

## **SUMMARY OF DISCUSSIONS**



## SUMMARY CONTENTS

1. INTRODUCTION.....	11
2. CHALLENGES OF A NEW REGULATORY FRAMEWORK FOR URBAN TRANSIT.....	12
2.1 The crucial question of urban sprawl.....	12
2.2 New questions stemming from changing levels of responsibility.....	13
2.3. The public/private debate.....	14
3. INSIGHT GAINED FROM THE ROUND TABLE.....	15
4. CONCLUSIONS .....	19



The Round Table to assess reforms of urban transit systems, entitled “Privatisation and regulation of urban transport systems”, took place in Paris. It was chaired by Mr. Yves Crozet of the *Laboratoire d’Economie des Transports (LET)*, based in Lyons (France). The background reports were by Dr. Rosário Macário (*Instituto Superior Tecnico*, Lisbon Technical University, Portugal), who focused primarily on the broad trends driven by urban transit reform; Mr. Matthew Karlaftis (National Technical University of Athens, Greece), who looked more closely at the cost implications of reform initiatives; Prof. Martin Wachs and his co-authors (Rand Corporation, Los Angeles and University of California, Berkeley, United States), who focused on changes in labour relations stemming from regime change in transit activities; and Mr. Rainald Borck (University of Munich and the *Deutsches Institut für Wirtschaftsforschung*, or DIW, Germany), who shed new light on how the relative importance of socio-economic categories shape the urban transit reform process at the local level.

## 1. INTRODUCTION

The Round Table began with the observation that major international cities are, to some extent, competing to attract businesses. As economies become increasingly service-led and intangible major cities are trying to capture some of the foreign direct investment flowing from one part of the world to another as the opportunities arise. Such investment may be attracted by local market outlets, but equally so by the scope to export worldwide.

Because major cities can give rise to agglomeration economies, for instance by connecting up different levels of services, the quality of their transit systems is an important factor in terms of competitiveness. For such cities, a transit development strategy implies working out how best to become part of the global economy. This is bound to depend on national guidance as to the role the country wishes to play on the world stage and the resources it gives over to achieving that goal. But at a more local level, transit issues, and more precisely the quality of public transport, will have repercussions on factors such as a city’s vibrancy.

At the same time, economic change and social aspirations oblige governments to practise sound financial management and, more specifically, to allocate resources as rationally as possible. For public transport, which has seen its market share considerably eroded by private cars and has consequently fallen seriously “into the red”, the question of private-sector involvement in the provision of transit services was bound to arise. Expectations in this regard are for better-managed resources and a more commercial approach, which should alleviate the financial burden on urban transit.

It is important to stress that, while the Round Table was entitled “Privatisation and Regulation of Urban Transit Systems”, its main purpose was to gain insight from urban transit reforms. The leading aspect of those reforms is private-sector involvement in public transport service provision in various forms and to varying degrees, ranging from virtually full privatisation, or competition “on” the market, to the contracting out of services by the authorities, or competition “for” the market. In both Europe and the United States there are numerous variations on this theme.

What are the outcomes of these far-reaching changes in urban transit regimes? What insight can be gained from the wide variety of experiences in the developed world? The Round Table endeavoured to answer these questions. For a synthesis of the Round Table debates we propose to take a two-step approach, beginning with a reminder of the challenges raised by such issues, before going on to see what major lessons can be learned from the experiences described during the Round Table.

## 2. CHALLENGES OF A NEW REGULATORY FRAMEWORK FOR URBAN TRANSIT

### 2.1 The crucial question of urban sprawl

In his introductory report to the March 2006 JTRC Round Table on *Transport, Urban Form and Economic Growth*, held in Berkeley, California, David Banister wrote: “*Trying to unravel the complexities of the interrelationships between travel, urban form and sustainable development is difficult. Underlying the discussion is the requirement to have some vision of the city in its desired form – it should be viable (economic justification), have vitality (inclusive and fair), and it should be healthy (high quality of life and environmental quality). Transport provides an essential element in city vitality, viability and health (...). The EU vision is based on maintaining the quality of urban life, urban planning and sustainable development, where mixed uses, high densities and good environmental conditions are seen as being central to both improving economic performance and the vitality of cities.*”

The Round Table began by highlighting a pitfall in this area, namely thinking “centrally” when the economy itself is tending to become decentralised. This implies polycentricism, of which there is clear evidence in today’s world. To use an image, Ford-type mass production is becoming a thing of the past. In urban travel, polycentricism has seen the emergence of a dual model as people travel, on the one hand, within the city and, on the other, between suburbs. The second case is becoming more common than the first. Each city does, of course, have its own specific requirements and there is little uniformity. Yet in every case, a certain level of transit service is necessary to the city’s economic development, and this is a strategic issue. For example, labour market size, which contributes to regional competitiveness by smoothing the match between job supply and demand, is determined by the level of transit services: skilled jobs are less accessible if transit services do not allow people to travel to work. The economy may suffer if opportunities to fill jobs with appropriately skilled workers are jeopardised because travel opportunities are confined to a limited area.

There is a tendency to distinguish between two distribution models for spatial activity: the North American and the European. The “extensive” cities of North America are at one end of the scale and the “intensive” cities of Europe at the other. However, it should be borne in mind that the suburbanisation trend so typical of North America is also gaining ground in Europe, and one of the questions here is whether that trend is not itself a factor in economic development rather than just an outcome. One reason for suburbanisation may be residential choices (private home ownership) but another is the rise in land prices, and it is generally accompanied by an increase in the space given over to recreation, shopping and working on the city outskirts. As for transport, urban sprawl means

that the North American model does not lend itself to transit services, and over 85% of trips are by private car. Speeds are therefore higher and distances greater. Car travel is comfortable and, in this context, better access actually means greater speed. In Europe, with its denser cities and markedly less predominant car use, it is hard to increase the speed of travel, as this always depends on infrastructure which is costly to provide and hard to incorporate into an historic environment. Consequently, the variables that can serve to maintain, if not to increase, the share of transit systems include comfort and frequency.

A point worth noting is that the American model, based on car use and long distances, makes heavy use of environmental resources and gives off high levels of greenhouse gases, for example – in any case far more than in Europe, where the authorities are trying to maintain the share of transit systems. Nevertheless, it is hard to gain a clear picture of the implications of this urban sprawl, as even in sprawling cities there may appear to be numerous jobs around, through residential areas themselves becoming business districts; and it is very hard to say what specific steps the authorities should take to combat urban sprawl. One vital form of action would be to target the property market, upstream from transit services, and have an impact on housing cost. Admittedly, all city councillors are committed to developing their towns and cities and hope to attract residents and businesses. Yet this growing sprawl poses a formidable problem for those in charge of organising public transport. We might add that public transport is not really adapted to increasingly complex living and working patterns, particularly in a world where people string together a series of activities throughout the day, for instance, or where there is high growth in recreational activities. Consequently, while public transport is benefiting from investment, its share of the travel market is on the decline. While the purpose of investment in public transport is to help to reduce congestion and strike a better environmental balance, the evidence shows that the results are mixed precisely where such concerns make sense, i.e. in major cities. Opinion polls report that people are in favour of developing public transport, but in fact most of them use their cars. Public transport is valuable as an option: people are keen on keeping this option open, even if their actual behaviour proves the contrary. So public transport has to contend with private car use, which is in fact the most popular mode of transport.

## 2.2 New questions stemming from changing levels of responsibility

The developments described above are prompting new questions. In many cases, transport falls within the remit of more than one tier of government, e.g. the municipal authorities and the region. This is because urban sprawl and longer trips are leading to overlapping areas of local responsibility, a situation which was hitherto unknown. Where transport is concerned and particularly public transport, new legal and economic arrangements are clearly required. At the same time, transport is a network activity, meaning that some parts of the network are profitable and others not. Hence the following questions:

- What incentive framework should be drawn up by the national authorities?
- Which public agency is best placed to determine what the structure of the local transit system should be?
- Which economic agent is best placed to operate the transit system?

There is a distinction to be made here between strategy, tactics and the operational level. Strategy is the domain of local authorities and tactics that of local government agencies, while the

operational level decides how to allocate the factors of production. Another possible distinction is between players who, respectively, “design”, “fund”, “use” and “operate” the transit system.

As for the “economic” dimension of a transit system, analyses have shown that, at the local or mayoral level, notions of prestige may result in transit system costs being overlooked, although transit services are an integral part of the passenger transport market. In such a market, public transport is perceived as an inferior good, i.e. a good that individuals use less as their incomes rise. A fundamental challenge here is to reinvent public transport to encourage the return of the more affluent classes. At the same time, the cost of using public transport is not only monetary but includes access to travel information, frequent services, good transfer facilities, accessible networks/connections and short waiting/travel times. On each of these points, public transport finds it hard to compete with private car use. That being so, the crucial question is: which player is best placed to determine the structure of the transit system?

### **2.3. The public/private debate**

There is a need to maintain a core network of public transport, just as there is a need to adapt to the new spatial configuration stemming from urban sprawl. This means combining protection of the core network with the development of new services. Injecting a dose of competition is perceived by many observers to be vital to the development of public transport systems. Innovation boosting while ensuring efficient resource use are often said to be the cardinal virtues of the private sector. So it is not surprising that many public authorities have considered introducing some form of privatisation into public transport. Numerous options are possible and some are even specific to individual countries. Without going as far as the privatisation and full competition launched on the UK bus market in the 1980s (with the exception of London), some authorities have sought to turn their backs on the inefficiencies that are alleged to be inherent to public management. Those inefficiencies are: a degree of negligence, linked to a tendency to over-invest with regard to the actual cost of solutions adopted; a mismatch between service provision and the real level of changing demand; and a failure to focus on measures to bring down operating costs. Many experts feel there is a need to combine accessibility, which is vital and consubstantial with the notion of transport, and competitiveness. This implies “market efficiency” and therefore private sector involvement.

However, while government intervention in urban transit is often characterised by heavy emphasis on redistribution, or ideology, its economic justification is often based on the following arguments:

- If the congestion/environmental costs associated with private car use are not internalised, replacing private cars with public transport in cities could make the entire urban transit system more efficient;
- The fixed operating costs of urban transit systems are high. So an increase in the number of passengers will normally reduce costs per user and possibly prices. The ensuing size advantage for operating companies is behind the trend towards more concentrated urban transit markets. The monopoly or oligopoly power enjoyed by service providers could give rise to pricing behaviour that would make transit systems less efficient and crowd out the user groups that are dependent on them. Consequently, it was felt that government involvement, or public ownership, was a prerequisite if transit systems were to be efficient;



- Finally, accessibility, i.e. the provision of a basic service giving vulnerable user groups access to mobility, is viewed as a “merit good”; in other words, a service that governments should provide because it is a fundamental right, even if it is not economically rational.

Thus within the “transit market”, with its social inequalities in terms of access to transport opportunities, there are also “transit fares” which do not fully reflect the actual costs of such transport use. In Europe, public transport users pay only a small share of the costs of service provision, while private car users, in virtually every case, are not charged for the congestion they cause, not to mention the uncertainty surrounding the potential long-term costs to the environment from their greenhouse gas emissions. Conversely, public transport users have no perception of deriving any advantage from the fact that this form of travel is better for the environment.

It was not the aim of the Round Table to focus on the environmental dimension of urban transit, but rather on the potential for a better match between public transport and the demand for urban travel, particularly through forms of privatised, or more precisely, contracted transit services. Yet in addressing the competitiveness of transit services, the emphasis is on the role they could potentially play and hence on a better environmental balance for passenger travel as a whole. This raises the question of whether some form of privatisation is a viable solution.

As for the efficiency of the service provider, it is worth noting that in many cases government support has not improved the availability or quality of urban transit services for all that, but rather increased the fiscal burden to such an extent as to jeopardise the very viability of such services.

One final question that springs to mind is the extent to which the pursuit of market-led objectives is compatible with the social dimension of public transport, for instance. The social dimension is complex, however; first because private car users are not all affluent, far from it – bear in mind private car use on the outskirts of a conurbation, where there is no public transport – and, second, because public transport investment in city centres is largely of benefit to those who live there. Yet they are the affluent classes, at least in Europe. So it is not always easy to judge investment in transport in terms of redistribution.

This Round Table synthesis will now look at the conclusions reached on some of the issues above, in particular the involvement of the private sector in urban transit service provision.

### 3. INSIGHT GAINED FROM THE ROUND TABLE

The first point to be made is that transit services fit into a broader economic and social framework and must therefore adapt to policies in other fields, such as purchase tax and private car use, property and housing; or user charges for competing infrastructure. In practice, public transport has to cope with the omnipresence of private cars, which they complement rather than supplant. Social developments, such as the growth in recreation or the fact that people string together a whole series of activities, have also led to a sharp decline in public transport use over the long term, and consequently heavy financial losses. Ultimately, public authorities could be said to be maintaining or purchasing services which are at best of only partial use to the community. Yet in London, for

instance, since the congestion charge was launched and some of the revenue reallocated to increasing bus services, there has been a sharp rise in bus passengers and these services are doing much to ensure that the introduction of a congestion charge in London will not be reversed.

However, the question is not whether public transport should be subsidised, but rather what the optimal level of subsidy should be. There are no ready answers, owing to factors such as economies of scale for transit service operators, a positive environmental balance for those services, or equity and the social dimension, which some experts maintain make any approach to the issue virtually impossible.

In strictly financial terms, the evidence shows that user subsidies account for between 20% and 100% of the operating costs of transit services in Europe. Budgetary difficulties in most of the developed world – together with the emergence of a school of thought and a body of research during the 1980s which showed that the main impact of transit subsidies was to undermine productivity and innovation in subsidised enterprises – triggered a political process that introduced a degree of deregulation/privatisation to the transport sector.

From these experiences, the Round Table gained the following insights:

- In terms of productive efficiency only, the decrease in subsidies that has accompanied the contracting/privatisation of transit services has led for the most part to higher fares and lower pay within transit enterprises, at least in the United States. The rise in fares has tended to have more of an adverse effect on the number of passengers. Above all, the increase in productive efficiency apparently stems from a decline in pay. In this field, however, the conclusions reached by studies in Europe and the United States are very different. It is also clear that the way in which productive efficiency is measured affects the findings. While some of the studies do highlight a rise in productive efficiency and a fall in costs, the magnitude of those changes is hard to assess with precision. It may be fairly safe to say that government-run services push up costs, owing to higher trade union membership in public enterprises and to the tendency for such enterprises to be larger in size; which does not exactly match the requirements of the markets they serve. While private firms pay less and impose longer working hours, they can also be said to attract fewer skilled workers and have a high staff turnover. All this has been proved to have an adverse impact on the number of accidents, the maintenance of production equipment and, for instance, staff training costs. It would appear, in fact, that there are few technical efficiency gains to be achieved by using a private service provider, and such gains actually stem from wage cuts. The Round Table wishes to highlight the fact that a public enterprise is not intrinsically less efficient than its private sector counterpart, thus ruling out any dogmatism in that respect.
- With regard to the range of services offered to the public, which in turn is contingent on the leeway enjoyed by the provider, the tendency among private operators is to run fewer off-peak services in sparsely populated areas. In more general terms, private operators focus on profitable markets and neglect unprofitable ones. So, to maintain consistency across the network, governments should continue to subsidise unprofitable services, without necessarily benefiting from profitable routes. This implies that the authorities should, in some cases, break down a network into “lots”, paradoxically in order to maintain the network, i.e. they should separate unprofitable from profitable sections when contracting out services. This is because the authorities are trying to achieve accessibility, whereas a private operator bases levels of service on production costs. A crucial problem here is the overall co-ordination and coherence of a transit system. This is an issue where

the potential implications are just as interesting as the question of competition for service provision. Cases involving the privatisation and deregulation of public transport services – in particular the United Kingdom’s policy for bus services other than in London, and for national rail services – have highlighted failures in terms of passenger information, good connections and transfer facilities, and pricing consistency. Each operator has tended to pursue a strategy that maximises profits but undermines the overall coherence of the network industry. In other words, while overall integration is highly beneficial, it does not stem from cost-benefit analysis by individual firms. Consequently, public transport provision is not a least-cost issue, and the presence of numerous private operators on the market does not mean there should be a public agency overseeing network coherence. Then again, the management of such matters by a public agency will not necessarily be rational and flawless either.

- Another potential issue is stable competition in a sector left to market forces. Experience would appear to show that, in a field characterised by increasing returns to scale, competition is giving rise to a more concentrated market. In terms of buses in the UK, for instance, there are now only five major operators left out of the 140 originally in the market when it was deregulated. The question here is twofold: namely, the possibility of illegal agreements; and the power of public authorities when faced with private quasi-monopolies.
- One aspect of the latest developments in public ownership theory is that an efficient producer may in fact need few incentives to cut costs; otherwise the quality of the services on offer will be jeopardised, even when there is not necessarily any scope for them to be cut. A producer may thus become efficient because the workforce is not encouraged to prevent costs from rising. In other words, too many incentives may ultimately be counter-efficient, at least for some types of good or service. Indirectly, this is again the idea that a strategy to get public transport out of the rut involves portraying it not as an inferior good, as low-cost as possible, but as a good with a high intrinsic value. It involves encouraging the more affluent classes to return to public transport and thus strengthen some of the quality-related features of such services, such as the opportunity for executives to work when travelling by train. New information and communication technologies have a crucial role to play here.
- On such issues, where a private agent provides “public good” services, the type of contract binding the public authorities to a private operator is clearly strategic. The contract may specify issues such as the type and allocation of risk, network size, service quality, pricing levels and subsidy levels. A variety of formulae are possible. However, some of the Round Table experts stressed that, rather than giving guidance on every aspect of such contracts, public authorities should bear in mind the need to maintain a form of competitive pressure on the sub-contractor(s). Many experts maintain that there should be market efficiency in public transport and that this implies incentives for a specific level of performance. Other experts argue that the main aim should be commercial performance if the pitfall we saw earlier is to be avoided, namely, operators offering particularly poor service in the name of efficiency and low costs. It is therefore most important for private operators to benefit if their services attract more passengers.
- Many other problems await public authorities, however, with regard to contracts. The evidence shows that such contracts, once signed, are often renegotiated and that when they come up for renewal the formulae very often become more advantageous to private operators with, in particular, an extended duration or the full coverage of costs. When

contracts come up for renewal, private operators can be said to have acquired more in-depth knowledge of the market – being at the top of the learning curve, so to speak – and hence possess asymmetric information compared with the public agency managing the matter. A public agency does not necessarily have the required expertise, and cannot collect the information it needs to assess the services on offer and their production costs. It may not be in a position to complete such a task. Furthermore, the hidden administrative costs, which can be likened to transaction costs, may mean that such matters are managed without the transparency and neutrality that such decision-making requires. Private contractors, for their part, inevitably practise rent-capture behaviour. This is because there are subsidies on these markets. At the same time, these operators are working with short time horizons that are not conducive to long-term action. Long-term contracts would destroy any competitive advantage and are therefore not initially offered by public authorities. In practice, as soon as contracts are signed, many operators ask to renegotiate and, when the contracts are renewed, private operators usually manage to have the terms altered in their favour. Contract renewal is an opportunity for established operators to receive what amounts to a premium, comparable to a form of inertia, and attributable in some cases to the fact that the public agency is ill-informed about the strategic aspects of the services provided.

The Round Table experts concluded that shifting the responsibility for public service provision over to the private sector has little chance of success if the contract does not allow operators scope for innovation. There is a real need to foster innovation in public transport, as there has been in community taxi/on-demand bus services, which can supplement transit provision in sparsely populated areas for specific categories of the population or at specific peak times. In this regard, the time at which a service runs may be just as crucial as the route served. The crux of the matter is not necessarily to offer the same service under a different regime, although it may be more economical, but to meet changing demand. It is on such questions as these that promoting innovation becomes strategic. In some respects, the Round Table discussions placed greater emphasis on the need to promote innovation and on the potential role of the private sector than on the assumption of systematically higher resource allocation through recourse to the private sector.

#### 4. CONCLUSIONS

The challenges facing government in the field of urban transit systems are strategic coherence, productive efficiency and long-term funding. Where such funding is concerned, those who use transit systems should logically be the main contributors. But property owners, who benefit indirectly from transit services, should also contribute in some way. By the same token, real-estate developers should be given less leeway if they fail to include urban transit services in their projects. On all of these points and in spite of the practical difficulties involved, new funding and policy options should be envisaged by the authorities.

As to the question of productive efficiency, the conclusions of the Round Table are qualified in that a public enterprise is not necessarily less productive than its private counterpart, at least in terms of technical efficiency. It is more a question of which operator is best prepared to be thrust into a transport market dominated by private cars. The Round Table felt that the answer to that question was largely based on the operator's ability to innovate. This brings to mind not only transport-on-demand, for instance, but also business practices based on new information and communications technologies. It is here, on the key role of innovation, that private sector involvement in transit service provision can make a difference, in any case more so than on questions of efficiency.

Whatever the contracting/privatisation option, public transport will always be subject to a large number of regulatory arrangements. In a contracting process, information therefore plays a strategic role. It enables an operator's performance to be monitored, from the commercial as well as the efficiency standpoint, and it can be used to assess the implications of choices made by the authorities in charge, as well as to compare operators. Information is also an integral part of any bidding process. It cannot be emphasized strongly enough how crucial information is, and how necessary it is for there to be a mandatory, transparent process of access to all data on the services provided. That process may, in fact, be delegated to a specialist agency. Access to little or no information may mislead the authorities as to the actual quality, range and economic relevance of the services provided by a transit operator. This touches on the idea of governance, and the Round Table in its conclusions placed strong emphasis on these points.

Finally, there is the broader issue of strategy, which is more of concern to the national authorities. The leading question here is global warming. Consequently, governments must ensure that all the economic signals to households point in the same direction, i.e. towards a reduction in transport-generated emissions. The areas most closely concerned are taxation but also housing and land-use policies and many of the regulations on environmental performance or vehicle use. Such an initiative will require a long-term approach, but should make public transport part of a new dynamic, different to the one prevailing to date. This should reveal the full potential for innovation that the private sector can unleash when it comes to new patterns of organisation.

## LIST OF PARTICIPANTS

- Prof. Yves CROZET  
Directeur  
Laboratoire d'Économie des Transports (LET)  
Université Lumière Lyon 2  
MRASH  
14 avenue Berthelot  
F-69363 LYON Cedex 07  
FRANCE
- Chairman**
- Dr. Rainald BORCK  
University of Munich  
Department of Economics  
Ludwigstrasse 28  
D-80539 MUNICH  
GERMANY
- Rapporteur**
- Prof. Martin WACHS  
Director  
RAND Corporation  
Transportation, Space, and Technology Program  
1776 Main Street  
P.O. Box 2138  
SANTA MONICA CA 90401-3208  
UNITED STATES
- Rapporteur**
- Dr. Matthew KARLAFTIS  
National Technical University of Athens (NTUA)  
Dept. of Transportation Engineering  
5 Iroon Polytechniou Str.  
Zographou Campus  
GR-15773 ATHENS  
GREECE
- Rapporteur**
- Prof. Rosario MACARIO  
Instituto Superior Tecnico  
TIS - Transportes, Inovação e Sistemas  
Av. Republica 35-6°  
P-1050-186 LISBOA  
PORTUGAL

Professor David BANISTER  
Transport Studies Unit  
Oxford University Centre for the Environment  
South Parks Road  
GB-OXFORD OX1 3QY  
UNITED KINGDOM

Mr. Sean BARRETT  
Trinity College  
Department of Economics  
25 Westland Row  
IRL-DUBLIN 2  
IRELAND

Monsieur Luc BAUMSTARK  
Maître de Conférences  
Laboratoire d'Économie des Transports (LET)  
Institut des Sciences de l'Homme  
14 avenue Berthelot  
F-69363 LYON CEDEX 07  
FRANCE

Mr. Jon-Terje BEKKEN  
Research Economist  
Institute of Transport Economics (TOI)  
Dept. of Passenger Transport  
Postboks 6110 Etterstad  
N-0602 OSLO  
NORWAY

Prof. Yossi BERECHMAN  
Professor of Transportation  
and International Logistics  
University of British Columbia  
Sauder School of Business  
2053 Main Mall, Henry Angus 462  
CND- VANCOUVER, BC, V6T 1Z2  
CANADA

Mr. Marc BILLIET  
Responsable, Transport des passagers de l'UE  
IRU (International Road Transport Union)  
IRU Permanent Delegation to the EU  
32-34 avenue de Tervuren, bte 37  
B-1040 BRUXELLES  
BELGIUM

Prof. Halina BRDULAK  
Warsaw School of Economics  
Al. Niepodleglosci 164  
PL- 02-554 WARSAW  
POLAND

Dr. Alexandru CHIRMICIU  
Economist  
European Bank for Reconstruction  
And Development  
One Exchange Square  
GB-LONDON EC2A 2JN  
UNITED KINGDOM

Monsieur Richard DARBERA  
Chercheur au CNRS  
LATTES-ENPC  
Cité Descartes  
6 avenue Blaise Pascal  
F-77455 MARNE-LA-VALLEE Cedex 2  
FRANCE

Madame Cynthia GHORRA-GOBIN  
Directeur de Recherche  
CNRS  
2 rue des Prêtres Saint Séverin  
F-75005 PARIS  
FRANCE

Mr. Jens HAUCH  
Research Director  
Danish Transport Research Institute  
Knuth-Winterflots Allée  
Building 116  
DK-2800 Kgs. Lyngby  
DENMARK

Mr. George KARLAFTIS  
CEO, ADK Consulting Engineers  
Themistokleous 106 Str.  
GR-ATHENS 106-81  
GREECE

Monsieur le Professeur Pierre KOPP  
Université du Panthéon-Sorbonne (Paris 1)  
UFR 02  
106-112 boulevard de l'Hôpital  
F-75647 PARIS Cedex 13  
FRANCE



Mr. Paul O’SULLIVAN  
Department for Transport  
3/14 Great Minster House  
76 Marsham Street  
GB- LONDON SW1P 4DR  
UNITED KINGDOM

Professor Robert A. PAASWELL  
Director  
University Transportation Research Center  
City University of New York  
917 Marshak, CCNY  
NEW YORK CITY 10031  
UNITED STATES

Prof. Marco PONTI  
President  
TRT Trasporti e Territorio SRL  
Via Rutila, 10/8  
I-20146 MILANO  
ITALY

Mr. Jonathan RICHMOND  
Visiting Professor  
Logistique, Transport et Tourisme  
Conservatoire National des Arts et Métiers  
5 rue Vertbois  
F-75141 PARIS CEDEX 03  
FRANCE

Professor Kenneth SMALL  
Department of Economics  
University of California, Irvine  
IRVINE, CA 92697-5100  
UNITED STATES

Prof. Antonis STATHOPOULOS  
Director, Railways & Transport Laboratory  
National Technical University of Athens (NTUA)  
Department of Transportation  
Planning and Engineering  
5 Iroon Polytechniou Str.  
Zographou Campus  
GR-15773 ZOGRAFOU (Athens)  
GREECE

Mr. Goran TEGNER  
Transek AB  
Sundbybergsvägen 1A  
SE-171 73 SOLNA  
SWEDEN

Ms. Kerstin WESTIN  
Assistant Professor  
Umea University  
Dept. of Social and Economic Geography  
SE-901 87 UMEA  
SWEDEN

Prof. Dr. Bernhard WIELAND  
Technische Universität Dresden  
Institute for Transport & Economics  
Chair of Transportation Economics & International Transportation Policy  
Andreas-Schubert-Strasse 23  
D-01062 DRESDEN  
GERMANY

Dr. Clara ZAMORANO  
Transyt – Centre for Transport Research  
ETS Ingenieros de Caminos  
E-28040 MADRID  
SPAIN

## **OECD-INTERNATIONAL TRANSPORT FORUM SECRETARIAT**

### **JOINT TRANSPORT RESEARCH CENTRE**

Dr. Andreas KOPP  
Chief Economist

Dr. Michel VIOLLAND  
Administrator

Mlle Françoise ROULLET  
Assistant

Mrs Julie PAILLIEZ  
Assistant

ALSO AVAILABLE

**Transport Infrastructure Investment and Economic Productivity. Series ECMT – Round Table 132 (2007)**

(74 2007 04 1 P) ISBN 978-92-821-0124-7

**(De)Regulation of the Taxi Industry. Series ECMT – Round Table 133 (2007)**

(74 2007 02 1 P) ISBN 978-92-821-0112-4

**Market Access, Trade in Transport Services and Trade Facilitation. Series ECMT – Round Table 134 (2007)**

(74 2007 05 1 P) ISBN 978-92-821-0146-9

**Transport Infrastructure Charges and Capacity Choice : Self-financing Road Maintenance and Construction. Series ECMT – Round Table 135 (2007)**

(74 2007 02 1 P) ISBN 978-92-821-0108-7

**Estimation and Evaluation of Transport Costs. Series ECMT – Round Table 136 (2007)**

(74 2007 06 1 P) ISBN 978-92-821-0151-3

**Transport, Urban Form and Economic Growth. Series ECMT – Round Table 137 (2007)**

(74 2007 07 1 P) ISBN 978-92-821-0164-3

**Biofuels: Linking Support to Performance. Series ITF – Round Table 138 (2008)**

(75 2008 02 1 P) ISBN 978-92-82-10179-7

**Oil Dependence: Is Transport Running out at Affordable Fuel? Series ITF – Round Table 139 (2008)**

(74 2008 03 1 P) ISBN 978-92-82-10121-6

**The wider Economic Benefits of Transport: Macro-, Meso- and Micro-Economic Transport Planning and Investment Tools. Series ITF – Round Table 140 (2008)**

(74 2008 04 1 P) ISBN 978-92-821-0160-5

**17<sup>th</sup> International Symposium on Transport Economics and Policy: Benefiting from Globalisation – Transport Sector Contribution and Policy Challenges (2008)**

(74 2008 01 1 P) ISBN 978-92-821-0168-1

*To register for information by email about new OECD publications: [www.oecd.org/OECDdirect](http://www.oecd.org/OECDdirect)*

*For orders on line: [www.oecd.org/bookshop](http://www.oecd.org/bookshop)*

*For further information about ITF: [www.internationaltransportforum.org](http://www.internationaltransportforum.org)*

## TABLE OF CONTENTS

<b>SUMMARY OF DISCUSSIONS</b> .....	7
-------------------------------------	---

### INTRODUCTORY REPORTS:

<b>The Political Economy of Urban Transit, by Rainald BORCK (Germany)</b> .....	23
---	----

1. Introduction.....	27
2. Normative Theory of Regulation.....	28
3. Political Economy of Public Transport: General Models.....	29
4. Urban Models: Background.....	32
5. Transport Subsidies.....	35
6. System Choice.....	38
7. Combining Subsidies and System Choice.....	40
8. Conclusions: Political Economy of Urban Transit Reform.....	42

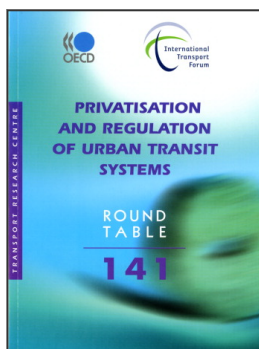
<b>Contracting for Public Transit Services in the US: Evaluating the Tradeoffs, by Martin WACHS, Karen TRAPPENBERG FRICK and Brian TAYLOR (USA)</b> .....	47
---	----

1. Introduction.....	51
2. Transit History in Brief: An Evolving Tale of Public and Private Services.....	52
3. What Motivates Transit Service Contracting Today?.....	53
4. Understanding the Goals of and Motivations for Contracting.....	54
5. Reasons for Contracting in Practice and its Effects.....	59
6. Guidelines for Transit Service Contracting.....	60
7. Recommendations.....	62

<b>Privatisation, Regulation and Competition: A Thirty-year Retrospective on Transit Efficiency, by Matthew G. KARLAFTIS (Greece)</b> .....	67
---	----

1. Introduction.....	71
2. Privatising Transit.....	72
3. Organisational Regimes in Transit.....	76
4. Transit Performance.....	80
5. Transit Privatisation in Practice.....	82
6. Implications of Transit Privatisation.....	90
7. Conclusions.....	93

<b>Towards a Reform of Urban Transit Systems: Topics for Action, by Rosario MACARIO (Portugal)</b> .....	109
1. Introduction .....	113
2. Policy and Management Problems: Historical Background.....	114
3. The Complex Structure of Urban Mobility Systems.....	116
4. Understanding Systemic Interactions.....	119
5. Conclusions.....	139
 <b>LIST OF PARTICIPANTS</b> .....	 145



**From:**  
**Privatisation and Regulation of Urban Transit Systems**

**Access the complete publication at:**  
<https://doi.org/10.1787/9789282102008-en>

**Please cite this chapter as:**

International Transport Forum (2008), "Summary of Discussions", in *Privatisation and Regulation of Urban Transit Systems*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789282102008-2-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).