

Chapter Eight

Reforming Purchasing and Pricing Arrangements of School Transport Services

In this chapter, broad reforms of the SSTS are considered. The first reform assumes the price and quality of services will continue to be determined by regulation and the second implicitly assumes competitive forces will be the preferred mechanism to determine prices and quality. Enhancing the roles schools play in the administration of the SSTS will also be discussed.

Modernising the Scheme's regulatory component

The transport services provided under the SSTS can be described as a regulated public service often delivered by a private provider. The model of regulation currently adopted for the SSTS has the Department of Transport acting as a prescriptive price regulator and funder. This general model has been criticised by the Utility Regulators Forum:¹¹³

Fundamentally it did not work very well. It was not conducive to, and did not provide, appropriate incentives for the utility to strive for increased cost efficiency and neither allowed nor encouraged the adoption of more efficient pricing structures (eg, holding politically sensitive prices below cost of provision and, in most cases, placing too much weight on use charges as opposed to customer access charges).¹¹⁴

Structural Reform

One concern with the existing funder/provider structure is the Department of Transport has a significant role in both the regulatory and funder functions. The relationship between the purchaser (the Department of Transport) and the provider (transport operators) can become confused, especially when the purchaser also carries out a regulatory function. This can create the wrong incentives if the regulatory function operates to expose inefficiencies in the planning and policy function, or vice versa.

There is no evidence this is an explicit problem. However, until a better information system is in place, the potential for 'fudging' remains. A solution is to separate the regulatory functions from the purchasing functions. This can be done by either:

- separating the regulatory function from the purchasing functions within the Department of Transport; or

¹¹³ A body comprised of public regulators from each State and Territory.

¹¹⁴ Australian Competition and Consumer Commission, Utility Regulators Forum, *Incentive Regulation, Benchmarking and Utility Performance*, Discussion Paper, page 9, 2000.



- removing the regulatory function from the Department of Transport. Under this approach, an external body would have responsibility for setting price levels and service standards.

The most logical location for the regulatory function under the second option is the Independent Pricing and Regulatory Tribunal (IPART). IPART is established under the *Independent Pricing and regulatory Tribunal Act 1992*. IPART's powers under the Act include:

- a standing reference to undertake price regulation and pricing policy reviews of certain government monopoly services (s. 11);
- the ability to undertake price regulation and pricing policy reviews of other government monopoly services on a referral by the Minister (s. 12); and
- the ability to review industries, pricing or competition on a referral by the Minister (s. 12A).

There is some scope for IPART to review elements of the SSTS under s. 11.¹¹⁵ However, it appears somewhat limited in that privately owned transport services provided under the SSTS do not fall within IPART's legislative terms of reference. Thus, for IPART to take an ongoing role in setting price and quality standards for transport operators under the SSTS, it is best done by Ministerial referral under s. 12A. This approach would be consistent with recommendations made by the Public Accounts Committee in 1993.

In July 2001, the setting of commercial bus fares was referred to IPART. IPART has made recommendations to the Minister for Transport on appropriate fare changes. This was done under s. 9(1)b of the Act which states:

The Tribunal may enter into arrangements with any government agency, or other body or person (whether in the public or private sector):

- (b) for the provision of assistance by the Tribunal to the agency or other body or person by means of the provision of services that are within the Tribunal's field of expertise and relevant to its functions.

IPART had limited time to complete their review and raised issues relating to the use of a cost index to determine fares, which the Department of Transport has used to date. IPART also noted limitations in the information available to assess performance and the limited time allowed for the IPART review.

While the cost index approach is relatively simple, IPART discussed a number of weaknesses, including:

¹¹⁵ IPART have conducted reviews. See the *Inquiry into the Pricing of Public Passenger Transport Services – Final Report*, Review Report 1996/10.



- under normal economic conditions the cost index will almost always result in an increase in fares;
- the approach ignores efficiency improvement that may have been achieved; and
- the model provides little incentive to improve efficiency gains.¹¹⁶

On 5 February 2002, IPART announced it had been requested to make recommendations to the Minister for Transport on private bus fares for 2002/03. On this occasion, IPART has been given much more time to conduct its review, as it will report back to the Minister in June 2002. The announcement is reproduced in appendix four.

Recommendation

19. The pricing of commercial contract bus services continue to be referred to IPART and the methodology for determining price changes be reviewed to address concerns raised by IPART.

Competitive tendering of transport services

Competitive tendering is the provision of a public service through a competitively awarded contract. Traditionally there are two basic alternatives:

- (i) prices could be set and tenderers could compete on the basis of service – this approach may require some form of regulatory intervention to establish the appropriate prices; or
- (ii) the required service could be specified and the tenderers could compete on the basis of price – this approach would not require regulatory intervention to establish appropriate prices.

For these competitive options to work, service standards must be effectively specified and their achievement monitored. Further, the market would need to be sufficiently competitive, ie, generally with three or more serious bidders.¹¹⁷ In markets in which there is not sufficient competition, such as rural areas, a regulated framework may still be appropriate.

Under competitive tendering, the public sector retains policy control over the service, while the competitive market produces the service under public scrutiny. The government should also foster a competitive market, as the maintenance of a competitive market is crucial to the success of competitive tendering.

¹¹⁶ IPART, *Report to the NSW Minister for Transport*, August 2001, p iv.

¹¹⁷ See Industry Commission, *Merger Regulation: A Review of the Draft Merger Guidelines Administered by the Australian Competition and Consumer Commission*, Information Paper, 1996.



With regards to transport in particular, Cox, Love and Newton note the benefits of competitive allocation of urban transport services can be significant:

The following results have generally occurred:

competitively tendered services have been less costly with virtually no reduction in service levels or service quality (often, service levels and quality are improved);

urban transport operator costs have been reduced in response to competition. (The exception to this is where there is no systematic commitment to competitive tendering, ie, where the urban transport operator faces no threat of losing a significant share of its business.) These results have been significant with system-wide cost per vehicle kilometre reductions from 19% (Copenhagen) - to 42% (London), with 33% (San Diego) and others at approximately 25% (such as Adelaide, Brisbane and Perth).¹¹⁸

As discussed in chapter five, current commercial contracts provide a monopoly right to the contractor to operate bus services in a particular area. Renewal of this right occurs every five years subject to the provider meeting Minimum Service Levels. A key concern with this approach is the granting of monopoly rights is not, at least periodically, contestable. This was recognised by the Government when it introduced the *Passenger Transport Act 1997*. According to the then Minister for Transport, The Hon. Brian Langton, the legislation:

will ensure that incumbent commercial bus operators will only be able to avoid the market discipline of competitive tendering for the exclusive right to operate on a particular route or in a particular area if a series of best practice objectives and standard of service have been met.¹¹⁹

However, as discussed previously, the Department of Transport is yet to implement a performance assessment regime to achieve this.

Comments were made to the Committee about competitive tendering in general and more specifically about the SSTS. The Committee was advised that it was not feasible to only tender for school bus services. This is due to the interdependence of route and school bus travel, particularly in commercial contract areas.

In order to promote efficient and effective provision of services, the Committee is of the view that competitive tendering of the monopoly rights issued to bus companies under commercial contracts should be considered.

¹¹⁸ Cox, Love & Newton, "The Expansion of Competitive Tendering in International Urban Transport", adapted and revised (February 1997) from a presentation "Summary of International Urban Transport Competition with Case Studies: Copenhagen, London and San Diego", presented at the 4th *International Conference on Competition and Ownership in Land Passenger Transport*, Rotorua, New Zealand, July 1995. Available at www.publicpurpose.com/pp-ctut.htm, accessed 23 August 2001.

¹¹⁹ Legislative Assembly Hansard, *Passenger Transport Amendment Bill: Second Reading Speech*, 28 May 1997, page 9476

Competitive tendering of transport services in Australia

A number of Australian jurisdictions have seen value in calling for tenders of public transport services. In 1994, the South Australian Parliament passed the *Passenger Transport Act* which established the Passenger Transport Board, in part to oversee the competitive tendering of public transport services. Section 7 of the Act specifically provides the Board with the responsibility for the competitive tendering process. It states no Ministerial direction can be given in relation to the grant or refusal of a service contract by the Board.¹²⁰ In 1998, amendments were introduced to ensure the Passenger Transport Board seeks to avoid “a monopoly” in awarding contracts.¹²¹

The benefits from competitive tendering in South Australia include:

- The State Government’s transport service (TransAdelaide) monopoly was challenged. New operators were introduced. All operators work to performance agreements with the Passenger Transport Board – with financial incentives to grow their business, including patronage.
- A customer service focus was established as an overriding objective across the public transport network.
- Innovative services were introduced – including 44 new services and more frequent services.
- Patronage freefall was stemmed and stabilised.
- Savings in taxpayer funded operating subsidies were achieved (compared to a no change base) of over \$59 million.¹²²

There have also been a number of costs associated with the contracting of Adelaide’s public transport. Dr Ian Radbone, from the University of South Australia, admits the contracting of Adelaide’s public transport has been a modest success. However, he also argues that there have been costs in terms of a slight increase in congestion, a loss of accountability and a possible reduction in employee conditions.¹²³

It should be noted that under the current arrangements in South Australia, the Government retains ownership of the bus fleet and depots, which are leased to operators. Further, TransAdelaide, the government-owned bus operator, was not successful in winning any bids in its own right. Possible reasons for this lack of

¹²⁰ See section 7 of the *Passenger Transport Act 1994* (South Australia).

¹²¹ South Australian Treasury, *Passenger Transport Initiatives – Tendering Process*, available from the website: www.treasury.sa.gov.au/governingprocess.html, accessed 18 September 2001.

¹²² Ibid.

¹²³ See Radbone, Dr Ian, “The Competitive Tendering of Public Transport in Adelaide”, Paper presented to *Fifth International Conference on Competition and Ownership in Land Passenger Transport*, Leeds, UK, May 1997. Available at www.unisa.edu.au/tsc.ianstuff/2ecb97.html (accessed 18 September 2001).



success may include the more generous superannuation and leave entitlements offered to public sector staff.¹²⁴

In December 1993, the Western Australian Government announced a major program of public transport reform. The objectives of this reform program were to:

- improve transport access for those in the community with no other choice and to encourage more car users to travel by public transport; and
- achieve service improvement in the most cost efficient way through introducing competition.

As part of this reform, responsibility for the daily operation and maintenance of buses was contracted out to four private sector companies through a process of competitive tender. This occurred in two stages; about half were contracted out in 1996 and the remainder in 1998.¹²⁵

The Western Australian Auditor-General states there has been a 15% increase in annual outputs since the bus reform program was initiated and total annual bus expenditure has been reduced. The Auditor-General also notes cost efficiency, as measured by cost per bus service kilometre, improved substantially after the contracting out of bus services to the private sector. Patronage on transport services (boarding on buses, trains and ferries) has also increased since the reform program began.¹²⁶

Competitive tendering in New South Wales?

Those jurisdictions which have put their public transport systems out to competitive tender have seen a saving in costs. However, there are still reservations about such a move in New South Wales. In evidence before the Committee, NSW Treasury officials note there is merit in competitive tendering. However, they argue competitive tendering does not always lead to the best value for money and there is a need to treat each case on its merits:

CHAIR: Private bus operators have an eternal life right to some of these routes under the current structure. We were looking at competitive tendering for routes. Has Treasury got a view on that?

Mr RONSISVALLE: Again, Treasury would like to get the best value for money for the expenditure of government funds. Competitive tendering produces better outcomes in some circumstances but it has been shown occasionally to produce not necessarily better outcomes. You would have to treat each case on its merits. There

¹²⁴ Media Release, The Hon. Diana Laidlaw MLC, Minister for Transport & Urban Planning, *Competitive Tendering of Bus Services*, Thursday 27 January 2000. Available at www.treasury.sa.gov.au/ptb/medreleaselaidlaw.html, accessed 18 September 2001.

¹²⁵ Auditor-General of Western Australia, *Bus Reform: Further down the road – A follow-on examination into competition reform of Transperth bus services*, Report No. 6, June 2000, page 6.

¹²⁶ *Id.*, page 7.



may be a case for some sort of testing to see if that actually does produce a better outcome and reviewing it from that point onwards.¹²⁷

With regards to value for money, representatives from the Department of Transport are of the view outright competitive tendering may not produce better value for money than the current arrangements. They argue competitive tendering will potentially threaten the financial viability and service levels for non-profitable groups. In evidence before the Committee the then Director-General of the Department noted:

Mr TORBAY: At present, in urban areas commercial bus contracts are not competitively tendered. Would competitive tendering of these contracts force bus operators to compete for SSTS funding, resulting in a more efficient provision of school bus services and thus reducing the overall costs of SSTS and what is your view on this?

Mr MURRAY: At present, commercial contracts are entered into when the services to be provided in a franchise area to enable the contractor to operate on a commercial basis for the fares collected and the commercial operation is sustained by normal fare paying passengers, including school children, supported by any concession make up that the department administers.

Where we assess that a commercial contract would be unlikely to be viable, non-commercial contract is issued. Now, there are some of these in metropolitan areas as well, especially in the less dense areas further out.

The current commercial contracts grant exclusive rights to an area and specify minimum levels of service, service quality and conditions and maximum fare scales. So that is just entirely consistent with the requirements of the 1990 Passenger Transport Act.

Competitive tendering for commercial bus contracts would provide competitive entry into the bus market. However, it would be at the cost of significant disruption to the industry and potentially threaten the financial viability and service levels for non-profitable groups.

So whilst there is an a priori argument for competitive tendering for these routes over the contract areas, it is necessary to balance that with the need to ensure continuation of service.

It is my opinion that outright, full-scale competitive tendering will lead to cherry picking with the requirement that the Government will have to purchase at high cost full non-commercial contracts for an increasing number of areas.¹²⁸

However, if a route (such as a non-commercial contract route) requires a subsidy in order to make it viable then it is possible that service providers can still tender for

¹²⁷ Mr Mark Ronsisvalle, Executive Director, New South Wales Treasury, Transcript of Hearing, 1 June 2000, page 8.

¹²⁸ Mr John Murray, Director-General, Department of Transport, Transcript of Hearing, 31 May 2000, pages 70 – 72.



the route and compete on the basis of the subsidy payment required. This issue is discussed further below.

The Bus and Coach Association go as far to say:

there is more than ample evidence to demonstrate that calling for tenders for school bus services, compared to the current arrangements in NSW, would not save money on an overall basis, and instead would increase the total cost of SSTS in NSW.¹²⁹

The Bus and Coach Association also argue the current arrangements provide NSW with the best value for money. They state:

It needs to be kept in mind that, compared to the rest of Australia, NSW has the most generous scheme regarding eligibility for free school travel; has the best quality standards for school buses (excluding Victoria); has the best standards for school bus route coverage; has the most cost efficient bus operations in Australia; and therefore has the best value for money under the current arrangements.¹³⁰

A number of other witnesses showed general support for competitively tendering transport services. For example, representatives from the Western Sydney Community Forum commented in hearings that the potential of tendering out school services separately should be investigated and it may be a viable option in urban areas:

CHAIR: So, with the move to the smart card system, you would actually increase the level of transparency on the cross-subsidy also, so do you believe that the road would then be to tender out the main routes, the existing route services where they would actually tender for a community service obligation because you would have to have some kind of subsidy replace the existing one?

Ms JUELICHER: I think we would take the position that we would like to investigate the potential of tendering out route services and school services separately because having thought through that concept, there are a lot of issues especially regarding rural areas where perhaps an area might end up with no route service at all because nobody wants to tender for it unless there is a school bus service as well.

But I think there is the potential to find concepts that address that. But definitely in urban areas I think that it would be a lot more viable option to tender out bus services.

CHAIR: So you would have different systems in rural and urban areas.

Ms JUELICHER: Certainly, yes.¹³¹

¹²⁹ Bus and Coach Association (NSW), Submission to the Review on Tendering of School Buses, 31 May 2000, page 1.

¹³⁰ Id, page 15.

¹³¹ Ms Denis Juelicher, Transport Development Worker, Western Sydney Community Forum, Transcript of Hearing, 1 June 2000, page 44.



It should be noted the NSW Government has made recent moves to competitively tender transport services in metropolitan Sydney. In September 2001, the Government called for expressions of interest for the Liverpool-Parramatta Rapid Bus Transitway. The expressions of interest were sought following amendments to the *Passenger Transport Act 1990*. These amendments were required to enable the Director-General of the Department of Transport to contract Transitway services with the operators who will provide services on designated transitway routes.

Potential efficiency gains from competitively tendering bus contracts, as well as the ability to protect or improve service levels, would be substantially affected by the design of the tender process. With this in mind, the Committee has considered some possible tender arrangements.

Firstly, there appear to be advantages in conducting commercial contract tenders for a general zone which is made up of adjacent individual contract areas. This would allow potential operators to bid for one contract area, some contract areas or the whole zone. Such an approach would allow for greater competition for individual contract areas, while allowing firms to take advantage of potential economies of scale and bid for a number of areas, or the whole zone.

Another important feature is how bus fares and appropriate service standards are to be determined. One option is to deregulate, allowing operators to determine fares and service levels which maximise returns within their areas. The Committee believes such an approach could threaten affordability and service levels on some routes as the operator has a monopoly right for the area. An alternative is to have the fares and service levels set as part of the tender parameters. As recommended above, the Committee considers private bus fares should be determined by IPART. Potential operators would then prepare their tender based on specified fares and service level requirements. With maximum fares and minimum service requirements set, there is incentive for operators to provide innovative transport solutions in order to increase patronage and revenue.

For non-commercial contracts, a range of tender arrangements should be considered. Potential operators could tender for a fixed sum to operate a particular route to set service standards. Alternatively the tender could call for the operator to specify a price per student trip and have remuneration for the operator vary according to patronage (which would need to be measured, probably through the use of smart cards). The second approach includes incentives for the operator to maximise patronage through providing a better service. The full cost and benefits of either approach would need to be properly considered.

One outcome from allocating operating rights through a competitive tender is that competitive forces can be used to distribute operating subsidies to private operators. As discussed in chapter five, there is a widespread belief the SSTS is cross-subsidising other less profitable route services. There is little information on the amount of this subsidy, or its distribution, because it is effectively concealed in SSTS payments. While for some operators the subsidy may be vital in maintaining



minimum service levels on some routes, other operators may be making super profits or above normal rates of return and in fact extracting an economic rent.¹³²

Under the current payment regime, it is not possible to analyse the extent of the subsidy or its distribution. At the moment bus companies decline to provide information on their balance sheets to the Government. This non-disclosure of profits means the Government is unable to calculate the rate of return. Basing payments on actual usage will eliminate payments for “phantom riders” and stop the subsidy. Some contract areas will then no longer be profitable and will require a direct, explicit subsidy to maintain service standards.

The size of the subsidy necessary to maintain appropriate services in such areas can be determined by competitive tender. In profitable areas, tenderers will be willing to pay the Government for the monopoly right to operate bus services. For non-profitable areas, operators would be competing on the basis of the subsidy they would require to provide the specified services. Using competition to identify the areas which need a subsidy (and the size of subsidies) is likely to result in savings to Government as some routes will not require current levels of subsidisation. Revenue from the tender of profitable routes would bring further savings.¹³³

Impediments to wide-scale competitive tender of bus services

Current contracts allow for the automatic renewal of commercial service contracts and may be an impediment to any moves to competitively tender transport services. Prior to the introduction of the *Passenger Transport Amendment Act* in 1997, commercial contracts were renewed in the following manner:

At the end of the term of a commercial contract, and thereafter from time to time at the end of each term for which the contract is renewed in accordance with this section, the holder is entitled to a renewal of the contract for a further term of 5 years, unless:

- the holder’s previous performance under the contract has been unsatisfactory in a manner and to an extent that would have enabled the contract to be cancelled during its term if the Director-General had taken steps to do so; or
- the region or route of operation of the contract is varied in accordance with Section 24.

¹³² Economic rent refers to the difference between the return made by a factor of production (eg, capital or labour) and the return necessary to keep the factor in its current occupation. See *The Penguin Dictionary of Economics*, available at www.xrefer.com/entry/445132, accessed 20 November 2001.

¹³³ At present commercial contract operators pay a fee of \$2160 (metropolitan) or \$1090 (non-metropolitan).



However, in 1997, section 23 of the Act was changed and contract renewal for commercial contracts became dependent on adherence to a (yet unspecified) Performance Assessment Regime.¹³⁴

Despite amendments to the legislation in 1997, contracts are not currently subject to any stringent performance assessment and continue to be renewed every five years. As noted previously, the Performance Assessment Regime (PAR) is yet to be implemented. The Committee has recommended the Department of Transport implement the PAR without substantial delay.¹³⁵

With regards to renewal of non-commercial service contracts, each non-commercial contract holder received a letter from the Department of Transport in June 1996 advising:

The renewal of non-commercial contracts at the end of this second five-year period will be based upon a contestability regime of benchmark assessment that is not based upon tender for complying operators.

The non-commercial operators were further advised:

*...the contestability regime to provide the right price for Government is to be mutually agreed upon between the Department and the Bus & Coach Association.*¹³⁶

The Bus and Coach Association note that when non-commercial contract holders agreed to price reductions in 1996 they received from the Government a long term security of tenure. They argue if this long term security is cast aside, non-commercial operators so affected would be entitled to appropriate compensation.¹³⁷

Further, the Bus and Coach Association argue no savings would result from subjecting non-commercial school bus services to competitive tender since:

- the Government is already assured of the least expensive rates for the required standards of quality and safety through the process set in place by PricewaterhouseCoopers; and
- any further savings through company amalgamations (with the associated transfer of front-office and maintenance facilities to centralised locations) would seriously disadvantage the local communities concerned and would unfairly terminate long-standing regional family businesses.¹³⁸

¹³⁴ Bus and Coach Association (NSW), Submission to the Review – Tendering of School Buses, 31 May 2000, page 4.

¹³⁵ See Recommendation 6.

¹³⁶ Bus and Coach Association, Submission to the Review – Tendering of School Buses, 31 May 2000, page 9.

¹³⁷ Ibid.

¹³⁸ Ibid.



The State Transit Authority (STA) and competition

In its submission to the Committee, the Bus and Coach Association considered any moves toward competitively tendered transport service contracts would necessitate putting both private operators and State Transit contracts out for tender.¹³⁹

This idea has been discussed previously. In October 1996, IPART found:

- the STA recovered less than the costs of providing its services;
- STA's costs are greater than those of a private operator providing the same service; and
- considerable scope for improvement exists between current STA costs and efficient cost levels.

IPART recommended all STA franchise areas be open to competitive tender at the end of the five year contract.¹⁴⁰

Since this report, the State Transit Authority have contracted out a number of their responsibilities such as cleaning and maintenance of bus depots and bus fleets which has resulted in cost savings. The 1999-2000 Annual Report for the STA notes a surplus of \$0.7 million for the year, indicating substantial improvements in efficiency.¹⁴¹

In its submission to the IPART inquiry, the Central Sydney Community Transport Group argued service standards may drop if STA areas were put out to tender. It argued service standards would drop as Sydney Buses provides a range of services which would not be available if smaller operators were running the routes.¹⁴²

Further, STA pricing and performance monitoring is more rigorous and available for public scrutiny compared to the approach taken for private operators. For example:

- decisions on STA fares are made by IPART;
- IPART takes a more rigorous approach than the basic cost index for STA fare determinations; and
- there is substantially more information on service standards for the STA than the private bus operators.

¹³⁹ Id, page 13.

¹⁴⁰ Independent Pricing and Regulatory Tribunal, *Inquiry into the Pricing of Public Passenger Transport Services – Final Report*, October 1996, pages 22 – 32.

¹⁴¹ State Transit, *Annual Report 1999-2000*, page 8. Available at <http://www.sydneybuses.nsw.gov.au/publicationsAndReport.html>, accessed 22 October 2001.

¹⁴² Independent Pricing and Regulatory Tribunal, *Inquiry into the Pricing of Public Passenger Transport Services – Final Report*, October 1996, page 31.



Overall, STA fares are substantially lower than the fare schedules for private operators and IPART plays a key role in determining price and monitoring service quality. Currently, this is not the case for private operators, whose fares are determined by the Department of Transport (based on cost index increases) and there is no detailed performance assessment regime (discussed in chapter five).

The Committee considers there is sufficient public scrutiny of STA pricing and service standards, which is not paralleled by similar approaches in the private sector. Therefore, the Committee does not consider the case for competitive tendering of the STA to be as strong as for private operators.

Issues to be addressed before transport services are competitively tendered

As noted, current contract arrangements allow for the renewal of service contracts and may impede any moves to competitively tender transport services. However, should competitive tendering be introduced, a number of issues will need to be addressed.

The first such issue is contract length. Representatives from the Bus and Coach Association argue that if competitive tendering for school bus routes was entered into, contracts would need at least 15 years duration in order for financiers to provide the capital. In their submission to the review they note:

In NSW, finance for new buses is only available on the understanding that:

- (a) commercial contracts have at present the right of renewal at the end of each contract term, subject to meeting or exceeding strict performance standards; and
- (b) non-commercial contracts (ie, school charter bus contracts) have traditionally been renewed, other than in exceptional circumstances, at the expiry of each contract term; and there is expectation in the finance industry that such tradition will be maintained.

Quite clearly, if contracts are put out to tender, there will need to be security of tenure well in excess of five years, if fleet and depot purchases are capable of being funded.¹⁴³

The World Bank has commented that short contract periods are often a deterrent to operators putting in bids as they may be unable to recover their initial costs. They note:

An alternative, but less satisfactory approach, is for government, or the authority, to retain ownership of the buses and maybe the maintenance facilities, and lease them to the operator as part of the contract (as was found necessary in London).¹⁴⁴

¹⁴³ Bus and Coach Association (NSW), Submission to the review on the Tendering of School Buses, 31 May 2000, page 5.

¹⁴⁴ Scurfield, Rochard G., "Competitive Tendering for Public Bus Services", from *Transport No. UT-1*, May 1990, Transportation, Water and Urban Development Department, The World Bank.



The Government also retains control of the depots in Adelaide where bus services have been competitively tendered.

The Bus and Coach Association argue that if tenders are only for short-term periods a monopoly situation could result. In their submission to the review they state:

If tenders are to be only for a short-term period (eg five or seven years), a well-funded overseas operator, taking advantage of the current exchange rates, could lodge tenders at break-even prices in order to secure large portions of the NSW route-bus and/or school bus networks. After the initial (relatively short) term, the overseas operator(s) would have a monopoly in the market and could then re-tender at high prices for the further five-year contracts; and the lack of finance-industry funding (for five year contracts to local entrants) would mean that there would be no competitive bids capable of being lodged.

This monopoly control by foreign-based companies of the bus operating industry is already taking place in other countries. For instance, in The United States, the yellow school bus operations are increasingly being owned by just two large British bus operating companies.¹⁴⁵

However, legislation could be introduced which prohibits the awarding of contracts so as to allow a single operator to obtain a monopoly. For example, in South Australia the Passenger Transport Board is required by legislation to take into consideration the following principles when awarding service contracts:

- service contracts should not be awarded so as to allow a single operator to obtain a monopoly, or a market share that is close to a monopoly;
- sustainable competition in the provision of regular passenger services should be developed and maintained;
- the integration of public transport services should be encouraged and enhanced; and
- service contracts should support the efficient operation of passenger transport services and promote innovation in the provision of services to meet the needs of customers.¹⁴⁶

The Committee considers it is necessary to ensure commercial contract periods are sufficiently long to allow appropriate access to finance. However, a contract period of 15 years would severely limit the Government's ability to provide flexible public transport options. Further, a 15 year contract would reduce opportunities to test the market and maintain healthy competition for the rights to provide bus services in a particular area. An optimal commercial bus contract period is likely to be approximately 10 years.

¹⁴⁵ Bus and Coach Association (NSW), Submission to the Review – Tendering of School Buses, 31 May 2000, page 5.

¹⁴⁶ Section 39 of the *Passenger Transport Act 1994* (South Australia).



The Bus and Coach Association also raise concerns about tender evaluation and note it will be difficult to determine the relative merits of competing tenders. They state:

Clearly, evaluation of tenders for commercial contracts that include school bus services will not be purely based on price. Fleet quality and the proposed school bus routes will also be part of the evaluation process.

This will make it extremely difficult to equitably adjudicate on the relative merits of competing tenderers.¹⁴⁷

As noted, there is a view any tendering of school bus services will also necessitate the inclusion of the route services. The Bus and Coach Association argue well over 50% of travel to school by bus is undertaken in buses that work most of the time on regular route bus services. The Bus and Coach Association notes in metropolitan areas there may be some difficulty in the tendering of school bus services separate to route services due to:

- (a) the majority of students travelling on route bus services;
- (b) the increasing number of students who transfer between route bus and school special bus due to their attendance at de-zoned out-of-area schools; and
- (c) the effect that flexible senior school hours has had on the need for students to join route buses instead of school special buses on those days where their tuition falls outside of normal school hours.

This would necessitate tenders instead being called for the total metropolitan contract concerned (both route journeys and school journeys).¹⁴⁸

A number of submissions to the Committee's inquiry raised concerns about competitive tendering of school transport services, particularly with regards to small non-commercial operators. As non-commercial operators receive no-more than a reasonable rate of return, it is argued the minimum rate is an alternative method to the calling of tenders for country school travel.¹⁴⁹ A further issue to be considered is whether tendering of bus services in rural areas will affect employment and investment. In their submission to the inquiry, the Bus and Coach Association request that:

...serious consideration be given to the consequence of competitive tendering of these non-urban services. Country NSW would become further disadvantaged if local bus companies' front office and maintenance facilities were transferred from regional

¹⁴⁷ Bus and Coach Association (NSW), Submission to the Review – Tendering of School Buses, 31 May 2000, page 13.

¹⁴⁸ Bus and Coach Association, Submission to the Review – Tendering of School Buses, 31 May 2000, page 12.

¹⁴⁹ Mr Ted Corby, Submission to the Review on behalf of five bus contractors at Boorowa.



locations, due to the economic clout of overseas bus operators in winning competitive tenders which necessitate as a by-product a rationalisation of support facilities.¹⁵⁰

Conclusion

A regime to improve contestability in commercial bus contracts has been foreshadowed for some time. However, an appropriate Performance Assessment Regime has yet to be implemented. It is likely a properly managed tendering process could address many of the concerns raised and could actually result in improved service provision and patronage.

The Committee considers competitive tendering could be introduced as a means of improving the competitiveness of transport in general and subsequently reducing the costs of the SSTS. However, this will require a number of changes to the current contractual arrangements which allow for automatic renewal subject to maintaining a standard of performance. Further, the Committee is of the view a number of issues need to be considered in any decision to competitively tender transport services such as: whether to tender both commercial and non-commercial routes, contract length, tender evaluation and the relationship between school and normal route services.

Recommendation

20. The Department of Transport and Treasury consider options for competitively tendering private bus transport services.

Enhancing the role of schools

Schools currently play a significant role in the administration of the SSTS. For example:

Dr CROKE: ...I have done some homework with some schools trying to get a sense of what is actually involved, and it is a pretty consistent picture across the board. I will just mention categorically some of the issues.

Schools have to, of course, issue the passes in the first place, that is to say, they have to check the names and addresses on all of the forms and the accuracy of the data, then they have to issue the passes and make sure that they reach the right kids at the right time; they have to deal with all the replacement passes.

Kids, of course, lose passes more frequently than you or I do, or passes get destroyed, they go through the wash, all of those things; schools increasingly, as perhaps I am sure you have heard from others, end up being the middle-man in handling complaints about bus companies and State Rail and the inefficiencies of them and their individual drivers. That seems to be an area of increasing concern that school secretaries, who we are talking about here, find themselves in the middle of.

¹⁵⁰ Bus and Coach Association, Submission to the Review – Tendering of School Buses, 31 May 2000, page 8.



Lost luggage is generally the province, in the first instance, of the school secretary to chase up because they have got the contact with the bus company or the local train station and can facilitate that. They are forever resolving disputes, they tell me, that hinge on the interpretation of the scheme and whether someone is in or out of the 1.6 kilometres. They tend to have to resolve those in the first instance. Many of them, of course, come to the department and many end up with the review committee.

On the whole process of keeping records, I chose one school, Catherine McAuley School at Westmead, partly for convenience but also because it is not an independent school. Its drawing area is both fairly local, so you have large numbers of students who actually walk because they live within walking distance of the school at Westmead, but because of its location near Westmead station and as part of that rapidly expanding complex at Westmead, it draws students in various forms of transport from further afield.

What I would like to table for you, and I will leave it with whomever I leave it with, is simply an itemisation of what it takes somebody to actually do all the tasks with an attempt to quantify them fairly well so that they have actually gone through it so you can see from beginning to end what it does and how much time is involved. It roughly adds up to nearly two weeks.

This is a high school of a thousand students. Putting the bits and pieces together, it would add up to two weeks per year for one person, one school secretary, non-teaching staff, of course. If you were to quantify that across every school in the State, government and non-government, you could see the significant contribution that is made to the administration of the scheme itself.¹⁵¹

Administrative reforms

Building on the substantial contribution made by schools, there are a number of areas in which they could contribute to stemming the increasing costs of the scheme. For example, through improved administration of the application process, schools can play a vital role in preventing “phantom riders” being claimed for in returns and surveys to the Department of Transport.

At present, the majority of annual surveys are completed manually creating dissatisfaction amongst both the schools and the operators, as well as increasing the risk of clerical error. Further, no formal procedures are in place to detect whether an application form has been completed except for four specific intervals. These are when students first apply in K-2, when students progress to year 3, when students progress to year 7 and if they change school or address. The only other opportunity would be if the driver informed the operator that certain students are not using the service any longer.

In their recent review, PricewaterhouseCoopers noted the application process was probably introduced some years ago to reduce administrative effort. However, with

¹⁵¹ Dr Brian Croke, Executive Director, Catholic Education Commission, Transcript of Hearing, 1 June 2000, pages 12 – 14.



the advent of new technologies, it is possible to alter the application process to achieve better control with little increase in administration.¹⁵²

PricewaterhouseCoopers recommend enhancing the role of schools by:

- establishing a service level agreement with the NSW Department of Education and Training for schools to complete application forms for bus passes on an annual basis. Further, to provide information on existence and eligibility of students on an annual basis as part of the school student enrolment process;
- extending the above to receive updated student information from schools on a quarterly basis (ie, the beginning of each term); and
- schools being requested to take on the responsibility for receiving and resolving complaints.

To reduce the administrative burden on schools, the review also recommended the Department of Transport centralise the system for issuing passes using web and database technologies.¹⁵³ It also recommended a cost benefit analysis be performed to factor in the level of savings that may be achieved by the Department of Transport¹⁵⁴

Giving schools control of transport budgets

Previous chapters discussed how there is a dislocation between users of the SSTS (students, schools and the Department of Education and Training) and the Department of Transport as funder of SSTS services. Current arrangements are often perceived as inflexible and limiting schools in delivering innovative education. On the other hand, as discussed in chapter three, it appears the actions of the Department of Education and Training and individual schools can have a substantial impact on the cost of the SSTS that is not properly considered.

One option to overcome this problem is to provide the Department of Education and Training, or individual schools, with the budget for school student transport. Student transport could then be purchased through the Department of Transport (through a formal purchaser/provider relationship) or directly from transport providers.¹⁵⁵ Schools would then have more control over transport purchasing decisions and be more accountable for the transport implications of education decisions.

¹⁵² PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 51.

¹⁵³ *Id.*, page 48.

¹⁵⁴ *Id.*, page 52.

¹⁵⁵ Purchasing student transport through the Department of Transport would facilitate integration with broader transport purchasing (through, for example, the existing commercial contract structure) and planning. Purchasing services directly from providers would have the effect of providers directly competing to provide services. The relative costs and benefits of either approach would require detailed consideration.



Representatives of the Federation of Parents and Citizens Associations (NSW) noted schools are actively encouraged to save on their transport costs in overseas jurisdictions:

Mr ANDERSON: There are some radical responses that might be considered but are not in our submission and that certainly is not the position of our organisation but, for example, taking into account the Department of Transport's contract compliance it might be possible to examine models that operate in other countries, such as making schools responsible for the transport of their students on a costed basis or on a subsidised basis.

We have not looked at these ideas but there are ways of dealing with this so that schools are actually encouraged not to blow out their budgets excessively so that they are responsible for the costs and the overall consideration of the cost impact of transport on the school community that they serve.¹⁵⁶

Representatives of NSW Treasury advised allocating the SSTS budget to the Education portfolio could be appropriate. However, more analysis would be required.

CHAIR: There is a view that the SSTS budget should be allocated to the Education portfolio and be administered under a funder/provider model. This is on the basis that it would increase Education's accountability for its policy decisions. What is your view on this proposal?

Mr RONISVALLE: I think there probably would be some merit in that. What you have alluded to already, that there is interaction between the Department of Education's decisions and the impacts on the school student transport scheme is a reason why there needs to be greater co-ordination between the two. So, there is some merit in that sort of position. I think we would like to think a little more about it and perhaps come back to you with our views more official.¹⁵⁷

NSW Treasury have provided no further advice on this issue to the Committee.

Representatives from the Isolated Children's and Parent's Association of New South Wales (Incorporated) also noted that by increasing the role of schools, more flexible transport arrangements could be provided. In evidence before the Committee, Mr Mayoh, Treasurer, indicated they would support moves which gave schools and parents more power in their choice of transport:

Mr MAYOH: ...The main concern we do have is with the closure of small school bus runs. They need to be looked at on an individual case by case basis, not put within a set of rules that can differ very much depending on the overall effect it can have on a community.

¹⁵⁶ Mr Damien Anderson, Research Officer, Federation of Parents' and Citizens' Associations of New South Wales, Transcript of Hearing, 7 June 2000, page 62.

¹⁵⁷ Mr Mark Ronsisvalle, Executive Director, NSW Treasury, Transcript of Hearing, 1 June 2000, pages 6 - 7.



.....
CHAIR: Would your association accept some other means of transport other than a bus if you do fall below the threshold, for example, if one parent agreed to accept payment for delivering five children home?

Mr MAYOH: I suppose if it came down to that we would, but you are opening a can of worms with things such as insurance. I can see a few problems there.

CHAIR: It may be more economic to run a mini bus than a contracted bus, for example, and give the money to the school or find some volunteer parent. If we actually make the money assigned to the school, rather than to a bus operator.

Mr MAYOH: Yes, we would be quite prepared to look at any proposal, along with community consultation, obviously providing it is equitable and provides access to school on a daily basis, yes.¹⁵⁸

The Committee considers allocating the SSTS budget to the Department of Education and Training or individual schools could potentially improve services and reduce costs. Improved services would result from schools having increased purchasing power to negotiate with operators over service levels such as timetabling and flexibility. Educational institutions would also be forced to consider the transport cost implications of decisions such as the location of schools or school start and finish times. Given the apparently uncontrolled increasing cost of the SSTS over time, the full costs and benefits of such arrangements should be properly considered by Treasury.

One model for allocating student transport budgets to individual schools includes an extra incentive for schools to ensure efficient student transport by rewarding schools which make savings on transport. Such a model could be structured along the following lines:¹⁵⁹

- students carry a notional transport subsidy and are, at the minimum, entitled to receive free transport up to the value of this subsidy;¹⁶⁰
- the school receives a budget for student transport which is the sum of the notional subsidies of students attending that school;
- the school ensures sufficient appropriate student transport is provided. This could be through contracts with regular route bus companies (including the STA), rail services, the purchase of specific student bus routes from bus companies, the purchase and operation of a bus by individual schools or groups of schools, or a combination of arrangements;

¹⁵⁸ Mr Francis Mayoh, Treasurer, Isolated Children's and Parent's Association of New South Wales (Incorporated), Transcript of Hearing, 7 June 2000, pages 52 – 53.

¹⁵⁹ The model described is for discussion purposes and could be tailored to address specific equity or efficiency issues.

¹⁶⁰ Specific options are discussed later in this chapter.



- where students do not use their notional transport subsidy, or use only a portion, the balance is transferred to the school;¹⁶¹
- where students' transport costs exceed the notional subsidy, the school can choose to compensate these students fully, partially or not at all, using the unallocated balance from the above dot point;
- unallocated funds are retained by the school and used for educational purposes.

This model is a broad outline for discussion purposes and would need to be tailored to achieve specific equity and efficiency goals. For example, it is likely to be necessary to increase the value of the notional transport subsidy for students attending country schools. This might be appropriate to reflect the fact that these students may, on average, travel further than those students attending metropolitan schools.

Where a school cannot obtain appropriate transport within its budget, there needs to be a mechanism to consider claims for increased assistance. One method of doing this is to allocate funds, for example \$10 million, from the global SSTS budget to an "inter-school equity fund." The fund would allow the Government to step in to ensure genuine hardship and emergency cases are properly addressed.

To avoid the fund becoming overly bureaucratic, it should be administered by representatives of key parent and education groups, such as the Parents and Citizens Association. A school requiring extra transport assistance would apply to the fund's administrators outlining its case. The administrators would determine the claim. In this way each school would be guaranteed fair access to student transport funding.

This model is a substantial change from current practice and identification of the full benefits and consequences is beyond the scope of this report. Nevertheless, some of the likely key impacts, including eligibility, are discussed below.

Lower prices and better standards of service

Having the school purchase student transport (either through the Department of Transport or directly from ultimate providers) is likely to result in stronger demand signals more effectively driving the price and quality of student transport. This could result in schools bargaining better prices and better service standards. However, the ability of schools to negotiate better deals for student transport would be affected by a number of factors including:

- the school's management and negotiation skills; and
- the competition between potential transport providers.

¹⁶¹ Electronic ticketing or smart card technology, which is currently the most accurate way of accounting for individual usage, would greatly assist in implementing the model.



Allowing schools to manage their own transport requirements, either by tender or by purchasing their own form of transportation, will not achieve cost savings and improved standards unless it is managed effectively. The Mackinac Center for Public Policy¹⁶² reviewed a survey of the Detroit area in the USA which found lower safety levels on privately operated school buses. The Center considers that when schools are purchasing transport from private providers, they must pay proper attention to performance standards, or the results can be unsatisfactory. Schools are more likely to be successful if the contract terms include a clear and detailed explanation of what a contractor should do and how success will be measured and monitored. They state:

Having clear performance objectives and standards written as conditions of the contract is the only way to ensure that contractors, who have a profit-based incentive to keep costs as low as possible, don't cut too many corners.¹⁶³

Having schools responsible for their own transport budget would also make schools responsible for the transport implications of education decisions such as school location or operating hours. The Industry Commission notes that, in many states and territories, the cost of travel to school is considered an education issue. The Industry Commission is of the view subsidies for the travel of school children be funded explicitly from the education budget. This will help improve accountability and ensure appropriate allocations are made within the education budget.¹⁶⁴

Schools would also have an incentive to cooperate with neighbouring schools to coordinate transport services and minimise costs. This would be particularly so in areas currently serviced by non-commercial contracts. The cost of running the service can be shared between two, three or more schools.

Local equity solutions

A feature of this model is schools can adopt their own “equity transport policy” of partially or fully redistributing unspent subsidies to students whose actual transport costs exceed their individual subsidy. Alternatively, the school can adopt a policy of no redistributions and spend the entire balance on other educational requirements, such as computers or sports equipment. Where schools adopt an equity transport policy of no redistributions, the excess cost of transport will be borne by those students travelling further to school. On the other hand, if a school adopts a policy of fully redistributing unused balances, then the school bears the cost of transporting students long distances.

¹⁶² The Mackinac Center for Public Policy is a Michigan based nonpartisan research and educational organisation which promotes solutions to state and local policy questions.

¹⁶³ Mackinac Center for Public Policy, “Faulty School Bus Privatisation Can Take Districts for a Ride”, by Michael LaFaive. Available at www.mackinac.org/print.asp?ID=3358, accessed 11 October 2001.

¹⁶⁴ Industry Commission, Commissioned Reports with Terms of Reference, 37, “Urban Transport”, February 1994, page 201. Available at www.pc.gov.au/ic/inquiry/37urbant/finalreport/98.pdf, accessed 11 October 2001.



The purchaser of these trips, either the student or the school, would bear a marginal cost which helps control the demand for student transport. If the school considers providing students with transport to and from school as being important, then the school can choose to purchase more transport through its equity transport policy. However, if a school decides all students will only be entitled to their notional subsidy, excess funds could be used to fund additional education facilities. Under such a model, schools and students would have greater incentive to make efficient use of student transport.

Representatives from the Western Sydney Community Forum and NCOSS noted they would only support schools having the budget for student transport, if the funds were confined to transport uses, instead of being transferable to educational uses:

CHAIR: So would the budgetary allocation to school by condition be confined to transport? What if the parent school board chooses to use that money for the improvement of the quality of education at the school? Would you have a problem with that if they say, "Well, in our view parents should try to get their kids here. That is their responsibility. We will put that money into more computers"?

Mr GLACHAN: Or another teacher.

Ms JUELICHER: We would not support that at all.

Mr LAKE: I think it would be hard once the money was handed over, particularly when you have P and Cs wanting to make those decisions, otherwise you are back where you started with people looking for transport assistance.

CHAIR: So the equity issue of access is one where the school may make the decision but we are not going to worry about equity. Those can afford to get there will get a good quality education; those who cannot will not. That would be the effect of their decision if we did not quarantine it to transport.

Mr LAKE: Absolutely.¹⁶⁵

The equity impacts of such a system would depend on its detailed design and to what extent schools are regulated in how they can run it. For example, the quantum of the notional subsidy provided to each student may need to vary to reflect the location of the student or school. Further, it would appear necessary that schools have an equity transport policy which is applied equally to all students attending that school. This would prevent schools 'picking and choosing' individual students who will or will not be entitled to further assistance.

One consequence of the approach outlined, is decisions on the level of assistance provided to students using more than their minimum notional entitlement will be the domain of the school. Decisions would be based on a policy set by parents and staff

¹⁶⁵ Mr Gary Moore, Social Worker, Manager and Director, New South Wales Council of Social Service, Mr Robert Lake, Transport Development Worker and Director, NCOSS and Ms Denis Juelicher, Transport Development Worker, Western Sydney Community Forum, Transcript of Hearing, 1 June 2000, pages 48 – 50.



rather than the Government. This would enable individual schools to determine the best mix of providing extra transport and improving their educational services. It is probable some students currently receiving high levels of assistance will not receive assistance over and above their individual notional allocation. This is because schools could adopt a policy of not redistributing balances.

Those schools which choose not to redistribute their transport budgets will be able to spend those funds on educational purposes. When choosing schools for their children, parents will need to consider whether the improved educational services compensate for the transport costs. As suggested by representatives from the Western Sydney Community Forum and NCOSS in evidence, there is a risk schools will not choose to provide extra student transport. It will be important the school bodies that make the decision are appropriately designed. However, where a school does not provide any redistribution, students would still be entitled to receive free transport up to the value of their notional entitlement.

In chapter six, the Committee discussed improving communication between transport providers on the one hand, and schools and parents on the other, through the use of a committee structure representing parents and the school. Under the model being discussed, the role of such a committee could be enhanced to include determining the school's transport equity policy. It might also have a role in establishing and managing contracts with transport operators, based on a template and guidance from the Department of Transport. In this case, elected parents should have a majority on the committee to ensure transport decisions are made in the best interests of families.¹⁶⁶ The committee could also include a representative of the Department of Transport at the tender stage to provide advice and assistance. The Department could also have a role in regulating schools' equity transport policies.

Funding and eligibility policy options

Within the broad model being discussed, there are a number of funding and eligibility policy options which could be considered. While a full analysis of the incentives, costs and benefits of each is outside the scope of this report, the Committee considers it worth drawing out some key considerations.

- (i) Notional allocations are only made to eligible students and eligibility criteria remain unchanged.

In this case, schools receive funding based on the number of eligible students and will only be obliged to provide transport for students meeting the current eligibility criteria.

As discussed previously (and as in options (ii) and (iii) below) students whose transport costs exceed their individual notional allocation may have to pay part or all of their costs in excess of the notional allocation (depending on their school's equity

¹⁶⁶ The committee could be sub-committee of the school's P&C.



transport policy). Either schools or students would then bear some of the cost of transporting students long distances to school and there is an incentive to limit transport costs.

However, as the total budget for individual schools depends on the number of eligible students, schools may have an incentive to target students who travel further than the current distance criteria. The more eligible students a school can enrol, the larger the transport budget provided to the school.

- (ii) All students receive a notional transport allocation and eligibility criteria are removed.

Under this option, all students receive a notional allocation and all students are entitled to free transport at least up to the value of their notional allocation.

In this case (and in (iii)) the size of the notional allocation would be lower than in (i) as the total SSTS budget would be spread across more students. As a consequence, students would reach their minimum entitlement sooner and look to the equity transport policy of the school for reimbursement of excess transport costs. As a result, the incentive to either the school or student to reduce the length of trips is stronger.

As there are no eligibility criteria, all students will be eligible to use their notional subsidy, including those living near the school. This would reduce the amount available for redistribution under schools' equity transport policies and also reduce potential financial gains for schools.

- (iii) All students receive a notional transport allocation and the eligibility criteria remain unchanged.

As in option (ii), the total transport budget available to the school is the sum of all students' notional allocations, however, the school is only obliged to provide transport for students satisfying current eligibility criteria. This would not provide schools with an incentive to target students living further from the school as in option (i).

Further, the school would not be obliged to transport those students living near the school. As a result, more funds would be available for redistribution or retention by the school for other educational needs.

Conclusion

The Committee considers substantial benefits could be realised from such a model. They include:

- improved flexibility and service levels from transport providers;
- internalising the transport costs of educational decisions, such as zoning or changing the location of a school, to the Department of Education and Training;



- improved educational services; and
- increased parental choice.

Importantly, the full extent of the benefits depend on a number of factors including:

- the size of the notional subsidy to each student and how it varies between students;
- the cost of the increased administrative burden on schools; and
- the extent to which schools could be successful in purchasing more cost effective student transport.

The equity outcomes from this model would need to be fully considered and could require appropriate regulation.

Overall, the Committee considers better value for money could be achieved by providing schools with a transport budget and by placing the onus on individual schools to make transport arrangements.

Recommendation

21.NSW Treasury, the Department of Transport and the Department of Education and Training further explore the full costs and benefits of alternative models for the SSTS such as transferring the program to the Department of Education and Training.

Chapter Nine

Safety and Other Service Concerns

Community Concerns

The Committee appreciates the legitimate concerns all parents and schools have for their safety of their children. In many of the submissions made to the Committee, a range of safety and service issues were identified.

Whilst there appears to be a consensus amongst parents that the safest form of travel for their children to school is by private car, studies have produced evidence to the contrary. Detailed research carried out in December 1994 by The University of Sydney indicated it is safest to travel to school by bus. The results of this research suggest:

- children being driven to school in the family car are seven times more at risk of serious injury or death than those travelling by bus;
- children walking to school are 31 times more at risk of serious injury or death than those travelling by bus; and
- Children cycling to school are 228 times more at risk of serious injury or death than students travelling by bus.¹⁶⁷

Such findings are supported by the Austroads report *School Bus Safety in Australia* which notes most casualties of school bus accidents involving children are pedestrians rather than passengers:

Most...bus-related casualties involve children struck by vehicles while crossing the road after leaving the bus. In three years of national data, 2 out of 24 child fatalities associated with school buses were passengers in a crash-involved bus.¹⁶⁸

Austroads also note the number of children killed or seriously injured nationally associated with bus travel during school commuting times has steadily fallen from 14 fatalities and 190 hospitalisations in 1990, to four fatalities and 100 hospitalisations in 1998.¹⁶⁹

Many initiatives and programs have already been introduced to improve school bus safety. The most common initiatives implemented across Australia include:

¹⁶⁷ See Professor D A Hensher, Institute of Transport Studies, The University of Sydney, *Travel Safe Report*, December 1994.

¹⁶⁸ Australian Transport Council, "School Bus Safety in Australia" – Executive Summary, May 2001. Available at www.dotrs.gov.au/atc/schoolbus.htm, accessed 19 October 2001.

¹⁶⁹ Austroads, *School Bus Safety in Australia: Summary Report*, 2001, page iii.



- The application of speed restrictions around school buses or in school zones (eg. 40km/h).
- Fitting school buses with flashing lights (wigwag lights) to warn the bus is stopping to pick up and drop off children.
- The development of codes of conduct for the behaviour of school children and bus operators.
- Guidelines for the provision of rural bus stops and auditing bus routes.
- The implementation of the Safer Routes to School program, incorporating bus safety issues.
- The development and release of videos for school students and parents promoting safe behaviour and techniques for increasing the safety of children travelling to school.
- The release of various pamphlets to keep parents informed of changes and emerging issues.
- Seminars and special workshops for teachers, parents and bus operators.
- Incorporating road safety education, with components that relate specifically to school bus safety, in the school curriculum.¹⁷⁰

During the course of the Committee's inquiry into the SSTS the Joint Standing Committee on Road Safety (STAYSAFE) conducted an inquiry into road safety in the vicinity of schools. A focus of this inquiry was the access and egress of school busses to schools (or interchanges) to manage the safety of children travelling on the busses and pedestrians.

The STAYSAFE Committee was established in 1982 to investigate and report on road safety matters in New South Wales. Its terms of reference include the review of countermeasures to reduce the incidence and severity of road crashes, and the monitoring of actions taken to address the social and economic consequences of road trauma. While the Public Accounts Committee considers that a more detailed analysis of broader safety issues related to the transport of students to school warrants the experience and expertise of STAYSAFE, there are some student safety issues directly related to the SSTS warranting discussion in this report.

Student supervision

There are growing concerns regarding the increasing amount of time students have to travel to and from school, during which they are largely unsupervised. Changes to educational policies such as de-zoning and a wider spread of school starting times have meant bus operators cater to a growing number of schools on their routes. This is raising concerns for student safety, general welfare and educational performance.

¹⁷⁰ Id, page 7.



The catalysts for such concerns were changes to education policies. However, many stakeholders now view the solution as a transport issue.

To illustrate, bus operators who transport students from a number of different schools are required to arrive at the last school on their designated route by the start of school. Examples were given in submissions describing how students as young as four years old are arriving at school up to one and a half hours before school starts and are without necessary supervision. In turn, students attending schools at the end of the route sometimes arrive late for school and are forced to leave early to pick up students at schools further along the return trip. In addition, schools have reported behavioural problems from young students as the extended travel means they often experience ten hour days.

Representatives of the Teachers Federation noted in evidence that changes in educational policies such as the extension in school operating hours create safety issues for school transport, particularly with young children:

Ms EDSALL: ...The impact of transport routes is not confined to year 11 and year 12 students. I do not know if you are aware there is a controversy at the moment with the newly opened Evans River High School on the North Coast. Evans River is a full secondary school that has replaced Woodburn Central. The bus route is a bus route that obviously kids from as young as kindergarten through to year 12 work on.

Evans River school is beginning lessons officially on the timetable at 8.30 and the bus route is organised to enable the senior students to get there. It means that kids as young as five and six are travelling an hour, as the bus route has to take into account that kind of thing, and arriving at school well before there is supervision available for the younger students. I think that extended hours are going to have a very serious impact, particularly in rural areas, on transport routes, availability, capacity and I would hate to see that transport routes would preclude students from access or would prove to be safety or health issues for younger children.¹⁷¹

The Committee is of the view the innovations in education are placing pressure on bus operators. This is particularly so, when schools serviced by the same transport service do not co-ordinate their hours. The Committee has already made recommendations aimed at improving the flexibility of the SSTS and Communication between transport providers and schools which should assist in addressing some of these concerns.

Walking to school

Requests are frequently made to relax the eligibility criteria relating to distance on the basis it is safer for children to travel to and from school by bus than it is to walk or ride a bike. As discussed above, Research conducted by the University of Sydney

¹⁷¹ Ms Sally Edsall, Research Officer, New South Wales, Teachers Federation, Transcript of Hearing, 7 June 2000, page 14.



confirms that travelling to school by bus is the safest form of transport, with bus travel being 31 times safer than walking and 228 times safer than cycling.¹⁷²

New South Wales currently has the most generous eligibility criteria for school student travel in Australia. In NSW, primary students must live at least 1.6 km radially from the school attended to be eligible for travel. This minimum distance is much greater in other jurisdictions. See Table 7.1.

The Committee is of the view the current distance criteria are appropriate and avenues exist for “special” cases to be considered for exemption. For example, if there are geographical impediments to the student walking to school such as a river or hills, or if there are safety concerns about the route to school, those students may appeal the decision.

¹⁷² See Professor D A Hensher, Institute of Transport Studies, The University of Sydney, *Travel Safe Report*, December 1994.