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ABSTRACT: *The first part of the paper discusses current attitudes to regulation and suggested changes, including the relationship between private and public transport operation. The need for qualitative standards in the form of interstate and international standardisation of safety, environmental and design regulation is emphasised, but attention is also drawn to the inadequacy of quantitative regulation in a changing market.*

The problem of regulation is the need to meet the diversity of consumers requirements, the importance of cost and flexibility to the community, and the operators needs for efficiency, competition and reward. On the other hand, the point is made that the British experiment in deregulation has had mixed results - for example, more competitive fares and service innovations, contrasted with financial collapses and the withdrawal of unprofitable but socially desirable services. In an Australian context, where deregulation already exists in some areas, further deregulation might also be expected to have mixed results for different types of operation.

INTRODUCTION

Because of the rapid escalation in public transport operating deficits, increased attention has been directed towards private operation of at least part of the public transport network, as a potential avenue for reduction of these deficits. As an example, this option and some of the reasons for it were included in a paper presented by Brogan and Amos (1982) to the 1981 Transport Outlook Conference.

At the same time, increasing attention is being directed to the "Regulation vs Deregulation" debate (Aplin, 1981), although a more appropriate view might be to think in terms of how appropriate current regulatory attitudes are to bus operation (and I include the full scope of private bus and coach operation in this) in the 1980s.

It is notable that every discussion on the abilities or otherwise of the private bus and coach industry to operate effectively and efficiently in its chosen field takes into account operational and management flexibility, operational costs, staff/vehicle ratios and so on, but often fails to consider the regulatory environment in which all this has to take place.

To emphasise the pervasive nature of regulation, I would mention that in any one State our operations are controlled in some way by the following types of authority :

- . Education Department
- . Environment Protection Authority
- . Police Department
- . Direct Regulatory Authority, e.g.
 - in Victoria Transport Regulation Board
 - in New South Wales Urban Transit Authority
 - Department of Motor Transport
 - Local Councils (until recently)
- . Roads Authority
- . Transport Ministry

This paper attempts to outline the current regulatory position, and suggests that changes in regulatory attitude are needed to allow the private bus and coach industry to achieve its full potential in all spheres of operation.

It has been said (Hibbs, 1977) that regulation in the public transport area is concerned with two aspects, "quality" and "quantity".

"QUALITATIVE" STANDARDS

"Quality" relates generally to safety and vehicle design aspects, and generally applies equally to all operators, creating the environment in which they operate. Included are such matters as :

- .. maintenance standards
- .. road safety standards
- .. environmental standards
- .. driver hours of operation
- .. driver licence standards
- .. vehicle chassis and body standards
- .. weight and dimensional regulations

The private bus industry in its various forms has supported regulation in this area, and when given the opportunity has provided input to make such regulation more meaningful. However, we do have problems when we are not consulted and, as a result, the forthcoming regulations may be inconsistent between States, and the administration inconsistent even within States.

Not only do drivers and buses operate interstate, but the economic operation of Australia's relatively small bus market means that buses, both new and second-hand, are sold between States; used buses are progressively assigned to suit lighter operations as they cascade down the age ladder.

These inconsistencies can be illustrated :

Environment-Related Regulation

New South Wales has a requirement that buses not fitted with approved diesel engines must be fitted with vertical exhausts. This adds a significant cost to each vehicle so equipped, does nothing to reduce pollution, but effectively sprays exhaust over a wide area. Such a fitting is not required in any other State.

Vehicle Body Standards

Victorian Transport Regulation Board regulations as to body standards are acknowledged to be the most stringent in Australia. As a result, Victorian operators are limited in their choice of chassis for urban operation, and are committed to higher than need be capital costs as a result. The matter becomes quite ludicrous when seating standards are set which imported luxury European coaches cannot meet.

Vehicle Weight and Dimension Standards

While we understand that road construction practices in Australia are "different" from those overseas, the resulting Australian mass and dimension regulations preclude the use of a wide variety of proven foreign chassis which meet generally accepted world regulations. As a result, we are committed to high costs of modifying chassis to suit these regulations and have limited opportunities of taking up technological innovations appearing in overseas production.

The most concerning aspect of this problem is that even a vehicle acceptable under Australian (NAASRA) regulations may not be acceptable in a particular State - in one case, merely due to the position of the engine in the chassis.

TRANSPORT PROBLEMS! WHAT PROBLEMS?

In summary, while we as an industry fully support regulation in the "quality" area, we are concerned with :

- .. the lack of consultation with operators to make such regulation practical and economic within the bounds of adequate safety controls.
- .. the lack of consistent regulations as between States in the "quality" area, and even within States.
- .. the apparent inability to frame regulations which are consistent with international vehicle engineering practice.

These factors increase operational costs and ultimately the cost to the passenger. By their nature, such regulations are non-discriminatory between operators, but there can be (and have been) problems due to different interpretations by different regulatory personnel when the regulator is also an operator, or when through a constitutional accident interstate operators are able to avoid regulations. (It is now a condition of membership of State Bus and Coach Associations that operators of interstate vehicles have the vehicles inspected in the State of registration.)

But, despite the problems, current "qualitative" regulation is effective. Without doubt, travel by bus is the safest form of road-based passenger movement.

Occupant casualties per million occupant km

<u>Victoria 1971</u>				
<u>Cars/Station Wagons</u>	<u>Light Commercial</u>	<u>Trucks</u>	<u>Buses</u>	<u>Motor Cycles</u>
0.43	0.45	0.14	0.07	7.04

Source : "Heavy Vehicle Safety", Australian Government Publishing Service, 1977.

"QUANTITATIVE" LICENSING

Monopoly or "franchise" operation of public transport has been the accepted approach since almost the beginning of public transport in this country. Investment in railway development in Australia proved to be beyond private investment resources, and the large public investment in over-expanded rail facilities was seen as requiring special protection against erosion of revenue. This approach was later extended to other forms of public passenger transport, both publicly and privately operated.

The theoretical basis in the area with which I am concerned seems to be that it is in the "public interest" - perhaps defined as the maximum amount of conventional bus service as possible provided to an area for a given amount of money, with the emphasis on quantity, not effectiveness of service, for a private operator to have a monopoly or franchise for the area. In return for this monopoly, the operator is subject to timetable and fare control, and is expected to cross-subsidise services within the area. By its nature, this policy implies a degree of discrimination between operators, and usually favours existing operators and established practice over newcomers and innovation.

In the bus industry, this approach developed in the 1930s to reduce the "chaos", the uncontrolled competition between public and private and also between private operators, that existed at that time. Because there were few "qualitative" controls in place, there was indeed an element of chaos. The consequences of a "qualitative" approach at that time, i.e. setting common standards of operation and letting competition sort out the result, is an interesting if useless speculation.

It cannot be denied that the regulatory approach of the 1920s and 1930s did result in the development of services adequate and appropriate to the operating environment up to the middle 1960s, when the car competed with public transport for an increasingly large part of the population.

Because the public transport market has changed and diversified, it needs to be approached segment by segment to maximise the effectiveness of operation. It is obvious that the 1930 approach to quantitative regulation is no longer appropriate, and indeed for some years has had a negative effect on the supply of services, cost to the consumer, and range of services offered. Specifically, the following disadvantages have become apparent :

- .. limitation in the total supply of public transport.
- .. limitation on innovation.
- .. delay in introduction of services, and loss of markets.
- .. commitment to inflexible fare policies, and
- .. preoccupation with fare levels at the expense of type and standard of service.
- .. lack of administrative flexibility.

Not all these disadvantages apply to all facets of bus and coach operation - that they do not is as much an accident of Section 92 as for any other reason.

The Consumer's Needs

Because many consumers have access to a car, they will compare the public transport service offered with the alternative of using their car for the particular trip planned. A public transport service which compares favourably with commuter use of the car will not necessarily compare favourably when the consumer is considering a shopping or social outing.

The consumer's first need is therefore flexibility of service type. This may involve a range of different equipment - large and small buses - and a range of operating practices - fixed route to demand-responsive.

Whatever the service provided, the consumer wants it :

- first, to be reliable.
- second, to be convenient and quick.
- third, to be clean.
- and only fourth, will he or she consider its price.

The service should be easy to understand and use, which implies that information needs to be easily available and clear, and pricing policies are consistent across similar services.

The Community's Needs

Community needs in the urban transport area are often expressed in phrases like "optimum allocation of resources", and "maintenance of social service obligations", "public interest" and "reasonable standards", none of which help us at all. More than anything else, we need precise expressions of these aims to reconcile on one hand community concern for cost of providing services, and on the other, community responsibility to maintain services which have a social objective, in the widest sense.

However, the relation of these concerns to each other will change over time, so the community requires operations flexible enough to respond to changing community needs.

Provided operation is within this framework, the community is not concerned if it is served by big or small buses, with fixed or flexible routes, or by public or private operators.

The Operator's Needs

The operator should be able to achieve efficient use of his resources - this is the way to minimise cost of operation. The operator needs to be assured of security in employment of his assets, whether the asset be his or her personal labour or capital - but perhaps not to the extent that he or she is insulated from the spur of potential competition. Because the operator should be responsive to change in his operating environment, those to whom the operator is in turn responsible must also be responsive to his needs. The operator should obtain some reward for entrepreneurial skill and effort.

It will be useful to tabulate the above discussion :

<u>Consumer</u>	<u>Community</u>	<u>Operator</u>
Flexibility of service	Reconciliation of community cost of services, with community benefit	Security, but not insulated from competition
Reliability		Responsive to change
Convenient, quick (by comparison with alternatives)	Responsive to changing community needs	Return on investment and for entrepreneurial skills
Clean		
Reasonable cost		

It is now fashionable to believe that the needs of the three groups can best be reconciled through the free market mechanism, and that given adequate qualitative controls the market mechanism will ensure that just enough of an appropriate service will be provided to a given market segment at the price the passengers in that market will pay for the service.

Such a statement is totally simplistic and, because it assumes entry and departure of operators until a balance is reached, gives no consideration to the impact of such a policy on the reliability of consistent operation of services provided. There are perhaps areas where this is not of great concern. In the "shake out" of US air operations, there were always alternative transport links available, albeit less convenient. There is no such "safety net" for urban and school bus operation.

The most recent and far reaching attempt to deregulate bus operation has been the 1980 Transport Act in Britain. While it should be remembered that the operating environment is very different from Australian conditions, aims and results to date are of interest.

THE BRITISH EXPERIENCE

Aims of Deregulation

The aims of the 1980 Transport Act have been stated by the Secretary of State for Transport (Department of Transport, UK, 1981) as follows :

- .. to find "new ways of meeting needs of vulnerable groups within our society who rely on public transport".
- .. to "ensure efficient public transport services".
- .. to "achieve services tailored much more closely to demand".
- .. to "achieve services and an industry which put the needs of the user first".
- .. to "obtain the best possible value for money from the large subsidy to public transport".

TRANSPORT PROBLEMS! WHAT PROBLEMS?

In terms of operating environment, the Minister states it is "... clear that the bus industry (could not) fill the role we expected of it within the straight-jacket of existing regulations". "What was needed was a framework which would encourage new services and self-help initiative, and which would make it easier for small independent operators often with lower overheads to compete with the larger established public sector operators" (Department of Transport, UK, 1981).

Specifically, the 1980 Act liberalised conditions of entry into the industry, effectively de-controlled fares, placed the onus on the objector to a new service to prove that the service should not be introduced, and included a requirement that "new services should normally be granted unless clearly not in the public interest".

Results to Date

Reported results to date have been varied, depending on the section of industry considered.

In the inter-city express operation, results have been generally satisfactory - in terms of "shake up" to the major operator ("National Express"), lower fares and better frequencies. In turn, British Rail and inter-city air services have come under competitive pressure. It should be noted that Section 92 effectively creates this environment at least for interstate operation in Australia.

The area of major interest has been in the commuter area, where to date consistent results are hard to distinguish. Some new services have done well as have updated existing services, but this appears to be as much a function of favourable traffic conditions as anything else. Some operators have had financial problems - one commuter operator from the Kent area to London went out of business with estimated debts of £ 500,000, mostly to season ticket holders.

There has also been activity in certain areas of urban operation. However, competition has been "... with more attractive urban services of existing operators, Monday to Saturday, not evening or Sunday" (Parke, Ed., 1982). Again, "what is of concern is that a number of applicants have sought to operate over only the profitable parts of local bus services. The National Bus Company has successfully claimed in a number of cases that if it faces a dilution of revenue on profitable segments, it would have to withdraw socially-necessary services which are only kept going by cross-subsidy from those in profit" (Department of Transport, UK, 1981).

Where competitive applications have been granted in urban areas, withdrawal of cross-subsidised services has taken place. On the other hand, in Cardiff, for example, the competitive operator foundered with estimated debts of £ 50,000 - £ 70,000.

On the positive side, existing operators have found it easier to test pricing options because of fare decontrol, and the removal of monopoly restrictions in some areas has led to better service. In the Glasgow area, the Scottish Bus Group regional services can now pick up in the area served by Strathclyde PTE, giving an improvement in service

frequency at no extra cost.

Many small scale innovative services have been introduced in rural areas, in some cases to replace services withdrawn because of less cross-subsidisation, but it is too early to assess the effectiveness of this change.

It seems advisable to consider the British experience, not in general terms, but by different market segments. Success has not been universal.

CONCLUSIONS

From the above discussion, perhaps the following conclusions may be drawn :

- a) Deregulation can produce a more dynamic operating environment at the risk of, on one hand, "fly-by-night" operation to make a quick profit, and on the other, "compete to kill" operation to establish a monopoly position. The passenger is as likely to suffer the consequences as the operator.
- b) The results of deregulation in total are not consistent for each type of operation, and thus implications for the consumer are also not consistent. It is therefore important, in considering a deregulation option, to relate the option to operations for different market segments.
- c) Interstate services generally operate in a deregulated environment but with problems of inconsistent qualitative regulations.
- d) In the area of urban operations::
 - i. It is essential that non-specific expressions of community policy be reduced to specific "level of service" standards. Certainly these standards will change over time, but we as operators will know what is expected from us.
 - ii. With standards set, the means of operation become less important and more latitude can be given to the operator in the methods he can employ in operation, bearing in mind he has qualitative standards to meet.
 - iii. In this environment, supervision of the operator will be concerned with ensuring he meets the specific "level of service" - the "what" becomes more important than the "how". Supervision is simplified and regulation can become less pedantic and more flexible.

- e) "Deregulation" as a policy across the board in the road passenger transport area will not achieve the desired results of a flexible and lively yet stable (from the point of view of the passenger) operating environment for all types of operation.

A degree of deregulation is already present in Australia in the charter, touring and express sections of the industry. In the urban area of operation the desired results can be achieved in other ways, with less disruption for the passenger.

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