



Chapter One

Introduction

Terms of reference

The Public Accounts Committee resolved to undertake a review of the School Student Transport Scheme (SSTS) in late 1999. The review had regard to the transport needs of school students and budgetary developments for the State Government. The terms of reference for the review were:

- The need for equitable and affordable transport access for students to attend school, with a specific consideration of issues important to rural and urban school commuters;
- The relationship between SSTS and regular route bus services;
- The impact of educational policies on the Department of Transport's expenditure;
- Student safety and welfare; and
- Other related matters that the Committee may find necessary to consider.

Legislative basis of the Scheme

School student transport is administered by the Department of Transport under the *Passenger Transport Act 1990*, the *Passenger Transport (Bus Services) Regulation 2000* and the *Transport Administration Act 1988*. The SSTS is not specifically prescribed in legislation and its structure and scope has been developed within the Department.

Costs of the Scheme

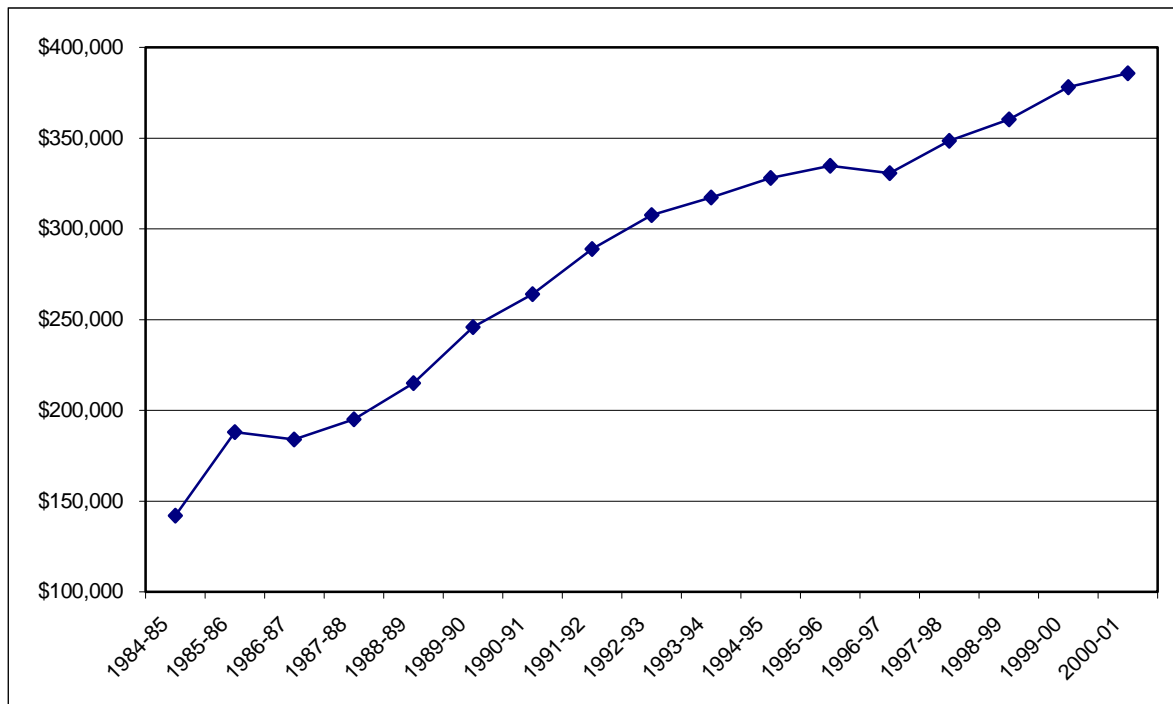
The degree of budget funding required to support the SSTS has risen steadily over the 1980s and 1990s. The SSTS budget for 2001/02 is over \$416 million.¹ Figure 1.1 overleaf illustrates the rise in budget funding required to support the SSTS over the 1980s and 1990s.

¹ NSW Treasury, *Budget Estimates 2001/2002*, page 18-27.



Figure 1.1

SSTS GROWTH 1984/5 –2000/01 (NOMINAL)



Source: Department of Transport

Development of the SSTS

Prior to 1986, the SSTS was managed under the Education Portfolio. In 1986, the Scheme was transferred to the Department of (Motor) Transport.

When first established, the aim of the SSTS was to ensure that children in rural areas who did not live in close proximity to their nearest school had equal access to education. Up until 1956, the SSTS was free for those country students attending the nearest appropriate school, while students in metropolitan areas were given a 50% concession on government bus and rail services.

In 1956, a parental contribution was introduced in country areas and remained in effect for ten years until the decision was reversed in 1966, when travel was again made free for students who resided more than two miles from school. In the following year, the SSTS was extended to include eligible students in Sydney.

An important landmark occurred in 1968 when eligible students in Sydney gained parity with their country counterparts and were also given access to free travel. At this point, the original intent of the SSTS was changed, as it was no longer targeted primarily at rurally isolated students.

In the early 1970s the requirement that travel must be to the nearest appropriate school was lifted. By 1977, the distance criteria had been progressively reduced to



its most generous point, with all infant students and any other students living further than 1.6 kms radially from their school entitled to free travel.

By 1983, the cost of the SSTS had increased to the point that the first major inquiry into school student travel was convened by the Ministers for Education and Transport – the Russell Inquiry.

The Department of (Motor) Transport took over administration of the SSTS in 1986 and at the same time introduced a number of reforms to simplify administrative processes. These administrative reforms resulted in some savings in staff costs.

In 1990, the Government lifted the zoning restrictions for high schools, allowing students to attend Government high schools outside of their local area. At the same time, the Government adopted the policy of increasing the use of selective and specialist schools, which also encouraged students to travel greater distances to school.

TAFE students under the age of 18 years were incorporated into the SSTS in 1989.

The Minister for Transport requested a review of the Scheme be undertaken by the Public Accounts Committee in 1992. The report, tabled in January 1993, recommended several major reforms. However, the Government implemented only a few of the Committee's recommendations including:

- a doubling of the Private Vehicle Conveyance (PVC) payment rate;
- the drafting of clear objectives; and
- a survey of pass usage rates which eventually resulted in a reduction of the proxy of pass usage rates used to calculate payments to operators.

The pass usage rate was reduced, in 1996, from 92% to 77% for metropolitan areas and from 92% to 79% for regional areas. However, at the same time the fare for high school students was increased from 50% of the adult fare to 60%. This largely offset potential savings from the implementation of reduced pass usage rates.

In 1996, a number of reforms were introduced with the aim of reducing the cost of the SSTS. This included revising the distance criteria for secondary students from 1.6 kms to 2 kms which made approximately 65,000 students ineligible for free travel. The predicted savings were \$11.4 million. It was also intended to place a cap of \$450 on all students living in urban areas. However, there was considerable outcry from parents, carers, schools, students and bus operators regarding the changes. Concerns primarily centred on safety issues including children having to walk to school rather than taking public transport due to the additional cost burden placed on parents. As a result of these concerns, the cap was not implemented.

The Bus and Coach Association (BCA) claimed the reduction in SSTS payments would result in four out of five private bus operators being put out of business and the disbanding of many unprofitable regular route services that were cross



subsidised by SSTS payments. However, this did not eventuate. All bus contract areas are still providing school services as required and commercial bus operators continue to provide the minimum service levels as required per contracts.

A number of reviews have been undertaken over the years. Although there have been policy changes resulting from those reviews, they have had minimal impact on the cost of the SSTS. In 1970/71 the cost of the SSTS was \$13 million. The budget for 2001/02 is \$416 million. The increasing costs of the Scheme are discussed further in chapter four.



Chapter Two

Overview of the Current Scheme

Subsidised travel arrangements

There are several different arrangements under which free travel is provided to eligible students. The Department of Transport reimburses operators for the carriage of eligible students, although in the case of Private Vehicle Conveyance (PVC) reimbursement is made direct to the parent or guardian.

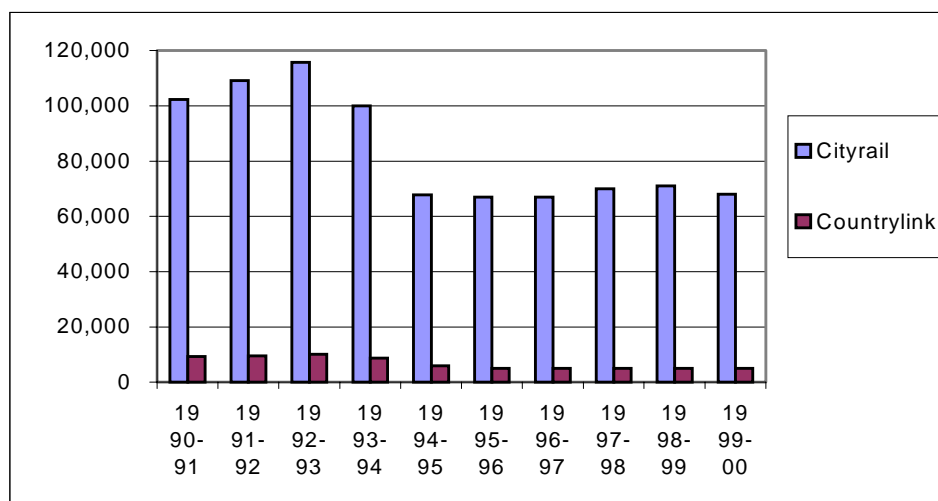
Subsidised travel can comprise:

(a) *Rail services:*

The State Rail Authority (SRA) provides travel on school days to eligible students on Cityrail services. On weekends or at the beginning and end of school vacations, Countrylink coach travel is provided to students who, for the purpose of attending school (boarding schools), reside away from their permanent homes. The total number of SSTS beneficiaries using Cityrail and Countrylink since 1990 is shown in Figure 2.1. It is understood that the significant drop in Cityrail beneficiaries in 1994/95 was due to the move to magnetic ticketing which resulted Cityrail issuing student passes. This led to more accurate data on the number of passes on issue.

Figure 2.1

SSTS BENEFICIARIES USING RAIL SERVICES



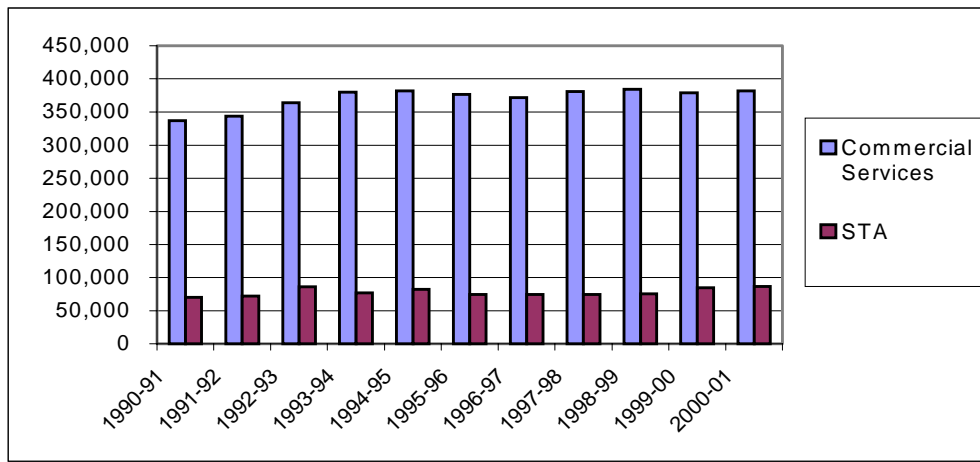
Source: Department of Transport

(b) *Commercial contract bus and ferry services*

The commercial contract provides the operator with the exclusive right to operate bus or ferry services on a particular route and/or in a regional service area¹. There are over 230 commercial bus contracts in NSW, incorporating the State Transit Authority (STA) and private operators. Students in the SSTS travel on a regular route service or the operator may provide school specific services. The number of students carried on commercial bus and ferry services is shown in Figure 2.2. below.

Figure 2.2

SSTS BENEFICIARIES USING COMMERCIAL CONTRACT SERVICES



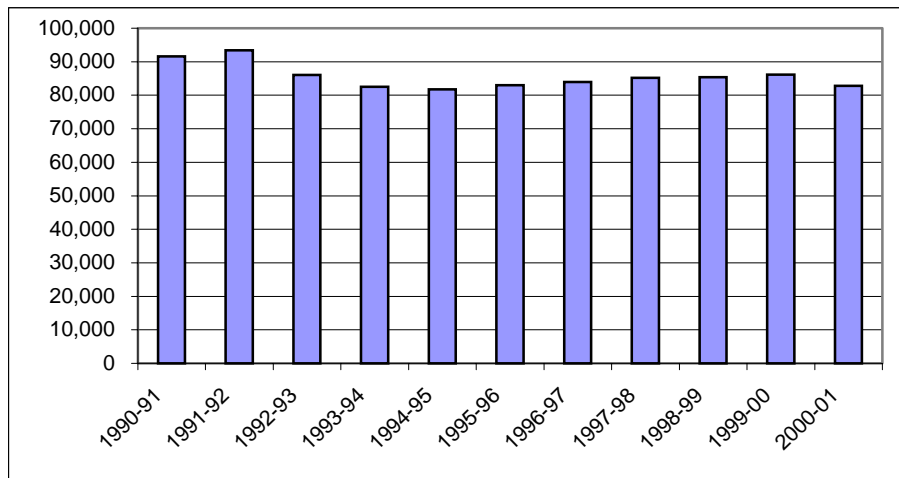
Source: Department of Transport

(c) *School contract bus services (non commercial services):*

Where there is no commercial contract for regular route services, the Department of Transport enters into a non-commercial contract with an operator to conduct a service along a specific route to transport students to and from school. There are over 1,800 non-commercial contracts in NSW (one bus per contract, primarily in rural areas). Most services travel to more than one school. The number of students carried is shown in Figure 2.3.

¹ A commercial contract is entered is used when it is likely that the services in the area will be commercially viable.

Figure 2.3

SSTS BENEFICIARIES USING NON-COMMERCIAL SERVICES

Source: Department of Transport

(d) Long distance coach services:

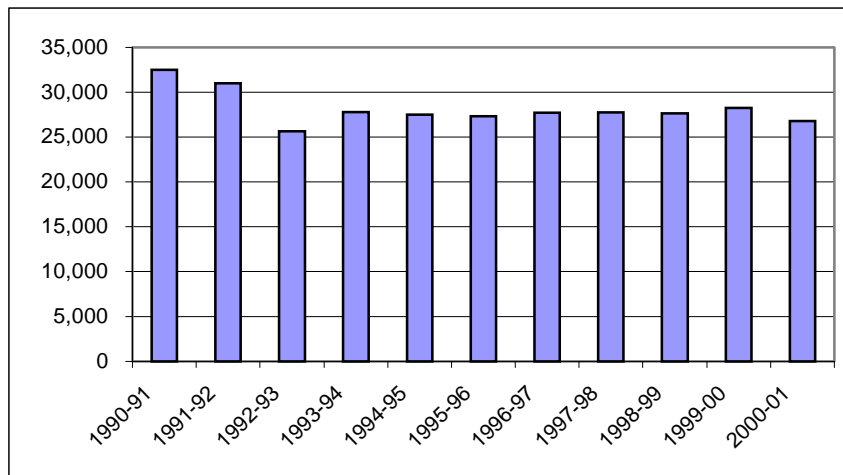
The Department of Transport, subject to a number of conditions, reimburses long distance coach fares incurred by boarding school students travelling between home and school. A maximum of two return trips per term is allowed, except for one term when an additional third return trip may be taken at the Student's discretion. Parents and guardians seek reimbursement for the cost of this form of travel directly from the Department of Transport.

(e) Private vehicle conveyance:

In areas where no other organised transport from home to school is available, a subsidy may be paid to parents towards the cost of providing transport by private motor vehicle or motor launch. The subsidy is paid on a daily per capita basis for the single distance journey between home and the point at which the private conveyance terminates (ie, school, bus pick-up point or railway station). A special return journey must be made each morning and afternoon to attract the daily subsidy (ie, from home to school or transport pick-up point and return both in the morning and afternoon). The number of PVC beneficiaries is shown in Figure 2.4.

Figure 2.4

NUMBER OF SSTS BENEFICIARIES RECEIVING THE PVC



Source: Department of Transport

The current eligibility requirements

The SSTS provides free travel to all NSW students to attend the school of their choice (not just the nearest school) if they meet the following eligibility criteria:

- students should be four years and six months of age or older;
- students must be enrolled at a registered day school and be one of the following:
 - an infant student (ie, kindergarten to year two);
 - a primary student (years three to six), residing more than 1.6 km (on a radial basis), or 2.3 km or more by the most practicable walking route from the nearest physical point of entry to school;
 - a secondary student (years seven to twelve), residing more than 2km (on a radial basis), or 2.9 km or more by the most practicable walking route, from the nearest physical point of entry to school; or
 - a TAFE student, less than 18 years of age at the 1st January of the year of college application, enrolled in a full-time TAFE course and living more than 3.2 km from college.

Free travel is not available for the following purposes:

- school excursions;
- sporting fixtures;
- participation in work experience programs;
- attendance at joint secondary-TAFE programs;



- multiple campus high schools;
- attendance at Saturday schools of community language classes;
- attendance at pre-school;
- attendance at mini-schools (unless the student is geographically isolated and doing full-time distance education); or
- after school care.

Administration

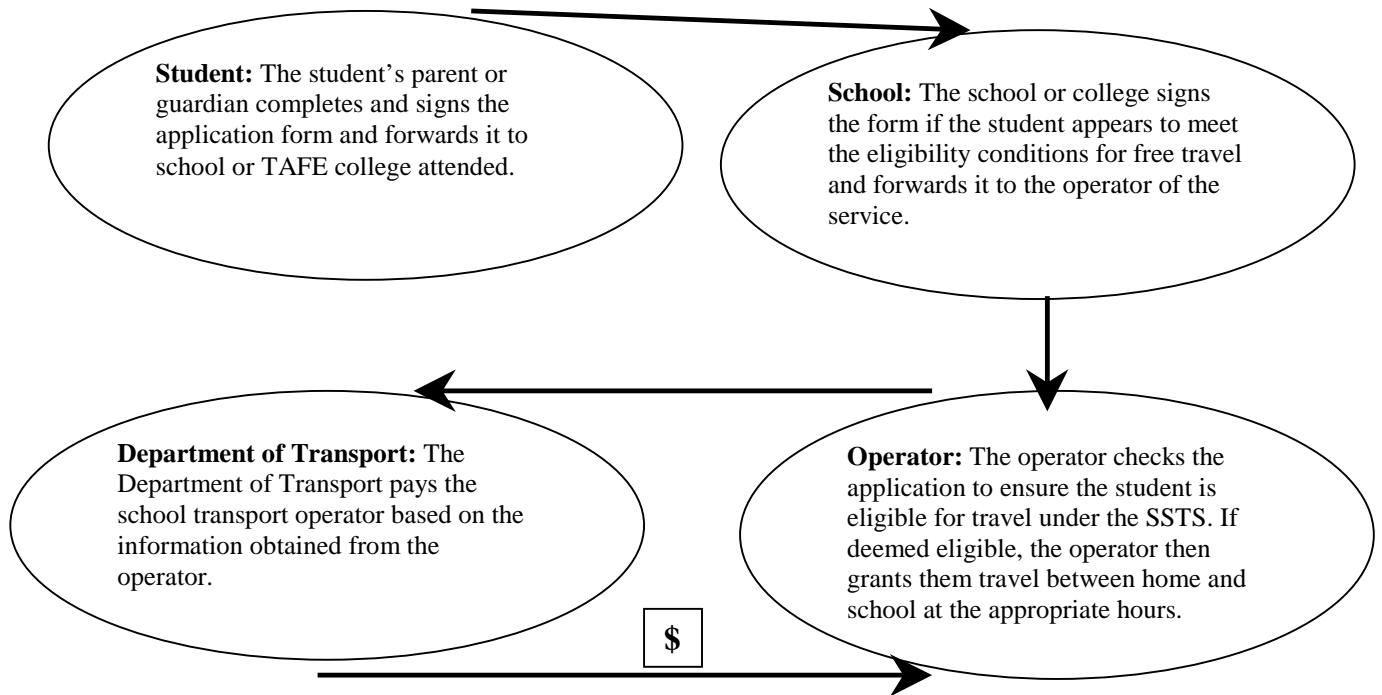
Application procedures

There are five different types of forms used to apply for travel under the SSTS (corresponding to the type of travel assistance required). These forms are provided by the school or TAFE the student attends.

The four non-PVC forms are completed and signed by the student's parent or guardian and forwarded to the school or TAFE college attended. The school or college approves the form if the student appears to meet the eligibility conditions for free travel and forwards it to the operator of the service, retaining a copy for audit. The operator then checks the application to check the student is eligible.

If the student is determined to be eligible, the operator then grants them travel between home and school at the appropriate hours. The issuing of a travel pass is left to the determination of the operator. Most operators, including SRA and STA, issue their own travel passes. However, smaller operators in rural and remote areas are more likely not to issue passes, as they personally know the students and who is eligible for free travel. This process is shown in Figure 2.5.

Figure 2.5 Application procedures for student travel other than by private vehicle conveyance

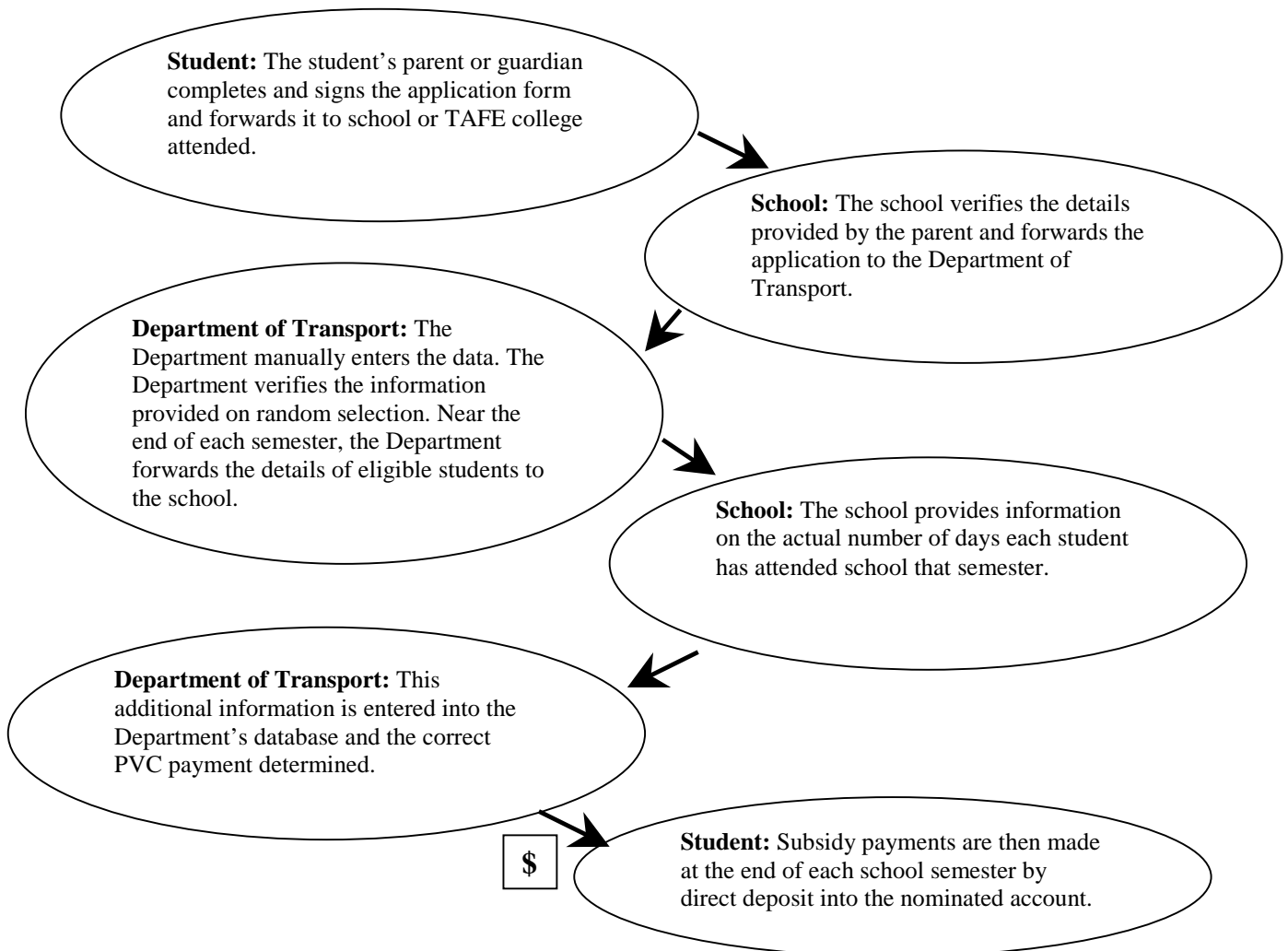


PVC application forms are completed for each child and signed by the parent or guardian and then submitted back to the school. The school verifies the details provided by the parent (including distance to be travelled and the enrolment of student at the school) and stamps and forwards the application to a regional office of the Department of Transport. The Regional Office manually enters the data from each application into a database and, based on random selection, verifies the information provided.

Near the end of each semester, the Regional Office prints a statement detailing the students eligible to receive the PVC and forwards the information to the relevant school. In return, the school provides information on the actual number of days each student has attended school that semester. The regional office manually enters this additional information into its database and determines the correct PVC payment for each student. Payments are then made at the end of each school semester by direct deposit into the nominated account. Figure 2.6 outlines this complicated process.



Figure 2.6: Application procedures for PVC allowance



The reliability of eligibility assessment

The size and cost of the SSTS is fundamentally determined by the number of students that need to access transport services. The number of students is established through an application process. As the number of students is such a key feature of the SSTS, it is essential the application process be rigorous and robust.

As discussed above, students who wish to access the SSTS apply on one of the five application forms, depending on the type of transport to be used. These application forms are all manually completed with carbon copies for each of the stakeholders involved in the application process.

Once an application is made it is valid for up to six years. A new application only needs to be completed if the student's circumstances change, or where the eligibility criteria change when graduating from primary school or high school. A new form may also need to be submitted if a student changes school or changes address.



The recent review conducted by PricewaterhouseCoopers disclosed a significant incidence of students no longer being eligible or where records kept by operators cannot easily verify initial application details. The review found that 13% of non commercial contract returns and 12% of commercial contract returns included students who did not appear on school records.² This is inevitable in a system that is predominantly paper based, requires applications to be processed and audited by at least three organisations, and where a paper application can remain current for six years.

The collation and verification of student details is a costly and time consuming exercise. The current system of obtaining written confirmation from schools is inefficient. A centralised database for both education and transport needs would reduce the administrative burden on school operators and the Department of Transport and increase accuracy.

There is a lack of clarity between the various responsibilities of those currently responsible for determining eligibility for free school travel under the SSTS. To ensure consistency in the application of eligibility criteria, consideration could be given to centralising the application processing task, using technology to both assess eligibility and track changes in student enrolments. This could also be linked with the new proposed integrated ticketing systems. With a system that is centralised and linked to enrolment information, applications could be reviewed annually rather than being current for six years from initial lodgement.

The actual information needs to manage the SSTS should also be reviewed and the application process simplified for applicants.

Recommendations

1. The current processes and accountabilities for SSTS applications be reviewed to clarify responsibilities and to improve accuracy.
2. A single central database of student information be accessible by both the Department of Education and Training and the Department of Transport.
3. The application processing task be centralised and applications reviewed annually.

The Appeals Panel

A unique feature of the NSW system is the Appeals Panel. Parents and guardians of students deemed ineligible by the Department of Transport may request the SSTS Appeals Panel to reconsider the decision. The Panel was introduced in 1996 to consider any special (eg, medical, safety or hardship) cases where students are not eligible for free travel and to ensure the program is applied consistently and

² PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 19.



equitably. The Panel has the authority to overturn the original decision to reject an application. It is a three-person independent body comprising representatives from the Transport Safety Bureau, the Department of Education and Training and parent groups (NSW Parents Council, Council of Catholic School Parents and Federation of Parents and Citizens Association of NSW in rotation).

Chapter Three

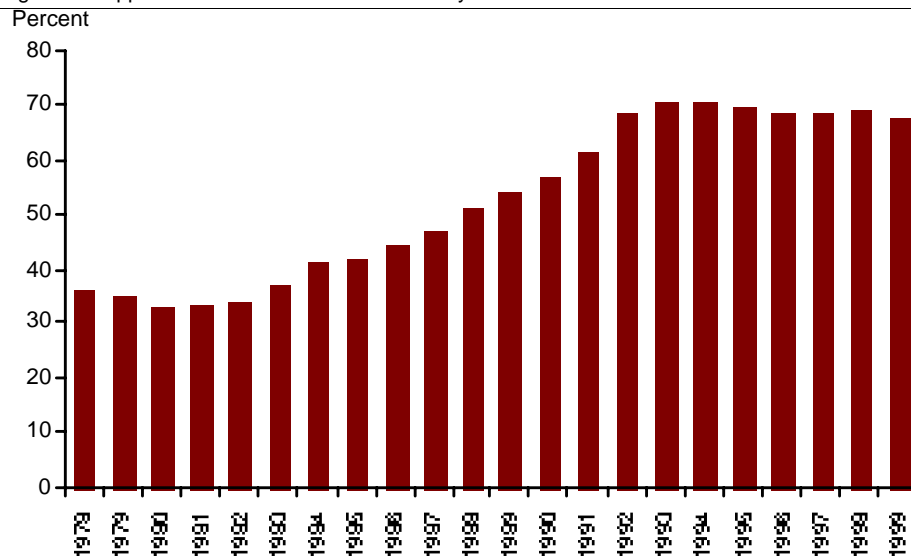
Education Policies and the SSTS

Chapter two highlighted the growth in the School Student Transport Scheme (SSTS) over recent years. The Scheme's size and make up are primarily determined by educational expectations and education policies that encourage school choice and competition between schools. Furthermore, the SSTS does not appear to have adapted to the changing needs of students and schools. This chapter discusses the effect of recent educational policies on the SSTS and the responsiveness of the Scheme to recent changes in the structure and delivery of education.

Increased retention rates

Retention rates are a comparison of the number of students in year seven with the number of students in the same complement enrolled in senior years. Figure 3.1 shows that in the period 1978 to 1992, retention rates almost doubled from 35% to 70% and stabilised from that point forward. The higher retention rates has meant a higher demand for subsidised school transport.

Figure 3.1 Apparent Retention Rate of Secondary Students



Source: Australian Bureau of Statistics, *Schools: Australia 1999*, Cat. No. 4221.0, 2000, p.69.

Dezoning of public schools

In May 1989, the New South Wales Minister for Education announced that from 1990, all schools in New South Wales would be dezoned. The dezoning of public schools gives parents the opportunity to choose an educational environment they believe best suits the needs of their children. Schools have responded by 'competing' for students by specialising in particular academic areas or other activities and providing a higher level of educational opportunity.



Greater freedom of choice has encouraged many students to travel past their local school and has therefore increased the burden on the SSTS. This impact was noted by the Independent Pricing and Regulatory Tribunal (IPART) in 1996:

Apart from fare increases and student population growth, a significant factor in the increasing costs over recent years has been the dezoning of schools; that is, the ability to send children to a school other than the nearest local school.³

A number of witnesses before the Committee argued the Government's decision to dezone schools had been the major factor contributing to the increased costs of the Scheme. Representatives from the Department of Transport were of the view dezoning was the primary cause of the increasing costs of the SSTS.⁴

The New South Wales Council of Social Service note the Department of Education and Training makes decisions which impact upon the transport budget. Dezoning is one such policy:

Mr GLACHAN: What are the factors that you consider have contributed to these cost increases?

Mr LAKE: I think a major factor in this intervening period has been the changes in zoning policies around accessing schools and increasing the variety of schools which have been provided. So I think that does not seem to be lessening. I think some of the policies around specialist schools also have an impact on that as well. You have the decisions that the Department of Education has made without consideration of impacts on other departments, particularly on the Department of Transport that bears the responsibility for that portion of the budget.⁵

Some witnesses suggested, in order to reduce the costs of the Scheme, only those students who attend their nearest government or 'appropriate' school be deemed eligible for free school travel:

Ms EDSALL: I believe that the federation's position is that is a private choice and that the Government has a primary obligation for the provision of public education that is free, accessible, equitable and open to everyone who wishes to attend. If people do not wish to avail themselves of that publicly available good, then they do so at their own expense.⁶

However, other witnesses argued education issues should not be determined by transport considerations and students should be eligible for free travel to school even

³ Independent Pricing and Regulatory Tribunal of New South Wales, *Inquiry into the Pricing of Public Passenger Transport Services: Final Report*, October 1996, page 17.

⁴ Mr John Murray, Director-General, Department of Transport, Transcript of Hearing, 31 May 2000, page 63.

⁵ Mr Robert Lake, Transport Development Worker and Director, New South Wales Council of Social Service, Transcript of Hearing, 1 June 2000, pages 41 – 42.

⁶ Ms Sally Edsall, Research Officer, NSW Teacher's Federation, Transcript of Hearing, 7 June 2000, page 12.



if they choose to attend a school other than the nearest one. Particularly, given the Government's policy of dezoning:

Mr COLLIER: There is a view that has been expressed to this Committee, and I underline "has been expressed", it is not necessarily the view of this Committee, that the SSTS travel should only be provided to the closest government school and that any parent choosing to send their child to another school should be responsible for the additional cost. I would have thought that you would be opposed to that particular view.

Ms O'HEARN: I am.

Mr COLLIER: I welcome your comments on that.

.....

Ms O'HEARN: ...I suppose I come back always to the point of the parent's right to choose education. I think in the past, in recent years anyway, and I think government schools have done this as well, they have really changed the tight zoning of schools. That is the first issue. In fact, that has certainly happened. I think also we cannot divorce this from what is happening in education at the same time and I think what we are doing here is where we have had wide literacy testing, and things like that, parents are saying, "Well, I can choose and I need to choose" maybe, and I do not necessarily even need to choose across systems. I can even choose within systems where I think my child would have a better opportunity.⁷

Dezoning of public schools is likely to have resulted in more students being eligible for the SSTS, as well as students travelling further, than in the absence of such a policy. While there has been only a limited increase in the number of beneficiaries since 1990/91, it should be remembered that there were reforms to the eligibility criteria in 1996, as well as improved controls over Cityrail passes, which would have countered the effects of dezoning. The Committee considers the total cost of the SSTS has been affected by the dezoning of public schools. In the absence of such a policy, the overall costs would be lower.

Issues surrounding the eligibility criteria for free school student travel will be considered in chapter seven.

Creation of selective and specialist schools

In 1988, the Government announced it would increase the number of government selective high schools specialising in a range of areas including academic excellence, agriculture, languages, technology, sports, music and the arts.

By 1991, the number of selective and specialist high schools had increased to 69 from seven in the early 1970s. By 1998, there were 87 such schools out of a total of

⁷ Ms Margaret O'Hearn, Representative serving on Appeals Panel, Council of Catholic School Parents, Transcript of Hearing, 7 June 2000, pages 39 – 40.



456 high and central schools. In addition, 66 Government primary schools across the State provide opportunity classes for academically gifted and talented children in years five and six. These schools are generally located in metropolitan areas or in the larger country towns and have a regional focus with a wide feeder area. Consequently, many of the students attending these schools are required to travel significant distances, making them eligible for the SSTS.

Coupled with the elimination of zoning restrictions from 1990, which allowed students to attend schools outside their local area, the proliferation of selective and specialist school is likely to have impacted on the costs of the SSTS.

Shift to independent schools

The shift from public to private schools has been increasing slowly over the last 30 years, with private schools now representing 30% of all enrolments. Whilst not a major factor in the SSTS's growth at present, this is beginning to place further pressure on the SSTS budget and may continue to do so in the future. Generally, students attending private schools are required to travel further, making many students eligible for the SSTS.

Selection of school location

The Department of Transport has raised a concern that the Department of Education and Training and private schools have an incentive to locate, or relocate, schools in isolated areas. In such cases the school or Department of Education and Training is able to save money on land. Although the students must travel a greater distance, this travel is free to the students and school through the SSTS. In effect, costs are being shifted to the Department of Transport:

CHAIR: Just on the cost increases, what do you believe has contributed to the cost increases?

Mr MURRAY: Well, I think there are a number of factors...

New schools often locate on the cheapest available land in the outer suburbs, which are some distance from students and poorly serviced by regular public transport. I might quote a couple of examples.

I understand that near Warnervale a new school perhaps closer to Gorokan was established, a State school, on very attractive real estate but not serviced in any way by any form of public transport. Whilst there was a very good education outcome from that, there was an immediate substantial increase in cost in providing transport services for those children.

Similarly in The Hills district of New South Wales, for example, Gilroy College was established. That school requires servicing by totally dedicated transport from the nearest railway stations, which I expect would be perhaps Thornleigh and maybe Parramatta or Carlingford.



Mr COLLIER: Do the schools contribute? To set up a school like that, knowing that it is away from the services and then reliant on the State Government virtually to provide the travel for the kids to this particular school, is there any contribution by Gilroy College to that?

Mr MURRAY: Not that I am aware of, Mr Collier. I will check with my staff. I do not think so, though. No...⁸

The Department of Education and Training claims to consult with the Department of Transport over the transport implications of decisions such as school location. The effectiveness of communication between the Department of Education and Training and the Department of Transport is discussed further in chapter six.⁹

The potential for non-government schools to also take advantage of free transport in locating schools was raised by the Federation of Parents and Citizens Associations:

Mr MOLESWORTH: I think the other matter which is really important is the question of efficiency. If there is free student transport to any location, government schools have always been set up as centres of their community. They have been in centres of population. If you wish to set up a school which actually has as part of its marketing strategy a kind of isolation there is, in fact, a reason for setting it up at great distance from population centres.

If you are attracting students on the basis of something other than locality, say religion or high socio-economic status, or whatever it happens to be, setting up schools in areas where land is cheaper, where more land can be obtained, where more sporting facilities can be built and so forth, clearly the existence of a subsidy to transport students from anywhere to those schools is an extra incentive to establish those schools at a distance.

If the extra economic constraint was placed on non-government schools, that their parents would have to pay for transport to those schools, it would encourage them to build them closer and closer to areas of population which would make them closer to the community idea of schooling which our organisation supports.¹⁰

That schools deliberately took advantage of the SSTS in this way was doubted by the Association of Independent Schools:

Mr NEWCOMBE: ... As far as schools taking advantage of lower land prices, I still have a real difficulty with that. I have not seen evidence of that. I think schools, be they government or non-government, Catholic or independent, are responding to where the people are. Again, I think the transport should be targeted and seen to be targeted at our parents and of course through them to the children and so whether they

⁸ Mr John Murray, Director-General, Department of Transport, Transcript of Hearing, 31 May 2000, pages 63-64

⁹ Mr Kenneth Boston, Director-General, Department of Education and Training, Transcript of Hearing 31 May 2000, page 27.

¹⁰ Mr Rodney Molesworth, Publicity Officer, Federation of Parents and Citizens Associations, Transcript of Hearing, 7 June 2000, page 59.



are sending their children to schools where the land is cheaper or dearer, I do not see that as being relevant...

Again, as I responded to the Chairman, I have no evidence of schools consciously moving into areas just because land prices are cheaper. Schools move into an area where there is a need and a market, families with young children looking for either government or non-government education...¹¹

The Committee found that at least one private school has decided to establish on one side of Sydney, while its student base is predominantly on the other side of Sydney. In this case the school received the land for free, or at a very subsidised rate, and the SSTS pays for the transport of these students across the city.¹² Issues relating to the eligibility of students attending such schools and the equity of these arrangements are discussed further in chapter seven.

Under the current arrangements, the Committee considers there is an incentive for the Department of Education and Training and individual schools to shift cost to the SSTS, through locating schools in areas with cheaper land, further from the student base. The students are then transported to the school under the SSTS.

Wider spread of school operating hours and part-time study

There is an increasing trend for both government and private schools to introduce different start and finish times for some classes. For example, some schools provide additional classes before and after the traditional school start and finish times of 9am and 3pm. Often these changes are implemented by schools without consultation with the local transport provider, such as the local bus operator. There is often an expectation by schools, parents, carers and students that the bus operator will respond to the school's new schedule.

Further, there is often a lack of understanding of how a change in schedules can create difficulties for the transport operator and negatively impact on other schools and students. In the case of commercial bus operators, changes can also affect regular commercial route services. For example, buses used for school student transport may also be used at other times for normal route services. Having to provide additional and extended services to a school (sometimes for only a very small number of students) may result in a reduced service in another location. It is argued that it is the transport operator and the SSTS's responsibility to provide the additional service. However, there is little appreciation of the implications of such actions. This was reflected in evidence from the BCA:

Mr GRAHAM: A classic example, as we mentioned in regards to school hours, the senior high schools, there is a tendency now to have them more like universities

¹¹ Geoffrey Newcombe, Director, School Governance, Association of Independent Schools, Transcript of Hearing 1 June 2000, page 36.

¹² Transcript of Hearings, 1 June 2000, page 37.



whereby the students come and their hours are flexible. Some start at a different time from others and they are let out in the middle of the day on some days.

As we mentioned, not only does this mean the school special buses that are there at 3 or 3.30 go empty, but in the middle of the day we have regular occurrences where, because it is a random situation, shoppers and pensioners and people who travel in the middle of the week cannot get on the local bus services. Operators have to put out additional buses after the driver says, "I am overloaded and there are another 70 kids waiting at the bus stop and I have left a dozen shoppers or shift workers behind", whatever they might be.¹³

For non-commercial bus operators in rural areas, the operator typically carries students from several schools on a single bus run. For all students to arrive at school by the required start time, the first students to be dropped off have to arrive at school well before the others, as opposed to the last to disembark who may arrive just as school convenes. When schools introduce new start and finish times without consultation and an understanding of the bus companies constraints, it can have major consequences. These may include some children having to be delivered at school even earlier before school starts¹⁴ and having to wait much longer at the end of the day, all without adequate supervision.

Other evidence to the Committee indicated the SSTS and the service provided by some transport operators was not flexible to the needs of schools:

Mr COLLIER: When setting school hours and implementing other policies that could impact on school student travelling arrangements, for example, early or late classes, do you consider or do your members consider the transport cost impacts and do you consult with the Department of Transport and other local bus operators regarding your service requirements?

Mr NEWCOMBE: Yes, schools definitely do. I think sometimes we feel that our timetables are almost dictated to by the providers of transport. I think that is of great concern and an area that I had noted to raise. I think that there needs to be more consultation between the two groups.

The curriculum is changing so much now that the requirements of transport, I think, are going to be more and more with the joint schools - TAFE programs, and I think you probably have heard from other people who have sat before you that vocational education is a major one. I think there will need to be a lot more consultation between schools and providers to ensure that both interests are looked after.

Mr COLLIER: It appears from what you are saying that there is not much flexibility in the arrangements and that the bus timetable dictates what you virtually do.

Mr NEWCOMBE: Yes, that has happened in the past, I think, and we would certainly hope that any changes or reforms to the system would be such that it gave

¹³ Mr Roger Graham, Consultant, Bus and Coach Association (New South Wales), Transcript of Hearing, 31 May 2000, pages 11 - 12.

¹⁴ Submissions received mentioned some children arriving at school up to 1 hour before school starts.



schools more flexibility to negotiate with the providers, but at this stage, again, it is very anecdotal. Information does come to us. But, yes, interim timetables are frequently dictated by when the bus comes and when it does not come.¹⁵

In order to meet the expectations of schools and the community, the operator is expected (but not obliged) to provide an additional bus to transport a minimal number of students. This increases the operator's costs. There is evidently a lack of communication between operators and schools on operating hours. This will be discussed further in chapter six.

Part time study also contributes to the wider spread of travel times to and from school. Since 1993, students in New South Wales have been able to enrol part time for secondary studies. In the first year of part-time study there were 167 students. By August 1999, there were 3,323 part-time students.

Growth in vocational education

The Government's education policy encourages increased opportunities for students to study dual accredited vocational education and training (VET) courses at schools. Increasingly, schools are seeking to broaden their curriculum by entering into partnerships with TAFE and other schools to share the delivery of courses. Senior students, for example, are able to undertake courses at TAFE colleges as part of their Higher School Certificate.

The majority of high school students undertaking courses by TAFE will be required to travel to different campuses once or twice a week and to undertake some form of work placement either as a block placement or on a one day a week basis. To illustrate how this type of course delivery is growing, in 1998 there were 3,889 enrolments in VET courses compared with 3,238 in 1997, representing an increase of over 20% in one year. In addition, there were 13,800 students enrolled in joint secondary schools/TAFE courses in 1998, which was an increase of 43.2% from 1997.¹⁶

These developments are intended to improve educational opportunities for students, giving them greater incentive to remain at school and contribute to a better skilled workforce. In 2001, approximately 42,000 students in government schools and 10,000 students in non-government schools will be undertaking VET courses as part of their HSC.¹⁷ These changes affect the length of the school day and require students to travel between different campuses.

¹⁵ Mr Geoffrey Newcombe, Director, School Governance, Association of Independent Schools, Transcript of Hearing, 1 June 2000, page 30.

¹⁶ New South Wales Department of Education and Training, *Statistical Bulletin: Schools and Students in New South Wales*, 1998.

¹⁷ Submission made by Dr Ken Boston, Managing Director of TAFE and the Director-General of the Department of Education and Training.



At present, the SSTS is oriented towards catering for the traditional model of a full time student who attends only one school. Under its existing structure, the SSTS does not cater for students who may, for example, require subsidised travel for only certain days of the week or for part of the year only. In addition, the transport industry currently does not have the infrastructure to cater for the more flexible and varied arrangements for course delivery now operating in schools.

Conclusion

Educational policies such as dezoning and increased retention rates have clearly impacted on demand for the SSTS by encouraging more students to travel further. Further, decisions on the location of schools do not have to consider the cost of transporting students, as these costs are borne by the Department of Transport. As a result, public and private schools are able to shift some of their costs to the Department of Transport through purchasing cheaper land further from the school's student base and getting the Department of Transport to provide free transport for the students. On the other hand, the SSTS has not fully responded to changes in educational policies such as the introduction of vocational education and training.

In order to contain the costs of the SSTS in future, the transport costs of education policies need to be properly considered by the Department of Education and Training, NSW Treasury and individual schools. In addition, the Scheme needs to facilitate more flexible transport options. These issues are further discussed in subsequent chapters.

Chapter Four

Analysis of Key Cost Drivers of the SSTS

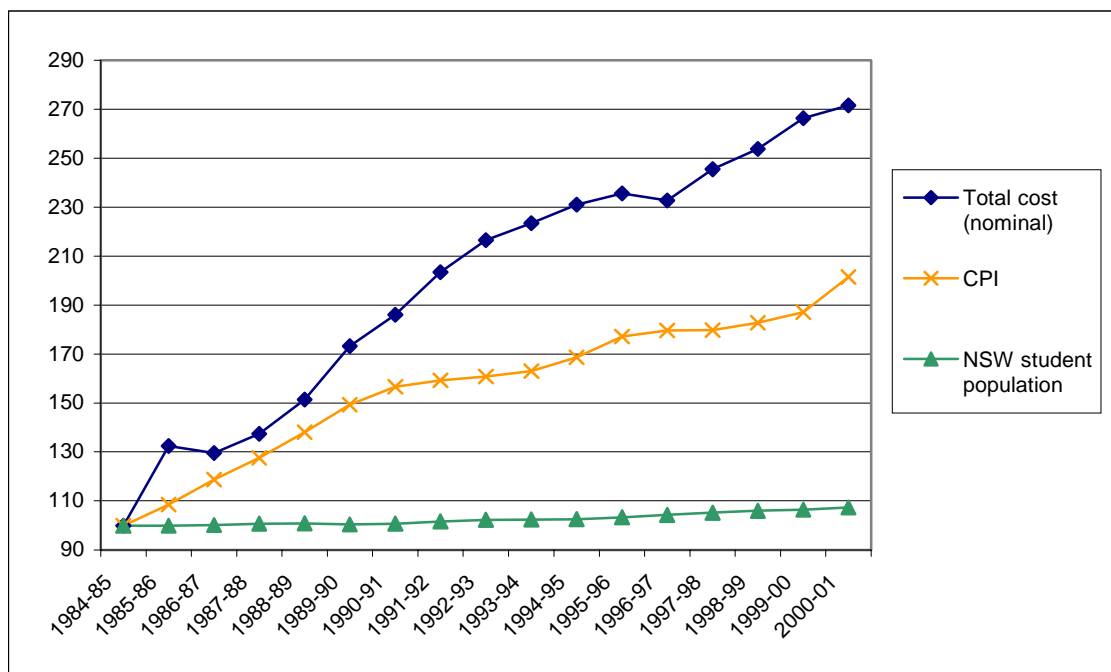
Scheme growth

Following the extension of the SSTS to include students in metropolitan areas in 1967/68 and the changes in the late 1970s, the cost of subsidised school travel has risen considerably. Further, the Government announced the elimination of zoning restrictions for attendance at Government high schools in 1990. This enabled students to attend schools outside their local area and made many students eligible for free transport because they now started to travel sufficiently to come within the Scheme's distance criteria.

Growth in the SSTS has occurred despite cost reduction reforms in 1996. As shown in Figure 4.1, since 1984/85 SSTS growth has been greater than the rate of the Consumer Price Index (CPI) in Sydney and substantially faster than the growth in total student numbers in NSW. Figure 4.1 also indicates the SSTS's cost growth is significantly affected by factors other than the number of students in NSW and increases in the cost of living.

Figure 4.1

SSTS GROWTH RELATIVE TO STUDENT NUMBERS AND INFLATION (INDICES, 1984/85=100)



Source: Department of Transport



In 2001-02, there are approximately 664,100 beneficiaries receiving subsidised travel under the Scheme and the total SSTS budget is \$416 million.¹⁸ Despite concerns over the increasing cost of the Scheme, the Department of Transport has not undertaken detailed quantitative analysis of the reasons for the increase.

As discussed in chapter three, the Committee heard from many witnesses, particularly the Department of Transport, that the key cause of the increasing cost of the SSTS were education policies such as dezoning of public schools. The then Director-General of the Department of Transport provided advice to the Committee on the role dezoning was considered to have played in increasing the costs of the SSTS:

CHAIR: Just on the cost increases, what do you believe has contributed to the cost increases?

Mr MURRAY: Well, I think there are a number of factors, and I am just looking for that cost increase. The reasons for growth in the Scheme are difficult to demonstrate. However, the following are considered to be major factors, and there are some less direct issues as well.

The major factors: the student population has continued to grow. The dezoning policy which allows students to travel to the school of their choice is a major factor. This is considered the most significant factor in recent years.

The dezoning policy was introduced, as far as I am aware, in approximately 1993, and although it was not apparent in terms of increased cost generation immediately, it was clear by about 1995 and certainly by 1996 that costs were beginning to escalate at a sustained rate, and they have stayed that way...¹⁹

Education policies, such as dezoning, which was in fact introduced in 1990, would impact on the SSTS by:

- making more students eligible for the SSTS; and
- encouraging students to travel further and therefore incurring a higher fare.

In order to substantiate these views, the Committee analysed data provided by the Department. The sophistication and detail of the Committee's analysis was limited by the reliability and availability of data from the Department. The availability and reliability of data on the SSTS is discussed later in this chapter.

Figure 4.2 shows that since 1990-91 the number of beneficiaries increased in the early 1990's before falling to remain relatively stable.²⁰ Over this period, the number of beneficiaries grew by only 3%, yet costs per beneficiary increased by

¹⁸ NSW Treasury, *Budget Estimates 2001/2002*, page 18-27.

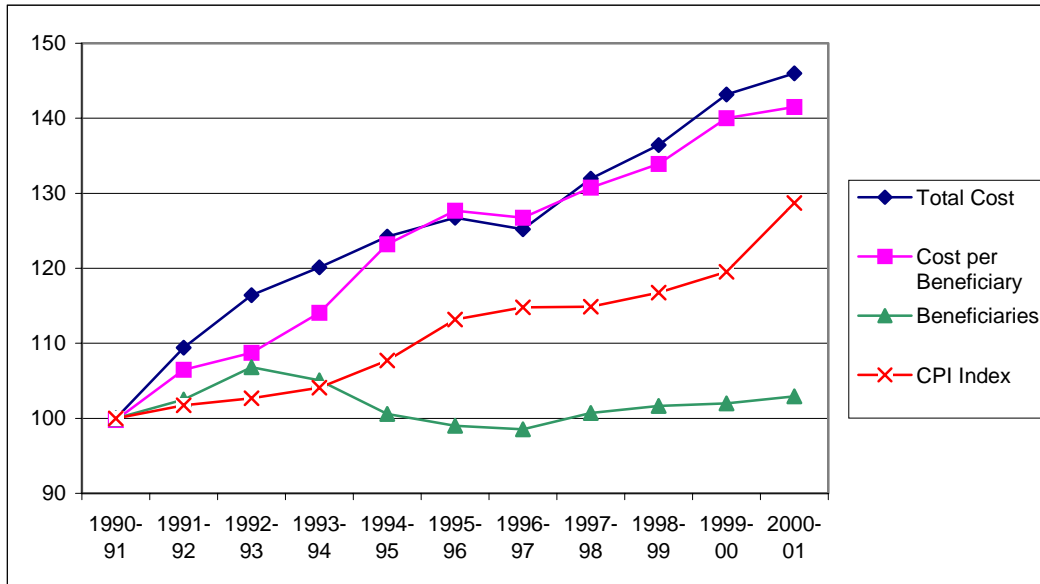
¹⁹ Mr John Murray, Director-General, Department of Transport, Transcript of Hearing, 31 May 2000, page 63.

²⁰ The Department of Transport does not have reliable beneficiaries data prior to 1990/91.

42%. The increasing cost of the SSTS has not been driven by increasing beneficiaries.

Figure 4.2

SSTS TOTAL COST, COST PER BENEFICIARY AND BENEFICIARIES (INDICES 1990/91=100)



Source: Analysis of Department of Transport data.

Figure 4.2 indicates the key driver of the total cost increases of the SSTS over the past 10 years has been costs per beneficiary. Changes in cost per beneficiary are largely influenced by two factors:

- the levels of bus and train fares. SSTS payments are based on normal fares. For example, for carrying a high school student on a route service bus, the operator is paid 60% of the adult fare.
- the distance students travel. Fares on route services are higher for passengers who travel further.

The Department does not have data on how the distance travelled by students has changed over time. However, it does have data on the way fares under commercial bus arrangements have changed. 70% of SSTS beneficiaries are covered by these arrangements. From 1994/95 to 2000/01, commercial contract bus fares (which are set by the Department) increased by approximately 35%.

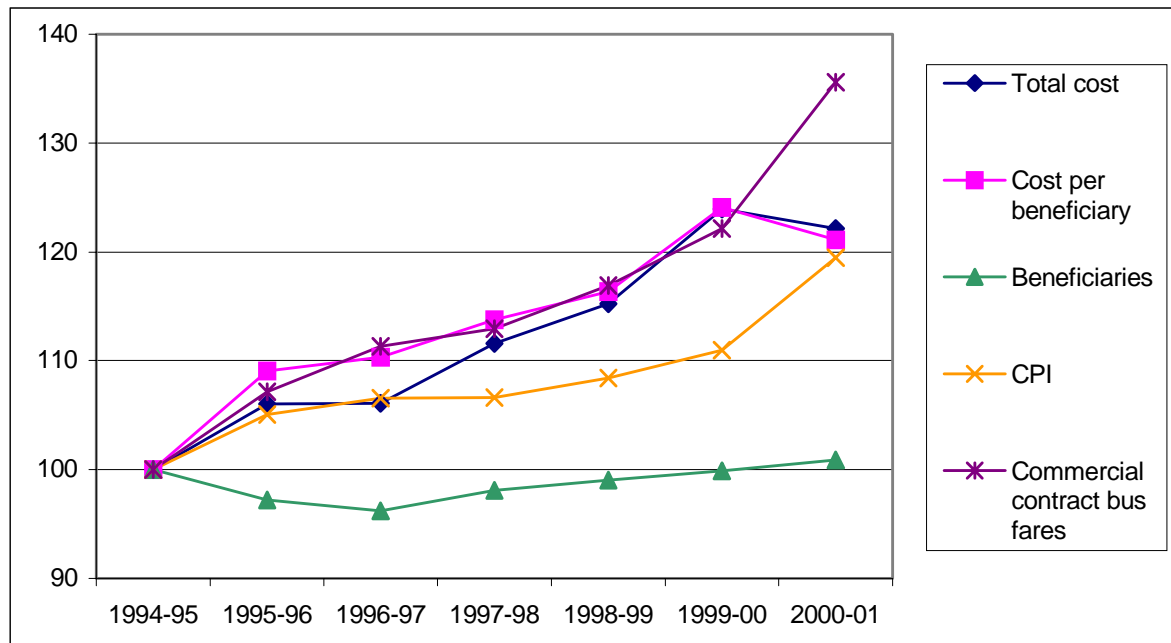
The Department has provided the Committee with fare schedules for commercial bus contracts since 1994/95 and a table of private bus fare increases since 1980.²¹

²¹ The Department advised that the table of fare changes since 1980 was incomplete, and more complete data was not immediately available. The table was updated by the Committee by cross checking the table with the fare schedules provided.

Figure 4.3 shows indices of the total cost, cost per beneficiary, commercial contract fares, CPI and beneficiaries for the portion of the SSTS covered by commercial bus contracts since 1994/95.²² Again, the key factor driving total cost increases is cost per beneficiary. As can be seen, total cost, cost per beneficiary and the commercial contract bus fares track very closely until 2000/2001. Since 1994/95, cost per beneficiary has increased 21%, yet the increase in commercial contract bus fares over the same period was approximately 35%.

Figure 4.3

COMMERCIAL BUS CONTRACT AND STA (COMBINED) TOTAL COST, COST PER BENEFICIARY AND BENEFICIARIES (INDICES 1994/95=100)



Source: Analysis of Department of Transport data.

The key cost driver has been the changes in commercial contract bus fares. It appears to have outweighed the effects of distances travelled and any increase in eligibility.

The evidence available to the Committee indicates dezoning appears to have had an initial impact on the SSTS through increasing the number of beneficiaries in the early 1990's. However, since 1994-95, the key factor behind increasing costs for commercial bus contracts (which account for over 60% of SSTS expenditure) has been the increases in fare schedules set by the Department of Transport.

There is also evidence that increases in fares has been a substantial cause of real growth in the total cost of the Scheme since 1986/87. Between 1986/87 and

²² This includes both private operators and the State Transit Authority (STA). SSTS payments to the STA are based on the commercial contract fare schedule.



2000/01 the total cost of the SSTS increased by almost 110%. In the same period, commercial contract bus fares increased by 113% while the CPI increased only 70%. This indicates that real increases in commercial contract bus fares have been a major factor in the increasing cost of the SSTS for some time.

This is not to say that education policies, such as zoning, do not affect the SSTS. For example, there was an increase in the number of beneficiaries in the early 1990's. Further, it is likely that reforms such as the introduction of magnetic stripe ticketing in Cityrail and the increase in the radial distance criteria in 1996 would have had a greater effect without zoning.

Education policies such as improved retention rates, school location, or a student's choice of school have an impact on the size of the SSTS. However, a range of factors directly under the control of the Department of Transport appear central to increases in the cost of the SSTS, at least over recent years.

Information management by the Department of Transport

The objective of the School Student Transport Scheme (SSTS) is to ensure NSW school students who do not live in close proximity to their school have access to education through subsidised travel to and from school. Whilst this can be read as an education objective, the Department of Transport does not have an object in education. As such, the Department's administration of the Scheme tends to focus on ensuring eligible students are provided with a service and funds are accounted for appropriately.

The Department of Transport needs to ensure it has sufficient information to enable the Scheme to be continuously monitored and to be aware of any emerging trends.

Currently, data for the SSTS focuses on gross numbers of eligible students, the bus contracts required to provide services and the cost of the Scheme. However, given the SSTS is provided to ensure an education objective is achieved, information should also be captured on a regular basis on other factors such as students' total distance to school, benefits provided by type of school and benefits by year at school. The collection of data on a large scale may have been difficult in the past. However, with the continual improvement in technology, the possibility to collect and analyse data becomes more manageable and cost effective. The introduction of integrated ticketing would also allow the Department of Transport to gather more accurate and targeted information.

An important related issue is the reliability of available data, particularly data on total expenditure, the number of beneficiaries and costs per beneficiary. The Committee found there were frequent discrepancies in data reported in the Annual Report 2000, recent Budget Papers and information supplied directly from the Department upon request by the Committee. While the discrepancies were generally not large, they occurred regularly. For example, the Department's Annual Report 2000 states the number of beneficiaries and costs per beneficiary in 1996/97 were



645,900 and \$510.3; but information provided recently by the Department states for 1996/97 these were 633,655 and \$522 respectively.

Further, analysis of the costs of the Scheme and the extent of actual pass usage by students was limited by the reliability and availability of data from the Department. For example, at present an assumed pass usage rate of 77% is used to calculate payments to commercial contract operators and the STA. However, this figure is based on a 1994 survey. The Department has collected some data as part of the Household Travel Survey, which indicates that usage rates for commercial bus contract passes is substantially lower than 77%. The Department has advised these results are subject to large error rates. Therefore, the data is only indicative of a decline in usage rates. Despite such indicative data, more reliable research has not been undertaken by the Department. More frequent assessment of actual pass usage rates would be beneficial.

Based on other data provided by the Department of Transport, the Committee attempted to analyse possible savings to the SSTS which could be made by basing payments on actual usage rates. However, the Department subsequently advised the results of this analysis were not reliable as key data provided by the Department was not reliable and the Department was unable to locate the original source for the data.

The Department of Transport has recently confirmed its data needs to be improved:

It is recognised that in the past the Department has been lacking in the resources to routinely extract and analyse SSTS data from the data warehouse in a consistent manner, which has resulted in data discrepancies. This is being rectified in the short term by more careful and consistent analysis of most recent data for annual reporting and other purposes. In the medium term, the Department will engage additional resources through its Transport Data Centre to undertake regular routine analysis of the SSTS data to highlight trends and assist with planning, budgeting and forecasting activities.²³

The Committee is concerned at the sufficiency and reliability of management data on the SSTS available to the Department of Transport. Further, the Committee considers greater emphasis needs to be placed on ensuring the data is properly analysed to identify key changes in the cost structure of the Scheme.

In order to effectively manage the Scheme, the Committee considers reliable data on the cost structures and cost drivers of the Scheme is essential. The Department should make it a priority to ensure key management information is sufficient and reliable for these purposes.

²³ Joanna Quilty, Manager, Bus and Ferry Reform, correspondence, 2 November 2001.



Recommendation

4. The Department of Transport ensure it has systems in place to collect sufficient reliable information to help it analyse and manage of the costs of the SSTS.