

VIEW FROM CANBERRA



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To Tender or Not to Tender that is the Question

On 26 May, Infrastructure Australia (IA), released a report titled Improving Public Transport – Customer Focused Franchising.

The Report primarily focusses on the “franchising” of Government owned rail and bus networks in Australia’s largest cities on a periodic basis. “The private operation of public transport through time limited exclusive franchises”. They are not talking about Governments selling the PT infrastructure and assets, just the operational responsibilities for the delivery of the services.

So why is the Federal government, through Infrastructure Australia getting involved in public transport tendering you might ask? The Report argues that “the national government has a direct interest in more efficient transport service delivery and this direct interest represents a strong case for the Federal Government to incentivise the States and Territories to embark upon reform under the Customer Focused Transport Model.”

I couldn’t agree more about more efficient transport service delivery but then saying that franchising is the only way to deliver more efficient services is a very heroic assumption. The authors of the report let themselves down by conveniently ignoring the large body of evidence that does not support their case. Perhaps IA should have considered benchmarking relative PT network efficiency and the agencies that run them to see where efficiencies might be garnered. Alas this work is left to BIC to undertake, whilst Australia is directed toward 1980’s Thatcherite policy that so effectively, for example, failed VicRail and Victoria a number of years ago. Go figure?

The Report refers to private bus operations and specifically non franchised Melbourne bus operators and the 2017 Victorian Governments announcement that it would phase out exclusive bus contracts over the next decade. The inference being that IA is recommending that all public transport operations should be franchised including private bus operations.

This raises some interesting questions about ownership of depots, vehicles and other assets that are in private hands as opposed to franchising delivery of Government run services and retaining ownership of assets.

The Report infers the same benefits (savings \$\$\$ for the taxpayer, higher quality services at better value for customers), will apply in franchising Government owned PT operations and private operations. I am not so sure about that, it is a completely different exercise.

The Report does not mention regional PT operations specifically BUT it does build on IA’s core recommendation from the Australian Infrastructure Plan that all public transport should be subject to a default exposure to contestable supply through franchising.



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In principle the franchising plan is similar to the Federal Governments asset recycling program. If States and Territories sell stuff and invest the funds raised from the sale, in infrastructure, the Federal Government will provide more funding for those infrastructure projects as an incentive for selling the stuff.

IA makes it sounds simple, but it is not. BIC has always presented the following policy view on procurement of bus services:

State and Territory Governments should determine how they decide to procure bus services whether it is competitive tender or negotiated contract.

New additions to the public transport network or operations previously not tendered can be subject to a one off tender or negotiated to set a cost base.

Savings generated by tendering (or franchising) public monopolies are not repeated in subsequent tenders. This is supported by much research that has been ignored by IA. There is also good evidence that savings are reduced if the public monopoly has gone through a corporatisation process.

A one size fits all procurement approach for all States and Territories and PT operations is not realistic especially in relation to city and regional services, school bus services and Government and privately owned operations.

If key performance indicators are met in delivering public transport services, contracts/ franchises should be renegotiated as a first option, or mandated.

This should all be food for thought for Industry and Governments. The worst outcome will be blind acceptance of this report by State and Territory governments.

In my view, the concept being floated by IA that State and Territory Governments franchise public transport operations on a regular basis to receive funding is flawed. If periodic tendering is the requirement and therefore the motivation for States and Territory Governments to get Federal Government money, despite the performance of the operation, are we really going to get improved services levels for customers and value for money for taxpayers? This approach has the scope to deliver exactly the opposite to what it plans to achieve. Put simply, this is a possible disaster in the making driven more by ideology than good public transport investment, planning and service delivery.

Bus Australia Network

