Changing Public Transport Policies

— How are industrialised countries facing the problems?

Pierre Laconte

INTRODUCTION

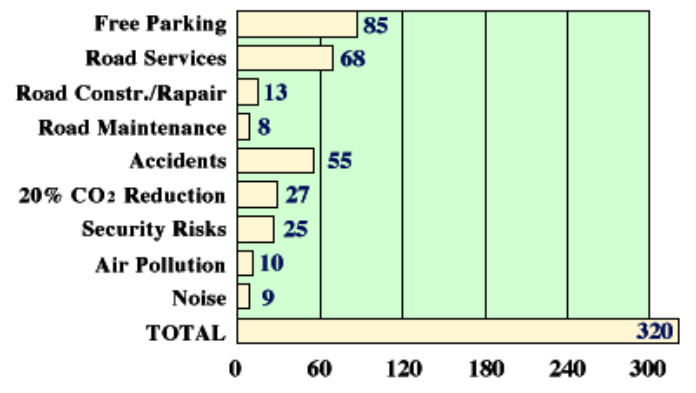
This article reviews the main organisation changes in public transport in Europe today to solve the increasing financial problems facing this sector resulting from the so-called 'Single Market'.

The problems discussed are found throughout the entire industrialised world. They reflect far-reaching changes that are wider than just public transport. Indeed studies of socio-cultural profiles by age group indicate that the 'me-culture' is growing and taking precedence over social values. The growth of the 'me-culture' goes hand-in-hand with the success of the automobile which gives its owner status in relation to others. Therefore, the popularity of the automobile continues notwithstanding worsening road congestion.

The downside of the automobile success story is that more than 1 million people have been killed on the roads of OECD countries in the last 10 years.

On the other hand, the costs incurred by the car are clearly not paid by those benefiting directly from its use. Instead, they are largely met out of government funds -- in other words, the taxpayer pays the true costs of the automobile. (The World Resources Institute (WRI) estimates that American motorists are subsidised by government at about $300 billion a year through provision of urban space for parking and driving at no charge). In the EC, there is a growing viewpoint that the infrastructure investment should be made on an equal basis, considering both direct and external costs.

Figure 1 Costs not Borne Directly by Drivers (USA) $ billion (1989)



Source: "The Going Rate: What It Really Costs to Drive" by J.J.Mackenzie, R.C.Dover, D.D.T.Chen

ORGANISATIONAL APPROACHES

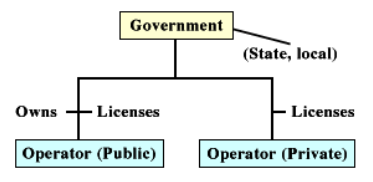
At the request of the EC, UITP produced a study on the organisation of public transport at national, regional and local level throughout the Community and EFTA. It illustrates how the relationship between transport authorities and operators has changed, as well as national legislation having important consequences for transport network operators. Three main approaches can be identified:

1. The regionalisation approach used in Germany, Switzerland and Austria. Without altering the public character of companies, this approach seeks to encompass companies within a framework covering extensive urban regions with wide-ranging political responsibility regarding the level of financed services. The regional authority endeavours to standardise fares and introduce multi-operator transport tickets. Measures aimed at promoting public transport are often accompanied by measures for slowing down and reducing urban car traffic.
2. The deregulation approach used in the UK (with the exception of London and Northern Ireland). This approach aims to ensure that all public transport companies are privately owned and not in a position to exercise a monopoly. For buses, competition between operators takes place "on-the-street" and any operator can run any service as long as 42 days notice of intent to do so is given to the Traffic Commissioner. This means new operators have free access to the market. The result after some years, is an oligopolistic situation.
3. The contractual approach (which is favoured by the EC) used in France and Sweden where operators of transport networks are awarded time-limited contracts. In parallel with such contracts, private capital is allocated by establishment of a stable financing structure.

1. THE REGIONALISED APPROACH

Urban public transport in former West Germany has seen a clear increase in ridership since the end of the 1980s. There are no statutory regulations assigning responsibility for urban public transport to a specific agency. Provision of public transport in western

Figure 2 Germany



Source: W.Tyson, *Contractual Relations between Authorities and Operators,* UITP

Germany is based on a system of licensing controlled by the government at various levels. It is managed by the municipalities, the Federal Government, private transport businesses and occasionally the L&aumlnder. The criteria for granting a license relate to operator competence and the extent to which the proposed service meets transport demand that cannot be met by existing operations. In the cities, there is cooperation between different transport businesses, generally in the form of 'transport combines' (Verbund Figure 2).

Since 1967, the Municipal Transport Finance Act (GVFG) has made funds available from a tax on oil. The income from this tax is invested in urban public transport. However financing of urban public transport operating costs is becoming increasingly difficult.

Regionalisation in Germany is aimed at bringing together the responsibility for the functions of and expenditure on urban public transport under one local body at the regional authority level. The organisation of French regional rail services using regional contracts is similar in nature.

2. THE DEREGULATION APPROACH

Bus service deregulation was introduced throughout the UK, although not in London, as a part of the Government's policy of reducing public sector involvement in transport and cutting subsidies (Table 1*[1]). The legislation had four main aspects:

1. Anyone fulfilling very basic requirements could run a bus service wherever they wanted, whenever they wanted and charge whatever fare they wanted, providing the Traffic Commissioner was given 42 days notice of the intent so to do.
2. Public Transport Executives in metropolitan areas and Shire County Councils elsewhere were to ensure that socially-necessary services were secured by means of competitive tender.
3. Operators would still be entitled to participate in concessionary fare schemes and would be reimbursed for the net financial loss incurred by such participation.
4. The roles of Public Transport Authorities, Public Transport Executives and some bus operators were redefined.

Deregulation was intended to create sustainable competition and thus reduce costs and increase efficiency. This in turn should have led to reduced fares, increased services, increased patronage and reduced subsidies. There has been a steady increase in the number of operators in metropolitan areas (340 in 1987, 399 in 1988, and 459 in 1989). However, 95% of route km are run by 5% of operators. Although there are many smaller operators, they only run 5% of the route km. However, they do offer effective competition on commercial routes where demand is high and in bidding for tenders to provide socially-necessary services (Figure 3).

The increase in efficiency and reduction in costs has resulted mainly from reduction in staff costs achieved by redundancies and lower wages. Relating productivity to ridership is a realistic way of measuring service output. In 1986, 202,970 passengers were carried per vehicle in the metropolitan areas. By 1990, this figure had decreased to 16 8,900 passengers per vehicle. The number of passengers carried per employee increased from 51,310 in 1980 to 56,080 in 1989 and then dropped back to 54,310 in 1990. The number of passengers carried per vehicle km has decreased steadily from 3.78 in 1986 to 2.35 in 1991, the latest year for which statistics are available. In short, although the buses may cost less to run, they are carrying fewer passengers.

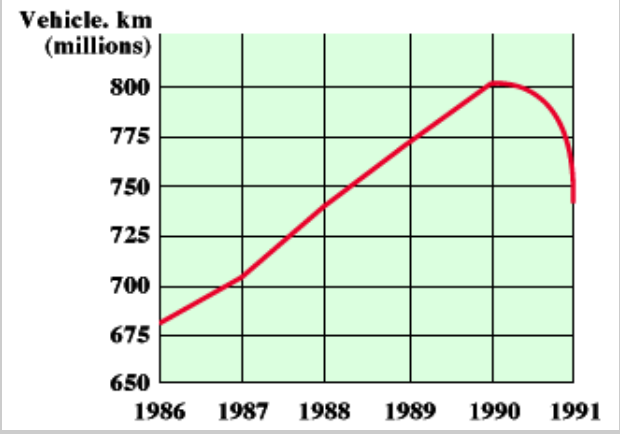
It is also debatable whether or not a better level of service has resulted from deregulation. It is undoubtedly true that vehicle mileage increased after deregulation. In 1986, the estimated vehicle mileage was 424 million. This figure increased to 494 million in 1990 but dropped back to 468 million in 1991. It is also true to say that increases in mileage do not necessarily indicate better service as there is a proven tendency for competing operators to shadow each other's timing rather than to run at regular intervals.

On average, the total commercial mileage operated equates to the total network mileage before deregulation.

Table 1 Arguments for Deregulation

* New operators	* Lower costs
* Competition	* Lower fares
* Innovation	* More passengers

Figure 3 Services (UK counties)



Source: Howard

When mileage on the socially-necessary services is taken into account, it is clear that there is an over-provision of resources. Competition, which is usually only on the busiest routes, has led to streets congested with buses and dangerous driving practices. Another feature of deregulation has been the high rate of service changes. Passengers no longer enjoy stable and easily understood service patterns. Finally, services are running with aging fleets since operators cannot renew their vehicles as quickly as before because of commercial pressures. An aging fleet implies that the industry is consuming its own capital and consequently presents a decreasingly-attractive alternative to the car.

Have fares and levels of subsidy decreased? The UK experience shows that deregulation and privatisation has failed to result in lower fares, which have actually increased in real terms since deregulation (Figure 4).

In 1988, the real increase in fares was 28.9% compared with 1986. By 1991, the overall increase was 32.9%. At first, the subsidy level did decrease progressively until 1990. However, in 1991, revenue support increased once again. In 1986, service support was £247 million, decreasing to £93 million in 1990. On the other hand, concessionary support increased from £125 million in 1986 to £156 million in 1990.

Finally, deregulation, which was aimed at increasing ridership, has led to decreased ridership. In 1986, 2069 million journeys were made in English metropolitan counties, but this figure had dropped by 1991 to 1528 journeys. This 5-year decline contrasts with the 1982 to 1986 period when patronage increased by 4.5%. Patronage has declined because of the loss of comprehensive networks, loss of stability caused by frequent service changes, loss of convenience of single "through journey" ticketing, and increasingly aging buses and fare increases (Figure 5).

The conclusions to be drawn from the UK experience are as follows:

* Deregulation has not resulted in better services at lower cost attracting more passengers.
* The overall influence of the bus industry as a tool in urban management has decreased because it is no longer possible to secure integrated networks nor to choose the optimum transport mode - bus or rail.
* The loss of passengers has gone hand-in-hand with increasing congestion.
* Some operators have been financially successful through oligopolistic business practices.

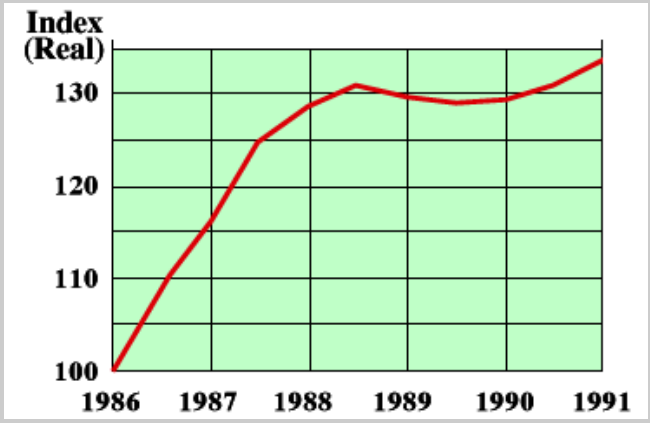
It has been shown that it would have been better to have a planned and coordinated network with integrated ticketing and optimum choice of transport mode incorporating an element of competition rather than a deregulated pattern of uncoordinated routes with frequent changes in services and fares.

The latest round of privatisations in 1994 has, arguably, led to a double type of fare increase:

- compensation for the reduction of operating subsidies;
- cost for the operator of buying the company.

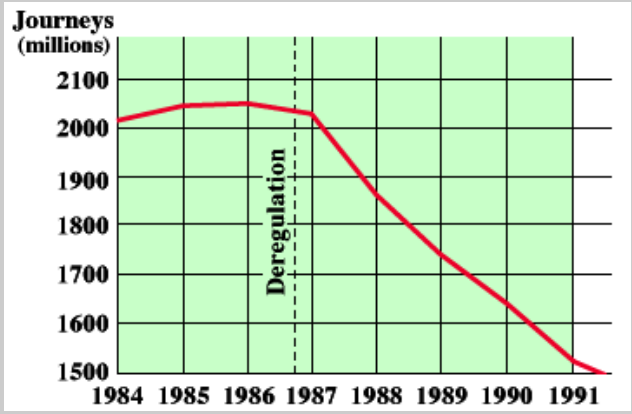
As an example, in late 1994, *London Transport Buses Ltd.* sold its 10-area bus companies to the private sector by auction for £233 million ($364 million). This amount must result either in higher fares (if allowed) and/or

Figure 4 Fares (UK counties)



Source: Howard

Figure 5 Patronage (UK counties)



Source: Howard

■ Unmanned light rail transit in London Docklands *(T.Suga)*

Table 2 Selected UK Transport* Statistics 1985/86 to 1993/94

		1985/86*	1993/94	w% Change
Passenger Journeys (millions)	All except London	4489	3258	-27.4%
	London	1152	1117	-3.0%
	(Metropolitan Areas)(1)	(2068)	(1334)	(-35.5%)
Bus Kilometres Operated (millions)	All except London	1804	2237	+24.0%
	London (2)	273	343	+25.6%
	(Met Areas)	(574)	(692)	(+20.6%)
Car Ownership (thousands)	GB	16,454	20,102	+22.2%
Public Transport Employees	GB	174,700	148,100-	15.0%
Real Operating Costs per bus kilometre (pence) at 1993/94 prices	All except London	138+	79	-43%
	London	251+	160	-33%
	(Met Areas)	(171)+	(90)	(-47%)
Real Operating Costs per passenger journey (pence) at 1993/94 prices	All except London	56+	55	-2%
	London	60+	47	-22%
	(Met Areas)	(48)+	(47)	-2%
Real Fare Indices 1985 = 100	All except London	99.6	116.9	+17.4%
	London	100.5	129.8	+29.2%
	(Met Areas)	(99.2)	(147.7)	(+48.9%)
Real Subsidy (£ million)	All except London	526	237	-54.9%
	London	213	59	-72.3%
	(Met Areas)	(329)	(114)	(-63.3%)
Subsidised Bus kilometres (millions)	All except London	348	361	+3.7%
	(Met Areas)	(105)	(87)	-17.2%
9 as % of total bus kilometres	All except London	16.9%	16.1%	-4.7%
	(Met Areas)	(17.0%)	(12.6%)	-25.9%
Subsidy per passenger kilometre now lower in London				

Note: + estimated figures for 1985/86 (depreciation not included in London because capital borne by Government)
ϕ 1987/88 figures
* Not Northern Ireland
* 31/3 end of year
(1) Manchester, Birmingham, Liverpool, West Yorkshire (Leeds), South Yorkshire (Sheffield), Tyneside (Newcastle),Glasgow.
(2) 30% fleet: make vehicle to improve frequence definition of comprehensive LOS

Source: UK Department of Transport
- Transport Statistics Great Britain 1994
- Bus & CoachStatistics Great Britain 1993/94

in reduced expenditure including nonreplacement of buses.

It should be noted that privatisation in London (and all tendered services elsewhere in the UK) remains strongly regulated, leading to profitable local public transport monopolies. Thepublic transport sector as a whole, however, is under pressure from the car.

3. THE CONTRACTUAL APPROACH

In France, the bodies responsible for organising urban public transport are known as the "Organising Authorities". They are usually made up of groups of municipalities. However, these arrangements do not apply to Paris (Figure 6).

Services are maintained either by a public sector undertaking, or "Regie", formed by the Organising Authority or by a private company, following the award of a contract by the Organising Authority.

The chosen operator, regardless of whether it is in the private or public sector, is given exclusive operating rights in the zone administered by the Organising Authority and usually subcontracts out some of the operated services. This system differs from the UK system inasmuch as the competition is at the point of tender rather than at the point of delivery (on the street). Services are financed by a

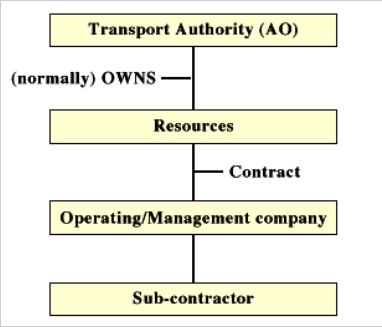
■ Unmanned light metro in Lille *(T.Suga)*

combination of the fare paid by the customer, by subsidy from local and municipal budgets where necessary, and by a special contribution from local firms with more than 9 employees unless they make special arrangements for employee transport. This system is called "Versement Transport" and since 1972, it has provided a steady source of finance stimulating the private sector to enter public transport in a competitive way similar to the contracts for water distribution, refuse management and other municipal services. The national French Government does not contribute to the everyday financing of public transport but does offer some assistance through subsidies for construction of dedicated public transport infrastructures such as metros and light-rail systems.

In recent years, there has been a large number of mergers between operators resulting in the formation of powerful groups that can take on the commercial and industrial risks involved in operating public transport services.

In parallel with this development, there have been changes to the agreements between the Organising Au-

Figure 6 Urban Areas Outside Paris: Urban Areas



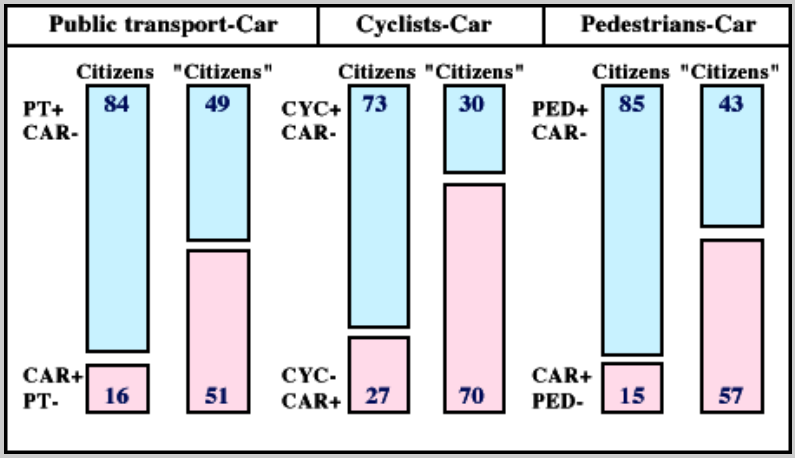
Source: Howard

thorities and operators. These changes are characterised by a clearer definition of responsibilities and risks. The biggest change concerns the concession system through which a private operator makes a commitment - at a fixed cost to develop and operate a transport service over a longer period of time. This type of contract has been used extensively in connection with metro and light-rail projects.

In conclusion, the chief characteristics of the franchising of urban public transport services in France are as follows:

* The legislative framework, which has few constraints, is adapted to suit all legal forms of operation, and gives local/regional authorities a key role.
* Often, and especially in large cities, these authorities use intercommunal bodies, which are particularly suited to dealing with the problems of urban transport.
* The income raised from "Versement Transport" provides the Organising Authorities with the financial means to pursue their policies. State intervention is limited to aid for major dedicated public transport infrastructure projects.
* In a clear majority of cases, the Organising Authorities bring in private operators to run services. These operators are increasingly restructuring into three groups with extensive know-how covering all transport modes.
* Contracts between an Organising Authority and a private operator must satisfy the minimum obligations laid down by law; parties also have extensive freedom to negotiate. All partners must adhere to the "single operator" principle on a given network.
* The financial constraints on the Organising Authorities and the willingness of operators to bear responsibility, have led to contracts favouring operators assuming the full business risk.
* The most out-and-out form of this development is the public works and public service concession, which is particularly suited to the financing, building and operation of major transport infrastructures.

Figure 7 Traffic Planning Conflicts (Europe)



Source: UITP SURVEY

4. THE POLITICAL DIMENSION

Transport decisions are by nature political. Therefore, it is important that elected officials understand the changes Europeans want to make in the transport field.

After surveying the supply organisation trends, let us say a word about demand. UITP recently conducted a 20 question survey of 15,000 people across Europe (1,000 per country). A huge majority (84%) of Europeans believe that full priority should be given to public transport over individual transport (Figure 7).

UITP also asked elected officials what, in their opinion, people would answer concerning priority. The results of the elected German officials were typical of the reply across Europe, and were as follows: 49% felt that the general public would favour giving priority to public transport. This means that there is a discrepancy of about 50% between the actual opinion of the public and the opinion that politicians felt they would hold. We also asked our 15,000 people how they considered politicians would assess traffic problems. The discrepancy between East German s and politicians was the largest in Europe. ■

Reference is made to the following publications:

- Mr. David Howard, Structural Changes in Public Transport Regionalisation Deregulation Franchising Application to Central Europe, Budapest, 1992
- Mr. William Tyson, The organisation of Public Transport in the EC and EFTA Countries, 1992
- UITP, Assessments of Mobility in Europe

*1 Table 1 and Figure 3, 4, 5 -- David Howard, Structural Changes in Public Transport -- Regionalisation Deregulation Franchising Application to Central Europe, Budapest 1992

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