THE TRIAD IN EAST AND SOUTHEAST ASIAN TRANSPORT : CORPORATISATION, PRIVATISATION AND DEREGULATION

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ABSTRACT: *Bureaucratisation, state ownership and regulation were the hallmarks of transport in East and Southeast Asia after the Second World War. Since the mid-1970s, however, corporatisation and privatisation, if not deregulation, have spread like a tropical fever. This raises the question of where the ideas originated: were they indigenous or did they stem from the activities of international aid agencies; and will the corporatisation of Japan National Railways help in spreading the contagion? Once these issues are resolved another set of questions can be raised about the uneven spread of these concepts within Southeast Asian countries: why have Malaysia, Singapore and Thailand been gripped by corporatisation and privatisation in public transport; why have these concepts taken little hold in Indonesian and Filipino transport; and why has deregulation been tardy in all countries. Having answered these points we can consider the more intractable question: what Australasian lessons can be drawn from East and Southeast Asia about which transport enterprises are best run privately and which by the state?*

INTRODUCTION

Bureaucratisation, state ownership and regulation were the hallmarks of transport in East and Southeast Asia after the Second World War. Since the mid-1970s, however, the concepts, if not the realities, of corporatisation, privatisation and deregulation, have been spread with religious fervour. Before the terms became fashionable, technocrats were conscious of these concepts in neighbouring regions. The Sri Lankan Government, for example, had disposed of the unprofitable state bus monopoly -- the Ceylon Transport Board. Not too much notice was taken of this instance, however, because it was seen as a move by the free-enterprise Jayewardene Government to undermine the nationalisation policy of an ousted political rival. Nevertheless, there were isolated instances of the three concepts in Southeast Asia but they did not become the prevailing cathechism until local technocrats were influenced by missionaries from the World Bank imbued with the ideas of Reaganomics and Thatchernomics. Once these concepts took root in Southeast Asia, however, they lost their political overtones and became a pragmatic, technocratic response to overcoming the problems of state-owned corporations. In particular, the technocrats were impressed by developments under the Nakasone Government in Japan.

The strong influence of Japan in Southeast Asia raises the issue of the role played by the corporatisation of Japan National Railways in spreading the Gospel. Once this is resolved a set of questions can be raised about the uneven spread of these concepts within Southeast Asian countries: why have Malaysia, Singapore and Thailand been gripped by corporatisation and privatisation in public transport; why have these concepts taken little hold in Indonesian and Filipino transport; and why has deregulation been tardy in all countries.

In considering these points we discuss 'decorporatisation' in Southeast Asian cities prior to, and after, the Second World War (Section 1). Then we examine examples of corporatisation in Southeast Asia before considering the catalytic example of Japan National Railways (Section 2). We go on to study progress towards privatisation in Southeast Asian cities and regions (Section 3) and the absence of any strong surge towards deregulation (Section 4). Finally, we examine the more intractable issue: what Australasian lessons can be drawn from Southeast Asia about which transport enterprises are best run privately and which by the state?

DECORPORATISATION

A schematic map by Hajime Fujiwara (1986), a Japanese political scientist, highlights different political systems in the Pacific Basin: the Hinter-Pacific Bureaucratic Dictatorship Zone in Continental Asia; the Hinter-Military Dictatorship Zone in Central and South America; the Circum-Pacific Bureaucratic Control Zone and the Sphere of Free Enterprises Spirit (Frontier Zone) (Fig. 1).

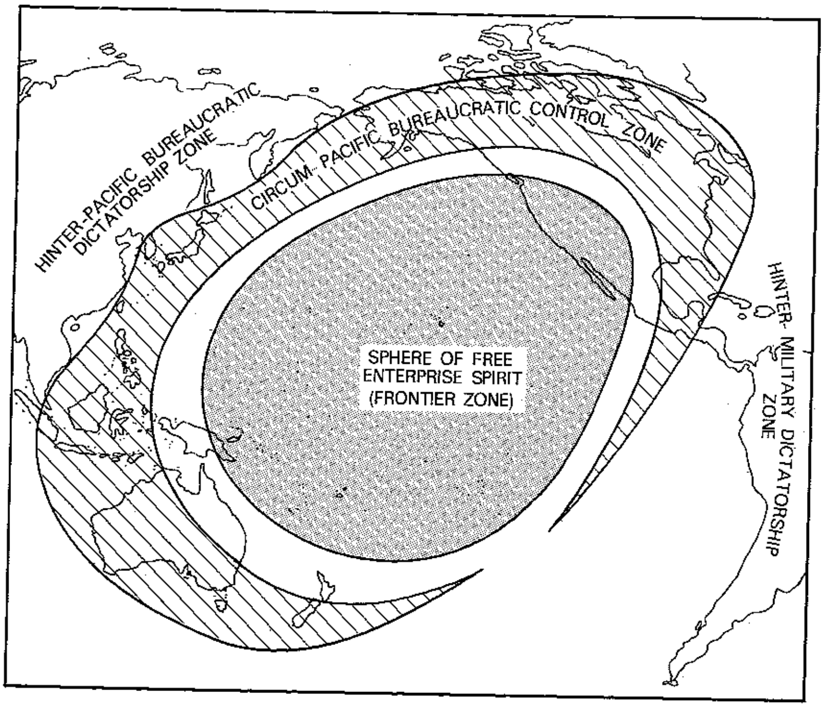

Fig. 1. A schematic map showing major political system in the Pacific Basin (based on Fujiwara, 1986).

Clearly, Australasia, Southeast Asia, East Asia and North America fall into the Circum-Pacific Bureaucratic Zone. While the reasons for including Australasia, East Asia and North America in this Zone may be well-known the same is not necessarily true of Southeast Asia.

Newly-independent governments in Southeast Asia sought to intensify their control over the urban transport sector even where they advocated laissez-faire policies. Prior to the Second World War there had been a shift to larger organisations (Rimmer, 1986a). Although the trend was still pronounced after the Second World War there was a shortage of new units and spare parts. The vacuum in fixed route services was filled by a 'mosquito' fleet of microbuses and minibuses based on converted sedans, ex-troop vehicles, and motor cycles with pedicabs providing door-to-door services; taxis were invariably the preserve of the tourists (see Dick, 1981a,b). Although locally-made and imported microbuses were produced for the growing market, intermediate technology was no longer regarded as suitable for the capitals of newly-independent states. A concerted push towards larger passenger-carrying vehicles was part of the thrust towards state control.

Organisational changes followed the granting of political independence in Indonesia (1949) and Malaysia (1957). In 1954, Jakarta's transport company was nationalised as the state enterprise Perusahaan Pengangkutan Djakarta (PPD) and the complete switchover from electric trams to buses completed by the late 1950s (Duparc, 1972). Although the European-owned, General Transport Company Ltd, operating fixed-route services in Kuala Lumpur, was translated into a state umbrella undertaking, Sri Jaya Kenderaan Sdn Bhd, the changeover was less traumatic as the former's expatriate staff was retained in a managerial capacity until 1970. As these early exercises in state-control were handicapped by a lack of new units and spare parts the most significant developments were in Singapore where the bus companies were successively amalgamated from eleven, to four, to three, to one company between 1970 and 1973 -- the remaining state umbrella company being purged of its former owners and reconstituted as the Singapore Bus Service (1978) Ltd (Singapore Transport Advisory Board, 1970; Singapore, 1974). Simultaneously, taxis were promoted for door-to-door services, 'pirate taxis' eliminated and trishaws allowed to wither away. Thus, Singapore epitomised the ideal in Southeast Asia of a modern, corporate and regulated public transport system.

The success of these moves gave a lead to other cities as, for instance, the Metro Manila Transit Corporation was formed in 1974 by Presidential Decree No. 492 'to integrate public transport operations in Metropolitan Manila ... into one corporate entity such that the operators, with franchises to operate within the area, transfer their assets involved in the transportation business in exchange for equity participation' (Metro Manila Transit Corporation, n.d.). As an interim measure small bus companies were encouraged to join consortia and operate alongside the Metro Manila Transit Corporation; they were then able to benefit from the bulk purchase of units. In 1976, some twenty-four companies were amalgamated into the Bangkok Mass Transit Authority. Almost simultaneously, Persuahaan Pengankutan Djakarta was put under new management and acquired the bulk of the private bus companies (Dick and Rimmer, 1986). Meanwhile, a state organisation, P.N.Damri, extended its control over fixed route services in the Indonesian provincial centres of Surabaya (1975), Medan (1976), Semarang (1977), Tanjung Karang (1977) and Bandung (1978); later double-decker buses were introduced (Dick, 1981b). Buses were donated by the central government.

The shift toward increased state participation in public transport has necessitated changes to the regulations governing the conduct of organisations -- prescribing the type and number of vehicles, the routes to be serviced and the level of fares to be charged. These rules were invoked to achieve two aims: to force private bus companies into consortia or nationalised undertakings; and to progressively replace microbuses and then, in turn, minibuses by forcing them into (a) co-operatives, (b) larger and more expensive units, or (c) feeder services in peripheral areas. Arguments for these actions are invariably couched in terms of the need to save a failing enterprise, or the shortcomings of private bus operators in supplying the commuting public with an adequate and responsive service. As outlined in the preamble to Presidential Decree No. 492 establishing the Metro Manila Transit Corporation (n.d.) there would be no improvement so long as: (a) destructive competition and other structural diseconomies in public utility operations were tolerated; and (b) the integration and consolidation of resources to achieve economy and efficiency were discouraged. In short, public transport was too important to be left to the private transport sector.

The performance of state and state umbrella undertakings has been disappointing given the expressed intention of developing 'a financially strong and operationally efficent metropolitan transportation firm' (Metro Manila Transit Corporation, n.d.). All state bus companies experienced losses except for the Singapore Bus Service (1978) Ltd which was aided in its initial years by the Army's maintenance of buses; the state umbrella undertaking in Kuala Lumpur, however, broke even. These losses highlighted the inability of state corporations to impose rational bureaucratic organisations and generate impersonal loyalties as successfully as their foreign-owned predecessors -- overstaffing, corruption and low productivity being their distinguishing characteristics (Rimmer and Dick, 1980). Nevertheless, it has been argued that state-owned organisations have provided frequent, fixed-route bus services on a regular basis and have kept fares down -- the elimination of microbuses to accommodate the state-owned buses having the added bonus of reducing traffic congestion.

The counter argument put forward by Dick (1981a,b) is that there is no guarantee in the long run that traffic congestion will be reduced by these means or energy conserved. Indeed, the strengthening of the state monopoly has meant that some passengers are denied the choice of alternative modes. As fares are held well below the level of replacement costs, subsidised state enterprises are denied any commercial incentive. An opportunity for investment by indigenous Indonesians (pribumi) is, therefore, lost. Employment is also lost with the switchover from intermediate technology to large, modern, capital-intensive technology. Reluctance to allow regular fare increases, except in Singapore, has resulted in poor fleet maintenance. The outcome, therefore, is unlikely to achieve economic efficiency or wide acceptability on equity grounds.

These losses by government transport enterprises cannot be sustained indefinitely because the state is financially accountable for its actions. As state or state umbrella organisations have to borrow on the international capital market -- albeit under privileged conditions -- to purchase their vehicles from foreign vehicle manufacturers they must provide either a direct rate of return or obtain an indirect subsidy at the taxpayer's expense.

Where state or state umbrella undertakings have made recurrent and escalating losses, as instanced by the Bangkok Mass Transit Authority's chronic history of debt, they have found it difficult to sustain services (Feibel and Walters, 1980). Once again this vacuum has been filled by petty producers operating intermediate technologies such as jeepneys in Manila and truck buses (rot song teow) in Bangkok. There has been, however, an innate reluctance on the part of the authorities to cede territory to these paratransit modes -- a reluctance that raises the curious paradox in urban public transport in Southeast Asia. 'Both unions and big operators, in radical opposition on other matters, would like to flourish under a government-arranged cartel. Users and small owner-operators would prefer a greater degree of competition' (O'Sullivan, 1980: 8). Yet there has been pressure on Southeast Asian governments from international lending agencies, notably the World Bank (Roth, 1987), to forsake sectors of the economy considered to be suitable for private enterprise.

CORPORATISATION

Singapore took the initial step from state ownership with the corporatisation of Singapore Bus Service (1978) Pte Ltd -- a state umbrella undertaking run on commercial lines. It was funded by the Central Provident Fund savings and listed on the stock exchange, and it has paid a reasonable return to its shareholders. Although it had an important localised effect it did not generate the same interest as the corporatisation of Japanese National Railways (JNR).

Japanese National Railways (JNR)

The current trend in Japan towards corporatisation, involving both JNR and Nippon Telegraph and Telephone (NTT), is not the first of its kind. Japan's public sector underwent another major transformation when industrialisation gathered momentum in the late nineteenth century. This first bout of privatisation began in the 1880s when the Meiji Government divested itself of loss-making state enterprises built originally to satisfy military requirements. These had been sponsored as part of a crash program of industrialisation in a concerted bid to catch up with the advanced Western economies. The enterprises privatised at that time were mainly in the basic or raw-materials sectors but also in shipbuilding and textiles (e.g. cotton spinning and silk reeling); these had been constructed to demonstrate the efficiency of modern machinery, especially in transportation and communications, and to stimulate technological change in the private sector (Smith, 1985). These state enterprises were purchased, somewhat reluctantly, by major financial interests and became the foundations of some of Japan's largest industrial groupings (e.g. Mitsui and Mitsubishi).

The public sector, however, made a moderate comeback during the 1890s and 1900s, particularly in transportation and communications. The Railway Nationalisation Law 1906, placed most of the main trunk lines under state ownership and management -- a military rather than an economic decision. The private capitalists, who had built and operated some of these lines, however, were compensated handsomely. Indeed, railways, in a sense, were used by powerful capitalist entrepreneurs as a means of extracting subsidies from the Government -- this type of business-government relationship being typical of many sectors of the Japanese economy. Increased government participation followed with a state monopoly for tobacco and salt in the 1920s and a rash of public corporations in the 1950s and the 1960s; the latter included regional development organisations, public works organisations (e.g. housing and expressways) and financial institutions specialising in the strategic (e.g. shipbuilding) or vulnerable (e.g. small business) sectors. JNR took its present form in 1949 when it was separated from the Ministry of Transportation and reorganised under a special government-funded corporation -- a move to deny its volatile workforce the right to strike (Rimmer, 1986b).

The current bout of corporatisation in Japan has its origins in the mid-1970s when public corporation financing of priority areas fell into disfavour. Hitherto, the Fiscal Investment and Loan Program drew on deposits in the Post Office Savings Bank and the Post Office Life Insurance Fund. Half-hearted attempts to reduce this system of limited government liability occurred with the restructuring of the financial sector and the greater availability of finance. Soaring budget deficits near the end of the 1970s centred attention, particular that of big business, on the alleged inefficiencies of the public sector. The government's action, however, has been confined to winding up smaller public corporations that had outlived their usefulness and the passage of legislation to transfer the state tobacco and salt monopoly and NTT to the corporate sector. NTT was to have been divided into a central organisation and a series of regional companies but the creation of joint stock companies was preferred. Even in its new 'corporatised' form, the state will hold one-third of the shares which will be listed on the Tokyo Stock Exchange (also the state has retained a one-third holding in the tobacco company).

The corporatisation of JNR into six, semi-governmental passenger railway companies organised on a regional basis, and one freight railway company -- the new Japan Railways (JR) -- was completed on 1 April 1987 (Fig. 2). The break up is intended to introduce a new spirit of competition into the debt-burdened, bureaucratically-minded, and overstaffed national railway network. Since 1964, JNR had been continuously 'in the red' -- a reflection of competition from the motor vehicle. Although both the urban commuter railways and the Shinkansen had been well-patronised the long-term debt had reached an estimated 23,600,000 million yen (Japan National Railways, 1985).

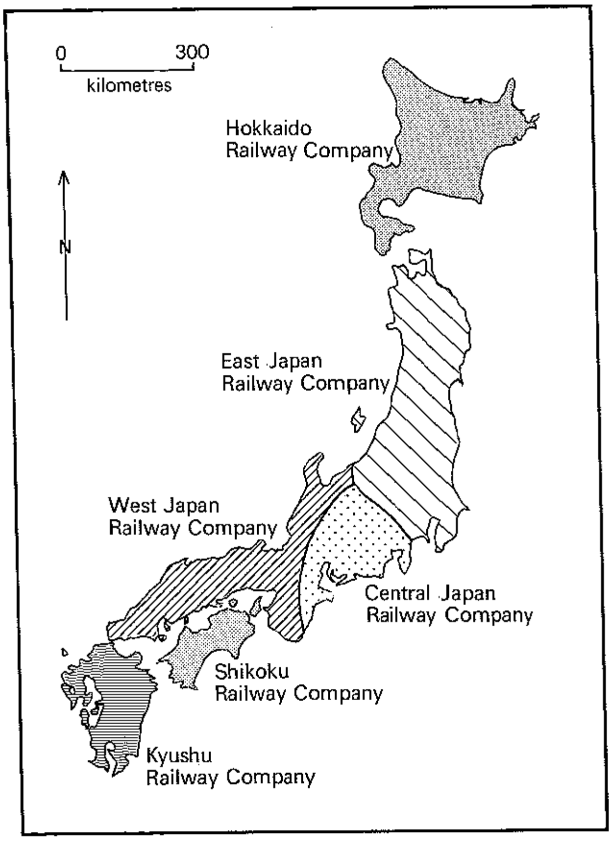

Fig. 2 The six passenger railway companies created on 1 April 1987.

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Table 1 Comparison of the JNR and Private Railway Managements, 1960–1980

	JNR 1960	JNR 1980	JNR 80/60	Private Railroads[a] 1960	Private Railroads[a] 1980	Private Railroads[a] 80/60
Route km (thous)	20.4	21.3	1.0	7.4	5.6	0.8
Passenger-km/ route km/day (thous)	16.9	25.2	1.5	22.4	61.8	2.8
Freight tonne-km/ route km/day	7.2	5.2	0.7	0.5	0.8	1.5
Average fare per passenger-km (Y)	1406	7864	5.6	1768	7849	4.4
Average rate per freight tonne-km (Y)	3068	8616	2.8	8977	34186	3.8
Number of employees (thous)	448	414	0.9	131	102	0.8

Note: (a) Includes municipal railways.

Source, Kakumoto (1984).

JNR was also riddled with labour-management frictions that culminated in an eight day strike in 1975. In contrast, the private railways have performed much better because JNR has been unable to resist the temptation to build new Shinkansen lines and magnetically levitated railways. An examination of the records of JNR and the private railways by Ryohei Kakumoto (1984) shows that the latter have taken a different course (Table 1). They have reduced their route length and achieved a traffic density far greater than JNR. Despite similar average fares to JNR, many private companies have operated without public subsidy. JNR should have learned much from their experience.

In 1982, the predicament of JNR led a government consultative committee (the Provisional Committee on Administrative Reform) to recommend reorganisation to improve the Government's financial position. One year later, this recommendation resulted in the establishment of the JNR Reform Commission. In 1985, the Commission pinpointed that JNR's shortcomings were due to the peculiarities of public enterprises and nationwide organisation. Public enterprises were bedevilled by political intervention, a lack of managerial autonomy, the absence of direct negotiations between management and the labor unions over wages and working conditions, and restriction on the scope of business activities. Unified nationwide organisations produced several handicaps: the organisation of several thousand railway workers was considered to be beyond the limits of managerial control; uniform rates and wages were insensitive to regional differences; and cross-subsidisation inherent in uniform rate-making obscured the profitability or unprofitability of individual lines. On these grounds the Committee's report concluded that JNR should be 'corporatised' and subdivided into six regional passenger companies (the Shinkansen and freight services would operate as independent companies on a national basis); the required labour force is expected to be 183,000 (93,000 will, therefore, be redundant --32,000 of whom will be absorbed in the new companies as 'surplus' labour); 41,000 will be re-employed over a three year period and 20,000 will be retired). It is proposed that 38 per cent of existing liabilities will be borne by three of the new enterprises (East Japan, Central Japan and West Japan Companies); 17 per cent will be offset by sales of JNR land and the remaining 45 per cent will require new financial measures (though it looks as if it will be a charge on the public purse). Even with this reorganisation the railway industry is expected to decline, and stable operations will depend on developing non-railway sources of income (e.g. bookstores, travel agencies, small-scale supermarkets, fast-food outlets, 'vegetable factories' and information services based on existing communications networks). Also, three new firms -- Railway Telecommunication Co., Railway Technical Research Institute and JNR Accounts Committee -- have been established to facilitate these developments (the JR Group, therefore, consists of eleven firms).

Ihese findings were supported by two leading economists, Ryohei Kakumoto (1984) and Yukihide Okano (1986), though they felt that JNR's predicament was aggravated by national transportation policy. In particular, they charged that the Government had protected the railways rather than enabled them to adjust to the changed market conditions of the late 1960s and early 1970s brought about by the development of road transportation. Basically, its policy of coordination through the regulation of road transportation was a re-run of British transportation policies of the 1930s. In 1971, the Transportation Policy Council produced wildly optimistic forecasts of rail's share of the freight market that led to unnecessary investment in new infrastructure to handle goods. Paradoxically, investment by JNR in the metropolitan area was reduced. Ihis policy led directly to JNR's financial losses. JNR's plight has produced arguments by economists for transportation coordination through competition induced by corporatisation, privatisation and deregulation (see, for example, Okano, 1986). Indeed, corporatisation promises the removal of political intervention (and loss-making local lines), autonomous management and elimination of public service obligations; it also promises to activate the staff by breaking JNR's bureaucratic mindset. Six regional passenger companies will take over existing facilities (three in Honshu and one in Hokkaido, Shikoku and Kyushu). Ihose in Hokkaido, Shikoku and Kyushu will be exempt from existing liabilities

Table 2 Japan Railways (JR) Plans for Fiscal Year 1987

Item	Hokkaido	East Japan	Central Japan	West Japan	Shikoku	Kyushu	Freight
Track (km)	2542	7457	1984	5091	837	2101	9886
Volume (bill pass.)	37	956	360	432	15	67	54 (m tonnes
Workforce (thous)	13	89	25	53	5	15	12.5
Operating revenues (Ybill)	86.1	1472.2	825.3	772.5	30.8	118.4	171.5
Operating costs (Y bill)	135.6	1223.8	798.9	692.0	45.6	145.4	163.3
Net (Y bill)	-49.5	248.4	26.4	80.5	-14.8	-27.0	8.2
Assets (Y bill)	293.2	3870.5	548.5	1312.2	114.4	341.1	162.2
Debt (Y bill)	-	3298.7	319.2	1015.9	-	-	94.4
Trust fund (Y bill)	682.2	-	-	-	208.2	387.7	-
Capital (Y bill)	15.2	296.1	165.5	155.0	5.7	23.9	34.3

Source: Handa (1987: 9).

and bolstered by a trust fund against further deficits. All six companies will be monitored to observe the scope for further private participation in public transportation (Table 2).

Irrespective of JNR's restructuring, plans have been made to tackle congestion in the Tokyo area by building 500km of new line -- the target being to have 50 per cent in operation by the year 2000. Private railways have been accorded a pivotal role in this restructuring. It is recognized, however, that they have no incentive to invest in new lines because of the strict regulation of fares. In mapping out this new plan for Tokyo a 'soft policy' has been put forward which would permit fare increases by private companies to enable them to build up a construction fund. The greater role afforded the private railways will be watched with interest as it may trigger a movement for privatising municipal buses in the central city areas.

Corporatisation in Japan, however, is likely to be limited. Although the government's 34.5 per cent of shares in Japan Airlines (JAL) have been sold since it was corporatised in November 1987, the state still owns one-third of NTT's shares after its flotation in 1984

Table 3 Examples of Corporatisation/Privatisation in Southeast Asia

Mode	Organisation	Country	Status
Airlines	MAS	Malaysia	Planned
	SIA	Singapore	Occurred
	Thai International	Thailand	Planned
Buses	Singapore Bus Service	Singapore	Occurred
	Bangkok Bus Co.	Thailand	Planned
Container	Port Klang Container Terminal	Malaysia	Occurred
Shipping	Malaysian International Shipping Council	Malaysia	Occurred
	Neptune Orient Lines	Singapore	Occurred

Source: Various.

and it is anticipated to retain a two-thirds holding in the tobacco corporation (Smith, 1985). This cautious approach emphasises that we are dealing with a developmental state rather than a regulatory state; it is based on the bureaucratic-industrial complex rather than the the military-industrial nexus of the United States. The administrative and political functions of the developmental state that have underpinned Japan's phenomenal post-war industrial growth are unlikely to be dismantled overnight. Although Japanese economists have been advocating corporatisation of JNR for over ten years the Japanese Government has been very cautious about accepting their arguments. While there have been acts of sabotage the continuing debate has been devoid of the political rhetoric characteristic of the debate in Great Britain. As outlined by Rowley (1985:63), the Nakasone Government pursued 'economic progress be pursued through whatever [means] seems practically possible rather than by than ideologically acceptable'. Public uneasiness about JNR's continuing deficit gave the Nakasone Government an opportunity to act. Subsequently, JNR's corporatisation has been seen as a model by Southeast Asian governments intent on 'Looking East' for ideas to further national development (Rimmer, 1986c).

Singapore, Malaysia and Thailand have been in the vanguard of corporatising their state enterprises. As shown in Table 3, all three countries have targeted the sale of their airlines. Both Singapore and Malaysia have disposed of assets in their shipping lines; the latter has also disposed of assets in a container terminal. Singapore and Thailand provide instances where the sale of bus operations has been contemplated. Also, there are other changes in land transport in all three countries involving privatisation and deregulation issues.

3. PRIVATISATION

Initially, attention is focused on the contracting-out of transport services previously performed by the government in Singapore, Malaysia and Thailand. We need, however, to explain the absence of examples of franchising in Indonesia and the Philippines, and why removal of regulatory controls has has so small an effect in Southeast Asian countries. Singapore offers the best starting point as it has often served as the model for other Southeast Asian countries (Rimmer, 1986a, 1988).

Singapore

The incipient step towards privatisation in Singapore was taken by the Ministry of Communications in 1983 when it authorised a second line-haul company, Trans Island Bus Services (Pte) Ltd, to progressively take over the Singapore Bus Service (1978) Ltd's routes between the Central Business District and new towns in the northern and northwestern parts of the island. These bus companies were afforded a feeder role when the Mass Rapid Transit system commenced operation in 1987.

Such developments have been part of the Singapore Government's overall policy of allowing the private sector to operate in areas where its direct participation is not essential. Indeed, Lee Hsien Loong, Singapore's Trade and Industry Minister, has stated that the Government originally 'moved into businesses where private capital, enterprise and experience were lacking, risks were great, and the contribution to the economy was significant' (The Star 24 January 1987). Given its mature economy, the Singapore Government has planned to divest itself of the bulk of state-owned enterprises -- the only exemptions being those considered critical to the national interest.

In keeping with this new policy, the Mass Rapid Transit system will be operated by Singapore MRT Ltd for two or three years and then privatised. It will be listed on the Singapore Stock Exchange and its shares will be offered to the public. At present, they are held by Temasek Holdings, a government investment corporation. About 20 per cent of the shares will be offered to the two listed bus companies, Singapore Bus Service (1978) Ltd and Trans Island Bus Services (Pte) Ltd. When incorporated in August 1987, Singapore MRT had a paid-up capital of $S 10 million which will be increased to the authorised figure of $S20 million. The capital cost of building the lines and stations, however, will be borne by the Government.

Malaysia

The Malaysian Government has followed Singapore's lead in pursuing privatisation. Adoption of this strategy was prompted by the

Malaysian Government's realisation that public spending had reached untenable and distorting proportions. At their peak, the Malaysian Government's welfare-state and interventionist policies accounted for 40 per cent of national expenditure. Privatisation, together with Malaysia Inc., has constituted the twin props of a 'Look East' policy aimed at streamlining the economy along Japanese lines to make it more efficient and productive (see Rimmer, 1986c, for a discussion of the transport implications of a 'Look East' policy). As outlined by the Malaysian Prime Minister, Dr Mahathir Mohamad (1984: 5) the 'alternative to Privatisation may be to stop improving or providing the needed facilities. This will result in increasingly poor services and will stifle growth. Development will be retarded and... poverty eradication will not be accomplished'. Hence, the Malaysian Government has drawn up a list of privatisation targets which includes ports, toll roads (including two short ones near Kuala Lumpur), ferry services, railways and telecommunications.

A large step forward in the Malaysian Government's privatisation policy was the awarding of a M$3.4 billion contract to a large twenty-two member consortium, led by the publicly-listed Malaysian company United Engineers (Malaysia) Bhd, to build and operate 512 km of the peninsula's 820km north-south highway. The consortium includes Mitsui & Co. of Japan, Taylor Woodrow International of Britain and Dragages et Travaux of France; most of the foreign funds, however, are expected from Japan. Under the revised terms of the contract, the consortium has undertaken to provide M$2.45 billion for the project and the Malaysian Government has promised to take a 10 per cent equity and lend M$1.65 billion at 8 per cent interest over fifteen years. In return, the consortium has a concession to collect tolls on certain portions of the highway for twenty-five years, following which ownership will revert to the government (car tolls have been set at M5 cents per km over the first five years). Although the project is a private one, subcontracts have to be allocated to local companies owned by <u>bumiputras</u> (indigenous Malaysian, mostly Malay). Originally, the task was to have been completed by the Malaysian Highway Authority but due to chronic delays and alleged mismanagement it was not completed and the government decided to use privatisation. Delays in signing the contract have been occasioned by disagreements regarding the likely traffic over the road -- the prime contractor being reimbursed if traffic projections fall below agreed levels. As the project is not guaranteed by the Malaysian Government, funding by foreign banks is doubtful without agreement on minimum traffic levels. An independent traffic assessment has now been accepted. The contract was signed on 18 March 1988. Adherence to a privatisation policy has also resulted in the Malaysian Finance Minister, Daim Zainuddin, offering to rent Malayan Railways for the token payment of M$1 provided they run through rubber plantations and palm groves (<u>The Star</u> 24 January 1987). Although British, Canadian, French and Japanese firms have submitted proposals there has been, as yet, no taker. Further action, however, has been reported on the urban transport front.

Specifically, the Malaysian Government has ignored the recommendation in the Kuala Lumpur Draft Structure Plan (Dewan Bandaraya Kuala Lumpur, 1982: 66) that the eight bus companies (one state-controlled and seven private) should be amalgamated into one state-run undertaking to provide supplementary 'feeder' services to the Light Rail Transit system. It has also decided that the proposed $M1.9 million Light Rail Transit system should be built by private enterprise, and then government equity should be limited to 10 per cent; a similar stricture has been applied to the proposed M$220 million Aerobus system designed to distribute passengers from the Light Rail Transit system around the Central Business District. Neither of these propositions have been implemented -- the necessary finance has not been forthcoming. A third option, therefore, has been floated -- the M$180 million Metrolink which uses light rail transit along existing railway lines and is underpinned by a feeder system of articulated buses and minibuses. Should all three propositions -- Light Rail Transit, Aerobus and Metrolink -- come to fruition, the Malaysian Government would need to safeguard itself against having to bail out these private companies should patronage fall below expectations. Otherwise the Malaysian Government's privatisation ambitions may be as shortlived as most of the efforts in Thailand.

Thailand

There have been highway plans put forward by the French firm Bouygues/Transroute in Thailand similar to those in Malaysia. They allow for the private construction of three tollroads under the 'build, operate and turnover system'. The Ministry of Communications, however, has decided that it can construct the roads for less and charge one-fifth of the suggested toll (US 2 cents per km). Other plans for privatised transport have also been stymied. Failure to gain more than 25 per cent of the cost from the Thai Government led to both the initial $US1.1 billion elevated railway and a scaled-down version being shelved. Low priority has been given to the plan to upgrade the state-owned Bangkok bus system; the argument for publicly-owned public transport was weak in terms of economies of scale, quality of service, externalities and subsidies to assist the poor (Wilson, 1986). Hence, it was proposed to retain the status and personnel of the debt-ridden Bangkok Mass Transit Authority and to contract investment and management to a private organisation.

Five tenders were attracted from: Renault, the French car firm; Van Hool, a Belgian firm; Picasso, the Spanish bus manufacturer; Singapore Motor and Leasing, a Singaporean, South Korean and American joint venture; and a British consortium led by Leyland Bus. In 1985, the British proposal for 4500 new buses, a system of maintenance depots and a staff training program was believed to be at the top of the short list. The other short-listed firm, Singapore Motor & Leasing, had offered to provide 3000 new buses and to refurbish 1900 existing units. A major problem facing the Thai Government, however, was the difficulty of supporting these developments through the fare box (the fare increase on 15 February 1985 had originally been mooted in 1982 but was delayed by labour unrest). The proposed bus plan was eventually a victim of the Thai Government's austerity program designed to slow down the accumulation of external debts. In theory, foreign participation has been feasible in Thailand but the principle of retaining control over public utilities has persisted because buses have been regarded as social services (with national-security implications). Re-privatisation of the Bangkok Mass Transit Authority to its 1972 state of twenty-two private and two state-owned transport undertakings, however, may prove to be elusive. A phased program, therefore, has been suggested in the Metropolitan Bangkok STTR Short Term Urban Transport Review (HFA, 1985).

Segregated busways are preferred to rapid rail transit. Hence, the resultant program is focused on reorganising the bus industry to: provide more buses quickly; improve financial performance with a more appropriate fares policy; improve productivity by means of bus priorities on the street; increase passenger choice through the provision of more air-conditioned and semi-express services at premium fares. Of pivotal importance in the present context, however, has been the plan to progressively scale-down the Bangkok Mass Transit Authority and to introduce competitive route franchising. Echoing British experience, it is proposed to call for tenders for about 10 per cent of Bangkok's bus routes each year. Allowing for an initial year to establish the tendering process, the size of the Bangkok Mass Transit Authority should be between 60 and 100 per cent of its present size within five years.

The program is designed to go beyond private sector financing and release competitive forces within the public sector through the introduction of pricing efficiency, financing investment through the private capital market, formation of joint venture and subsidiary companies, and management contracts, leasing, divestiture and liquidation (Office of the National Economic and Social Development Board, 1986). Wilson (1986:10), however, is less sanguine about privatisation in Bangkok. Irrespective of whoever owns the service, he has argued that 'Bangkok will remain congested and polluted'. Yet in Chiang Mai, the second largest Thai city, stage buses are privately-owned and have not been afforded a monopoly position. Competition from the minibus has prevailed; 88 per cent of 225,000 daily trips are by minibus despite charging double the fares of the stage bus (see Rimmer, 1986a; 249-52). Despite these findings there is yet another plan to resuscitate mass rapid transit with the ambitious elevated 'Skytrain' project (Bangkok Post 24 February 1988). Seven consortia are reported to be bidding to construct and operate the B20 million first phase of the 34km elevated train on a concession basis for twenty or twenty-five years. Already, the Philippines has an elevated system in operation but it has been sponsored by the government rather than by the private sector.

The Philippines

Privatisation has gathered momentum in the Philippines, particularly in the banking sector, but it has not permeated urban public transport. Indeed, it is argued that government authorities have been squeezing small-scale enterprises operating jeepneys and motorised tricycles so as to introduce state-owned and state-operated mass transit (Rimmer and Roschlau, 1986). Three stages are involved in the state squeeze: (a) the creation of transport co-operatives for jeepneys and consortia for private buses; (b) the introduction of state-owned buses; and (c) the construction of light rail transit. As this pattern runs counter to World Bank policies advocating privatisation, an attempt is made to explain the rationale behind the Filipino policy

What we are witnessing in the Philippines is the battle between market forces and the command economy. As highlighted by economists, local needs are more likely to be met if consumers can express their wishes through the market by their own spending decisions. The organisation of the Philippine bureaucracy, however, precludes a market solution. Bureaucrats are determined to regulate, and confident of their superior wisdom. are committed to bringing about rapid change (Dick and Rimmer, 1986). The only model for change is Manila -- the least typical of any area in the country. This situation in urban transport in the Philippines has been pervasive of the entire economy in Indonesia.

Indonesia

Not surprisingly, there has been little debate about privatisation and deregulation in Indonesia as it directly contradicted economic (and transport) planning from the centre. As there is growing recognition that important economic savings could be achieved through 'better management, more effective prices, reduction in subsidy and/or increased competition' (Wilson 1986: 10), there are signs of a change in attitude. There is a growing recognition that fewer real resources would be required if loss-making state-owned companies were sold. With a personal stake in the continuation of state enterprises many bureaucrats have resisted privatisation. They feel that this 'American idea' is unworkable in an Indonesian context. Indeed, many Indonesians, if faced with the choice would prefer inefficient state enterprises to efficient enterprises run by foreigners or domestic groups with powerful connections' (Hill, 1987: 123). The problem, however, is too big to be ignored. Reforms are necessary not only to stem the drain of the government's fiscal resources but to improve the efficiency of the transport sector -- a matter initially of removing restrictions and controls.

DEREGULATION

The closing of the gap between a belief in the concept of privatisation and its widespread implementation in Southeast Asia has been hampered by the lack of private resources to operate public transport enterprises. Singapore and Malaysia are the only countries within the region with large enough capital and share markets to finance the privatisation of public transport. Elsewhere, Southeast Asia lacks both the old-style merchant capitalist that underpinned the development of the tramways at the turn of the century or large institutional investors. There are few local business groups who would be capable of taking over large public transport enterprises. The only possible exception would be the Sino-Thai entrepreneurs in Thailand though they have shown no desire to take over Bangkok's debt-ridden bus system. Shifting ownership from a public to a private firm is unlikely to affect performance. Against this background it is anticipated that privatisation of transport in Indonesia and the Philippines will be limited. Government regulatory organisations had purged many petty producers and small firms from the transport scene by the 1980s and limited the number of potential entrepreneurs with the capital to takeover the government-run transport services (Rimmer, 1986c).

The privatisation debate in Southeast Asia has stimulated a discussion of 'which enterprises are best run privately and which by the state', but there is little commitment to deregulation (and a greater reliance on market forces) in Southeast Asia. Indeed, Paul Chan Tuck Hong (1984: 41), has argued that privatisation should be viewed 'as part of the larger process of deregulation'. Presumably, it has not occurred in Malaysia, for example, because it would adversely affect the New Economic Policy aimed at giving bumiputras a fairer share of national wealth, or was not in the public interest (Mohammed Ramli Kushairi, 1984: 62).

As, Hill (1987: 123) has stressed, however, 'privatisation is not a substitute for, and much less important than, liberalisation of ... regulatory regimes'. The distinction between private and public ownership would be academic if governments in Southeast Asia ensured that state enterprises -- relieved of hidden subsidies and divested of non-economic obligations -- operated in a competitive environment in which there were no barriers to entry or exit. Maybe, deregulation should precede corporatisation and privatisation because pricate investors may not be attracted to a regulated industry. Equally, some investors may want a regulatory situation, or even a monopoly. Indeed, in the absence of genuine reform there would be little point in setting performance-oriented incentives for state transport enterprises or transferring ownership from public to private hands unless there was an opportunity to remove some subsidies.

LESSONS FOR AUSTRALASIANS?

Australasians can draw a series of lesson from the spectrum of Southeast Asian experience with corporatisation, privatisation and deregulation. Corporatisation, notably the example of Japanese National Railways (JNR), has shown how the link between performance and financial rewards can be induced in state corporations (with or without asset sales) by adopting commercial objectives. It is critical, however, that the government transport enterprise should operate in a competitive environment: the threat of competition, however, may be sufficient for the government undertaking. Restricting attention on privatisation to the transfer of ownership or service provision rights from public to private transport shows that there have been some notable successes in franchising services in Southeast Asia, as witnessed by the introduction of the Trans Island Bus Services (Pte) Ltd in Singapore.

There are problems, however, when the inception of the privatisation program is drawn out by negotiation and re-negotiation as evidenced by the highway programs in Malaysia and Thailand. The other key feature of the Southeast Asian transport scene has been the slow progress towards the liberalisation of transport regulations. Indeed, the restrictions on market forces, evident in the rigidities in fare structures, rather than lack of funds or appropriate technology have been the main obstacles in improving the productive efficiency of transport (i.e. supplying a given level of output at the lowest possible cost without, of course, a deterioration in the level of service to the consumer) (Hensher, 1986). Instead of coming as a grudging bureaucratic afterthought to corporatisation and privatisation, deregulation should be the first change contemplated (or part of the initial set of measures propagating corporatisation and privatisation).

The other lesson to be drawn from Southeast Asia can be derived from their flexible and responsive transport systems which have been able to operate in an unregulated environment until the advent of 'decorporatisation' with an ability to vary fare, route and frequency. Notable among these vehicles have been the public light buses of Hong Kong and the jeepneys of Manila. They are characterised by: privately-owned firms operating in a competitive environment; firms being small in terms of the number of vehicles operated; vehicles being small in size; and involving some form of route assocation (Roth, 1987). These arrangements seem to offer practical solutions to Australasia's off-peak and low-density environments by providing: specialised services for particular markets; complementary feeder services to conventional transit; a supply of higher quality services; a comprehensive area-wide system should it be desired. If paratransit were allowed to fill this role it would be an area of interest for small business -- a sector which Australasian Governments are keen to promote but against which they invariably discriminate.

Of course, there are Australasians who feel that lessons from Southeast Asia are inapplicable in 'developed societies' such as Australia and New Zealand. They prefer to draw their inspiration from privatisation in the United States -- with its much vaunted public-private partnerships -- or deregulation in Great Britain. All too conveniently, they forget that they are part of Fujiwara's Circum-Pacific Bureaucratic Zone and forsake the opportunity to learn many lessons from it.

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