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**Abstract Template**

**Paper title:** Railways and the Search for a Just Price

**Author(s) name(s):** Nick Wills-Johnson

**Organisation(s):** Planning and Transport Research Centre (PATREC)

**Contact details:** Nick Wills-Johnson  
**Mailing address:** Planning and Transport Research Centre (PATREC)  
c/o Curtin University of Technology  
GPO Box U1987  
PERTH WA 6845

**Telephone:** 9266 3759  
**Facsimile:** 9266 1377  
**Email:** [n.wills-johnson@curtin.edu.au](mailto:n.wills-johnson@curtin.edu.au)

**Abstract (300 words maximum):**

How much should one charge for a loaf of bread or a pair of shoes? To an economist, the answer is simple; charge what the market will bear. Each baker and cobbler would like to make as large a profit as he could but is limited in his ability to do so by competition from other bakers and cobblers and the result of this competition is the fair market price. However, if there is only one baker or cobbler then competition can no longer provide such an ameliorating force and the market price ceases to be fair. What, then, should replace it?

Railways were one of the first industries to face this issue in a serious way when it became abundantly clear to all concerned in the middle of the 19th Century that the models of the classical economists of the day were not producing prices that were in any way fair. The solution to the problem took more than half a century to begin to emerge, and we still have not progressed far; the way of determining 'fair' prices in railways today are only a few steps from Karl Marx's solutions in *Das Kapital*.

This paper summarises the experiences of the UK, the US and Australia in tackling the problem of fair prices for railway services and explores some of the conceptual and practical problems which arise as soon as one steps away from the market as a fair pricing mechanism.