



Economic Reform Australia

Public or Private



Background

- ▶ British Rail - State Owned
- ▶ GTRM - Maintenance Contractor
- ▶ AEAT - Rail Consultancy
- ▶ Network Rail - Company Limited by Guarantee
- ▶ Public Transport Authority Western Australia - State Owned
- ▶ Andromeda Engineering - Rail Consultancy



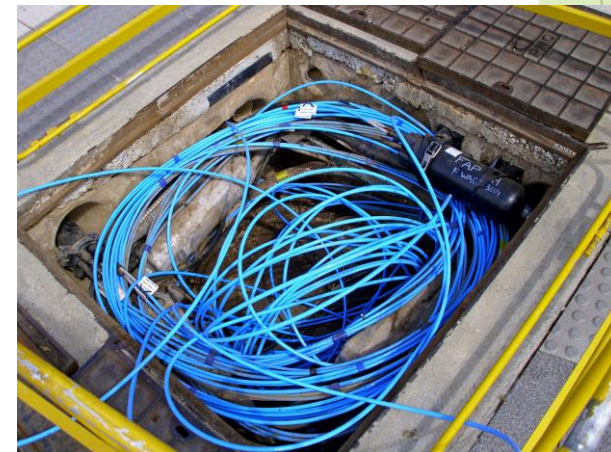
Outline

- ▶ What is a natural monopoly?
- ▶ Case Studies
- ▶ Privatisation Challenges
- ▶ Benefits
- ▶ A Formula for Success
- ▶ Questions?



What is a Natural Monopoly?

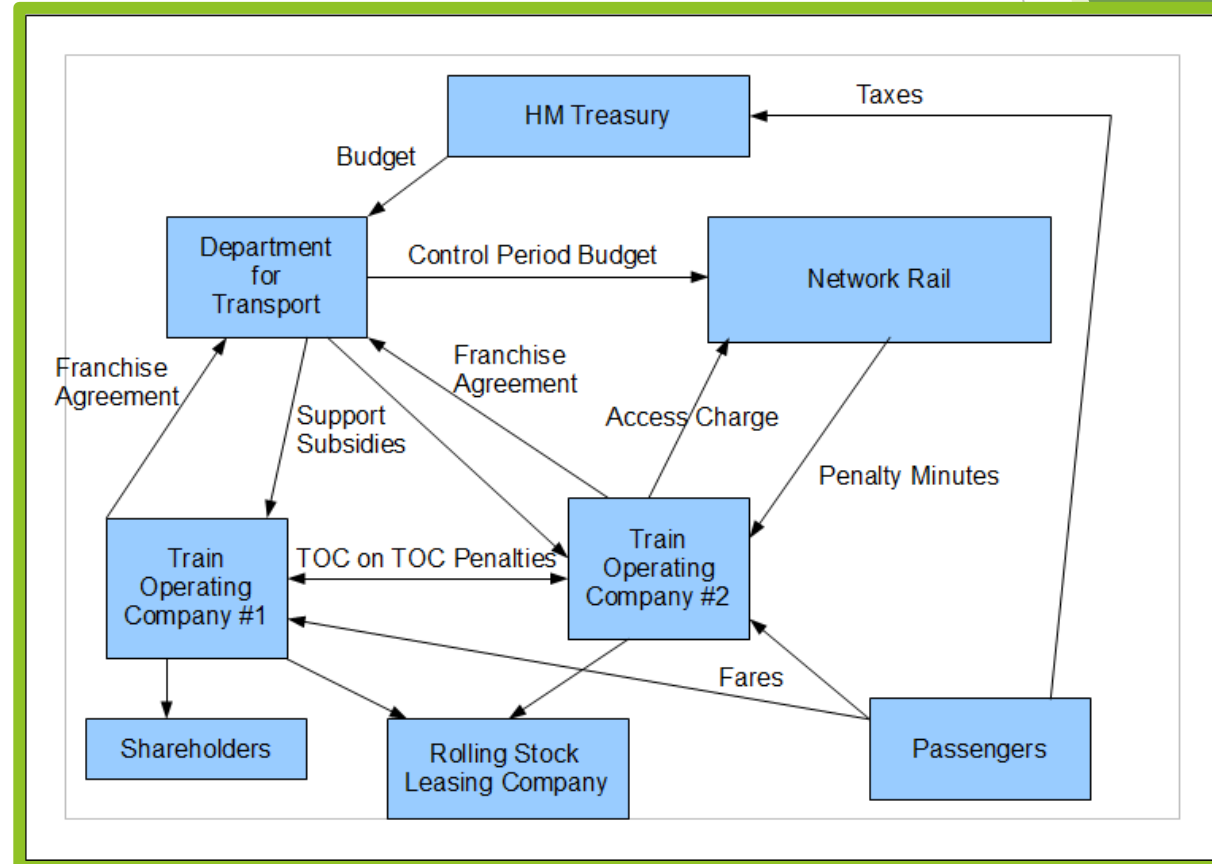
- ▶ Competition isn't practical
- ▶ Scale is important, high fixed costs
- ▶ Monopoly pricing leads to excessive profits
- ▶ Large barriers to entry





Case Study 1: UK Rail Privatisation

- ▶ Original Plan - vertically integrated
- ▶ Actual Plan - sliced to pieces
- ▶ Complexity
- ▶ Contractual challenges
- ▶ Expertise outsourced





Case Study 1: UK Rail Privatisation

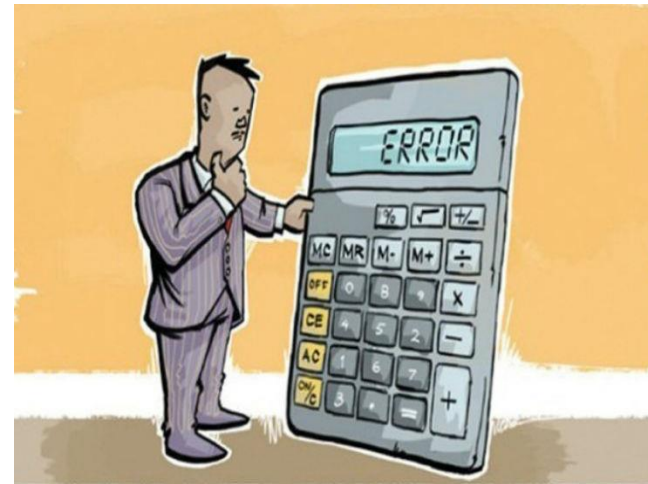
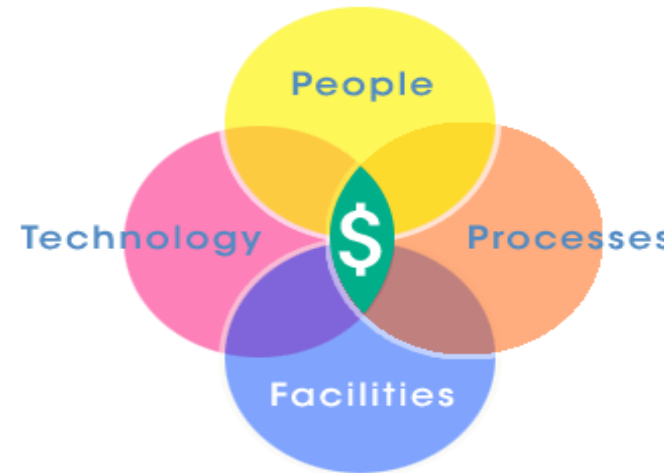
- ▶ Misaligned incentives
- ▶ Sweating the asset
- ▶ Challenges of contractualization
- ▶ Complex communication
- ▶ Management of risk
- ▶ Accidents
- ▶ Network Rail replaced Railtrack





Case Study 2: Western Australia PTA

- ▶ State owned and operated
- ▶ High performing in Canstar surveys
- ▶ Modern infrastructure
- ▶ Deteriorating performance
- ▶ Poor financial controls
- ▶ Lack of customer/business focus
- ▶ Culture/leadership





Case Study 3: Victoria Model

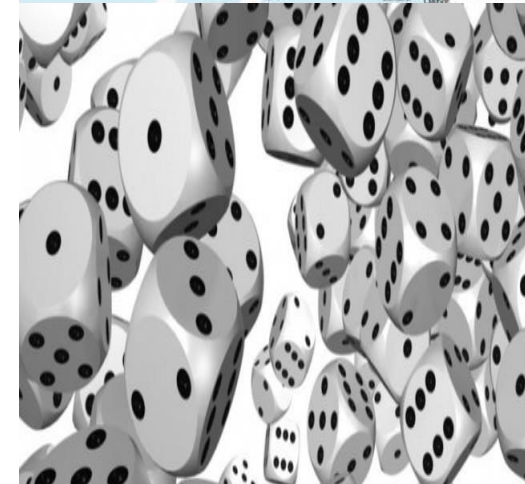
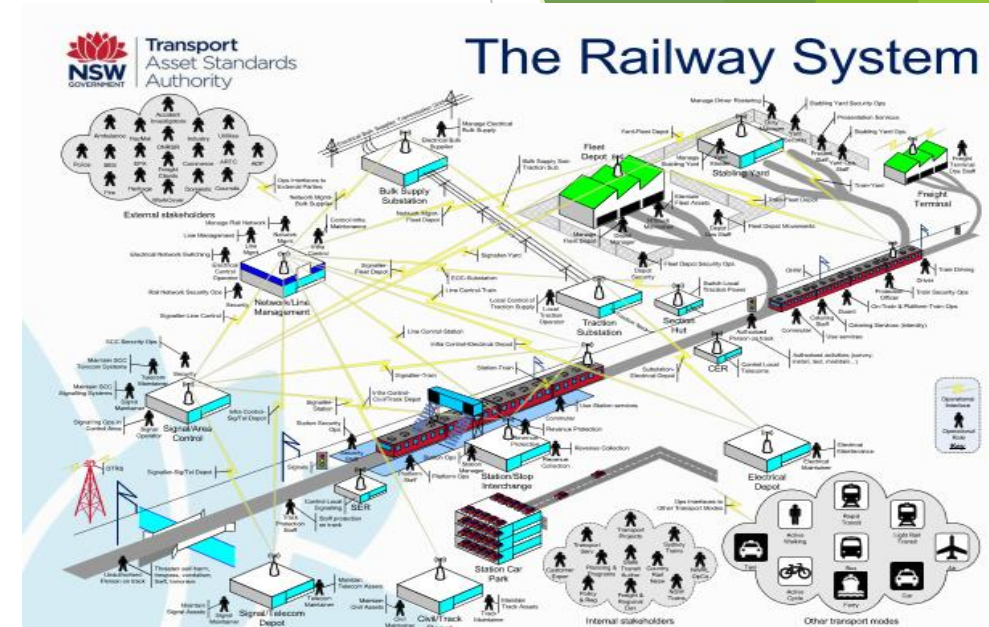
- ▶ Mature contracts
- ▶ Strong client
- ▶ Long term perspective
- ▶ Complexity of measurement
- ▶ Managing change

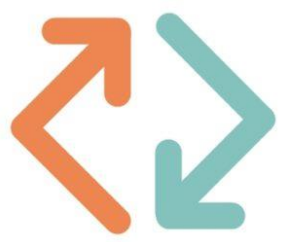




Challenges of Privatisation

- ▶ Supply chain involvement
- ▶ Contractualising a complex operation
- ▶ Aligning objectives
- ▶ Unplanned events
- ▶ Managing change
- ▶ Additional people to regulate/manage
- ▶ Culture change





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Benefits?

- ▶ Increased wages
- ▶ Greater expertise
 - ▶ international, cross industry
- ▶ Reduced barriers
 - ▶ procurement, innovation, decision making
- ▶ Reduced political interference
- ▶ A contract focuses the mind
- ▶ Competitive award process





The Secret Sauce

- ▶ People/leadership more important than processes or ownership
- ▶ Aligned objectives, clear political vision/direction
- ▶ Stable funding
- ▶ Reduced political interference
- ▶ Correct mindset
 - ▶ Sense of service to the public
 - ▶ Valuing money
 - ▶ Continuous improvement





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Questions

