



Franchising of Melbourne's rail services: assessment after six years*

John Stanley ^{1*}

¹ Executive Director, Bus Association Victoria,
450 Graham Street, Port Melbourne 3207, Victoria, (Australia).

Abstract

This article reviews the recent experience of franchising metropolitan public transport services in Melbourne, Australia, to assess the extent to which the declared objectives of the franchising have been achieved. The failure of the initial franchise process is argued to be attributable, in significant part, to shortcomings in the Government's understanding of what was achievable from a public-private initiative of this nature, given the Melbourne context. Developments associated with the re-franchising process are summarised, the emphasis shifting towards a strong partnership relationship between purchaser and provider, with a more realistic risk allocation between the two.

Keywords: Competitive tendering; Franchising; public-private partnership.

Context

There have been significant changes in the delivery of many public transport services over the past two decades. From public monopolies functioning as both regulator and service provider, it is now increasingly common to see the service delivery role passed to the private sector. More recently, the public sector's role in system design has also come into question, with suggestions that that role too should pass to the private sector. This change process has been driven by expectations of lower costs to government, from more efficient service delivery by the private sector, and better service delivery outcomes, from a service provider more attuned to meeting customer needs.

Melbourne, a city of about 3.5 million people in the state of Victoria, is the only Australian city to have franchised both its passenger train and tram networks. The franchising occurred in August, 1999, as part of a much wider privatisation push by the

* This paper draws partly on earlier work by the current author (Stanley and Hensher 2004; Stanley, Betts and Lucas 2005). It has also benefited from the comments of an anonymous referee.

* Corresponding author: John Stanley (jstanley@busvic.asn.au)