

Truth and untruth: a response

The Director of Public Transport, Jim Betts, has responded to the report I released, along with three other academics, in April last year, which argued that the privatisation of Melbourne's trains and trams has been a failure and should be replaced with a different system of operation.¹ Mr. Betts' response, headed *Truth and Untruth*, was provided following a call from Associate Professor Nicholas Low for a public debate on the future of public transport. Interestingly, the material in *Truth and Untruth* has since been used to attack me by Connex and the Institute of Public Affairs, although neither body saw fit to disclose the source of its information.

Unfortunately, I understand that Mr. Betts has refused Prof. Low's invitation to debate the issues with me. Reading Mr. Betts' response makes clear why he is reluctant to engage in a public debate. Most of his assertions can be easily shown to be false or misleading. To do so, I will use the sub-headings in his document (which in turn are derived from three propositions set out in Prof. Low's *Age* article).

Government subsidies since privatisation

Mr. Betts correctly states that my colleagues and I based our analysis of subsidy levels on the figures in the Auditor-General's September 2005 report *Franchising Melbourne's train and tram system*, which show that inflation-adjusted subsidies are much higher than under the former PTC². Mr. Betts claims that the figures are wrong, and that the increased subsidies are due to higher operating costs arising from additional staff and services, and the purchase of new rolling stock. He further claims that this conclusion is supported by the Auditor-General's report. These claims are false.

Mr Betts claims that the Auditor-General's pre-privatisation figure omits "things like 'top up' payments for concession tickets"; but compare this with the note at the foot of the relevant table, on page 25 of the Auditor-General's report, which explicitly states the figures include "additional costs... such as... concession fare payments...". The Auditor-General's report states that "the total cost of operating Melbourne's train and tram system [has] remained (and is expected to remain) relatively constant over time, with the exception of the cost of introducing new rolling stock" (report, page 24; see also figure 2D). So Mr. Betts' claims of significant additional costs due to extra staff and services are false.

There has been a cost increase attributable to the leasing of new rolling stock, but Figure 2D in the Auditor-General's report shows that this is about \$100 million a year. At least half of this additional cost should have been covered by increased fare revenue since 1999, leaving less than \$50 million to come from annual subsidy increases. But subsidy levels have increased by much more than this amount – around \$170-190 million per year, depending on the period of calculation used– so most of the subsidy increase is unaccounted for.

¹ *Putting the Public Interest Back Into Public Transport*, available from the website of the Australasian Centre for the Governance & Management of Urban Transport (GAMUT), www.gamutcentre.org. Mr Betts' response is also available on the GAMUT site.

² We did not claim that they were more than twice as high: see table 1 on p. 3 of our report.

In addition, the amount expended leasing rolling stock has provided very poor value-for-money, for two reasons. Firstly, leasing rolling stock is considerably more expensive than buying it³; secondly, the new rolling stock was ordered in a hurry to meet deadlines in the franchise agreements, and has serious design flaws, of which the braking problems on Siemens trains are just one example.

The Auditor-General's report did not consider whether privatisation/ franchising had performed better than efficient public ownership, let alone a Zurich-style system. The report considered the **implementation** of the 2002 decision to renegotiate with Connex and Yarra Trams, not the decision itself or the original 1999 privatisation (see Executive Summary).

Finally, Mr. Betts' claim that trains and trams are more punctual and reliable than in 1998 is misleading for two reasons. Firstly, the definition of on-time running has been relaxed since privatisation, from 5 minutes to 6 minutes; therefore comparisons are not of like with like. Secondly, 1998 was an unusually bad year, because the PTC had been split into 5 operating units in preparation for privatisation, causing a significant deterioration in reliability. A fair comparison would be with the figures for 1997, before restructuring for privatisation commenced, and/or the trend up to that time. So, while the figure of 0.85% of trains cancelled in 2006 looks great compared with the 1.4% recorded in 1998, it is poor compared with the 1997 figure of 0.5%, or the three previous years which ranged between 0.3% and 0.6%. For more details, see the accompanying paper *The Reliability of Melbourne's Trains: 1993–2006*.

A Zurich-style public transport agency

Mr. Betts seems very defensive about comparisons with Zurich, a surprising attitude to best practice from somebody charged with improving public transport. Much of his discussion consists of excuses for Melbourne's poor performance, but most of those offered – e.g. the fact that Melbourne is 15,000 km from Zurich, and is on the world's largest island – are completely irrelevant to understanding why Melbourne has less effective public transport.

When Mr. Betts discusses relevant aspects of the *Zurcher Verkehrsverbund* (ZVV), the information he provides can be shown to be false simply by inspecting the organisation's excellent web-site (www.zvv.ch), which has a section in English; for example:

- The service area of the ZVV is not 90 square kilometres, nor is its population 350,000:
“Canton Zurich has a territory of 1834 square kilometres [but] taking the whole residential and economic area of Greater Zurich, the territory covered is more extensive than that... it is here that the ZVV provides single-sourced

³ See R. Myer: 'Victoria backs the leasing route on public transport', *The Age*, 11/12/06, p. B1.

public transport.” (*ZVV in English*, p. 6) The population of Canton Zurich is 1.25 million (*ZVV Annual Report*, 2005, p. 24).⁴

- The ZVV is not merely a coordinating council of senior managers. Its board of directors (or ‘Transport Council’) is comprised of senior managers and politicians from the canton, municipalities and the Swiss Federal Railways (*ZVV in English*, p. 11), but the 34 staff of the organization are responsible for “planning Zurich’s public transport”, “Marketing” and “Finances”, all under the Council’s direction (pp. 11-13). So in addition to performing the job of the DOI’s Public Transport Division, ZVV staff also cover the work of Metlink, the Transport Ticketing Authority and parts of other organizations under the DOI umbrella.
- The kind of work the ZVV does is illustrated by the *ZVV Strategie 2009-2012*, released in July 2006 and featured on the website (unfortunately in German!), which sets out financial, service and infrastructure plans for the whole region.

The two principal differences between the organisational arrangements for delivering public transport in Zurich and Melbourne are:

- Zurich has a single lean, highly-skilled, dynamic organization responsible for planning, marketing, financing and integrating all forms of public transport across its region; Melbourne has a confusing tangle of organizations which lack the necessary expertise, partly because so much staff time is devoted to passively monitoring the activities of private operators and, as Mr. Betts’ response makes clear, offering excuses for their poor performance. In the words of the Infrastructure Planning Council: “Public transport planning has no comparable champion matching the skill and expertise of VicRoads”.⁵
- The eight sub-contracting organizations that provide services for the ZVV are similarly competent and dynamic⁶, which allows the ZVV to focus on strategic issues rather than day-to-day operational problems; in Melbourne the train operator in particular lacks the skills and organisational culture to provide an effective service.

The report I co-authored in April last year proposed that both these problems need to be addressed before Melbourne’s public transport can aspire to world’s-best standards. This is what I would like to debate with Mr. Betts.

The Dandenong line

Mr Betts claims that I propose eliminating express running on the Dandenong line to make room for additional services, and criticises this as “a 1939 timetable for a 2006 city”. The problem is that I have never advocated such a measure: my actual proposal was set out in a paper titled *Rail Infrastructure Capacity Constraints in Melbourne: An engineering problem or a political problem?* This paper is referenced in the report of April last year (note 6, p. 5) and has been publicly available since late 2005 (it is

⁴ The area of Canton Zurich is similar to the urbanised area of Melbourne, as measured by the Australian Bureau of Statistics at the 2001 census. See *Melbourne: A Social Atlas*, 2001.

⁵ Infrastructure Planning Council, *Final Report*, August 2002, p. 51.

⁶ As far as my poor German can ascertain, these organizations are also publicly owned, but some of them sub-contract part, or in one case all, of their service delivery to private firms.

now on the GAMUT website). It was also reported in the press at the time of its presentation. I am astonished to think that none of the 340-plus staff in Mr Betts' Public Transport Division would have taken the time to read it.

My proposal is to offer a 'zonal' service, in which stopping-all-stations trains between Oakleigh and the City would connect at Oakleigh with services running express between Oakleigh and the City; 'super-express' trains (V/Line services and/or suburban services) would be interleaved with these services. Overtaking would occur on the 4-track section between Caulfield and the City. This pattern, which is based on the way the Dandenong line used to operate prior to about 1990, enables up to 20 services to be offered per hour: 8 stopping services, plus 8 expresses, plus 4 super-expresses. This service pattern would double the peak-period carrying-capacity compared with the current timetable. More details, and a sample timetable, are provided in the accompanying paper: *How to double the capacity of the Dandenong Line without new infrastructure*.

Conclusion

Mr Betts displays an odd attitude for someone charged with ensuring Melbourne receives the best possible public transport service for its extensive investment in fares and subsidies. He is very hostile to inexpensive suggestions for improving things, whether at the organisational or the service delivery level, dismissing them without anything resembling serious investigation.

Mr Betts seems to regard his job as being to put the best possible spin on the status quo, by 'talking up' Connex's performance and 'talking down' the opportunities for improving performance in the near future. Although he is not prepared to do this in a public forum where his claims might be scrutinised, he is happy for Connex and the Liberal Party- aligned Institute of Public Affairs to do so, using his material, on his behalf. This helps explain why the community is receiving so little in return for the large sums invested in public transport, and will continue to do so in the absence of serious institutional reform.

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