Public transport privatised in Australian state

A correspondent
3 August 1999

In what is seen as a test case nationally, the Victorian Liberal government in Australia has just completed the first wholesale privatisation of public transport services. Franchises have been awarded to international and local companies for the operation of five tram and train passenger services. This follows the privatisation of the state's rail freight and bus services.

The UK company National Express is to take over Swanston Trams, Bayside suburban trains and the V/Line country passenger services. Metrolink, a consortium of French companies Transdev and Egis with Australian company Transfield, will take over Yarra Trams. Melbourne Transport Enterprises, a wholly owned subsidiary of the French transport operator CGEA, has taken over Hillside trains. The transnational firms involved have signed franchises, which last from between 10-15 years.

The most immediate effect of the privatisation is that many are losing their jobs. All workers in the public transport system are to receive notices informing them of whether or not they should attend work the next day. Hundreds of administrative staff have already lost their jobs. Already, dozens of workers in Yarra and Swanston Trams have received retrenchment letters with many more to follow in the railways soon.

In the lead up to the privatisation the government claimed the new owners would provide great benefits, delivering new standards and better services. In the words of premier Jeff Kennett: “I think Victorians are going to see the most dramatic and exciting change in their public transport system”.

The current state of the transport system is the result of years of neglect during which both Liberal and Labor governments have deliberately run it down. Already outdated by world standards, after privatisation it will no longer be an integrated system of train, tram and bus services but will be fragmented into five separate companies each with their own commercial interests.

Each company will, as much as possible, limit their liabilities and maintenance costs. A glimpse of what lies ahead was provided in a case in 1995 when a derailed train operated by West Coast Rail, one of the earliest privatised rail companies in Victoria, struck a metal post causing the death of a young woman. Robin Phillpott, mother of two young children, was killed instantly at a level crossing when the uprooted steel signal post crushed her car. All of the various companies involved absolved themselves of any responsibility. After protracted attempts through the courts her husband was forced to go to the Supreme Court to attempt to obtain compensation for the loss of his wife.

In Britain, the disaggregation of the transport system has seen the railways carved up into 25 separate companies. Following this model, all of the new owners in Victoria will have their own separate timetables, with no coordination between trains, trams and bus services as each company is only concerned with its own particular area of operation. The current multi-modal ticketing system, which enables passengers to transfer between different services on a single ticket, will be done away with as the new companies bring in separate fares.

Government claims that privatisation will result in improved services and safety are belied by the European experience. In November 1998 Railtrack, which owns and runs Britain's railway lines and stations, announced a £25m increase in its half-year profits. Shareholders were to receive a boost of almost 10 percent to their shares as profits were lifted by sales from the extensive property portfolio.

However, just eight months prior to the glowing profit report, the BBC stated that Railtrack might face prosecution. A leaked letter from the Health and Safety Executive (HSE) warned the company about “the persistent poor condition of the tracks”. It was already facing prosecution over the track condition at an accident in Bexley, in February 1997, when four people were injured.

Such reports are not limited to Railtrack. Between April 1997 and March 1998 nearly a million complaints about poor services, overcrowding and delays were received according to a report from the rail regulator. On average, the 25 private rail companies received 2,700 complaints per day.

In a recent report, the Central Rail Users Consultative Committee found that in 1997-98 almost 258,000 trains were seriously delayed and 47,000 cancelled. The report concluded that the number of complaints “reflected passengers frustration that pre-privatisation promises of consistently reliable services and improved levels of performance have simply not been kept by most operators”.

A survey by Stephen Fulwell from the Institute of Occupational Health and Safety in the UK found that deaths on the railways in 1997-98, excluding suicides and trespassers, were 47, double that of the previous year. “We have found that sharper commercial focus in the privatised rail sector,” his report stated, “combined with an increase in the outsourcing of engineering projects, may be encouraging some sub-contractors to cut corners under the pressure of delivering to tight deadlines and budgets.”

The successful bidders in Victoria were those that projected the lowest operating costs, minimising the subsidy received from the government. In the first year, National Express will receive $204 million, Melbourne Transport Enterprises $82 million and Metrolink $38 million. Through privatisation the Victorian government will cut spending by $1.8 billion over the next 15 years. This comes on top of the $245 million already cut per annum since 1993 through the previous transport reform agenda.

Like all major companies, the new owners in transport will be seeking to cut costs and maximise revenue. National Express operates bus, train and airport services in the UK, Europe, USA and Australia. Its market capitalisation is $1.3 billion. CGEA, a subsidiary of the French company, Vivendi made profits last year of $3.39 billion. CGEA operates public transport services internationally. The company, which operates a rail service in England called Connex, was fined $6.9 million last December for lateness, cancellations and changes to timetables.

In March 1997, only a year after winning its franchise, National Express announced that it was cutting 20 percent of the workforce at its Midland Main Line Ltd. and Gatwick Express Ltd. operations. Further substantial job losses were expected at its other three franchises.

What is most revealing, however, is the company's reliance on the unions to smother opposition to the job destruction. National Express announced job cuts at a time of mounting concern about the impact of rail privatisation on train services, claiming that it had achieved the job cuts smoothly, through discussions with the unions concerned, and had not lost a single service as a consequence.

In a similar fashion the Public Transport Union (PTU) in Victoria has acted to break up resistance to the attack on public transport workers. In fact the retrenchments are taking place under a workplace agreement between the union and the Public Transport Corporation (PTC) reached in 1997. According to the agreement: “The Corporation shall ensure that any potential new employer shall have given adequate notice to the Corporation, and the Corporation to the relevant employees and unions, of the details of all employees it intends to offer continuing employment.” In other words, the companies are not bound to give any notice when sacking—they only have to inform those they intend keeping on.

The PTU was the first union to enter talks with the Liberal government and implement the “Public Transport Reform Agreement”. In reviewing the role of the transport unions, the then Liberal transport minister Alan Brown said in November 1993: “I pay particular tribute to the union leaders who were involved in forging this historic agreement with the government”. Elaborating on some of the specifics of the talks with union leaders he continued: “We have also agreed to: the removal of guards from all trains; driver-only operation of both trains and trams; the contracting out of most of our non-core work; the reduction of driver training time from the current two years to six months; massive savings in our freight system and the way our workshops will be administered in the future.”

What followed were several agreements between the PTU and the Kennett government that have been the precursor to privatisation. The union oversaw a massive downsizing of staff, and the casualisation of the workforce, resulting in deteriorating conditions, increased workloads and a growing number of victimisations. Staff numbers have fallen from 33,000 in the 1980s to fewer than 9,000 today.

Having collaborated closely with the government in imposing these cuts and blocking any opposition to the rundown of public transport, the PTU is now working to conceal the real implications of privatisation. For example in a radio interview, PTU tram division secretary Lou Di Gregorio said the companies could be no worse than the PTC.

Not surprisingly the Kennett government has welcomed the union's ongoing involvement in the privatised ventures. The 1997 Enterprise Agreement ensures the union's continued legal status under a clause which states that any new arrangements must be authorised by a “replacement agreement to be certified by the [Industrial Relations] Commission” and that this should be “reached between the union, the new employer...in respect of each such function or activity”.

Job destruction will continue. Speaking about the significance of privatisation in New Zealand, Transport Minister Robin Cooper pointed to the cut in staff numbers from 21,600 to 4600. “That success story will be repeated in Victoria under privatisation,” he said.