

Workshop 7. Market initiative: regulatory design, implementation and performance.

Conclusions

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Overview

Discuss the current functioning and regulatory options in autonomous market-initiative regimes
(both deregulated regimes and CT-hybrid regimes)

Focus on:

- Case studies of good and bad practices
- Coordination between services
- Concentration and competition
- Regulatory requirements

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Workshop 3B: Governance, ownership and competition issues in deregulated (free market) public transport: Lessons that can be learnt from developed and developing economies

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Case Studies

12 papers, c20 participants, c12 countries.

Express Coaches: Brazil, France and Germany

Rail: Europe, Japan and Sweden

Local Buses: Sweden and Wales

Other modes

Ski-lifts: Italy (vs Austria, Australia and NZ)

Tuk-tuks: South Africa.



Options for market-initiated regimes (Thredbo 11 – 2009 Delft)

| Model 1 | Model 2 | Model 3 |
|---|--|---|
| <ul style="list-style-type: none"> ▪ Several contracts in one area ▪ 1. Authority designs and tenders core-network (net cost contract) ▪ 2. Market initiative for commercial services (based on some minimum criteria) ▪ Interavailable fares and ticketing, lower fares by operators allowed ▪ Authority sets fare rebates and compensates ▪ Discussion club (PTAs, operators, passengers) | <ul style="list-style-type: none"> ▪ Transport plan (only functional) by PTA ▪ 1. Commercial services as market initiative (under general rules: headway regulation + clever exceptions, and fare freedom) ▪ 2. Additional tendering (transport plan) ▪ Fare freedom. Authority sets fare rebates and compensates ▪ Superincentives to reduce need for regulation ▪ Maybe some exclusivity linked to headway regulation ▪ Need for quick response to unfair behaviour | <ul style="list-style-type: none"> ▪ One contract for one area ▪ 1. Negotiating contract with incumbent + threat of competitive tendering if negotiations unsuccessful ▪ 2. Threat of commercial entry (market initiative) if incumbent is not affected negatively ▪ National body to support PTAs in contracting ▪ Performance based penalties and benchmarking ▪ Partnership between PTA and operator |

Developments of Model 2 has been limited:

- New Zealand shift to contracting
- Swedish pseudo-deregulation

Issue of sequencing?



Towards an additional Model 4?

Key features:

- Market initiative with **exclusivity**
- **Payment per passenger** carried only
- **Integrated** network level **ticketing** and **pricing** (by authority regulation or operator association)
- **Ownership right** inducing focus on **longer-term developments** with related businesses

Base case inspiration:

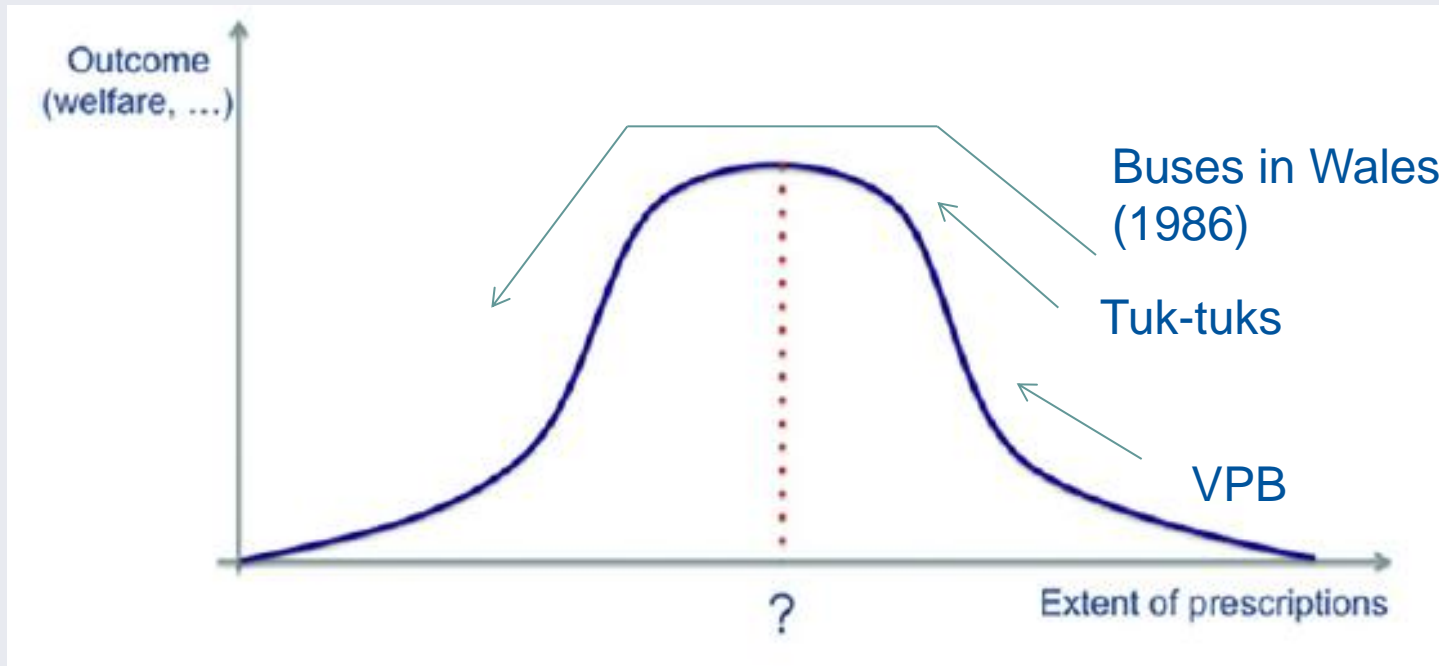
- Dolomite Ski-lifts (to be translated to public transport)
- Note similarities to Japanese private railways links to other activities.

However: Back to the Future?

- Elements of pre-deregulation licensing and Route Associations
- Irreversibility once property rights assigned?
- Monopolisation dangers if no intermodal competition?



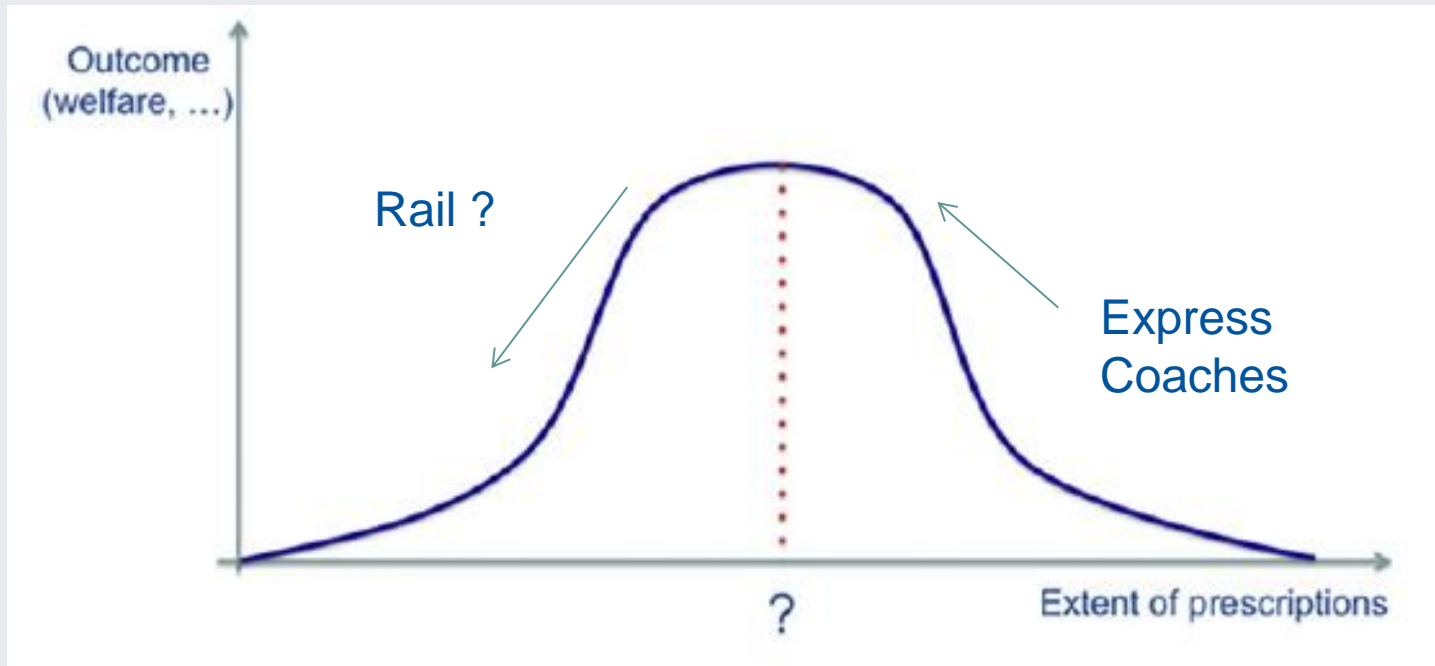
Regulatory optimum: Local public transport examples



Source: Thredo 12 – 2011 Durban



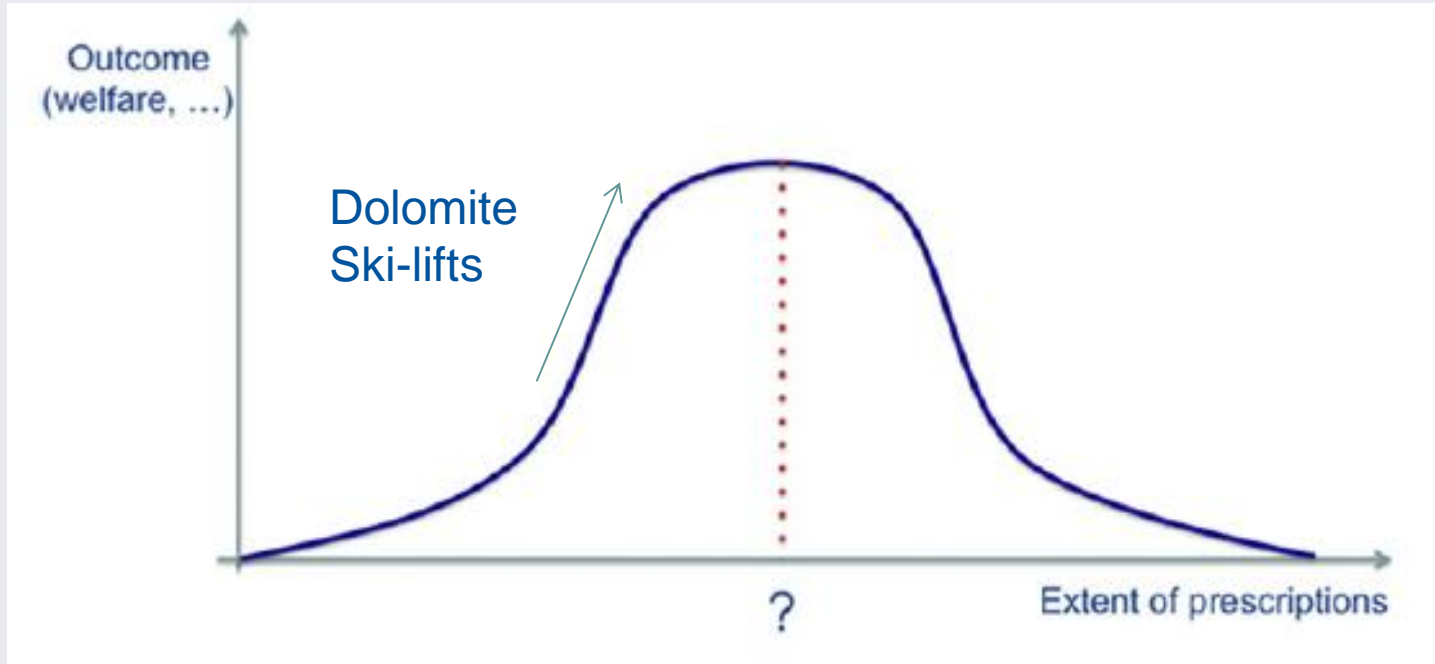
Regulatory optimum: Long distance coach examples



Source: Thredo 12 – 2011 Durban



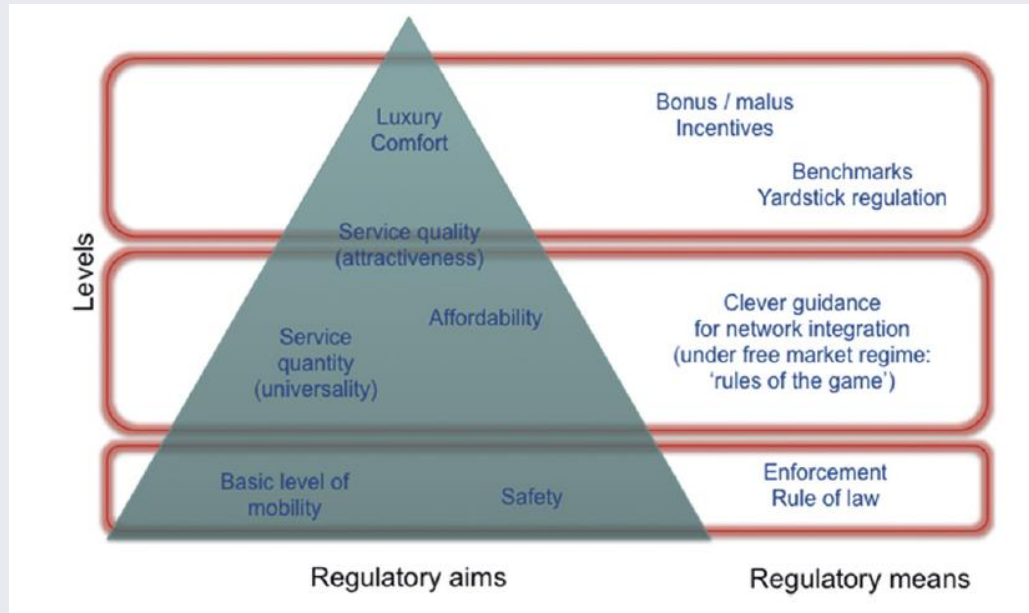
Regulatory optimum: Non local public transport examples



Source: Thredo 12 – 2011 Durban



Discussion on pyramid of regulatory priorities



Rule of Law well established (safety regulation, competition policy) as are KPIs.

Focus on Middle Layer?

Need to disseminate examples of clever guidance.

Source: Thredo 12 – 2011 Durban



Discussion on regulatory devices

(based on results from Thredbo 13 – Oxford 2013)

1. Measures to guide desirable entry

- Strategic guidance through (Public) Transport Plan

2. Measures to stimulate desirable entry

- Access to (and compulsory usage of) ticketing & fare systems
- Access to (and compulsory usage of) information systems and stations
- Headway regulations
- Financial incentives

3. Measures to restrict undesirable entry

- Cream skimming tests
- Standards for new vehicles
- Driver training

4. Basic requirements ('New'?)

- Management training for both operators and authorities



Good practices middle layer regulation discussed at Workshop

Limited number of examples available (lack of papers and research!)

1. Headway regulation
 - Oxford SQP (also: Valparaiso (?), Estonia), role of GPS in enforcement
 - Public interest test to prevent cartelisation.
2. Bus stop allocation
 - Nottingham SQP
 - Airport slot allocation
 - Coaching stations
3. Fares/ticketing regulation
 - Legal powers to ensure participation in concessionary fares schemes,
 - Travelcard and network Smart cards/contactless payment

Why so limited?

- Uneven power relations between operators and authorities (national and local)
- Poor knowledge of benefits of timetable and fare coordination, service stability (including route numbering, liveries etc.)



Conclusions

1. Complementarity/Interdependence between regimes

- Tendered services crowding out commercial services
- Importance of sequencing
- Fare subsidies can have unintended consequences

2. Competition

- Difficult to detect (and prevent) wasteful competition
- Debate: Creative destruction or welfare reducing?

3. Regulation

- Difficult to implement middle level regulations and incentives

4. Challenges

- Future role of Yourbus/uber/... type mobility services

5. Conditions

- Power balance between regulator and regulatee
- Importance of reporting for evaluation



Recommendations

1. Future policy

- Continue to implement light touch regulation in market initiative regimes
- Continue incorporating market initiatives in authority initiative regimes
- Pro-active development of new measures

2. Future research

- Monitor and evaluate such schemes (and competing models) and disseminate the results

3. Implications for Thredbo

- Do this dissemination via Thredbo conferences and website.

