



Public transport debates more substance, less gimmicks

Richard Allsop

In a market economy, decisions about travel choices are ultimately made by individuals deciding the optimal mode of transport for their needs. However, with the vast majority of infrastructure for both private car transport and public transport provided by governments, public policy decisions play an important role in determining the attractiveness of the different modes for commuters.

On the political Left, and often more broadly, there are perennial calls for public transport to be 'improved'. The argument is that not only would this deliver better transport outcomes, it would also fix perceived environmental and land use problems allegedly caused by over reliance on the private motor car. This argument generally ignores the fact that many citizens enjoy car travel, fails to consider potential impacts on taxpayers, and too often even

Richard Allsop was Chief of Staff to the two Ministers for Transport in the Kennett Government. This is a longer version of an article that appeared originally in The Sunday Age.

shows little understanding of what improvements would actually make public transport services more attractive to users.

This last failing was well illustrated by Melbourne's *Sunday Age* which for several weeks earlier this year whipped up a populist campaign to make public transport free to the end user. To be fair to the *Sunday Age*, it also gave some consideration to other more serious aspects of the public transport debate.

Victoria is a logical starting point for discussion of the big issues in transport, as it was the venue for the most ambitious actions taken in Australia to reform and improve public transport—the Kennett Government's 1999 privatisation, or more accurately, franchising out, of the State's public transport system.

As if to underscore how difficult it is even to agree upon the basis for any discussion on transport issues, at the same time as the Sunday paper was running its series, its weekday counterpart was sponsoring a lengthy debate in its business section on whether car users subsidise public transport users, or vice versa.

Given that debate, it is hardly surprising that an inability to agree upon the basic parameters also hinders any clear assessment of the success or otherwise of the privatisation. There is much dispute about the financial outcomes, even before one starts on the more obviously subjective aspects related to the quality of the service. There is no doubt that the current operators in Victoria are receiving a larger subsidy than envisaged in their 1999 bids, but how the revised figure relates to what taxpayers would otherwise be paying if the service were still run by the Government, is a moot point.

Although, with the benefit of hindsight, it is clear that the bidders for the franchises were too optimistic in their 1999 projections, it is still hard to see what the Government and its advisers could or should have done to dissuade them from bidding so aggressively.

The fact that some of the bidders had been too keen was demonstrated most graphically when, in December 2002, the largest operator, National Express, walked away from its train and tram franchises. In what was, for commuters, a seamless transfer, the other

operators took over its franchises. Naturally this was done with Government funding at a level above that provided to National Express, but whether that took the subsidy above what it would otherwise have been is keenly debated. A recent study by some academics claimed that taxpayers are paying far more than if the privatisation had never taken place but, among other questionable premises, their work failed to recognise adequately the benefits in new rolling stock and increased services that have flowed since 1999.

An inability to establish the facts is not the only unusual aspect of the ongoing debate about whether the privatisation has been a success. While one might expect former Premier Jeff Kennett to defend his policy vigorously, he has instead commented that it had turned out 'different from what we intended'. By contrast, current Labor Transport Minister Peter Batchelor supports retention of the current system of private operators that 'are managing the train and tram networks in a time of unprecedented passenger growth' and claims that the former Government authority would have failed to handle the Commonwealth Games in 'the magnificent way the current operators did'.

The benefits or otherwise of privatisation are not the only aspects of the public transport debate that have cut across traditional (pre-conceived) ideological lines. The *Sunday Age's* 'free' public transport campaign has also highlighted the lack of ideological consistency in the transport debate.

One of the major proponents of a 'free' system was former Kennett Government Planning Minister, Rob Maclellan, while representatives of Victoria's left-leaning public transport advocacy group supported the continuation of the current partial user-pays system. Kennett himself, while not an advocate of 'free' public transport, supported the replacement of the current zone- and time-based system with a flat-fare 'gold coin' model.

In order to find a city that does

have free public transport, The *Sunday Age* went to Belgium and the obscure city of Hasselt, which only served to highlight the fact that no major city in the world has gone down the 'free' public transport path.

Whether funded by some form of hypothecated community charge, or from general revenue, providing public transport free to the user would create serious inequities, most obviously between the public transport-poor outer suburbs and the transport-rich inner ones.

'Free' public transport is also inconsistent with developments in other policy areas, where citizens are being encouraged to move away from the expectation of universal public funding. In transport itself, it seems a strange mix of policy to be moving more towards 'user-pays' on roads and less on public transport.

Taking out the element of user payment would also remove the current, albeit imperfect, signals that the system provides to operators to indicate where investment is most required. The need to pay indicates what value people put on a service. All of us would be more likely to hop on a 'free' tram to go two CBD blocks, but most of us would probably not think that that was the best place to make a major investment in extra services.

'Free' services would also solve none of the real problems that do exist in public transport. Potential public transport users are driven away by service failure (lack of reliability, punctuality, etc.) or lack of flexibility compared to the private car—not by the fares.

Already one of the key problems on the rail system, in Melbourne at least, is overcrowding on certain lines in peak periods. Imposing a significant increase in demand, without further investment, would be a recipe for disaster. Users of public transport would also be particularly concerned that removing the need for any ticket-selling staff on the system would impact adversely on passenger security.

Overall, removing a significant revenue source hardly seems the best way to address the need for greater investment in the system to improve reliability and the range of services.

The 'gold coin' solution avoided many of the problems of 'free' public transport, but threw up a series of others. The modelling undertaken for the Victorian Government showed that the flat fare model would mean increases in fares for many users and actually produce reductions in patronage. The flat fare concept directly inhibits multi-modal use, removes the ability to encourage long-term commitment to the system through the purchase of periodical tickets, and cannot allow for concessions.

Jeff Kennett commented in the *Sunday Age* that his failure to follow his instincts on this issue was his 'biggest regret' as Premier. The frustration that everyone in the Kennett Government, from the Premier down, felt with the problems that bedevilled the introduction of automated ticketing in Melbourne certainly made alternative ticketing solutions attractive. The irony, however, is that by its overall sound economic management the Kennett Government had a fine record of keeping rises in public transport fares below inflation.

The franchising out of public transport was—and is—an innovative policy model. Although the results of the policy have been mixed, there are enough positives to indicate that another State, learning from Victoria's experience, could do well to consider going down a similar path.

Certainly, anyone with the interests of public transport at heart would be better off considering that option, rather than indulging a gimmick like 'free' public transport.

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