

The competitive tendering of public transport in Adelaide

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ABSTRACT

In December 1983 a new South Australian government was elected with a promise to contract out the government owned and operated public transport network.

Almost half of the bus services have now either been contracted out or put to tender. A key concern of the government has been the retention of integrated fares, tickets and timetables. The body responsible — the Passenger Transport Board — has retained control of the ticketing system and the setting of fares. Companies collect the revenue on behalf of the Board and are paid an incentive payment for each boarding. Such payments cover about half the cost of the contract. Most contracts have used area franchising. Services designed by companies are subject to basic minimum standards regarding frequencies, distances residents need walk to catch a bus and in some cases the meeting other services. Most fares are also set by the Passenger Transport Board.

Modest financial savings have been made and there are now a variety of new services which have improved the mobility of the transport disadvantaged. There is no strong evidence of the changes on patronage. The costs can be seen in terms of a slight increase in congestion, some loss of accountability and possibly worse terms of employment.

INTRODUCTION

In December 1993 a new Liberal State Government was elected in South Australia. Elected in a landslide, the Liberal Party captured all but ten of the forty seven seats in the Lower House. The swing was generally regarded as the voters taking vengeance for lack of vigilance by the previous Labor government, which had allowed the state owned bank to lose over A\$3.15 billion — the biggest single financial disaster ever to hit an Australian government since the Depression.

At the beginning of 1993 the Liberal spokesperson for transport had released a quite detailed transport policy which among other things provided that Adelaide's public transport system would be put to tender. (Liberal Party of Australia (SA Division), 1993) On being appointed Minister she moved quickly, releasing a draft bill to accomplish this within a couple of days of appointment. Within six months the bill had become the Passenger Transport Act and by 1 July 1994 a Passenger Transport Board was in place. Its responsibility was to both regulate private commercial transport and to fund by means of contract the subsidised services. The existing government operator, the State Transport Authority, (STA) was shorn of its policy functions and renamed TransAdelaide. The pace then slowed, but within thirty months the government had undertaken the most extensive competitive contracting of formerly government run bus services in Australia.

What follows is an account and evaluation of the contracting process. It begins by placing the contracting process in an historical context, and in so doing explains the problems the contracting process was designed to solve. The method of contracting used, parts of which are unique to Adelaide, are then explained.

The evaluation itself is in terms of the usual factors — costs and patronage — as well as other less quantifiable issues, some of which are unique to Adelaide, some of which pertain to contracting in general.

BACKGROUND

Adelaide's public transport had been under central government control for just under twenty years when the Liberals came to power. In 1974 a Labor government had combined the state-owned rail, tram and bus public transport operations as well as the private bus operations which operated on the fringes of the city. It had earlier rejected a freeway-based solution to Adelaide's growing congestion problems and had taken the public transport option instead. It was thought that a well coordinated and well funded public transport service would take the pressure off the existing road capacity, as well as meet other environmental and social justice ends.

The State Transport Authority (STA) was established to achieve this. Generously funded, it modernised the bus fleet, established new depots and introduced a single, integrated ticketing system, whereby passengers could transfer from one mode to another on a single ticket. Fares were kept constant, which in a time of high inflation meant an actual decline in price.

This was expensive. Annual subsidies went from practically zero on bus and tram operations in 1970 (subsidies for urban rail could not be separately identified at that time) to about \$244 million (1997 dollars) by the end of the decade. (This excludes generous concessions for pensioners, unemployed, children and students.) That is, the operating subsidy alone represented about \$200 a year for every resident of the state.

Sadly the government was to be disappointed in its expectations regarding public transport patronage. The previous long term decline in patronage was reversed, but at the end of the decade was only five percent higher than it was at the start. When subsidies were held constant in real terms during the eighties patronage resumed its decline, so that by 1994 it was lower than it had been in 1970, despite a thirty percent increase in population during that period. (See Figure 1 below) During the same period traffic continued to grow at three per cent per year.

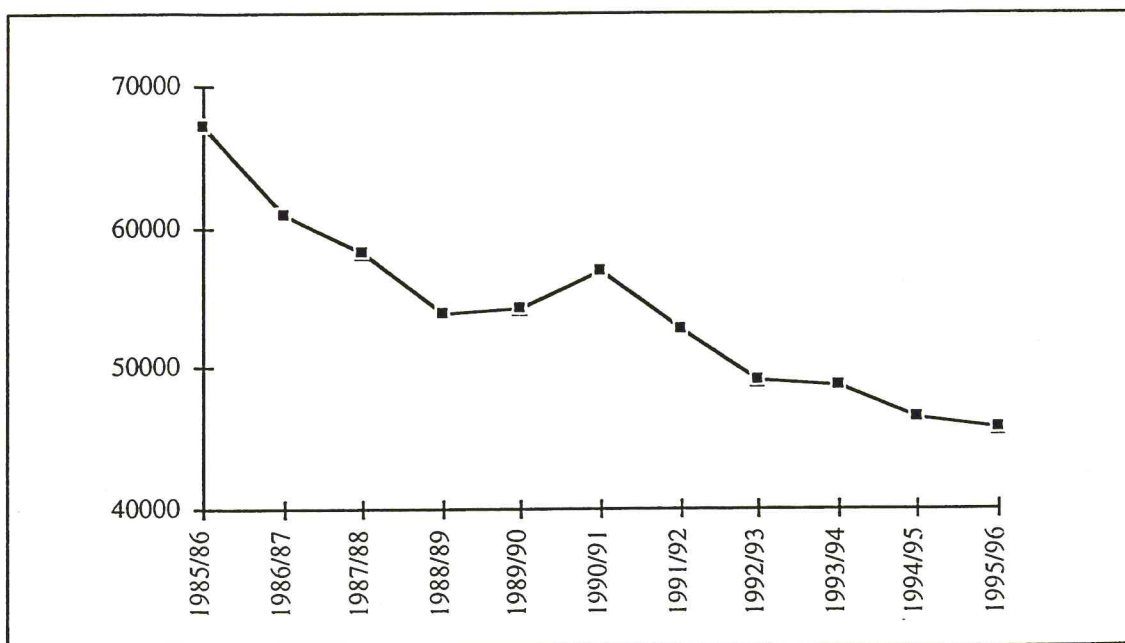


Figure 1: Total boardings for public transport in Adelaide from 1985/86 to 1995/96.

(The increase at the beginning of the decade was due to a short-lived policy of providing free travel to school children.)

Little of the extra money was translated into extra services. Only sixteen cents of every dollar increase in subsidy went to providing extra kilometres of service. (*South Australian Parliamentary Debates*, Legislative Council, 17 February, 1994, p. 75). True, fares declined in real terms for the first ten years and the bus fleet was modernised. But the rest went in new depots, higher head office costs, higher wages and inefficient work practices. By 1993 a national comparison of productivity found the STA in the ruck among government-owned public transport providers, which were in turn about 40% less productive on a vehicle kilometre basis than their private counterparts. (Australian Industry Commission, 1994)

Once the era of increasing subsidies was over, the government of the day found the only way to contain costs was to cut services, particularly those night time services which were lightly patronised but important to the transport disadvantaged. In 1992 major reductions were made to night, weekend and public holiday services.

THE COMPETITIVE TENDERING MODEL

The Liberal Party which was elected to power in December 1994 had earlier presented to the electorate the most detailed transport proposals ever put forward by an Opposition. However it was still silent about many important issues. Decisions had to be made about the form of contracting which would be adopted.

Some parameters were imposed the upper house of the parliament, which was not controlled by the government. No contract could involve more than one hundred buses (13.5% of the bus fleet at that time). Contracts could last for a maximum of only five years. The contracting the whole service to a single operator was therefore not possible, unless in the unlikely event that one company won all the contracts.

Nevertheless there were still decisions to be made about the criteria for determining the parcels to be contracted and about the degree of freedom allowed to the contractors.

Here policy makers were presented with two options: contracts based on routes or contracts based on areas.

Most contracting around the world at that time either tendered over a whole city-wide network or contracted individual routes or collections of routes. However in Australia the more favoured approach was to contract areas. This was largely due to historical factors. All Australian capital cities had for a long time a public transport system in which rail-based and more central bus services were state-owned while rural and outer urban services were privately owned. The privately-owned "fringe" services, covering outer suburbs became less fringe as the cities expanded. All services were regulated and protected from competition. With growing pressures for micro-economic reform centred on the need for competition, these monopolies came under threat, though in general governments have been reluctant to fight the political battle necessary to bring about open entry. In NSW the answer was to "contract" these private services — replace the licences with contracts specifying service standards. The possibility was that the bus companies would have to compete at regular intervals for their right to keep the monopoly.

In the event the change proved to be largely symbolic in those areas where private operators had always existed, but the idea of tendering on the basis of service to an area caught on among those states which sought to contract out formerly government-run services.

Adelaide was divided into eleven regions. These were generally designed with the 100 bus contract limit in mind, though there were couple of areas which involved far fewer buses. In part these were created to give the local bus and small passenger service

operators a chance to compete. Without these two essentially political concerns it is likely that there would have been seven area-based contracts, one for each of the bus depots.

It was also determined that there should be three route-based contracts. Two of these routes cut across several franchise areas. The other was a free service operating in the CBD, linking the rail and tram services with each other and with all bus services serving the city.

The degree of control over the contractors could be displayed on a spectrum. At one end there would be the "MacDonalds" form of franchise contracting in which all aspects of service are tightly specified. The only factors on which the contract would be determined would be price and reliability. In the case of public transport the contract price would be the only form of revenue. Fares would be collected by the contractor but would accrue to the contracting agency. At the other extreme the contractor would have complete freedom to determine all aspects of service and would retain fare revenue.

Some policy advisers, as well as existing operators who were seeking contracts, preferred the former approach, in which tenders would be based simply on the cost of running a tightly defined service, with service design, pricing and ticketing being the responsibility of the government and all revenue accruing to the government. This approach was rejected on the grounds that previous centralised control over bus services had resulted in a system which steadily lost patrons. It was argued that to maintain that centralised system would see patrons continue to be lost to the system, albeit at a cheaper price. The Minister had made a big point of the need to reverse the patronage decline. Operators should be free to be responsive to the needs of their customers and potential customers in order to achieve this.

But there were also centripetal forces which prevented the granting of too much freedom to the contractor. Adelaide's public transport was and would remain heavily subsidised and politicians would inevitably want to have a say in how that subsidy was spent. The integrated system was popular and the Minister had promised to maintain this. Public transport fares were a sensitive political issue and the government would not permit operators to set their own fares. There were also fears that if the existing infrastructure — depots, rolling stock, interchanges and the guided busway — were sold off, the owners could gain an enormous competitive advantage which would be exploited to stifle future competition.

In the end a compromise was found. Centralised ticketing remained. The contractors would operate ticket machines owned by the PTB and would return any fares collected to the Board. (Most revenue is actually paid off-board, through a network of licensed ticket vendors.) Fares continued to be set by the government. However operators would be paid 50c for every passenger carried, giving them an incentive to maximise patronage. Bids for contracts would have to estimate revenue from this source when determining how much extra money would be needed to run the service and still make a satisfactory profit.

The government retained ownership of transport infrastructure, particularly if it was shared. Bus depots, interchanges, the busway and the 50% of the existing bus fleet were transferred to the Department of Transport, which then leased these to respective contractors. Contractors were free to source their own rolling stock and depots if they wished.

Contractors were allowed to design their own services, however they were constrained by service standards established under the contract. These standards were generally those maintained by the STA. There were many of these, such as the provision of a bus stop within five hundred metres of 95% of houses in the built up area and specified bus frequencies at various times of the day. Points were awarded in the contracting process for various features of the buses used. Timetables for some feeder services for trains and express bus services were specified.

At the time of writing five parcels have been competitively tendered. The Outer North and Outer South in round one; the Inner North and the Outer North East (including the O'bahn) and some regional express routes in round two. The first round attracted five and four tenders, the second three for each contract. The number of tenderers was disappointing, especially in the second round. At least one company claimed to be put off by the overly prescriptive nature of the specifications. Other companies were said to be put off by the short duration of the contracts¹ and the way in which the process was structured to make it difficult to justify bringing in one's own vehicles.

The Passenger Transport Board appointed an independent Tender Evaluation Committee to recommend who should be granted the contracts. The winners in both rounds were the British service company Serco and TransAdelaide, Serco winning the Outer North and the Inner North and TransAdelaide the Outer South and the Outer North East.

At the end of 1996 the Minister called for a pause in the competitive tendering program. The original plan to have all services competitively tendered by the end of 1997 has been abandoned. There will be no new tenders called until after the next state election, due by March 1998 at the latest. Services contracts have been written between the Passenger Transport Board and TransAdelaide for all remaining services not already under contract, including the rail and tram services. This pause in the program will be discussed further toward the end of this paper.

EVALUATION

What has the result of the tendering process? This question will be tackled first by an attempt to indicate the cost savings. I will then discuss changes in services and fares that have occurred under the new regime and the resultant effect on patronage. However a thorough assessment would need to account for other, less quantifiable factors which still help to determine local attitudes to the process. These will also be dealt with in the following discussion.

It needs to be borne in mind in all of this discussion that competitively tendered contracts still form only a small part of the total public transport service and that they have only been in operation for a part of the period under review. The Outer North and Outer South contractors began in February 1996, the Inner North and Outer North East only in the first two months of 1997. Where possible, information regarding the first two contracts will be provided. However contracting has had an impact on all bus operations, as TransAdelaide has prepared itself for competition for all its services. Much of the discussion will necessarily talk about public transport as a whole under the "contracting regime", whereby the government operator, TransAdelaide, has been forced to confront the threat of competition.

There are other problems for evaluation which will be discussed. As a result a complete assessment will be possible only after several years' experience.

Savings

Quantification of savings is much more difficult than it may at first seem. The first major difficulty is that a minority of the bus services has been competitively tendered; 42% of patronage. The rest is subject to negotiated contracts. The rail and tram services are also subject to negotiated contracts. The impact of competitive tendering on services that have not been competitively tendered themselves varies, probably depending the perceived threat of competitive tendering. For the period since 1994 the entire bus system was being prepared for competitive tendering under a program which was to have had all

¹ To establish an appropriate sequencing of contracts, the first two were for 2.5 years only, with an option on renewal for a further five years if performance was satisfactory.

services competitively tendered by 1998. There was never any announcement regarding the rail services. This would not be such a difficulty if winning tender prices for those areas that were contracted were known, and could be compared with the cost of the running those services before. But these are among the financial details that are not available to the public. Secondly, the overall performance of TransAdelaide in any one year is difficult to assess because the scale of their operations has changed during each year. Contracts have started in the middle of the financial year. This renders it very difficult to determine factors such as the number of vehicle kilometres travelled in any one reporting year.

Then there are the following familiar problems with all attempts to measure the costs of contracting, even if we are looking at public transport as a whole, as opposed to just those services competitively tendered.

1. *Contract administration costs are mixed in with administration on matters not related to public transport.*

The Passenger Transport Board is now responsible for the contracting of public transport. It also runs the ticketing and passenger transport information systems (at a cost of \$8.102 million this financial year) and it handles complaints and shares in the marketing of the service as a whole. It serves the minister in policy matters.

However this is not the only thing it does. The PTB also carries out activities that were previously handled by agencies other than the STA. It is responsible for the regulation of commercial passenger transport throughout the state (including Adelaide's taxis) and is the focus for government responsibilities regarding community transport. It runs a taxi voucher scheme to provide transport for those who have disabilities which leave them unable to use conventional public transport. It subsidises public transport in the provincial cities. The costs of these programs can be separately identified, but the administration costs of these programs are merged with costs of administration costs of activities pertaining to Adelaide's public transport. For fair comparison to be made, both the programs and the non-public transport administrative responsibilities, which amount to about a third of the PTB's functions in terms of staffing, have to be estimated and deducted from the overall cost of PTB administration. The administration costs of these non-public transport functions is about \$3.3 million. The costs of other non-public transport initiatives (provincial city bus subsidies, concessions for country bus users, the taxi voucher scheme and community transport initiatives) total approximately \$7.9 million.² On the other hand the PTB also received \$1.148 million in revenue from these activities in 1995/6.

2. *There are now new government departments involved with public transport whose budgets may need to be accounted for.*

The Department of Transport now owns most of the physical assets of the bus system. The lease payments made by the transit operators are designed to pay the cost of these, so that they are revenue neutral. However being in a monopoly position, the Department of Transport could possibly use high lease costs to advance the speed at which loans for these assets were paid off, or even to subsidise the rest of its operations. (There have been no suggestions that it has done the latter.) In 1995/96 Treasury paid \$10.7 million to the Department of Transport to cover capital costs for the O'Bahn busway.

² These and following financial figures are from various South Australian Auditor-General's reports, unless otherwise stated. Where personal estimates are used this is indicated.

In 1994/95 the responsibility for security on public transport was transferred to the police, along with a \$4 million payment for that year's operations. (information supplied by TransAdelaide)

3. *There are one-off costs, particularly redundancy payments.*

As discussed below, TransAdelaide reduced staff by offering redundancy payments paid by for by the state Treasury. This process began in the last year of the State Transport Authority. Total payments from 1993/94 to 1995/96 have been \$31.852 million — about \$34 million if converted to 1996 dollars.

The government also offered payments of between ten and twelve thousand dollars to staff who were willing to switch to the new operators. In the event only a handful of staff have taken this option in the case of contracts one by Serco.

4. *Efforts to create a "level playing field" imposes new costs on the public operator, some of which can be debated. On the other hand, there may be efforts to enable the government operator to make the transition to a commercial environment and create a reasonable level of competition.*

TransAdelaide now has to pay for vehicle registration, insurance (it was previously self insured), all state taxes and is liable for federal income tax. These amounts are estimated to have been approximately \$2 million in 1995/96.

On the other hand Treasury is providing TransAdelaide with finance to fund "input cost disabilities" to help it compete with private tenderers. It was initially estimated that the input cost disability factor would cover 10% of the 25% cost disadvantage faced by TransAdelaide. It was up to TA to close the rest of the gap. Some of these costs are understood to be temporary, particularly wage costs (for example some superannuation costs), some are the result of government ownership (e.g. the requirement to maintain expensive central city headquarters). In 1995/96 it was \$10.228 million. (The amount is expected to reduce to \$6.6 million in 1996/97).

5. *Perhaps most importantly, the services and capital costs haven't stayed constant.*

There have been a variety of new initiatives since 1994, most of which cannot be easily costed. These are discussed below. Most have not been expensive, the most significant being the annual \$1.3 million that it costs to run a free "City Loop" service in the city and the extra \$32,000 a bus it now costs to have new buses made low floor and wheelchair accessible (i.e. an extra 12%).

Staging of the payment for capital costs may need to be considered in any comparisons. In this case, however, there has been no particularly noticeable change, with a continued policy of bus and train fleet refurbishment.

Before 1994 it could reasonably be said that all public transport costs passed through the State Transport Authority's budget. It essentially ran the public transport system using three sources of income: ticket sales (\$47.1 million), concessions (\$24.6 million) and government operating subsidies (\$160.2 million) in 1996 dollars (Other, minor income totalled \$11 million.) These totalled \$242.9 million.

In 1995/96 the PTB received from Treasury operating subsidies (\$132.48) and concessions (\$24.4) million. The PTB also received \$42.9 million in ticket sales. With other minor income (principally accreditation fees and lease fees for ticket equipment) the total reaches \$207.7 million. However we must add the input cost disability (\$10.28 million), payment for the O'bahn (\$10.7 million) and the cost of transit policing (estimated to be \$4.4 million). We must deduct the estimated \$11.2 million for non-public transport programs and their administration by the PTB and an estimated \$2 million for TransAdelaide registration, tax and insurance payments. The total now is

\$219.9 million, suggesting a saving of \$23 million, or about 10%. (Note this ignores once-off costs and costs of new services and wheel-chair accessible buses).

New services

The new government elected in 1993 accepted the Treasury plan of using the promised savings to retire debt. However for a variety of reasons money has been found for new initiatives since contracting has begun. Some of these initiatives have been paid for by Treasury. Some have come as part of the contract price. Some have been virtually costless.

The decision to make all new buses wheelchair accessible was forced on the government by the Disabilities Discrimination Commission, acting under the federal Disabilities Discrimination Act. There are now fifty two wheel chair accessible buses deployed throughout the metropolitan area with a further seventy three ordered.

The first of these buses were used on the City Loop, a new free bus inner city service linking the railway station with hospital, education, shopping and other facilities.

Another initiative of the Minister for Transport was the introduction of "customer service attendants" on trains, as a means of improving security and reducing fare evasion. The previous government had reduced staffing on trains to the driver only, creating complaints of insecurity (see below) and high fare evasion. (Note however, that the customer service attendants do not have the power to require fares to be paid.)

In each case the winning tenders have offered some improvements in service. Serco improved the frequency on a variety of routes and reintroduced night and weekend services on one major route.

TransAdelaide has introduced late night services on its arterial routes. A special fare is charged (\$5), which can include a free shared taxi ride up to ten kilometres from the route terminus.

It is now common for passengers to be allowed to use a mobile phone on a bus or train to allow them to organise transport from the bus stop.

It cannot be claimed that all these initiatives should be attributed to contracting. For example, other Australian cities have introduced late night services on similar lines, without the stimulus of contracting. But the important point to note is that these have been introduced within the budget framework discussed above.

OTHER EVALUATIVE FACTORS

Security

The service has also improved in terms of the security provided on the network. Whether warranted or not, the threat of robbery, assault and other dangers while using public transport was a significant media issue in the last year of the STA. There has been a dramatic improvement with the transfer of responsibility for transit security to a special force within the police and the introduction of customer service attendants. See Table 1.

	1993/94	1994/95	1995/96
Assaults	327	308	263
Robbery	146	149	56
Sexual offences	77	83	45
Serious damage	28	14	3
Total	578	554	367

Table 1: Offences on Adelaide's public transport, 1993/94 to 1995/96

(source: information provided to the Legislative Council, 4 February, 1997.)

Fares

Adelaide's public transport fares are formally the responsibility of the Board, though in such a politically sensitive matter, in practice decisions are not made without the approval of the government. Ad hoc changes over previous years had produced a situation in which deep discounts (30%) were available for purchasers of multi-trip tickets (ten journeys) and variable concessions and conditions on use of concession based tickets. The government is phasing in a policy of having a standard 50% concession rate and reducing the multi-trip discount to 30%. Overall fares have increased at or slightly above the inflation rate. (Any real increase by more than 1.5% would trigger a compensation payment to the contractors.) It is interesting to note that the effect on patronage of the fare increases has been barely discernible. This possibly reflects the low price of public transport fares; just over dollar (50p) for an average journey of about ten kilometres.

Patronage

Patronage of public transport as a whole has continued to decline since the new regime was introduced, though at a slower rate than previously. (See Figure 1 above.) The total decline in patronage from 1993/94 to 1995/96 was 6.6%; 4.9% in 1994/95 and 1.6% in 1995/96. With the ever increasing availability of private motor cars and continued expansion of parking facilities, even continued improvements in service have not been enough to increase overall patronage.

If we look at patronage in those two areas that have been under competitive contracts for over twelve months, the situation is mixed. Patronage for the first twelve months of Serco's contract increased slightly, by 0.1%. On the other hand TransAdelaide lost 7.7% in the Outer South over the same period. Patronage for all bus services declined 3.8% during this period. This suggests the evidence for contracting in terms of patronage is at this stage inconclusive.

Both Sydney and Melbourne have seen a flattening and indeed a recent reversal of their long term patronage decline, without resorting to contracting. (Sydney Morning Herald, 17 September, 1996, Age, 17 September, 1996.) On the other hand, their problems with congestion, parking and air pollution are much more serious than those of Adelaide. The cities have also been growing faster. Certainly we can say with confidence that the evidence is that contracting has not harmed patronage.

Social justice

In a city such as Adelaide, with widespread access to the private car and relatively low levels of traffic congestion, the provision of accessibility to needed services for those who

do not have a car of their own is perhaps the most important justification for public transport subsidies. Does the contracting of public transport result in a greater concern for the provision of services to the transport disadvantaged?

I have argued elsewhere that there are reasons for believing that separating policy making from responsibility for operations will result in more thoughtful policy making, which in a context such as Adelaide will result in a greater attention being paid to the needs of the transport disadvantaged. (Radbone, 1995) Also, the Passenger Transport Act specifically enjoins the Passenger Transport Board to bring about a network which "provides accessibility to needed services, especially for the transport disadvantaged" and "promotes social justice" (s. 3).

After a slow start, the Passenger Transport Board has developed a good record in this area. Accessibility for the transport disadvantaged now figures prominently in its Annual Reports. Admittedly its major initiative — the provision of wheel-chair accessibility buses — was forced on it by the Disability Discrimination Act. But the Board has also developed an active role in community transport, something that was neglected by the transport portfolio previously. It is gradually putting into place a network of transport brokers throughout rural South Australia to match needs with local resources.

Also as we have noted before, the contractors themselves have taken several measures which go some way to restoring the position to that pertaining before major cuts to night time services were made in 1992. TransAdelaide now has a four partnerships with taxi and hire care (mini cab) operators to provide connecting services at night. (The first two of these were initiated by the STA.) In addition, the PTB is subsidising a hire car service to connect with TransAdelaide train services at night. The tender documents require the tenderers to say how they will meet the requirements of the Disability Discrimination Act.

Employee conditions

Greater efficiency means improving the ratio of outputs to inputs. In the public transport field, with so much of the cost being in the form of wages and salaries, it was inevitable that some of the efficiencies would be brought about through lowering the overall wages and salaries bill. This would be done through either lower wage and salary rates or using fewer staff to produce the same output, or both.

We have seen from the productivity measures discussed above that the STA produced relatively little per staff member. Also the wages paid to staff were generous by commercial standards. A comparison of wages and conditions awarded to STA staff compared with those of the largest private sector bus company, whose employees were employed under the general transport workers award, shows significant differences. The STA's drivers' weekly pay was over thirty per cent higher than applied under the private award, their drivers worked two hours a week less and they had five weeks annual leave, compared with four weeks under the commercial award. (Australian Industry Commission, 1993) STA employees also had much stronger job security.

The move by TransAdelaide to place itself on a commercial footing took place at a time when the civil service as a whole was shedding staff through redundancies. The pain was made easier through a \$600 million grant from the federal government, paid on condition that the SA government's state owned bank was sold. This enabled generous redundancy packages to be offered. (In fact the only industrial action that took place during this time was brought about when staff of one department tried to have more packages offered!)

TransAdelaide quickly lost 25% of its head office staff, either using redundancy packages or through transfers of staff to other parts of the public sector. When contracts were lost, the drivers affected were offered one of three options: (1) transfer to the winning company on that company's wages and conditions, (2) the standard redundancy package, or (3) transfer to other parts of TransAdelaide's service or the wider public sector. If they took the first option they would be granted at least \$10,000.

These were comfortable conditions when compared with staff of companies in the private sector who lost a contract, but of course nobody likes to go backwards and there was some industrial action when contracts were lost.

The impact on the employee should be considered in any overall evaluation of contracting. Unfortunately there have been no studies to judge whether those who were in the workforce in 1993 feel better or worse off today.

Congestion

The State Transport Authority adopted the practice of "through running". That is, a bus entering the central business district continued through the city to continue on another route on more or less the opposite side of the metropolitan area. This practice has two advantages. It makes more efficient use of buses, eliminating the need to turn-around in the city. It was estimated that the savings in terms of buses needed by adopting through-running was about 8%, or in Adelaide's case, about 60 buses. The second advantage is a reduction in congestion and the demand for kerb space. Buses only make one pass through city streets, picking up and dropping off passengers continuously.

The problems caused by the breaking of through linking for those areas subject to competitive tendering have probably not been so great as to enter the consciousness of the broader public. Adelaide's central business district is not particularly congested compared with most cities. But there have been some localised problems, particularly finding appropriate routes for turning around, with local businesses and residents complaining of an increase in bus traffic. These problems will get worse as more services are "de-linked" by competitive tendering.

At one stage it was suggested that through-running could be maintained by offering packages of contracts which covered opposite sides of the metropolitan area. However this course has not been pursued due to complications caused by the limited number of bus depots and the 100 bus limit on the size of contracts imposed under the Passenger Transport Act. There is also value in designing contracts for single, easily identifiable and coherent areas.

Accountability issues

Proponents of contracting will often argue that contracting can improve accountability by forcing authorities to specify exactly what is wanted and then developing the means by which performances can be monitored and assessed. However from the public's point of view this new knowledge is of little use if it is denied to them. As noted above, important information such as the prices of winning tenders is not available to the public.

While we can have a over-rosy view of what information was available when services were run directly by the government, the explicit denial of information on grounds of "contractual confidentiality" does highlight the way accountability to the public can be compromised by the contracting process. Because of the very secrecy, the public does not even know in whose interest the information is being with-held. Is it for genuine commercial reasons, or is the information being withheld to avoid political embarrassment? Or is it being with-held due to traditional administrative concerns with secrecy?

This paper cannot make a fair assessment of such issues in the case of public transport in Adelaide. The author has not been party to contractual details and in any case would not be in a position to comment on those that are confidential.

A PAUSE IN THE COMPETITIVE TENDERING PROGRAM

At the end of 1996 the Minister announced a pause in the competitive tendering program. Instead the PTB has entered negotiated contracts with TransAdelaide for the

services that had yet to be competitively tendered. There are a variety of possible reasons for this. They relate to concerns for the TransAdelaide workforce if the contracting process resulted in further loss of work. Also, contracting in other areas, particularly the management of water and sewerage facilities and the government's computing services, has proved highly controversial and there may have been a wish to avoid any potential damage in the last year before an election. There is no doubt that whatever the longer term benefits of contracting, it can be politically costly in the shorter term.

But there are also sound policy reasons for a pause. TransAdelaide had secured a variety of workplace agreements with its staff, contingent on contracts being awarded. The savings from those agreements could not be realised until contracts were signed. The Passenger Transport Act is due for review in 1998. It will be a good opportunity to deal with some of those problems discussed above, particularly those imposed by legislation. A pause at this stage has the advantage of not locking the government into structures that have flaws because of legislative imperfections.

CONCLUSIONS

In a wider policy sense, taking into account political, economic and social concerns, the conclusion from this paper is that the contracting of Adelaide's public transport has been a modest success. There have been some savings and a variety of initiatives that have improved accessibility for the transport disadvantaged. It is probably too early to judge the impacts on patronage. In any case such an assessment is made difficult by wider environmental factors. There have been costs in terms of a slight increase in congestion, a loss of accountability and a possible reduction in employee conditions.

Perhaps more impressive results could have been achieved if a bolder model was adopted. While it may have gone further than that of other Australian cities, contracting has been designed with a healthy appreciation of the limits imposed by a conservative electorate. Rail-based services have not been competitively tendered, despite a widespread view that it is here that real savings could be made. The government has retained control of fares and ticketing, it has not allowed competition on the road, it has retained ultimate control over routes and timetables where these affect the integration of the network. Problems caused by contracting have been manageable. Perhaps most importantly for the politicians, it has been achieved at little political cost.

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