which few would now defend (although of course many did so at the time). If compared to the competition-for-the-market of the London model, the results of the British bus deregulation experiment look less promising, although here too there is plenty of scope for the counterfactual. Experience with British Rail privatisation in the 1990s provides a new twist to the story. Here, reform has been accompanied by rising subsidies, at least in the short and long term, although with some medium term reductions. Revenue support to operators broadly doubled between 1993/4 and 1994/5 then slightly more than halved between 1994/5 and 2001/2 only to start rising again, whilst the infrastructure authority (Network Rail) is now also receiving substantial financial assistance.

2. The assessment of cost savings associated with different forms of market arbitration. Thredbo #1 concluded that savings of 25%-30% were possible, although subsequent conferences (most notably Thredbo #4) have expressed concern that this may be at the expense of quality. Moreover, British experience suggests that there may be a possibility of costs being reduced too much with implications for service delivery and quality and inevitable subsequent upwards pressure on costs. For example, in Great Britain outside London real costs per bus kilometre declined by 47% between 1985-6 to 1996-7 but subsequently stabilised and are now increasing.

3. The role of the minibus as a major technological enhancement. At Thredbo #1 there was some excitement at the way that minibuses were reviving the bus industry in towns such as Exeter and Oxford (Blundred, 1991). The minibus revolution in Britain appears to be now over. Total registrations of vehicles with 9-16 seats peaked in 1993-4, with minibuses in local service probably peaking before this date. This may be because minibuses were a victim of their own success. The registration of larger minibuses (17-35 seats) continues to increase. High hopes have been placed on the impact of deregulation on dynamic efficiency and the added impetus to innovation. This needs to be re-assessed as the evidence in Britain and elsewhere is somewhat mixed.

4. The role of competitive contracting and the need for an open book approach. This has been one of the dominant themes of this conference series and at Thredbo #1 a number of recommendations were made including:
   - A two envelope process, with the first envelope a pre-qualification stage based on quality.
   - No (re-)negotiation of contracts.
   - For buses, a maximum contract length of five years.
   - A limitation on total market share of 25%.
• Full publication of bids.
• Tendering authority to be divorced from operators.
• Serious consideration of a non-governmental operated tendering authority.
• Level playing field in terms of financial status; no hidden subsidy or cross-subsidy.
• The need for performance bonds or bankers’ guarantees.
• The need for resolution procedures to resolve disputes, with arbitration only as a last resort.
• Detection of rogue bids.

5. Since 1989, there has been an undoubted growth in competition-for-the-market for public transport but it is also useful to reflect on how many of the recommendations of Thredbo #1 have now gained widespread acceptance.

6. The importance of travel cards and other interavailable ticketing. Thredbo #1 noted the establishment of third party agencies to deal with this issue, most notably in Tyne & Wear (UK), with the hope that this might be a way forward for preserving network benefits.

7. Performance and productivity measurement. A feature of Thredbo #1 was two technical workshops on costing and productivity. Thredbo #1 expressed some hopes that cost and productivity indicators could provide a surrogate form of competition in the market—referred to as competition by emulation or yardstick competition. Although this finding undoubtedly influenced policy (particularly in New South Wales), it seems that the benchmarking revolution has failed to come to pass, despite periodic outbreaks of support (e.g., from Yves Mathieu at Thredbo #6).

2.2 Tampere (Thredbo #2)

The second conference in this series was held in Tampere, Finland in June 1991 with the proceedings published by Viatek (see, for example, Beesley, Hensher and Talvitie (1992)). With typical Finnish forthrightness, the euphemism ‘competition and ownership’ was replaced by ‘deregulation and privatisation’, but a more significant change was that ‘bus and coach’ was replaced by ‘passenger transport’. Rail systems, particularly in Japan, were considered for the first time, as was road pricing and investment, whilst the conference also had a temporary dalliance with airlines. Competition policy (anti-trust to Americans) emerged as an issue and had its own workshop, whilst externalities were considered—not just congestion, but also safety, use and non-use values, the environment and impacts of urban form and life styles. The political backdrop of the conference was provided by the collapse of the Soviet bloc’s planned economy. There was much interest at the time in the prospects for the reform of the public transport industries of Central and Eastern Europe. This is an area that the conference series has not followed up as well as it might, perhaps because macro-economic changes in the former Soviet bloc have swamped micro-economic reforms. Further political backdrop was provided by Australasia where the 1990 New South Wales Passenger Transport Act was influenced by the thinking of Thredbo #1.
Of the seven themes that summed up Thredbo #2, two and a half were continuations of Thredbo #1's themes. The discussions on the role of the market and alternative forms of interventions and on the progress in contracting and tendering were a continuation of Thredbo #1, as was the discussion of new approaches to encourage competitive efficiency, at least in terms of the functional separation of intermodal ticketing. Other new approaches discussed included property development and value capture, allocations of land/zoning and the privatisation of planning. Ideas concerning tendering for specification (the architecture model) and tendering for planning provision were mooted. The other four themes were new to the conference:

- The need to determine the proper role for pro-competition agencies and in particular how to remove entry barriers and introduce credible penalties for misbehaviour.

- The need to establish a framework for modal rivalry and in particular to introduce road pricing and establish, using applied cost–benefit analysis, the appropriate total levels of public transport subsidy. The conference's interest in competition between modes was thus established.

- The need to promote the political acceptability of reform agendas—'economists are not good publicists' (Beesley, 1992).

- The need to establish better theories of technique and planning practice—to develop a theory of implementation.

2.3 Toronto (Thredbo #3)

The third conference in the series was held in Toronto (or more precisely Mississauga), Canada in September 1993, with the proceedings published by the Ontario Motor Coach Association (Love, 1994). The policy backdrop to the conference was a highly regulated Canadian surface passenger transport system, but with a commitment to reducing the subsidies to the main passenger rail operator, VIA. Radical changes to ownership and competition (we had returned to being coy again) were not envisaged. The conference's coverage of surface passenger transport embraced for the first time taxi, light rail and guided bus.

The conferences' familiar themes of the impact of competition and competition policy and of competitive tendering continued to be explored. An important contribution was provided by the workshop on infrastructure policy for roads and railways (Mills, 1993) where detailed recommendations were made concerning the initiation of an infrastructure program or proposal, assessment of that program or proposal, decision making, funding, contract conditions (cost risk, revenue risk, contract duration and extension etc.) and construction. The workshop also considered issues concerning the maintenance of, operation of and access
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2.4 Rotorua (Thredbo #4)

The fourth conference was held in Rotorua, New Zealand. The full proceedings were produced by Transit New Zealand (1995), whilst summaries of the conference were published in *Transport Reviews* (Hensher and Knight, 1996). The policy backdrop for the conference was the liberalisation of the New Zealand economy. This resulted in the Transport Law Reform Act of 1989 which (in 1991) deregulated bus and coach services, and the privatisation of New Zealand Rail in 1993. Three of the five workshops examined the now familiar themes of competitive models and impacts; regulatory reform and transport policy development; and international experiences in competitive operations. The rail sector had its own workshop as did user requirements.

Thredbo #4 detected an overemphasis on cost-minimisation ('doing the thing right') at the expense of user requirements ('doing the right thing'). Improved understanding of the relationships between contract duration and incentives appeared to offer a prospect of being able 'to do the right thing right' and hence provide genuine value for money. Other themes that appeared to emerge from Thredbo #4 were the need to determine efficient transport prices (and in particular to determine the role for congestion pricing and complementary non-pricing actions) and to determine the appropriate relationship between infrastructure owners and operators (and especially access and pricing mechanisms). Another theme (which would recur at later conferences) was the need to ensure quality and transparency of data. In particular, assessment of the New Zealand reforms appeared to be hampered by lack of data.

2.5 Leeds (Thredbo #5)

The fifth conference was held in Leeds, England, in May 1997 and reported in Preston et al. (1998). The policy backdrop to the Conference was the election of a New Labour government in Britain under the leadership of Tony Blair. Although New Labour remained committed to private ownership and competition, there appeared some prospect for radical change in transport policy, as manifested subsequently by the 1998 Integrated Transport White Paper and, to a lesser degree, Transport 2010: The Ten Year Plan for Transport. At the European level, important developments were the Citizens' Network Green Paper and the Fair and Efficient Pricing and the Revitalisation of the Railways White Papers. It is probably fair to say that policy developments since 1997 have been modest, at both the British and European levels and this may be something that will be picked up in this Conference.

The conference title was now firmly established as Competition and Ownership in Land Passenger Transport. The workshops covered familiar themes such as ownership and organisation; competition policy; and franchising and tendering. However, there were also workshops that made important links between infrastructure investment and pricing and with wider transport policy issues. Key themes that emerged included the role of Public Private Partnerships/Private Finance Initiatives, the scope for performance regulation, the role of
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Incentives in contracting out, the need to eliminate incentives for setting inefficient prices and investment levels and the environmental impacts of increased motorization. In particular, the conference appeared encouraged by the prospects for Quality Partnerships and light touch regulation.

The conference was also important for raising the profile of the application of the STO concept to public transport, an idea I associate with Didier van de Velde who in turn was drawing on the ideas of, for example, Antony (1988). Simplifying somewhat, this suggests the importance of three functional levels: the strategic (specification of objectives), the tactical (translating the objectives into service and fare specifications) and operational (the delivery of service). It was the contention of several speakers that previous conferences had over-focused on operational aspects and neglected tactical and strategic aspects.

2.6 Cape Town (Thredbo #6)

The sixth conference was held in Cape Town, South Africa, in September 1999 and is summarised in Walters et al. (2000). The policy background was the recent democratisation of South Africa (1994) and the smooth transition from the Mandela to the Mbeki presidency. For both transport specifically and broader policy more generally, the mantra seemed to be Moving South Africa Forward. As befits the host nation, greater emphasis than previous conferences was placed on developing countries. As well as South Africa, papers were presented from Argentina, Brazil, China, Indonesia, Kenya and Nigeria, thus reducing the Anglo-European focus of previous conferences. Discussions were as much about Kombivans and Matatas as buses and trains. Workshop sessions on tendering and competition and on ownership and regulation remained but other workshops concentrated on more practical issues of funding, user needs and system management.

Key themes included interest in hybrid price:quality contracts, being considered in countries as diverse as Italy, South Africa and Uzbekistan (but only implemented in the latter), the distinction between financing and funding and the role of institutions. Particular attention in the South African context was paid to the desire to formalise the informal sector whilst promoting economic empowerment, given that the informal bus sector was one of the main sources of black entrepreneurship in post-Apartheid South Africa. A possibly important methodological development was the concept of a Service Quality Index that could be made operational through Stated Preference surveys. This might increase the prospects for writing quality requirements into various kinds of contract (subsequently published as Hensher and Prioni, 2002).

2.7 Molde (Thredbo #7)

The seventh conference was held in Molde, Norway, in June 2001, and is reported in Hensher et al. (2002). The background to this conference was various interesting experiments in Norway and the drive by the European Union, having completed most of the reforms in long distance transport, to push reform in local transport through the revision of Regulation 1191/69—revisions which have still to be finalised some three years on from being issued.