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Alternative Policy Options for Public Transport in Metropolitan Areas

Professor Stephen Glaister
Imperial College London

Talk given to the Transport Economists' Group
at University of Westminster
25th April 2001

Introduction

The talk reported on a recent study that had been sponsored by IPPR (Institute of Public Policy Research) updating alternative policy options. This was originally developed as the 'METS' model for the Department of Transport to evaluate the economic costs and benefits of urban transport subsidies.

The METS work became public after Fares Fair in 1982 - with fares being reduced then increased after the challenge by Bromley – the model was able to say something about whether subsidies were a good thing. It was developed for the DoT to manage the subsidy paid to buses.

The work was overtaken by deregulation in 1985 until approached by Tony Grayling to rejuvenate the work (published recently¹).

London

Outline appraisal of transport policy can evaluate the following:

- Bus fares and service levels (more buses, reducing headways)
- Underground or metro fares and service levels
- Rail fares and service levels
- Bus speeds (bus priority measures)
- General traffic speeds (traffic management including bus priority)
- Congestion charging (outline)
- Or any combination of the above.

¹ *A New Fares Contract for London*, Tony Grayling and Stephen Glaister, IPPR 2000 ISBN 1 86030 100 2 and "The economic assessment of local transport subsidies in large cities", in "Any More Fares?", Tony Grayling (ed) IPPR, 2001, ISBN 1 86030 134 7.

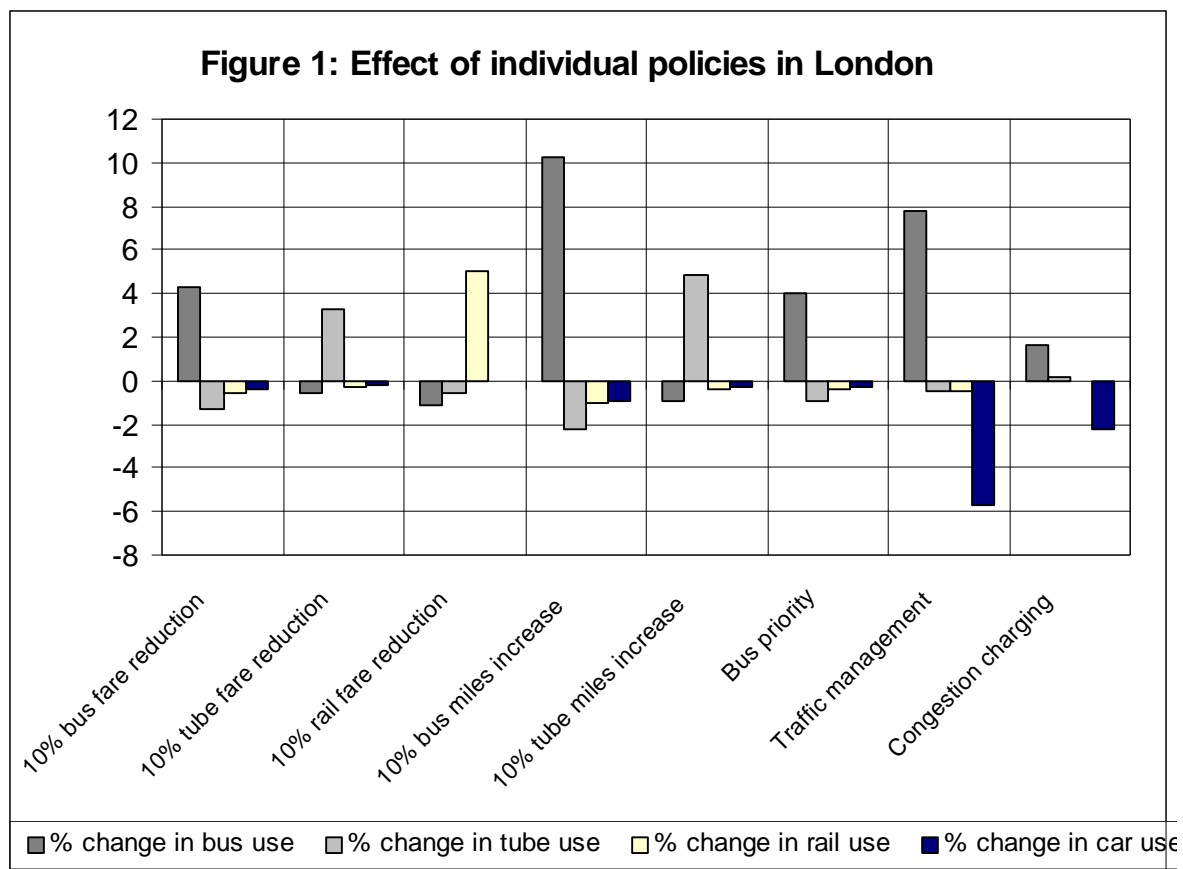
London was divided into central, inner, outer and major roads, each with a speed flow relationship.

Although a very crude model that drives data to the limits (there are eight elasticities versus sketchy data - though there was considerable help from London Transport who know most about their markets).

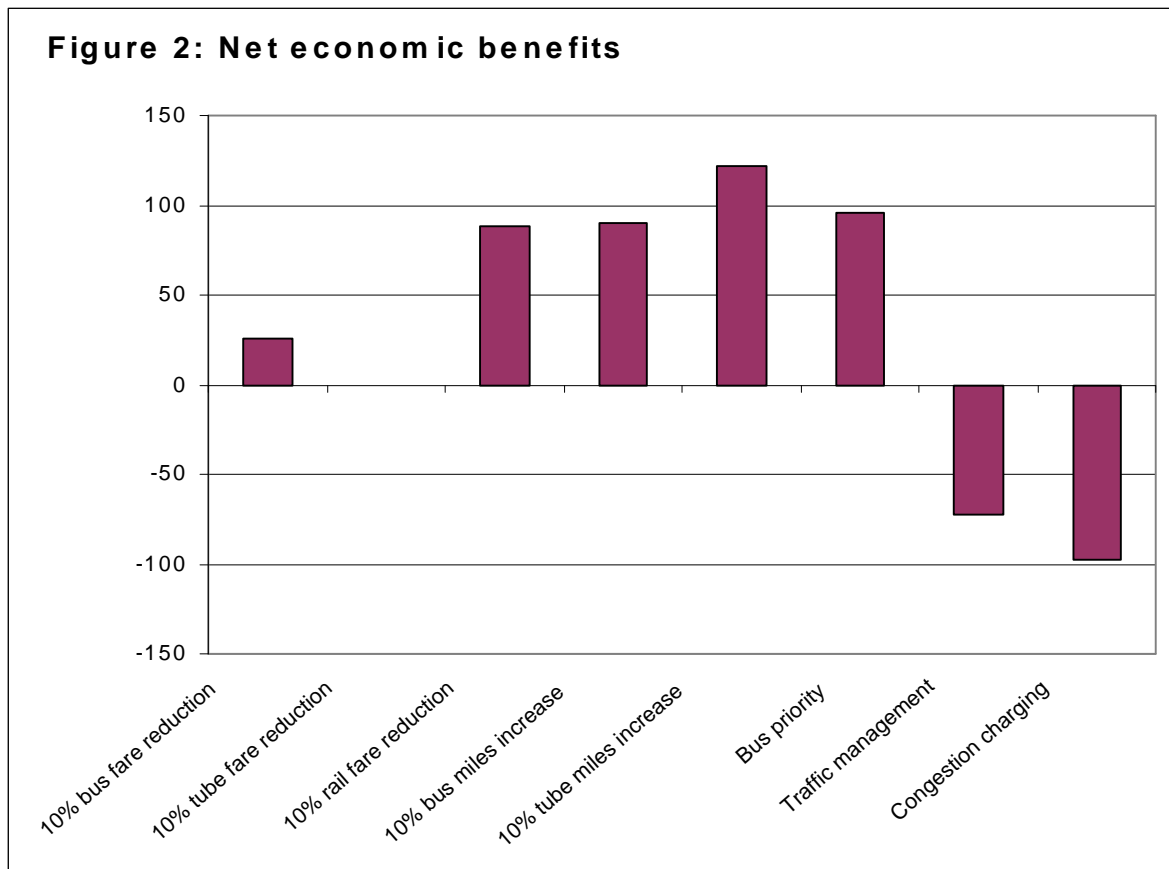
Parameters were also put together for each of the seven English metropolitan areas – some very good data but also some very sketchy data. Example:

- Bus headways fall, generating more bus
- Transfer from cars – speed up
- Transfer from Underground – less crowded
- Transfer from car to Underground
- Buses less full, reduces average waiting time

Figure 1 below shows the effect on travel behaviour of various policy scenarios in London using the METS model.



Stephen Glaister used a further graph to illustrate the benefits of these policy scenarios. Figure 2 below shows the net economic benefits.



For example:

- If bus fares are reduced by 10% there is a net economic benefit of £26m, a cash benefit of £50m to bus users and a significant time saving to Underground users, cars and commercial vehicles. At the same time this policy would cost Transport for London £38m and train operations £11m (either to train operators or Strategic Rail Authority).
- If Underground fares are reduced by 10% there is no net benefit and would be costly in terms of subsidy. Time savings to road users would be outweighed by increased time and other costs to Underground users through extra crowding.
- A 10% increase in bus miles gives a net benefit of £91m.
- A 10% increase in Underground miles gives a net benefit of £122m (without major capital investment included on the cost side).

- A study by MVA² for Government Office for London estimated that with an ambitious network of bus priority in London, average bus speeds would be improved by 8% in the peak without reducing general traffic speeds. This policy would generate net benefits of £96m per annum, mainly from time savings for bus users and extra fare revenue.

A further test in London was described that had a combination of a bus fares reduction by 12.5% and an increase of 25% in bus miles. The package of bus improvements and congestion charging would increase bus use by a third and generate net economic benefits of £250m per year.

A further test in London was described that had a combination of a bus fares reduction by 12.5% and an increase of 25% in bus miles. The package of bus improvements and congestion charging would increase bus use by a third and generate net economic benefits of £250m per year.

Table 1 gives the results of the effects of individual policies forecast by the METS model in London.

² MVA (1998) *Government Office for London Strategic Management Studies: Appraisal of Bus Priority Measures*, Technical Note 295

Table 1: Effect of individual policies in London forecast by the METS model

	% change in bus use	% change in tube use	% change in rail use	% change in car use	Revenue cost (£m/year)		Net economic Benefits	Congestion charging revenue
					to TfL	to railways		
10% bus fare reduction	4.3	-1.3	-0.6	-0.4	38	11	26	
10% tube fare reduction	-0.6	3.3	-0.3	-0.2	76	6	0	
10% rail fare reduction	-1.1	-0.6	5	*	13	107	88	
10% bus miles increase	10.3	-2.2	-1	-0.9	38	19	91	
10% tube miles increase	-0.9	4.8	-0.4	-0.3	-13	8	122	
Bus priority ¹	4	-0.9	-0.4	-0.3	-41	8	96	
Traffic management ²	7.8	-0.5	-0.5	-5.7	-78	9	-72	
Congestion charging ³	1.6	0.2	0	-2.2	-16	-1	-98	215

Notes:

1 improve bus speeds by 5%

2 improve bus speeds by 7% but worsen general traffic speeds by 5%

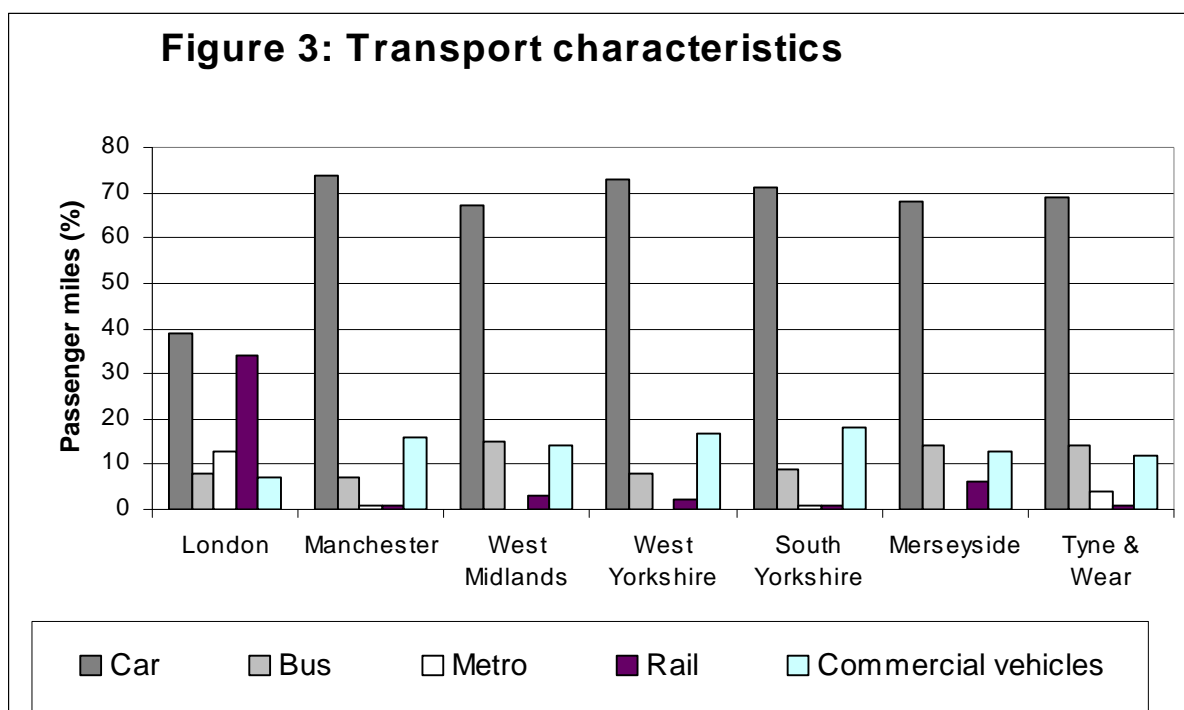
3 1p per car passenger mile

* not calculated

The results show that the best options are conventional bus priority and increasing miles run by Underground trains (although it should be noted that the capital costs have not been included).

Other Metropolitan Areas

The data provided by these six areas by mode included passenger miles and vehicle miles per annum, fares on public transport and gross costs. Figure 3 shows passenger miles by mode for London and the six English metropolitan areas. It shows the dominance of car outside London (between 67% and 74% compared to 39% in London). It also shows the major role played by rail and metro in London compared to other cities, with buses playing the major public transport role in the English metropolitan areas.



Unlike London, bus services have unregulated fares and the operators determine service levels. However, the analysis of the six areas³ assumed the metropolitan counties could set fares and services levels.

A 10% reduction in bus fares in Manchester would cost £8m per annum but there would be gross benefits of £17m per annum. Other areas show less marked benefits.

³ Manchester, West Midlands, West Yorkshire, South Yorkshire, Merseyside and Tyne and Wear

Increasing bus miles is extremely good value for money. It generated traffic to pay for them and requires less subsidy rather than more, whereas in London it requires more subsidy.

There is a question on the cost on putting on more rail miles since it relies on what it costs to buy in more rail miles.

Congestion charging shows significant revenues but also significant disbenefits to those who pay the charge. It would be worth doing in Manchester because of the benefits but less so in Merseyside or Tyne and Wear.

Conclusions

Reducing bus fares produces good value for money for increasing subsidy especially in Manchester and South Yorkshire.

Improved volume of bus services is an extremely good policy and may reduce the call on public funds (excluding London and South Yorkshire).

Reducing Underground or metro fares is not good value for money. Increasing service levels is good value, providing it can be achieved without major capital costs, which was not taken in account in the model.

Increasing rail services generates sufficient extra revenues that more than compensate for the additional costs, making it very good value for money.

Because of the car's market share outside London, any scheme that slowed traffic would have a marked adverse economic effect (although accident and environmental costs not included). If buses could be speeded up without slowing general traffic this would produce economic benefits for bus passengers and extra revenues.

Congestion charging produces substantial revenues and net economic benefits in London and Manchester – smaller in other areas though revenue still substantial in West Midlands and West Yorkshire.

The model is very crude but is very cheap to run.

Discussion

Peter Gordon opened the discussion by asking (a) whether it is possible to distinguish peak and off peak and (b) whether travelcards negate the findings?

Stephen replied that (a) this is a weakness of model – developed for London using appropriate cost relationships – the answers would be different, but some exploratory work had suggested that they might not be very different. Relationships in the model are linear as reported in Grayling and Glaister.

(b) Significant problem – concessionary fares taken into account but most work is average fare per passenger mile, therefore Travelcards not explicitly taken into account.

Alastair Cain (University of Westminster) asked (a) how the "dream ticket" compares with what is actually done in London, and (b) the larger urban areas look best for congestion charging.

Stephen: To a degree – the Mayor's Transport Strategy is to increase bus service levels and bus priorities. The big problem in London is rapid increase in unit costs for buses (therefore incremental cost of bus service is very significant). Congestion charging is to be introduced by 2003 and a 70p flat bus fare is proposed. There is always a funding problem therefore congestion charging is fundamental to provide the extra funds since this is desperately short in early years.

Intuitively, that bigger the place, the better for congestion charging. Not saying that it is not worth doing in Edinburgh and Bristol but there are not such big economic benefits.

Peter Collins congratulated Stephen on the findings, common sense. He asked about the strength of relationships – time-scale effects and non-symmetrical between reductions in fares and increase in fares.

Stephen: Did use long-run version. The policy of increasing bus mileage is an act of faith which would pay off in the long term and the argument about giving bigger concessions to young people is to change habits.

Michael Woods (AEAT Rail): Simple to understand. (a) What are capital costs associated with bus priority? Peak travel on busy rail corridors means there is no spare capacity –therefore, does a caveat need to be added? (b) Could model be adapted to smaller cities for congestion charging to rank which ones to do first?

Stephen: (a) Yes, there should be a caveat. Where close to capacity it may be better to change train paths – opportunity cost and a tension between SRA and local authority.

(b) Any other area can be modelled – problem is getting basic data. World is more complicated therefore need better model to be provided – computer code is vast!

Don Box enquired (a) about the role of rail in the urban areas and (b) if all benefits are in terms of money and congestion charging works by reducing traffic then the money will not be available for investment.

Stephen: (a) There is no unified view of transport, local Passenger Transport Executives want to fund rail services but concerned about national rail

(b) Have worked in money – value of time saved through congestion charging leads to very small changes – there are benefits, but there will still be many vehicles to charge.

Martin Brazil Analysis gives bias that long journeys more important than short journeys. Passenger miles is an obnoxious measure – but short journeys are much superior.

Stephen: Model trip lengths cannot be modelled in a serious way at this level. Use of road space wants to know number of foot/seconds is very crude.

Gregory Marchant (SRA): Does your model infer who wins and loses?

Stephen: Only if you know different user groups of each mode (e.g. tube versus bus) Yes, a lot of people think reducing fares generally is good, but it is not! CfIT (Commission for Integrated Transport) is working on bus policy – model transfer, environmental benefits, and social inclusion in fine detail of where people live.

John Cartledge (London Transport Users Committee): To what extent is this calculation used in the real world? I have not detected an awareness by TfL Board of policy consequences of model effect on peers.

Stephen: As with so much of CBA doesn't contribute very much in short run (the word marginal is often mistakenly taken to mean irrelevant). Results for London published were in January 2000 – the Mayor's proposals not very different. It's a long game! May have more influence in final Transport Strategy - it does not deal with long term issues of money for use on fares and infrastructure.

Stephen Burke (Camden): The model disaggregates value of time by mode but not by area or time, nor does it reflect different income groups

Report by Laurie Baker

Bus Fare Elasticities

Joyce M Dargay, ESRC Transport Studies Unit, UCL
Mark Hanly, The TAS Partnership Ltd.

Talk given to the Transport Economists' Group
at University of Westminster
23rd May 2001

Introduction

The objectives of the study, which was funded by the Department of the Environment, Transport and the Regions, were to:

- obtain fare elasticities so that the change in bus patronage could be projected nationally as a result of a given 'average' fare change
- investigate variation in elasticities

In undertaking the study a number of issues were addressed:

- Short- and long-term elasticities
- Variation in elasticities across areas
- Differences in elasticities for small and large fare changes
- The relationship between the elasticity and fare level
- Asymmetric response to rising versus falling fares
- The effects of service quality on patronage
- The relationship between bus fares and car travel

Data Sources

Bus data was obtained from a number of sources. Annual data was obtained by the DETR from bus operators for the following areas:

1. Aggregate Great Britain (1970-96)
2. Regions (1985-96)
 - London
 - English Metropolitan areas
 - English Shire Counties
 - Scotland
 - Wales

3. Metropolitan areas (1987-96)

Manchester
Merseyside
Tyne and Wear
South Yorkshire
West Yorkshire
West Midlands

4. 46 English counties (1987-96)

The DETR Bus data included:

- Bus patronage: total passenger journeys (both full-fare paying and concessionary)
- Revenues: passenger receipts
- Bus vehicle kilometres

Other sources of data used were:

1. PTE data for Metropolitan areas - passenger journeys and fares for full-fare paying and concessionary patrons separately
2. National, regional, county level - population and real disposable income.
3. National data on retail price index, car ownership and Motoring costs

This information is presented in table 1 and figures 1 to 4.

Table 1 shows the changes that occurred between 1985 and 1996 in the demand, price and supply of bus services. In all cases, except London, passenger demand has reduced. Bus vehicle kilometres have increased in all areas with the greatest increases in the English shires. Real fares have increased in all areas, with the greatest increase in Metropolitan areas outside London

Area	Demand Bus passenger trips per capita	Price Real fare per journey	Supply Bus vehicle kilometres per capita
Metropolitan Areas	-39.4	+52.4	+21.4
English Shires	-24.3	+13.5	+30.4
Greater London	+3.7	+20.3	+20.5
Great Britain	-25.6	+21.8	+24.9

Figure 1 shows the year on year decline in passenger journeys from 1985 to 1996. It indicates that the decline has been taking place continually over the period. Interestingly, it is since 1993 that passenger journeys in London have increased; they were declining 1988 to 1993.

Figure 1: Bus passenger journeys per capita by region

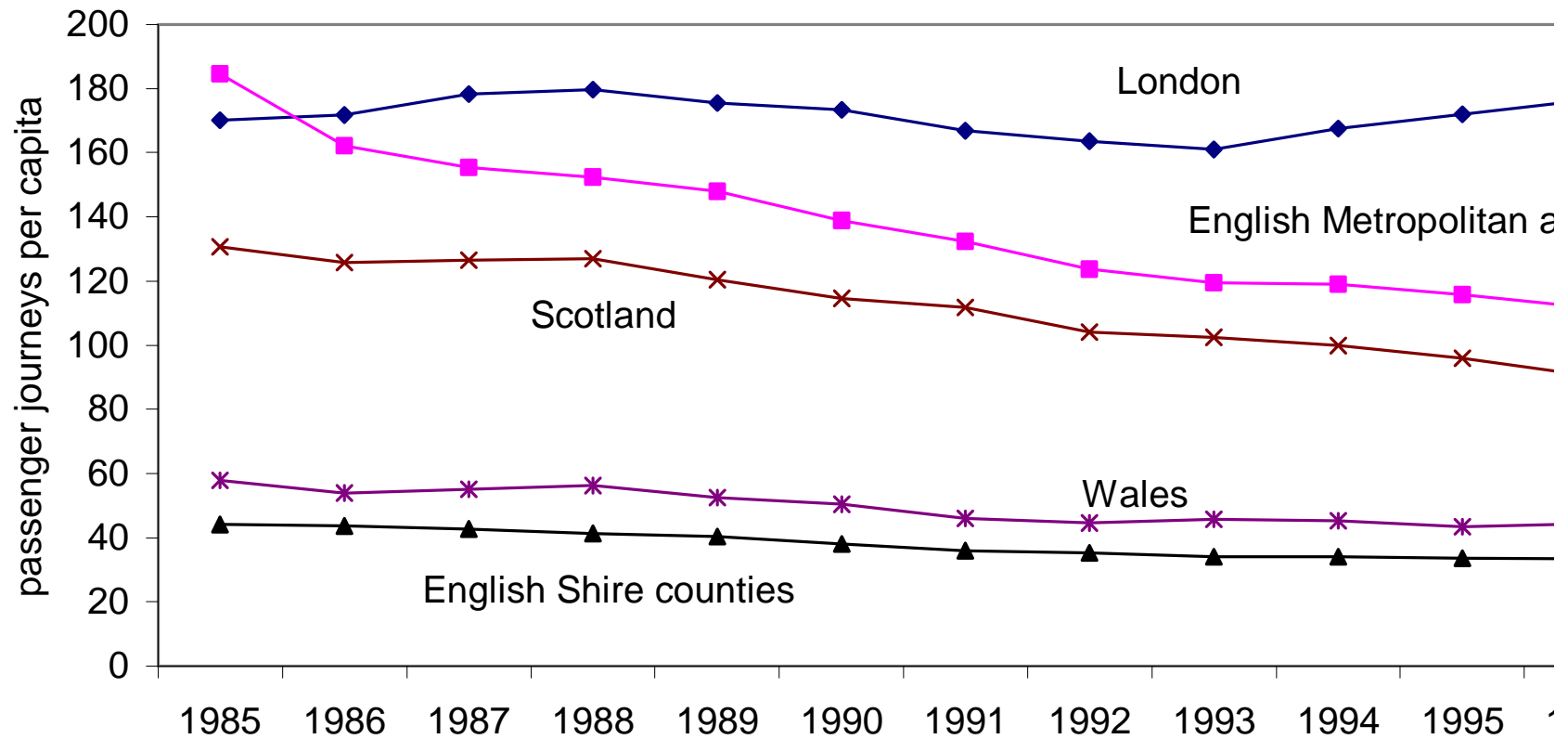


Figure 2: Average bus fares by region, 1995 £ per journey

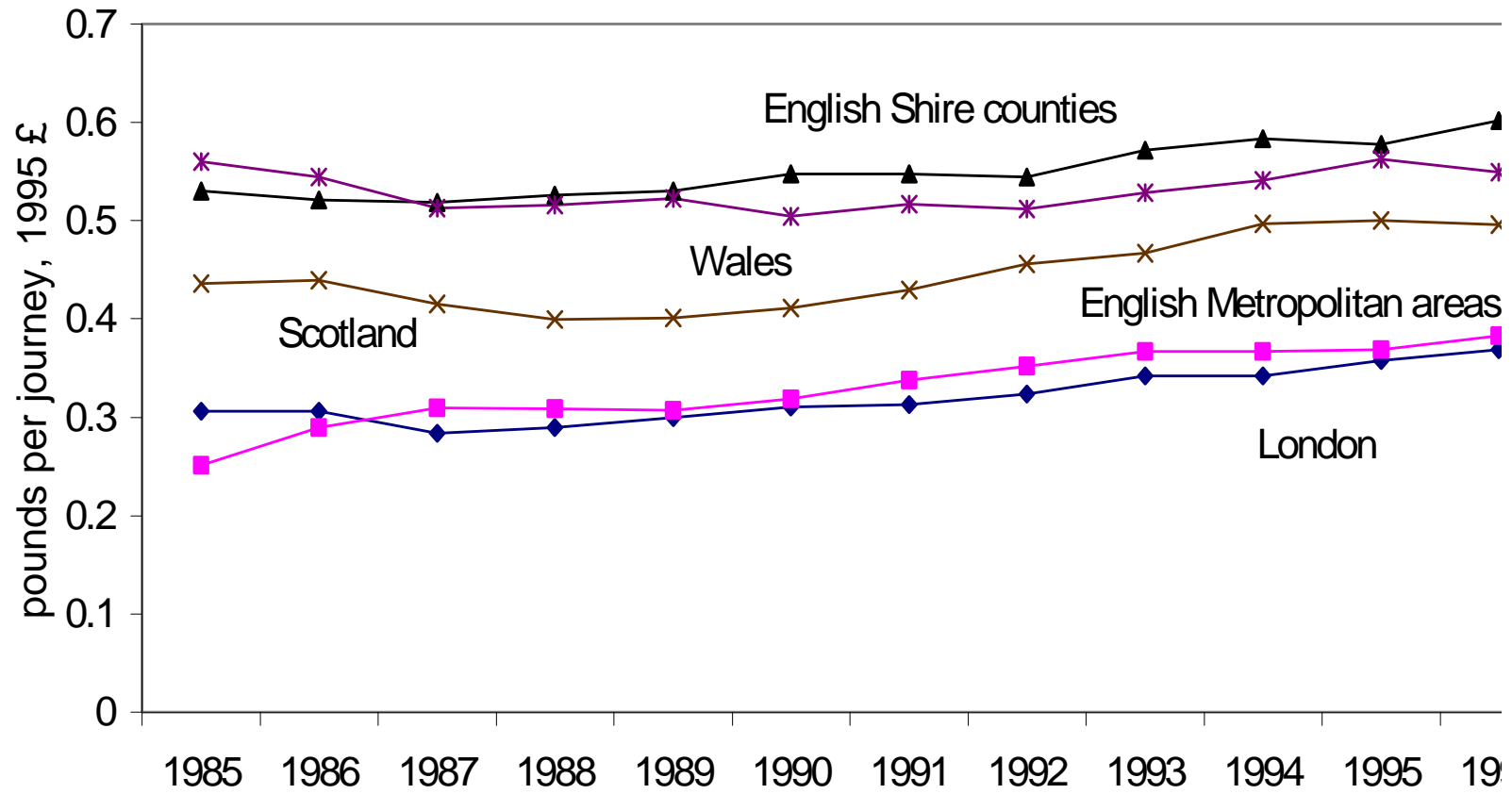
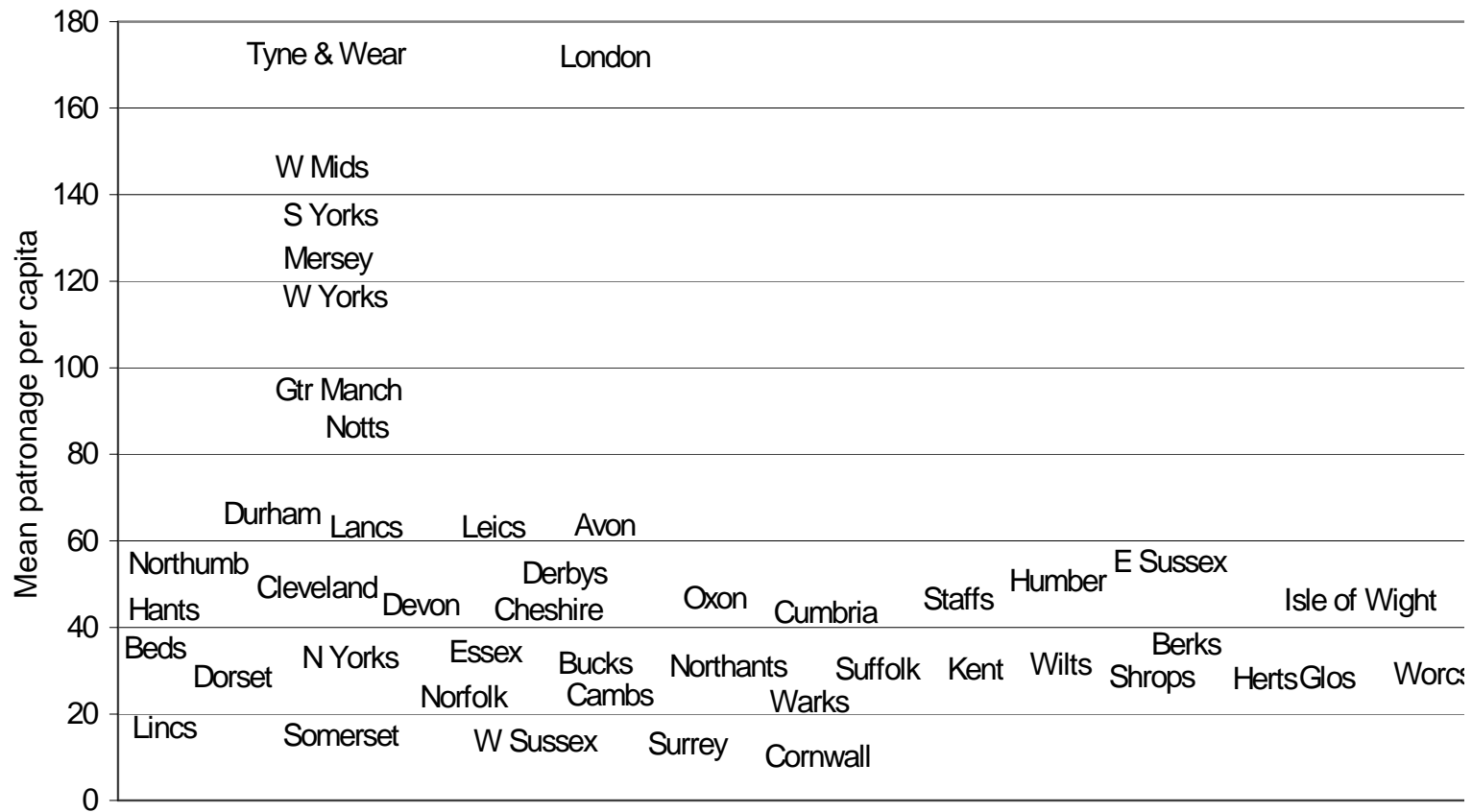
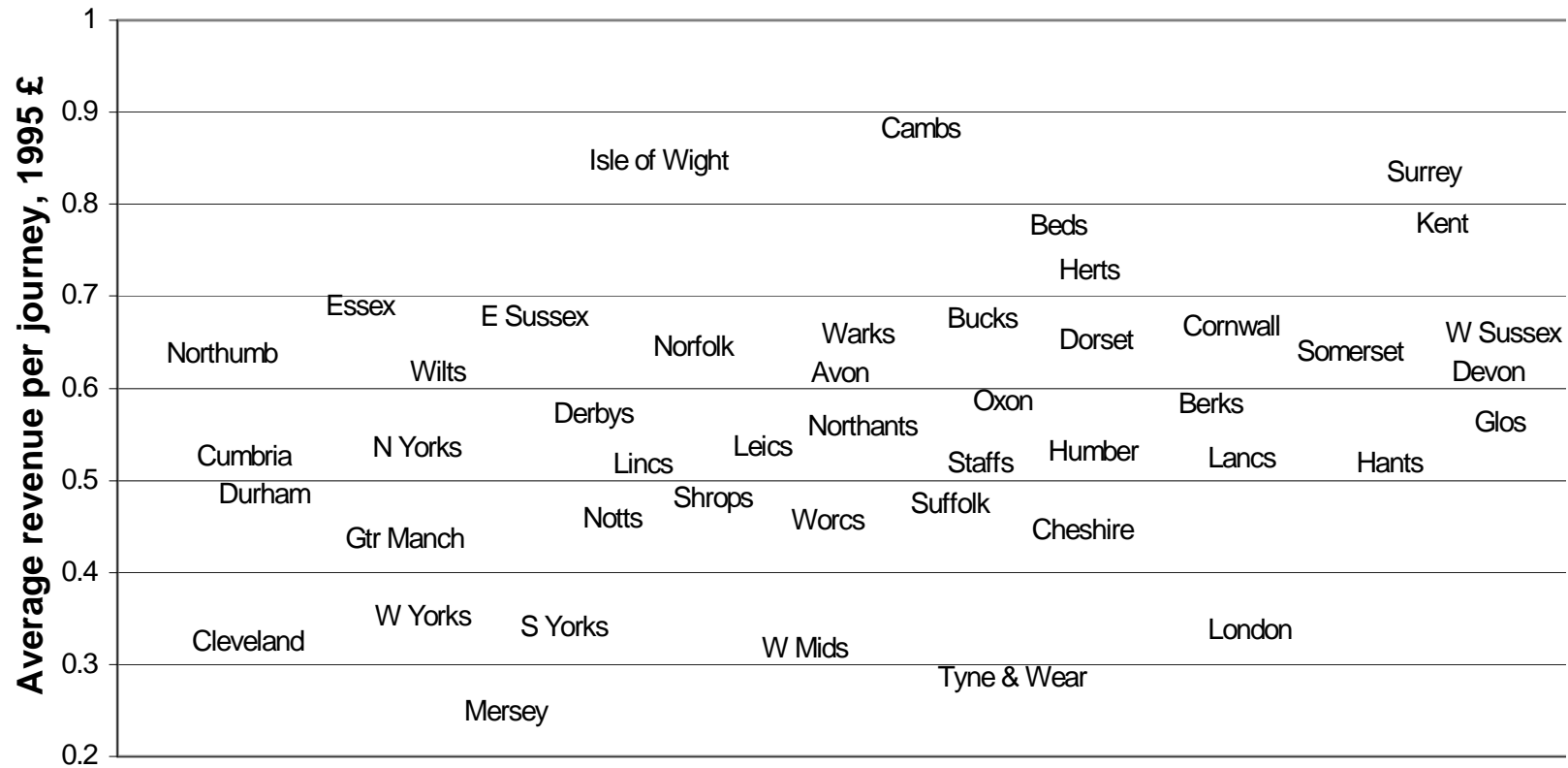


Figure 3: Bus journeys per capita by county (average 1987-96)



Note that the horizontal axis does not represent any value.

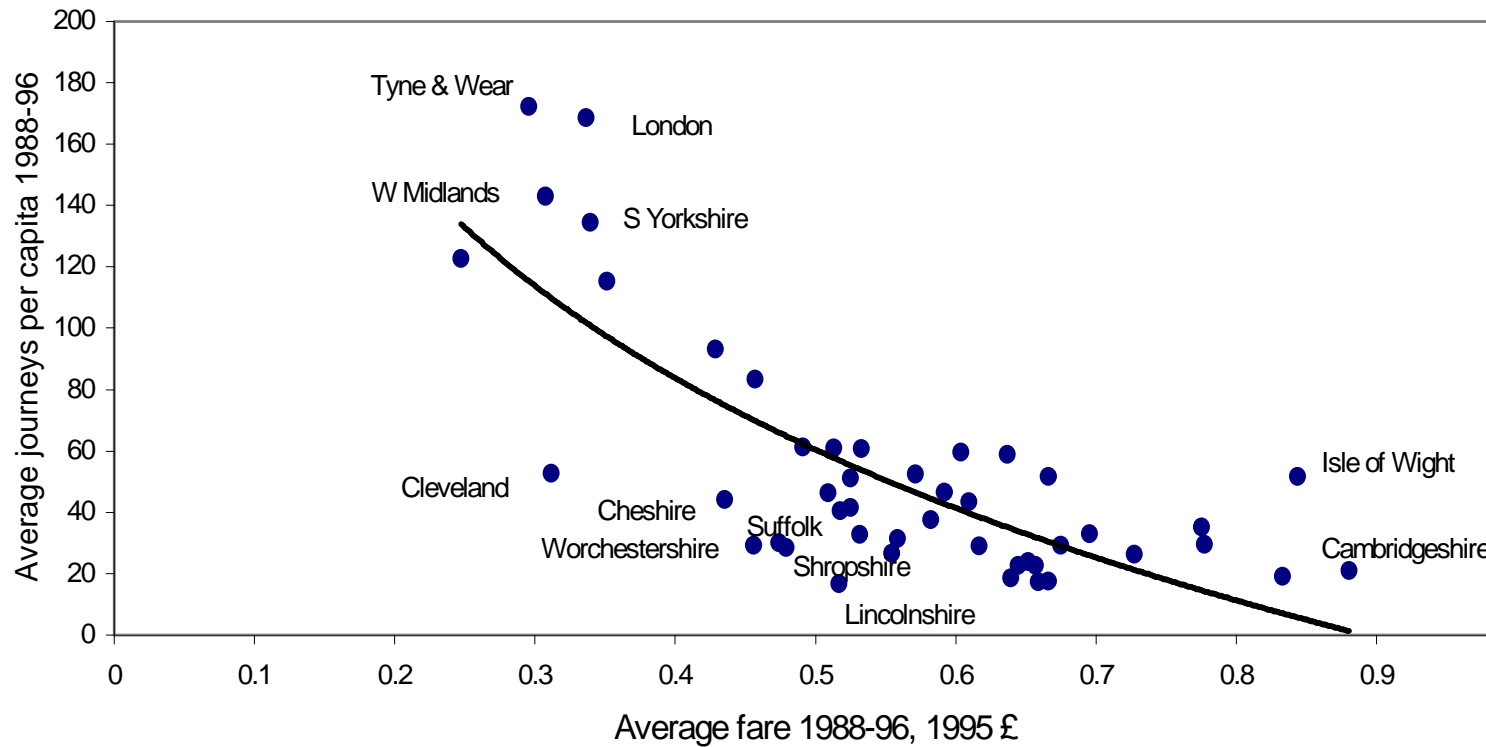
Figure 4: Bus fares by county: 1995 in £ per journey (average 1987-96)



Note that the horizontal axis does not represent any value.

Figure 5 shows the relationship between bus patronage (average journeys per capita) and the average fare in the period 1988 to 1996. It indicates the strong negative relationship that exists.

Figure 5: Bus patronage vs Fares in English counties (average 1987-96)



Model Results

Table 2 shows the fare, income and service elasticities in relation to patronage over the short and long terms that have been developed from the various models developed by the speakers. There is a remarkable degree of similarity between the various models.

Table 2: Estimated elasticities for Great Britain						
	Fare elasticity		Income elasticity		Service elasticity	
	Short run	Long run	Short run	Long run	Short run	Long run
Pooled County data						
<u>Constant elasticity model</u>						
<i>Constrained</i>	-0.33	-0.71	-0.31	-0.66	0.48	1.04
<i>Unconstrained (average)</i>	-0.43	-0.82	-0.35	-0.68	0.41	0.79
<u>Variable elasticity model</u>						
<i>Constrained (average fare)</i>	-0.42	-0.88	-0.33	-0.70	0.45	0.95
<i>Unconstrained (average fare)</i>	-0.41	-0.79	-0.37	-0.72	0.42	0.79
Aggregate GB data						
Constant elasticity model	-0.33	-0.62	0.41	-0.80	Not estimated	
Structural model	-0.31	-0.94	0.14	0.07	Not estimated	
Pooled Regional GB data						
Constant elasticity model	-0.22	-0.81	-0.27	-1.13	0.43	0.81
Variable elasticity model	-0.14	-0.78	-0.29	-1.04	0.46	0.74

Table 3 gives the variation in fare elasticity in the short and long run

Table 3: Variation in fare elasticities		
	Short run	Long run
<u>Fare level</u>		
Minimum fare = 17p	-0.13	-0.27
Maximum fare = £1	-0.77	-1.62
Merseyside	-0.2	-0.4
Cambridgeshire	-0.6	-1.4
<u>Urban vs. Rural</u>		
Metropolitan Areas	-0.2 ± 0.18	-0.4 ± 0.26
Shire counties	-0.5 ± 0.14	-0.7 ± 0.18
<u>Asymmetry</u>		
Rising fares	-0.4 ± 0.18	-0.7 ± 0.30
Falling fares	-0.3 ± 0.12	-0.6 ± 0.30
<u>User groups (Metropolitan areas)</u>		
All patrons	-0.2 ± 0.13	-0.5 ± 0.30
Full-fare-paying	-0.15 ± 0.10	-0.4 ± 0.30

Table 4: Own- and cross-price Elasticities for bus and car travel				
	Bus Passenger kilometres		Car Passenger kilometres	
	Short run	Long run	Short run	Long run
<i>Bus Fare</i>	-0.3	-0.9	+0.2	+0.3
<i>Motoring costs</i>	0	+0.4	-0.4	-1.0

Table 5 recommends the range of fare elasticities that can be used in various areas of Britain for the short and long run. These can be used to predict the changes that will occur with changes in fares.

Table 5: Recommended Bus Fare Elasticities, Full fare-paying patrons

	Short run (1 year)	Long run (7 years)
Great Britain	-0.2 to -0.3	-0.7 to -0.9
England	-0.2 to -0.3	-0.6 to -0.8
Non-Urban	-0.2 to -0.3	-0.8 to -1.0
Urban	-0.2 to -0.3	-0.4 to -0.6

Notes:

- Elasticities for total patronage (full-fare plus concessions) slightly greater
- Low fares: lower elasticities; high fares: higher elasticities
- Rising fares: higher elasticities; falling fares: lower elasticities

Conclusions

- Long-run elasticities 2-3 times short-run elasticities
- Fare elasticity varies across areas
less fare-elastic in more urban areas
- Fare elasticity varies among user groups
concessionary patrons more fare-sensitive than full-fare-paying
- Fare elasticity increases with the fare level
- Some indication that patronage is more sensitive to rising than falling fares
- Service improvements offset equivalent fare increases
- Bus patronage mildly sensitive to motoring costs
- Car use slightly responsive to bus fares

Confessions of a Transport Correspondent

Juliette Jowit

Transport Correspondent, Financial Times

24th October 2001

Juliette said that she had worked for the Financial Times for four years, two as transport correspondent. At the time she was appointed she was told that around 60% of what she wrote would be about the railways - in practise it has been more like 80-90%.

She started by asking 'What stories sold the FT?' She had asked her news editor who noted that given the paper's readership, City and industrial stories were particularly important. Other main themes were policy and economic analysis. Scoops and analysis also sold papers. Content and timing of stories was obviously crucial. The railways fell into a number of categories, the paper's readers were likely to be rail users and might also be shareholders in railway companies.

Transport was different from other topics covered by the FT. There is daily competition with mainstream media. It was is an area of multi-interest - City, political and personal - and was very high profile, with safety in particular having a high emotional angle. She said that she was often asked if rail accidents get disproportionate attention. She did not necessarily agree and noted that all the media focused in this way. There is the huge political and commercial/policy implication of crashes, which are talk-worthy and, it had to be admitted, photogenic.

Juliette felt that she was responsible to various parties, notably the paper itself, stakeholders and readers and not least to her contacts. There was pressure from her editors but also a responsibility to be fair.

She regretted that despite following and reporting the key lead up events, she had failed to piece together the evidence and thereby predict the very significant consequences of the Hatfield crash, and the collapse of Railtrack.

In the case of Hatfield the event was overtaken by its consequences. Railtrack's information was as unreliable as its infrastructure. With hindsight much of what it said should have been seen as unreliable. There were conflicting vested interests. Lastly there were changing political priorities with different politicians trying to make different points.

With the Railtrack collapse there were a number of warning signs as the following quotations from the FT show:

March 2001: *"Railtrack has asked the Government to advance funds of £1.5bn... amid growing concerns about the company's cash flow"*

April 2001: *"The Government stands behind the rail system but not behind individual rail companies"* - SRA and Railtrack

April 2001: *"If they [Railtrack] have failed then there's no duty to bail them out"* - Paul Plummer, ORR

May 2001 *"The scale of [our] contingent liabilities in aggregate could seriously prejudice the group's financial position"* - Railtrack

June 2001: *"There is a realistic possibility that the equity could be wiped out"* - ABN

July 2001: *"Railtrack's planned £2bn - £3bn bond issue could be under threat"*

Sept 2001: *"The partial re-nationalisation of Railtrack has been discussed by the Government's top transport advisers... the work has been dubbed Project Ariel"*

She reckoned that whilst the paper got the individual stories, it missed the big picture. There were also political pressures, together with denials. Railtrack had the reputation under Gerald Corbett of overplaying its problems and may have been seen as "crying wolf". She was not aware that Project Rainbow existed at the time. It seemed that no one was entirely clear what John Robinson, its chairman had said. Lastly there was the unimaginable factor. Most could not believe that the Company would become insolvent so quickly.

Juliette ended her talk by posing five other questions, which she would like answered:

What percentage of the population use train services?

Where is it cheaper to run a taxi or chauffeur-driven Limousine than a train service?

What evidence is there of social benefit of railways?

What is the environmental equation between car mileage and air flights?

Will it cost the government more in the long run to repossess than re-nationalise Railtrack?

Discussion

***Peter Gordon** (AEA Technology Rail) asked why journalists seemed to assume that everyone drove and had access to a car and also why so little was written about buses, which were responsible for many more journeys than the railways.*

Juliette replied that there was far more interest in rail stories than bus stories and that this was particularly the case in the light of existing events. The FT's readership probably used rail more than buses.

He also commented that it had been suggested that interest in an accident was in proportion to the square (or some other factor) of the number killed. Thus a single accident with a hundred killed would have a hundred times as much interest as a hundred smaller accidents. He also noted that relatively little attention was given to the far larger number killed in accidents such as falling from trains and to track workers.

***Ian Marley** (Railtrack) asked whether the coverage of transport issues added significantly to the paper's circulation.*

Juliette said that there was clearly great interest in transport stories and that the paper did care what it was writing and in being accurate.

***Marie-Anne Wiley** (consultant) asked if casualties to railway staff were sometimes ignored in writing stories.*

Juliette commented that it was often hard to ascertain all the facts immediately after an accident but that she did not ignore casualties to staff.

***Ed Humphries** (Ove Arup) asked what stories she thought her paper's readership were particularly interested in, and who read it.*

Juliette replied that just over half of the paper's sales were abroad. There were overseas editions, which carried far less about the UK railways. The largest number of UK readers lived in London where rail usage was very high. Many of these were from abroad reflecting the diverse employment of large city institutions. The next highest concentration of readership was, perhaps surprisingly, in the South West which she assumed included a large number of wealthy retired individuals, whilst the next highest concentration was in the Midlands.

***Stephen Glaister** (Imperial College) asked Juliette what her workload was in the period following Railtrack's bankruptcy.*

She replied that she had worked very long hours. A large number of staff were involved, and her role included co-ordinating the work of others.

***Robert Cochran** (former Advisor) commented that he had been involved in recommending three rail lines to close down and also advising the Government why not to close any lines. This did create a degree of cynicism. He noted that at the time of privatisation Railtrack had a very incomplete balance sheet (all investment in infrastructure had been immediately written off and treated as revenue expenditure) and no asset register.*

Juliette agreed that there were warning signs that had not been picked up.

***Marie-Anne Wiley** commented on the need for research, which would hopefully be verified.*

***Roland Niblett** (Colin Buchanan and Partners) asked if the timing of Railtrack's liquidation was deliberate, given that it coincided with the start of hostilities in Afghanistan.*

Juliette said that she believed that this wasn't the case and that the announcement could have been brought forward owing to increasing press interest and speculation.

***Martin Brennan** (AEA Technology Rail) asked Juliette about her relationship with other journalists and the specialist press.*

She replied that in general she got on well with them and that they were often working on the same stories, frequently attending the same functions as a group. The specialist press often gave her information and advice, with very little reward.

***Don Box** (Treasurer, TEG) asked how transport professionals could help as commentators.*

Juliette replied that when writing letters to keep them short (and as an aside noted that letters of three lines and under were often used as fillers). When dealing with a journalist it was useful to find a 'peg' for any stories or research. Find an opportunity and have an interesting message. She commented that there were about 600 editorial staff on the FT. She also commented that it was often quite difficult to remember which contacts would have access to useful information, especially when working to a tight deadline.

***Wynn Jones** (Transport for London) asked if Juliette had a list of those who gave unbiased information.*

She replied that everyone had an agenda. This could be rather fuzzy. As an example, analysts might say different things on and off the record. Contacts in companies could be useful.

Jeremy Drew said that Juliette was being unfair to herself and that no one else had predicted Hatfield or the collapse of Railtrack.

She replied that one of the difficulties was that there were political agendas. This was OK as long as she knew what they were for each contact so that she could, to some extent, adjust her reporting for political bias.

Martin Brazil (retired) asked if Juliette was put under any general editorial pressure or could exert pressure.

She replied that she believed that there should be a clear distinction between news stories which - should be fair – and editorial comment, which can argue a case. This was the case on the FT and she did not write editorials. She could run stories of a certain timbre and this could be seen as taking a stance over a long period of time but it might not be effective. There are opportunities open to a journalist to try and influence the debate with opinion, but she said that she did not necessarily use them (not intentionally) and that it could be counter productive to do so as genuine stories would be discounted as quasi propaganda.

Prof Peter White (University of Westminster) commented that information about the proportion of the population using the railways was available from the National Travel Survey. He noted that following on from the last question that quite critical articles were issued in some papers (Graham Searjent in the Times, for instance had written an article that was very critical about developing the rail system at all).

Juliette replied that the FT had two sections, news and Companies and Reports. Much of what she wrote about Companies did not go into the second section, which was largely read by shareholders, although in other sectors the sort of material she wrote could well do so. She wrote (or could write) for all sections, but given the unusually high news interest in transport and many angles, it is most often classified as first section news. Interestingly writing for the second section could be seen as career enhancing at the paper, whereas writing for the first section enhanced ones name outside the FT!

Report by Peter Gordon

BOOK REVIEW

The Transport Economists' Group does not necessarily agree with the statements contained in book reviews, and neither does it accept responsibility for reviewers' assessments of the books that they evaluate.

The Principles of Transport Economics by Tim Powell
PTRC, London, 2001 (ISBN 0-86050-337-2) £40.00 paperback

Tim Powell will be well known to TEG members as a long-established member of the Group. Following earlier work with Coopers & Lybrand, he is now an independent consultant.

He has drawn on his extensive experience to provide numerous case studies and numerical examples within this well-structured textbook, which is accompanied by 'The Transport System: Markets, Modes and Policies' also published by PTRC.

Part 1 of this volume sets out the basic theory of transport economics, including demand, supply, forecasting, cost structure, pricing and the argument between competition or planning. Part 2 covers appraisal of transport projects, including differences between financial and economic evaluation (with worked examples), and the new approach to appraisal in Britain (which was also the subject of the TEG/TPS seminar in June 2000). Part 3 covers guidelines for transport policy, including the role of transport in the economy and overall policy issues. Policy is viewed very much in terms of applying economic principles, rather than discussing in detail current policies in Britain or other countries.

Appendices cover examples of project appraisal, and calculation of user benefits. A useful glossary is provided, so that someone not familiar with economic concepts can refer to their definition (those covered in the glossary being highlighted within the text).

The British context is the most commonly used, but not exclusively, with examples also related to parts of the former Soviet Union or developing countries.

When discussing issues such as the theory of competition the author wisely avoids dogmatic extremes, setting out the theory as such but then pointing out that the reality of transport markets is often very different (for example, in local bus operation). As he comments in chapter 8, perfect competition is "a very important economic abstraction".

A wide range of references is footnoted, including original sources for theoretical concepts as well as recent uses (for example, Ramsey pricing from the paper of 1927).

The general presentation is very clear, although one might query some specific points - for example, the minus sign is not used consistently when referring to price elasticities in chapter 2. In the example of bus services in chapter 7, a very high short run price elasticity (-2) is assumed. In the case of discount cash flow evaluation, use of an example with a high NPV/cost ratio in chapter 10 produces a very high apparent internal rate of return. These are, however, relatively minor points which do not detract from the explanation of basic principles set out.

The book should be useful both for library and individual student purchase, although at £40 the paperback price may be rather high for current student budgets.

Reviewed by Peter White

TEG NEWS

MEMBERSHIP NEWS

Before saying a few words about those who have joined the Group this year there are one or two things to say concerning membership in general, which I would like to put before you.

We are still anxious to increase membership quite substantially. It is a fact of life that annual turnover in membership is quite high (about 10%) - largely as a result of considerable movement into and out of the industry. This means that we must aim at getting fifteen new members each year to keep our present size. We also aim to restrict increases in subscriptions to match unavoidable increases in costs, and given the predominantly fixed nature of these, subscription rates will inevitably be threatened in the long term by a failure to keep membership up.

Therefore the Committee are asking members to do all they can to recruit more members. The last time we did this, in 2000, we had some success. Thanks to all who answered the call! This time we are hoping to cast our net wider by asking members to forward names and addresses of potential members to me, whether they are well-known to you or not. I will then forward a 'package' containing reasons for joining the Group, an application form, a copy of a recent issue of the Journal and details of our programme of meetings. We are aiming at full-time employees of transport organisations and institutions, consultants, academics, students and those who are, or continue to be, in spite of other forms of employment or retirement, interested in the more serious aspects of transport economics. We, the Committee, will do all we can to retain existing members!

The second request is a little simpler. This year we have tried to use e-mail in correspondence where this was practical, to save on postal charges. Unfortunately, we have found that a significant number of messages have not got through, or returned with the equivalent of 'not known at this address'. We suspect two reasons for this: failure to notify changes of address or our failure to read your address accurately. Computers have a limited imagination, of course, so please make sure we have changes of address, promptly (please check the Member's List to see that we have got it right), and to print your address as clearly as possible.

[details of members omitted from this version]

Fuller details of all members will, of course, be found in the Member's List for 2001, which should be enclosed with this issue of the *Journal*.

Don Box
Membership Secretary and Treasurer
November 2001

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Transport Economists' Group
will be held on
Wednesday 20th March at 5 p.m.

Room 218, Chadwick Building, University College London
Entrance in Gower Street, WC1