

# National Express withdraws from Australian showpiece of privatised transport

Margaret Rees  
27 February 2003

When the Victorian government privatised the state's entire public transport system in 1999 it lauded the move as the consummate answer to the persistent problems of conveying people and goods in one of Australia's most populated states. The public was assured that private enterprise would deliver what the public sector could not—an efficient, safe and vastly improved service.

The promised benefits of privatisation have proven to be a myth. Victoria's privatised transport system continued to be plagued by problems related to service provision, on-time running and safety. In December, the myth was delivered another decisive body blow. After only three years, the British-based National Express, the largest private transport provider in Australia, suddenly pulled out of its long-term contract to manage Victoria's train system and part of its tram service, forfeiting a \$130 million performance bond.

With the collapse of National Express, responsibility for Victoria's metropolitan M>Train, M>trams and its V-Line country passenger trains was unceremoniously dumped in the lap of the state Labor government. As well as the immediate problem of keeping the transport system running, it undermined Labor's ability to justify its Partnerships Victoria program, which involves a series of joint government-private sector projects. These include a plan to pay \$300 million to the Civic Nexus consortium to build a Melbourne country rail terminal and to award the company a 30-year contract to run the station.

Despite the ignominious collapse of National Express, the Labor government immediately rushed to reassure the market that it had no intention of operating public trains and trams. It plans to reintegrate the tram and train networks and put the entire system up for tender within 12 months. The three transport areas operated by National Express have been placed in the hands of receivers KPMG.

Another round of downsizing and attacks on working

conditions is being prepared order to cut costs and to attract a new private investor. An editorial in the *Australian Financial Review* gave a glimpse of what is on the cards. It called on the government to introduce greater flexibility in working conditions, including the introduction of split shifts and an increased use of casual labour.

In January, Transport Minister Peter Batchelor announced he would add "firepower" to the Office of the Director of Public Transport by employing "heavy hitters in the commercial sense" to senior positions to work with the receivers to oversee the restructuring. He appointed three former directors of National Express, the very men who oversaw the transport debacle, to work with KPMG. They are Alan Chaplin, now the managing director of M>Train, Bernie Carolan from M>Tram and Andrew Neal from V-line Passenger.

Far from defending the conditions of its own members, the Rail, Tram and Bus Union (RTBU) is doing all in its power to assist the Labor government find a new buyer. In the wake of the National Express collapse, the union has made no call for the government to take control of the transport system and provide the money for a much-needed upgrade of services.

Pledging a non-strike period during the transition to full privatisation, RTBU assistant secretary Lou Di Gregorio declared: "It's a pity the company (National Express) has gone under". The problem, he claimed, was simply that National Express "never got to know the business of public transport here in Victoria".

The union's offer to assist the government is completely in line with its past practices. It defused the struggle by transport workers against privatisation and allowed the sell-off to go ahead in exchange for union coverage in the newly privatised operations.

In 1999, three companies won 12- to 15-year franchises to run Victoria's transport systems. They were Australian-

French consortium Transfield-Transdev; CGEA Connex, a subsidiary of French transnational Vivendi; and National Express.

The companies gained the contracts by promising to lower operating costs and increase service usage thereby lessening any claim on the government for continuing subsidies. National Express, for example, projected that patronage of its train and tram services it would increase by 70 percent in the period to 2009. Instead patronage increased only at a rate of between 2 and 4 percent annually.

The private companies, especially National Express, have milked the government for millions of dollars in subsidies since taking control of the transport system. In the first year of operations, National Express received a subsidy of \$204 million, Connex \$82 million and Yarra Trams \$38 million. All three companies continued to demand extra subsidies and underwriting. In February 2002, the government, fearing a collapse of sections of the metropolitan transport system, handed the companies an emergency subsidy of \$110 million—of which National Express received \$46.2 million.

There have been other forms of subsidisation. According to their franchise arrangements, the private companies were expected to meet the full cost of infrastructure improvements. Instead, since 2000, the government has handed over \$22 million for cost overruns on extensions to busy tram and train lines and forked out another \$100 million to electrify an outer rail line and to add two new stations. A similar extension in 1995, when the system was under public ownership, cost only \$27 million.

When National Express complained that it was suffering large revenue losses because of fare evasion, the government employed 100 more station staff and 100 roving ticket sellers at a cost of over \$33 million over the next three years. It also introduced legal powers to allow the private operators companies to convert the extra employees into their own transit police.

Despite these measures, National Express declared that one of the reasons for abandoning its franchise was the loss of \$50 million per annum in fare evasion. The revenue losses were, however, the result of drastic changes to the ticketing arrangements introduced by the previous Liberal government in the lead up to privatisation.

Hundreds of barrier assistants and ticket-sellers were replaced by a complex ticketing system requiring passengers to purchase tickets through machines and

validate them at stations or after boarding trams. The difficult and impersonal system was much resented by a travelling public already inconvenienced by the lack of service resulting from years of downsizing under both Labor and Liberal. In the decade to 1998, the number of public transport jobs were slashed from 33,000 to less than 9,000.

National Express was always in the business to make a profit not run a service. It took over a transport system that had been run down and starved of funds. Unable to milk more money out of the users, the company continually turned to the government for handouts, using the threat of imminent collapse and transport chaos as a lever.

Just prior to abandoning its operations last year, National Express demanded that the government bail it out to the tune of \$130 million and give a guarantee to underwrite all future losses. When the government refused and offered only \$90 million, National Express decided to walk away. The company told the London stock exchange it was unable to reach “a revised financial arrangement with the government without incurring an unacceptable level of operational and financial risk from next year onwards.”

The remaining companies continue to demand subsidies until the system is put up for tender. Connex and Yarra Trams have been given an extra \$47 million to run their services for the next 12 months and are looking for more if they successfully tender to take over the transport system after December 2003. To make the point crystal clear, Connex director Bob Annells declared: “Significant subsidies are paid to every public transport operator in the world and will continue to be.”



To contact the WSWS and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**