PUBLIC TRANSPORT

It’s not who runs it, but how it is run

BY CHRISTOPHER TAN

The prospect of a hike in bus and train fares often triggers a flurry of comments from various quarters for public transport to be nationalised. The latest, by the Workers’ Party, follows the last, or will it be the last?

One argument presented by proponents is that public transport is an essential, basic service, and so the Government must ensure that it remains accessible to every and each citizen. Hence the profitability of operators must take a backseat. Oil is essential and basic as well. Perhaps we should nationalise oil companies too. Ditto electricity. How about food? There’s been no call for any of these to be nationalised.

Why public transport? One reason could be that in recent years, there has been a growing mismatch between profit-ability of operators and the level of service of public transport. The former has either been stable or rising, while the latter has either stagnated or sliding.

The debate over whether transport should be run by the private or public sector is as old as buses and trains themselves. Those who favour privatisation tout superior efficiency spurred by the profit motive as one of the top reasons. This, too, has been challenged in recent years. Recent studies, including those by the International Monetary Fund and the World Bank, have concluded that the key lies more importantly in the regulatory framework. Even if the private market is held in esteem, the government needs to keep a rein on operators. Five private bus operators run state-granted territori(al franchises. The buses are supplemented by minibuses which ply to relieve peak loads. The building of rail infrastructure

Hence, simply privatising a service does not necessarily make it better. History is replete with examples of privatisation or private enterprises failing miserably in the public transport arena. British rail lines in the 1800s were built and run by private businesses. It led to uncoordinated and unproductive competition, resulting in financially strapped companies which drew circular routes to avoid costly tunnelling. It was the same story with Melbourne’s rail lines and trams in the early 20th century. Because of competition, there was no coordination, resulting in gaps between services.

For a more recent example, look to Britain’s privatisation of its bus services in the Thatcher era. The outcome? Unco-ordinated competition, cherry-picking of routes and diminished service standards. These eventually led to a steady decline in ridership (except in London), prompting calls for re-nationalisation.

Singapore too had its own taste of this. Before SBS Transit was formed in 1973, the island would serve several opera- tors. It was an era of rickety buses, rude conductors, drivers who raced each other to reach bus stops (to pick up fares), and vehicles filled to spilling point. So, while some regulatory hand is necessary to ensure that service standards are met, and operators do not get into wasteful competitive practices or profiteer.

Even in Hong Kong, where the free market is held in esteem, the government keeps a rein on operators. Five private bus operators run state-granted territor(ial franchises. The buses are supplemented by minibuses which ply to relieve peak loads. The building of rail infrastructure

is undertaken by the private sector, which gets development rights above and around stations. The bulk of Hong Kong MTR’s revenue is thus from property development, not transit. A number of academics, including Assistant Professor Paul Barter of the National University of Singapore’s Lee Kuan Yew School of Public Policy, advocate a strong government hand in transport. In a recent paper, he noted that after decades of deregulation and privatisation starting from the 1970s, countries are beginning to realise that public sector involvement is crucial to the success of public transport.

He cites examples of cities reversing their deregulatory policies, including San- taigo in Chile, where the government stepped in to revamp the bus industry in 2003, Seoul did the same in 2004. The question, then, is what kind of reg- ulatory powers should be exercised? In Sin- gapsore, the Public Transport Council regulates fares. Recently, it was given more power to enforce bus service standards. Train service standards are governed by the Land Transport Authority (LTA).

On the surface, it would seem the framework is workable. Fares are afford- able to all but the poorest segment of society, which is assisted by vouchers and other handouts (although there are no studies to show how effective this form of targeted welfare has been). What about service standards? Well, it depends on which survey you reckon reflects reality best.

The LTA’s polls have consistently shown a high 90 per cent commuter satisfaction rate in the last three years. Surveys by the Institute of Service Excel- lence showed satisfaction sliding steadily from 2007 to 2009. And a finding by research firm Frost & Sullivan revealed that Singapore’s transport system ranked 18th among 23 cities surveyed between last September and February this year.

While sample sizes, methodologies and points of reference may differ, it is fair to concur with going by the grosses aired in the media, at least – that there is a slight disconnect between statistics and sentiment. Prime Minister Lee Hsien Loong himself has apologised for over-crowded buses and trains. And Transport Minister Lee Tuck Yew has admitted openly that service standards need upgrading.

Why has this happened? We can raise a number of hypotheses: a surge in Singa- pore’s population; ageing infrastructure; fleet and infrastructural expansion times has not kept up with demand; and disincentives against car ownership which have pushed more people towards public transport. In all probability, it was a combination of those factors.

The fact that complaints of overcrowding and long, unpredictable waiting times have been top grouses among commuters for years shows that something has been amiss.

What can we do about it? Some of the obvious options include nationalising public transport, enhancing the regulatory framework, and introducing contestability into the market.

Nationalisation is perhaps the riskiest. One, it does not guarantee efficiency. Two, the Government is loath to take on revenue or reputational risks. Three, it will be a monumentally costly exercise for taxpayers. Four, nationalisation spooks investors. SMRT and SBS Transit today, Singapore Airlines tomorrow?”

Yet, state-run transport has worked well in some cases. The Taipei metro, owned and operated by Taipei Rapid Transit Corp, ranks consistently high in cus- tomer satisfaction and yet has been able to produce surpluses (profits). It is so well-run that commuters are inspired to write poems about it.

Tightening the regulatory framework is another possibility. One way is to tie fares to performance, as is practised in some cities. Sydney, for instance, has held back fare increases more than once because of service reliability issues.

Next, contestability: The Government has already set in motion plans to intro- duce this into the market. The first step involves the LTA assuming the role of master bus route planner. This removes or lightens the commercial consideration in route planning.

The next step could involve the LTA carving the island up into franchises, with operators bidding for the rights for a limited period. Operators who meet service standards may be rewarded with bonuses payments, while operators which fail may have their rights terminated or not be invited to bid in the next tender.

This would be done for the rail industry as well. Contestability is deemed a more effective way of regulating the market (in some ways, with many rivals, it could be a self-policing regime). The threat of be- ing replaced – whether real or perceived – is enough to keep operators on their toes. Or so the theory goes. If not well-man- aged, a contestable market can also become wasteful and inefficient.

However Singapore deals with this problem, until the short-term measures that have made taking a bus or a train less than pleasant in the last few years are remedied, a fare increase will be viewed as controversial.