

The Thredbo Story: A Journey of Competition and Ownership in Land Passenger Transport

Yale Z Wong · David A Hensher

Abstract This paper reviews developments in public transport institutional reform, contract design and implementation over the past 30 years since the inception of the International Conference Series on Competition and Ownership in Land Passenger Transport (known as the Thredbo Series). Whilst Thredbo has grown to encompass all topics in transport planning, policy, contracting, financing, data, as well as funding; competition and ownership remains the core focus and the 14 conferences to date constitute a unique resource to chart the conversation and state of the art as it has evolved in both developed and developing economies. Discussion is structured around three eras (the early years, turn of the century and recent developments) and six elements of contracting—market arbitration, procurement mechanism, asset ownership, contract design, risk allocation and contract management. What emerges is a shift in interest from deregulated to contracted markets (and back to deregulated to some extent), a renewed focus on institutional performance in line with changing government and community expectations, and an increasing desire to place contracted services within the broader context of land use, well-being and wider economic benefits. Importantly, this paper also covers some landmark ideas which have grown to become key cornerstones of the Thredbo series including the STO (strategic/tactical/operational) framework, regulatory cycles in the bus and rail sectors, as well as trusting partnerships between transport regulators and operators. We conclude with the enduring legacy of the Thredbo series and look with optimism to the future for what the next 30 years of Thredbo may bring to the land passenger transport sector. Sharing the journey with CASPT is an opportunity to share the contributions of the Thredbo series in the CASPT setting.

Keywords: Thredbo series · public transport · deregulation · contracting · tendering · negotiation · STO framework · trusting partnerships

1 Introduction

As the International Conference Series on Competition and Ownership in Land Passenger Transport (henceforth, the Thredbo series) enters its 30th year, it is

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important to stocktake and reflect on its contributions to policy and practice to date. The 14 biennial conferences since 1989 have produced a total of 620 introductory, plenary, workshop and content published¹ papers which document (amongst other themes) the evolution of public transport institutional reform, contract design and implementation. The companion paper, Bray et al. (2017)², is the first *systematic* review of theme development and research influence of the entire Thredbo series to date. The review offers a high-level summary of trends in authorship, modes, location, market for service provision, principal technical topics and analytical method over the Thredbo conference period. A major finding with regard to the contracting of public transport is that less work has been undertaken on the procurement of contractors than on the design of contracts, and even less on the management of contracts. What also emerged was a degree of advocacy and strong level of assertion from some very prominent authors regarding the efficacy of various institutional reforms and contract designs. Whilst many findings were evidence-based, there was a tendency for some contributors to draw premature conclusions and generalisations which could be regarded as normative rather than positive.

It is necessary, therefore, to review these contributions with a fresh perspective, using a top-down approach which seeks to critically synthesise and chart the evolution of key ideas in the field through a common metric, and situate these findings within the broader historical context as Thredbo develops. This contrasts with the bottom-up approach taken by individual workshop papers which summarise deliberations from workshop participants, potentially hindered somewhat by the geographic and disciplinary diversity of workshop contributors and also the tendency for groupthink inherent in such formats. With a view to “see the forest for the trees”, the focus in this paper is on the core conference themes of competition and ownership—in particular, institutional reform and contract development. The specific focus is on the development of public transport *service* contracts, with a historically greater emphasis on bus than rail and developed over developing economies. This reflects the nature of contributions made by authors throughout successive Thredbo conferences.

2 Context

In embarking on the Thredbo journey, it is necessary to understand the context around which the 1989 inaugural conference was established. Whilst the physical birthplace of the conference series was in Australia (Thredbo, New South Wales), its spiritual home was in the United Kingdom, where bus and coach industry reforms spurred by the *Transport Act 1985* sparked the interest of the academic community (economists, in particular) and Thredbo founders Michael Beesley³ and David Hensher. These reforms consisted of economic deregulation of the bus and coach industry outside London (supported by a compensating minimum-subsidy tender where commercial services failed to deliver), competitive tendering of buses at the route-level in London, the reform of subsidy policy and privatisation of businesses such as the National Bus Company. These developments generated keen international interest, with other countries embarking on similar programs and a reform agenda which has more or less continued to this day. The political appetite for these reforms can be linked to the macroeconomic context and dominant political ideologies of the time. Laissez-faire policies of the 1980s (dubbed Thatcherism and Reaganomics) welcomed private ownership and free competition which in microeconomic terms played out through the liberalisation of various utility markets in water, electricity, telecommunications and transportation.

¹ Excluding papers presented that were not published but available on the Thredbo website <http://www.thredbo-conference-series.org>.

² Full workshop titles for each conference are contained therein as well as the publication outlet(s) for each conference where individual papers may be found.

³ See <http://www.thredbo-conference-series.org/michael-beesley>.

The transportation context of the era is also important to consider. Early Thredbo conferences were held in a time before present concerns like peak oil and peak car. Private motoring was strong and growing, and encouraged by urban policies like continuing suburbanisation—most prominent in the United States and Canada but also in Europe (for instance, new towns like Stevenage and Milton Keynes in the United Kingdom). Public transport mode share was in decline and their service quality deteriorating, at least across the developed world and in (now) former communist countries. Concern about the complete demise of public transport (barring in the largest cities) was ever-present, as reflected by comments from the initial conferences (Hills and Talley, 1991, Cox and Mannisenmäki, 1992). Given these land use and policy settings (and the strong hold of trade unions in many countries), it was little wonder that public transport unit costs were escalating at an extraordinary rate and becoming an increasing drain on public funds. These include both explicit funds (revenue supplement) to subsidise public transport, as well as hidden costs linked to poor performance. Various forms of market arbitration were hence developed and tested in an attempt to contain these subsidy increases.

3 Structure

A factor analysis of thematic development in Bray et al. (2017) revealed three distinct periods for the Thredbo series, marking major turning points in the competition and ownership literature around which the subsequent discussion will be structured. The (i) early years covered the first four conferences in Thredbo, Australia (1989); Tampere, Finland (1991); Mississauga, Canada (1993); and Rotorua, New Zealand (1995). These were focused on developing the theoretical and methodological basis for market arbitration and was dominated by papers on governance (including topics on institutional and regulatory structures). Next, the (ii) turn of the century was marked by the election of a new Labour government in the United Kingdom and a roughly equal mix of papers addressing governance, contracts and service. These comprised the next five conferences (Thredbo 5-9) in Leeds, United Kingdom (1997); Cape Town, South Africa (1999); Molde, Norway (2001); Rio de Janeiro, Brazil (2003); and Lisbon, Portugal (2005). Finally, (iii) recent developments have seen a surge of papers related to contracts, and correspond with the period post-Global Financial Crisis and the new round of budgetary pressures it brought. These papers were presented in Thredbo 10-14 in Hamilton Island, Australia (2007); Delft, The Netherlands (2009); Durban, South Africa (2011); Oxford, United Kingdom (2013); and Santiago, Chile (2015). Thredbo 15 in Stockholm, Sweden (2017) has heralded a new era for the conference series with its focus on transportation futures in the digital age—some preliminary thoughts regarding implications on competition and ownership are shared as the conclusion of this paper.

Unlike previous reviews of Thredbo (Preston and Nash, 1997, Walters, 2000, Preston, 2005) which offer a limited (albeit valuable), chronological *summary* of each conference (see also Hensher (2014)), this paper critically *synthesises* these findings and structures them under six contracting elements (not necessarily mutually exclusive), with each corresponding to a category feature in the Bray et al. (2017) meta-analysis. These six elements include: market arbitration (based on feature 5 *Market for service provision*), procurement mechanism (feature 6.b (iii) *Contracting*), asset ownership (feature 6.b (i) *Asset ownership*), contract design and risk allocation (both feature 6.b (ii) *Contract design*), as well as contract management (feature 6.b (iv) *Contract management*). Readers are referred to the companion piece for more high-level discussion on how the mix of topics have evolved over the past 30 years. The subsequent discussion is based on an in-depth review of workshop reports with special reference to selected seminal papers in the institutional reform and contracting space, the latter informed in part by their impact on the public transport literature as quantified through the Bray et al. (2017) citation analysis.

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