

Chapter Five

Bus Contracts

Contractual arrangements with transport operators may be commercial or non-commercial. Under a commercial contract, the holder's remuneration is derived from revenue generated by passengers' fares. Under a non-commercial contract, the holder's remuneration is to be a contract price, or remuneration fixed at an agreed rate, payable by the Crown to the holder in the manner provided by the contract.²⁴

The *Passenger Transport Act 1990* requires a commercial contract to be entered into for five years.²⁵ Similarly, the regulations require non-commercial contracts for school bus services to be entered into for five years.²⁶ This chapter examines aspects of the contractual arrangements for student transport on buses and makes recommendations for changes within the current structure. Alternative approaches to pricing and purchasing transport services are discussed in chapter eight.

Commercial contract bus services

The commercial contract provides the operator with the exclusive right to operate a route and/or regional service area for five years. The Department of Transport has advised there are over 230 commercial bus contracts in New South Wales, 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. Almost 72% of SSTS beneficiaries are carried by commercial contract providers.

Commercial contract bus and ferry operators are reimbursed, or funded, for the number of SSTS students carried. Operators are required to provide free travel to school for eligible students. Operators are then paid, for each eligible student, by the Department of Transport according to a funding formula. The funding formula for metropolitan contracts is:

- the daily child fare (For primary students this is 50% of the adult fare, while for secondary students it is 60%. Two single fares are used in a day) MULTIPLIED BY
- the average number school days per annum (201) MULTIPLIED BY
- pass usage (77%).

²⁴ Section 18 (2)-(3) of the *Passenger Transport Act 1990*.

²⁵ Section 18(4) of the *Passenger Transport Act 1990*.

²⁶ Section 9 of the *Passenger Transport Act 1990*.



The payment formula for urban fringe, country town and village to town contracts is the same, but with a pass usage rate of 79%.

Operators receive five progress payments each semester in advance (consisting of 90% of the expected semester fares), with the balance paid on receipt and verification of the semester return. An interim 'washup' payment is made on receipt of the bus operator's returns at the end of the semester. Under a commercial contract, an operator is entitled to receive reimbursement for a full semester fare if a student issued with a pass attends school on at least one half day in each six weeks of the semester.

The contract provides an exclusive right to operate a route and/or regional service.

The contract specifies routes for both route services and school services, including school journeys that transport children wholly or partly outside the contracted boundary and require the operator to provide all services on these routes. However, no minimum level of service is defined for school services nor is there any requirement to provide adequate notice to the public for any significant route or timetable variations for school services (unlike route services under the same contract).

Operators are required to:

- maintain a register of complaints – cl.5.5;
- keep a proper record of any scheduled journeys that fail to operate for any reason and to make the records available for inspection – sub-cl.5.6(e);
- develop and implement a management information system within 21 days of being requested to do so by the Director-General – sub-cl.5.6(f)(iii).

Under cl.6 of the contract, the Department of Transport can conduct audits to monitor performance against contract requirements. The type of audit to be undertaken is initially determined by the manager of the respective regional office and is based on factors such as size of operations, history of complaints, etc. All operators are subject to at least one desk audit during the life of the contract, usually just prior to the end of the contract term.

Non-commercial school contract bus 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 New South Wales (one bus per contract, primarily in rural areas). 13.4% of SSTS beneficiaries are carried under these contracts. Most services travel to more than one school.



Payments are based upon a model prepared for the Department of Transport by Price Waterhouse in 1996. The operator is paid a fixed amount on a per bus basis, with reference to the:

- average number of school days;
- bus size (four main categories and ten secondary categories);
- total hours taken to provide the service; and
- kilometres travelled.

A minimum of 15 students is needed to start a non-commercial contract and a minimum of eight students is required to maintain the contract.

The contract provides an exclusive right to operate dedicated school bus services along a particular route for five years. While the contract is limited to school services, it permits the carriage of other passengers under sub-cl.5.1(e) and 5A respectively, provided this does not interfere with the transport of students.

This contract differs from the ‘commercial service contract’ because it includes greater description of the service being purchased, including the service levels required and the funding mechanism. In contrast with the commercial contract, this contract:

- defines the route and service levels in terms of first pick up and last set down;
- states that remuneration is in accordance with PricewaterhouseCoopers parameters as defined in schedules and provides the basis for adjustments or re-determinations; and
- permits variation or termination at the option of the Director-General if the number of school children for whom a school service is being provided is less than eight (cl.11.3A).

In addition, sub-cl.5.5(d) asks the operator to “give adequate notice to the public and the relevant schools of any significant route or timetable variations of school services.”

In addition to the information requirements in the commercial contracts, sub-cl.5.6(g) of the non-commercial contracts also require the operators to:

Keep a proper record of the number of students carried pursuant to this Agreement and the distance each student is carried and provide this information to the Director-General annually within 21 days of being requested to do so and at such times as the Director-General may determine.



Lack of transparency in the contracts

Some stakeholders were concerned about the lack of information about the bus system and the details of the contract. This meant they were unable to properly address the quality or timeliness of local bus services. This view was expressed by representatives of the Federation of Parents and Citizens Associations:

Mr ANDERSON: Could I add one other point? There is a problem with transparency with the School Student Transport Scheme which permeates it from top to bottom, from the budget allocation mentioned in Budget Paper No. 4 right through to the way it operates in terms of a local school bus run. The obligations of the transport service provider, in the case of private transport, and in the case of public transport as well, is locked up within commercial in confidence contracts, which are inaccessible to members of the community.

It is something which is relatively simple, or a seemingly relatively simple operational matter for a school community to say these 15 kids or 10 kids are arriving at school at quarter past eight in the morning and there is no one at the school until twenty to nine, there is no supervision for these children, some of whom are quite small, can we change that? There is a powerlessness on anybody's part to do that and the Department of Transport seems, in those instances, to refer people back to the operator and the operator says: there is nothing I can do, I am bound to the Department of Transport contract. There is no way we can see what is in the contract because it is commercial in confidence, so it is a dead end.²⁷

If the existing contracts were made public, transparency and accountability of the operators and the Department would increase. The community would be better able to comment on operator performance and monitor standards.

In South Australia, the Passenger Transport Board is responsible for awarding service contracts for public transport. The Board must forward a report to the Minister of Transport on information regarding transport service contracts awarded. This report must be tabled in Parliament and include the following information:

- the full name of the person to whom the contract has been awarded;
- information on the term of the contract;
- the region or routes of operation under the contract;
- information on the amount or amounts that will be payable by the Board under the contract;
- information on how the principles under subsection 2 (3) (a) of the *Passenger Transport (Service Contracts) Amendment Act 1998* (South Australia) have been applied in the circumstances of the particular case; and

²⁷ Mr Damien Anderson, Research Officer, Federation of Parents and Citizens Associations of New South Wales, Transcript of Hearing, 7 June 2000 pages 63 – 64.



- other information as may be required by the regulations or as the Board thinks fit.²⁸

The Board is not required to disclose in a report:

- specific amounts payable under a contract; or
- other information of commercial value, the disclosure of which would diminish its value or unfairly advantage a person or persons in future dealings with the Board.²⁹

Summaries of contracts entered into by NSW Government agencies have been tabled in Parliament including the Eastern Distributor and Olympic Village. These summaries include information such as general information on the project, participants in the project, contractual structure, policy objectives, obligations and economic benefits and costs.³⁰

The Committee is of the view transparency is paramount in the Government's dealings with commercial entities and as such summaries of contracts should be publicly available to enable better monitoring of performance. However, the Committee is mindful there are certain provision in the contracts which are commercially sensitive and should not be required to be disclosed, such as the exact value of the contract.

Recommendation

5. Bus contracts be made public in order to improve transparency and the accountability of both operators and the Department of Transport.

Performance standards

Under commercial and non-commercial contracts, operators are required to collect limited performance information on service standards for the Department of Transport. This limits the extent to which the Department of Transport can effectively monitor service standards of private operators for which the Department is the licensor, key regulator and funder.

The *Passenger Transport Amendment Act 1997* provides for higher performance standards and accountability in the bus industry. According to the then Minister for Transport, The Hon. Brian Langton, the legislation:

²⁸ Subsection (3b) of the *Passenger Transport (Service Contracts) Amendment Act 1998* (South Australia).

²⁹ Subsection (3c) of the *Passenger Transport (Service Contracts) Amendment Act 1998* (South Australia).

³⁰ See the Roads and Traffic Authority (RTA), *Eastern Distributor – Summary of Contracts*, September 1998.



...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.³¹

The impetus for the legislation came from the national competition policy agreement. At the meeting of the Council of Australian Governments on 25 February 1994, all Australian governments agreed to the principles for a national competition policy as outlined in the Hilmer report.³²

The Minister in his second reading speech noted:

The principal amendment being put forward in this bill with respect to bus services is to provide for the establishment of a performance assessment and contestability regime for commercial service contract holders to replace the system of perpetual contract renewal rights currently contained in section 23 of the Act.³³

The Minister noted the *Passenger Transport Act 1990* is affected by national competition policy as it confers exclusive rights on commercial service contract holders to provide regular passenger services within defined areas or on defined routes for a period of five years. The provision of exclusive rights in service contracts is not necessarily a problem in itself, provided the basis for obtaining those rights are periodically contestable. However, as the Act stood prior to the 1997 amendment, there was little, if any, opportunity for the Government to periodically test the market.³⁴

The Department of Transport has released two Discussion Papers outlining the proposed framework for implementing a performance assessment regime for bus operators, first in September 1998 and again in March 2000. These performance measures have not yet been implemented.

It is proposed the Performance Assessment Regime (PAR) will incorporate the following elements:

- reviewing service levels: A review of the current Minimum Service Levels (MSL) policy for both metropolitan and non-urban areas is being undertaken which will result in a methodology for identifying service levels that more accurately reflect community needs and commercial reality;

³¹ Legislative Assembly Hansard, *Passenger Transport Amendment Bill: Second Reading Speech*, 28 May 1997, page 9475.

³² National Competition Council, *Competition Policy Agreements, Part 1*, from *Compendium of National Competition Policy Agreements*, Second Edition, June 1998, page 3. Obtained from the website: <http://www.ncc.gov.au/nationalcompet/agreements/> accessed 31 August 2001.

³³ Legislative Assembly Hansard, *Passenger Transport Amendment Bill: Second Reading Speech*, 28 May 1997, page 9476.

³⁴ Legislative Assembly Hansard, *Passenger Transport Amendment Bill: Second Reading Speech*, 28 May 1997, page 9476



- incorporating established best practice objectives and standards: It is proposed that established best practice relating to service quality and performance be incorporated directly into the PAR;
- collecting additional information: It is proposed to require operators to regularly report to the Department of Transport on information such as patronage. This will enable the Department to more effectively identify appropriate service performance benchmarks and to monitor whether best practice objectives and standards are being achieved; and
- customer surveys: It is proposed to use customer and community surveys to identify and prioritise service needs. They can also act as an additional tool for measuring the performance of operators in regard to service standards such as passenger comfort and satisfaction with the services provided. The results of such surveys would help to ensure that the characteristics of individual contract areas are more accurately reflected in the service levels as well as providing a rationale for the introduction of service innovations.³⁵

PricewaterhouseCoopers note, in their recent review, the performance assessment regime is a process of ensuring that operators of commercial contracts maintain satisfactory levels of service. This regime does not cover the services provided by non-commercial (school charter) operators. With non-commercial operators, a more direct approach of incorporating any service requirements could be negotiated directly into their contracts.³⁶

Competitive benchmarking can be used to determine an operator's performance and is one alternative to competitive tendering. In evidence before the Committee representatives from the Department of Transport discuss competitive benchmarking:

Mr MURRAY:...As an alternative to competitive tendering, the Government, through the department, is currently in the process of introducing competitive benchmarking. This has been brought about through the competition policy review of the bus industry.

This competitive benchmarking is termed a performance assessment regime for commercial bus contracts. The second round discussion paper for this is currently being considered by the Government before being disseminated for public consideration.

Where an operator does not achieve the best-practice benchmarks, the existing contract holders will lose their contract and it will be offered to other operators through competitive tender.

³⁵ NSW Department of Transport, *Implementing the Performance Assessment Regime for Commercial Bus Contracts: Discussion Paper No. 2*, October 2000, pages 5 – 6.

³⁶ PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 32.



For competitive benchmarking to be effective, the benchmark standards will be regularly reviewed and recalibrated to reflect outcomes achieved in competitively tendered areas.

To ensure that our benchmarks are being reasonably set, we are studying very closely with full co-operation and support from the Victorian Government the competitive franchise contracts they have got now operating on their public transport routes.³⁷

Performance contracts are used in a number of overseas jurisdictions as an alternative to competitive tendering. In Norway, for example, performance contracts are seen as the new tool to make public transport more efficient. In these contracts the transport companies get more freedom and financial incentives to improve the service. Evidence suggests there is no indication that public transport operations in Norway are less cost-effective than those in other Scandinavian countries where 80% of routes are open to tender. Further, the level of subsidies is much lower.³⁸

The Committee considers it is important for the Department of Transport to have access to sufficient information on service standards to be able to properly carry out its licensing, regulating and funding roles with respect to private bus operators and the SSTS. Appropriate information on service standards will be necessary to effectively manage service quality under the current arrangements for contract renewal, as well as potentially altered arrangements, such as the introduction of competitive tendering for private bus routes. Alternative models for improving operator efficiency are discussed in chapter eight.

Recommendation

6. The Department of Transport implement an effective Performance Assessment Regime (which has been under consideration for a number of years) without any substantial delay.

Improved auditing

In their recent review, PricewaterhouseCoopers argue operators should be audited regularly and consideration be given to:

- the establishment of an operator risk profile in order to quantify the risk associated with the various aspects of the service provided by an operator;
- the design of a database of all contracts providing a history on audits performed and acting as a repository for problems and issues identified; and

³⁷ Mr John Murray, Director-General, Department of Transport, Transcript of Hearing, 31 May 2000, pages 70 – 72.

³⁸ See Norheim, BArd, “Development of Performance Contracts in Norway”, in *Nordic Road & Transport Research*, Volume 2, 2000. Available at www.vti.se/Nordic/2-00mapp/noart2.htm, accessed 18 September 2001.



- establishing a method to penalise and fine operators who consistently under-perform.³⁹

These recommendations were made on the basis of the findings of a review of all contracts comprising the SSTS. The key areas of non-compliance found in the review included:

- in 44.7% of the non-commercial contracts, there were variances between the contracted time and the actual time taken to deliver students to or from school (under non-commercial contracts payments are, in part, based on the trip time);
- for 13.2% of non-commercial contracts, and 12.4% of commercial contracts, students who were not on the school records were being claimed for by contract operators;
- 12.1% of contractors claimed reimbursement for students who were ineligible as they did not attend school for the minimum period required to make a claim;
- there were differences between the contracted distance and the actual distance travelled in 23% of non-commercial contracts;
- operators were not using Department of Transport authorised section maps when computing student fares under commercial contracts in 27.2% of contracts; and
- in 26.7% of contracts there were students whose fares had been incorrectly calculated as the wrong section points were used.⁴⁰

There are many possible explanations for these findings, for example, students or schools failing to communicate changes in their demographics, or adverse road conditions may force a change in route. However, such levels of variance from requirements is a concern to the Committee and indicates the Department needs to improve its contract management and contract compliance regimes for the SSTS.

The compliance mechanism in the contract is blunt. Under sub-cl.11.1(d):

If the holder fails to effect specific remedial action within twenty-eight (28) days following advice from the DOT that the monitoring process of service performance has detected a deficiency in delivery of the Services...

then, the only option specified in the contract is for the Director-General to terminate the contract. Effective enforcement mechanisms should include the ability to penalise operators who do not notify the Department of changes in funding parameters, or for poor service performance, without resorting to termination of contract.

³⁹ PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 45.

⁴⁰ *Id.*, page 3.



PricewaterhouseCoopers concluded:

Considering the type and number of exceptions observed during our work, it is suggested that a holistic review of the fundamental tenets of the SSTS be undertaken. In our view it is possible that such a holistic approach may result in significant improvements in the cost effectiveness of the SSTS.⁴¹

The Department of Transport has not quantified the costs of the PricewaterhouseCoopers findings to the SSTS. However, the Department has responded to the review and has an action plan to address agreed recommendations and suggestions for improvement.

Recommendation

7. The Department ensure contracts and contract returns are effectively monitored to ensure compliance with the requirements of the contracts and the accuracy of claims for reimbursement. In particular:
- all contracts be audited annually and an operator risk profile be established and maintained. This will involve the use of a database detailing problems identified; and
 - the Department introduce fines and penalties for operators who are consistently found to be non-compliant.

Theoretical versus actual pass usage

The funding mechanisms used to reimburse commercial and non-commercial operators for the provision of school services have been criticised for a lack of transparency. This claim is based largely on the use of estimates and proxies for the ‘quantity’ of service provided. Estimates are required due to the absence of detailed monitoring information.

Of particular concern has been the issue of “phantom riders”. It has been suggested that students obtain a SSTS pass, but do not always use it. The number of these “phantom riders” results in payments to contractors for students who are not travelling frequently or at all.⁴² Such a concern was presented in evidence by the NSW Parents Council:

Mr YORK:... The fourth issue is the continuation of phantom riders. It is known that there is a significant number of children issued with free travel passes who do not utilise this privilege sufficiently, yet the cost of the Scheme for commercial services does not adequately reflect the under usage of the transport availability. Schools should be encouraged not to automatically process applications where the child will

⁴¹ Id, page 5.

⁴² Operators are paid to carry 77% (metropolitan) and 79% (regional areas) of students with passes.



not regularly utilise the service and the department could consult on a minimum usage rate per semester to warrant the issue of a free transport pass.

In the previous inquiry there was consideration of whether there should be some counting mechanism which counts the number of young persons that use the bus but I think the bus companies association lobbied against that.⁴³

Feedback from stakeholders reveals students with a bus pass will use a variety of transport options in addition to free bus transport including:

- private motor vehicle (most often driven by family);
- bicycling;
- walking; and
- train (if available).

The choice of transport depends on a wide range of factors, including the weather.

Funding for commercial bus contracts attempts to take into consideration the expected difference between the number of students with bus passes and the number of students carried. It does so by applying a constant average usage rate to calculations for payments.

Prior to 1996, a usage rate of 92% was used for calculating commercial contract payments. The Committee's 1992/1993 inquiry into the SSTS found many witnesses considered the number of students actually carried by bus operators was less than 92% and operators were being overpaid. This meant a number of transport operators could cross-subsidise regular route services with the SSTS payments. The Committee also found there was considerable disagreement on the cross-subsidy issue and its impact on the School Student Transport Scheme. The Committee concluded that a greater level of transparency in the identification of subsidies was required.⁴⁴

Since 1996, an average usage rate of 77% has been factored into payments in metropolitan areas and 79% in non-metropolitan areas. These figures are based on the findings of an extensive survey of school travel pass usage conducted in 1994.

Despite these revised usage rate assumptions, there is still widespread concern SSTS payments lack transparency and cross-subsidise regular route services to an extent not formally recognised.

There is some evidence the 77% utilisation rate now overstates actual average usage in metropolitan Sydney. Whilst the Department of Transport does not hold reliable

⁴³ Mr David York, President, NSW Parents Council, Transcript of Hearing, 7 June 2000, pages 15-16.

⁴⁴ Parliament of New South Wales, Public Accounts Committee, "Report on the School Student Transport Scheme", January 1993, page 40.



bus pass usage data for recent years (the last comprehensive data is from the 1994 survey) there is some data collected by the Department's Transport Data Centre.

In particular, the data indicates a rise in private vehicle passenger trips to school. The recent publication *Household Travel Survey Report 2001 – Sydney Statistical Division* notes a rise in private vehicle passenger trips to school from 41% in 1991 to 51% in 1999.⁴⁵

In addition, the Department of Transport has advised that its Household Travel Survey indicates a Sydney region bus pass usage rate of approximately 50%. However, the Department further advised that due to the small sample sizes involved there are potentially large residual standard errors in this data.

However, the State Transit Authority argue the 77% is correct:

Mr GLACHAN: Just in relation to that 77 per cent, there is concern about non-utilisation of bus passes, and others have expressed that concern. Do you think this non-utilisation of bus passes is increasing because of changes to the educational policy and do you think this might be enabling it to reduce the current percentage of bus pass reimbursement, which is at 77 per cent? Should that be reduced, do you think?

Mr STOTT: ...Our best guess at the moment is that roughly somewhere in the 75 per cent bracket is about right and, again, in 1994 in a previous position I conducted the survey that went out to some thousands of families to ask them whether they had used their pass on the day and it came back with a figure of roughly 75 per cent.

In our particular case we feel that we can account pretty clearly for the students that we are carrying and we think that we are carrying the correct number, we are being paid for the correct number.⁴⁶

In evidence to the Committee, the view that the current payment system results in commercial contract bus operators being able to cross-subsidise less profitable routes or services was widespread. The Department of Transport note:

Mr MURRAY:...very clearly SSTS cross-subsidises minimum service levels on thinly patronised routes in the west of Sydney. There is absolutely no question about that.⁴⁷

Payments based on actual usage rates

Efficiencies could be obtained if commercial bus operators were reimbursed for the student bus pass holders they actually carried. If the Household Travel Survey is

⁴⁵ Transport Data Centre, NSW Department of Transport, *Household Travel Survey Summary Report 2001 – Sydney Statistical Division*, page 13.

⁴⁶ Mr John Stott, Chief Executive Officer, New South Wales State Transit Authority, Transcript of Hearing, 31 May 2000, pages 49 – 50.

⁴⁷ Mr John (Jock) Murray, Director-General, Department of Transport, Transcript of Hearing, 31 May 2000, page 73.



accurate and there was a fall in pass utilisation, this would involve a reduction in payments under commercial contracts. If a major correction was required, it may be reasonable to phase this in over time to allow operators time to adjust.

The Bus and Coach Association note in their submission to the Inquiry that it is difficult to determine whether commercial operators could continue operating existing service levels with reduced SSTS payments. The Association commissioned KPMG to determine whether commercial bus operators generated excess profits which would be sufficient enough to accommodate a reduction in SSTS revenue without any reduction in service provision.

KPMG in their report of December 1999, found that *“in terms of an appropriate implied rate of return for urban transport operations, the results are markedly below any reasonable opportunity cost of capital which would be required by capital providers to reflect the risks of the industry”*. In other words, the urban private bus industry is not generating excess profits but is in fact, on average, earning insufficient return on investment in order “to invest any additional funds that may be required to meet passenger needs and improve service levels”.

This report by KPMG categorically proves that the commercial bus operators in urban and outer-suburban areas cannot withstand any reduction in SSTS revenue without imposing simultaneous reductions in service provision.⁴⁸

If feasible, it would be desirable to obtain and apply usage data to individual commercial contract regions or routes. Using dated system-wide averages, as is currently the case, may give a misleading picture if some areas are experiencing reduced demand while others are growing. Using area specific data would also make the SSTS more responsive to service requirements. These include changes in educational policy decisions and changing the location of schools.

This approach would not be appropriate for non-commercial contracts. Payments are based upon a model prepared for the Department of Transport by Price Waterhouse in 1996. The operator is paid a fixed amount based on a per bus basis, with reference to the:

- average number of school days;
- bus size (four main categories and ten secondary categories);
- total hours taken to provide the service; and
- kilometres travelled.

According to the Bus and Coach Association of New South Wales this payment of a fixed amount ensures operators get no more than a reasonable return on investment.

⁴⁸ Bus and Coach Association (New South Wales), Submission to the Inquiry, pages 11 – 12.



Non-commercial operators are paid on a per bus rate according to a formula determined by PricewaterhouseCoopers. The school journeys operated by these non-commercial operators are designed and scheduled by the NSW Department of Transport, with minimal operator input into route design and scheduling.

When setting the rate for non-commercial operators, PricewaterhouseCoopers are required to ensure that the operators receive *no more than* an adequate return on investment, based on an average fleet age of 12 years for large buses and 8 years for smaller buses...In order to achieve this requirement, Price Waterhouse Coopers have set a relatively complex pricing formula that is based on hourly costs, distance related costs and fixed costs.

As a result of the diligence with which Price Waterhouse Coopers are required to ensure only a minimum return is achieved by non-commercial operators, it is evident that there is no ability to reduce the rate of payment to these operators without, at the same time, reducing the service provision requirements.⁴⁹

The Committee considers payments based on actual usage should be introduced for commercial contracts. This will result in the elimination of payments for “phantom riders” and is likely to reduce the cost of the Scheme.

Recommendation

8. In areas where bus transport services are provided under a commercial contract, transport operators receive SSTS payments on the basis of actual usage.

Having accurate information about the use of a program is central to effective and efficient administration. If the SSTS is to be continued, it would be appropriate to improve data collection about actual outcomes.

One method of determining pass use is to conduct regular surveys. A survey could be conducted to establish the actual level of usage of the SSTS over the last twelve months and to assess whether the current usage rate is fair. Such surveys could be conducted regularly and the results could provide a basis for renegotiating the usage rate. Conducting more regular surveys about pass usage would add to the cost of administering the SSTS. However, compared to other jurisdictions in Australia, it would seem that NSW is not a large spender on administration. NSW may in fact be under-spending in assessing the performance of the SSTS.⁵⁰ Obtaining better information about actual usage of the SSTS more regularly would also help improve planning and design.

Electronic Ticketing

Another method of measuring pass use is to introduce smart card technology and electronic ticketing. In the longer term, the introduction of new technology, such as

⁴⁹ Bus and Coach Association (New South Wales), Submission to the Inquiry, pages 10 - 11.

⁵⁰ Of total SSTS expenditure in 2000/01 of \$385m, the amount spent by the Department of Transport on administration was only \$605,000 (0.16%).



smart cards, may provide a means of determining payments to operators based on the actual students carried. However, the bus industry has raised concerns regarding such a system, as they consider it would not allow for carriage of students on compassionate grounds, such as eligible students who may have forgotten, lost or had their pass stolen. However, these concerns go to the detail of smart card technology and the discretion afforded to operators.

On 12 August 2001, the Department of Transport announced that a smart card integrated ticketing system for public transport in greater metropolitan Sydney would be phased in from mid 2003, with full implementation expected by early 2005.⁵¹ PricewaterhouseCoopers noted in their recent review that the ticketing project is targeted at the metropolitan areas excluding the SSTS and a solution for areas other than the metropolitan areas would still need to be considered. As such, any technology selected should be compatible with the proposed smartcard integrated ticketing system.⁵²

Representatives from the Department of Transport argued that the move to electronic or integrated ticketing would alleviate over-payments to operators. The then Director-General of the Department of Transport stated:

Mr MURRAY: ...There is no question that the integrated ticketing project will provide highly reliable data on numbers of users of every service and it will be possible for us to provide a virtually fraud-proof school student travel pass which is totally proof against being passed out the back through the window or being given to a brother or sister or sold down in the shopping centre, which we believe happens a bit.⁵³

Dr Croke, Executive Director, Catholic Education Commission, also saw the move to integrated ticketing as a way to ensure transport operators are only paid for actual usage:

Dr CROKE:...We all recognise that there is still that disparity between the number of passes issued and the extent to which they are used, but it seems to us that the present policies of the Department of Transport of trying to develop a single integrated automated ticketing system across all transport provides a solution to that in a way it did not in the past.⁵⁴

⁵¹ Department of Transport, Media Release – 12 August 2001, *Integrated Ticketing a Step Closer*. Available at http://www.transport.nsw.gov.au/media_re/itp.html (accessed 16 August 2001).

⁵² PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 54.

⁵³ Mr Jock Murray, Director-General, Department of Transport, Transcript of Hearing, 31 May 2000, page 75.

⁵⁴ Dr Brian Croke, Executive Director, Catholic Education Commission, Transcript of Hearing, 1 June 2000, page 24.



Similarly, representatives from the Western Sydney Community Forum also noted they would like to see operators paid on actual trips and that the proposed smart card ticketing will provide an avenue for determining such usage:

Ms JUELICHER: Another change that we would recommend is to reimburse operators on the number of student trips rather than giving them a blanket payment. We recognise at this point there is no process in place to actually do this but we believe that the upcoming smart card ticketing process has potential to introduce this.⁵⁵

The introduction of electronic ticketing should substantially improve the data on SSTS pass usage.

Transparency of the cross-subsidy

While there is a widespread belief that the SSTS is cross-subsidising other less profitable route services, there is little information on the amount of this subsidy, or its distribution. The subsidy 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 not need such assistance. Under the current payment regime, it is not possible to analyse the extent of the subsidy or its distribution.

In hearings and submissions, concerns were raised about whether some bus operators would be able to maintain a viable service. In their submission to the Review, the Bus and Coach Association note:

...it is...difficult to determine whether these commercial operators could continue operating existing service levels with reduced SSTS payments, due to the complexity of their operations and the extent of cross-subsidy involved in many operations.⁵⁶

Similarly, the Western Sydney Community Forum (WSCF) argue:

Bus operators would not be able to operate current level of route services and maintain commercially viable services without school student subsidies. Many bus routes have insufficient patronage to be cost-effective and generate revenue. Consequently, private bus operators rely on revenue from school student transport to provide service levels as required in their commercial contract arrangements with the Department of Transport.⁵⁷

The Council of Social Service of New South Wales (NCOSS) notes transport operators are reluctant to admit they cross-subsidise regular route provision with SSTS funds. However, one operator recently did make such an admission:

⁵⁵ Ms Denis Juelicher, Transport Development Worker and Director, New South Wales Council of Social Service, Transcript of Hearing, 1 June 2000, page 43.

⁵⁶ Bus and Coach Association (NSW), Submission to the Inquiry, page 11.

⁵⁷ Western Sydney Community Forum (WSCF), Submission to the Inquiry.

NCOSS is concerned that there is no transparency regarding the cross subsidisation that occurs by private buses between school and regular services. Private bus companies have been reluctant to admit they cross subsidise regular provision with SSTS funds, but recently at a public transport conference in Ballina in northern NSW, an operator in the Northern Rivers region admitted that revenue generated came primarily from SSTS funds (90%) while only 7% came from route services and 3% of revenue from charter services.⁵⁸

In evidence before the Committee, a number of witnesses raised concerns about the lack of transparency of the subsidy. Operators, particularly in rural and regional areas, rely on the subsidy in order to survive. However, the subsidy is not identified. Representatives from NCOSS support a move to making the subsidy paid to operators more explicit:

Mr MOORE: Certainly we would want to reinforce the importance of making the subsidy explicit for what it is for and I guess there are other transport policy issues that need to be addressed in relation to route services, particularly in regional areas.⁵⁹

Other witnesses also saw the value in making the subsidies under the SSTS more transparent. Representatives from the New South Wales Parents Council indicated that in other Australian jurisdictions, school student transport costs are separated from other industry subsidies. This improves accountability as it is clear how bus routes are subsidised.⁶⁰ Representatives from the Federation of Parents and Citizens Associations of NSW also argue subsidies should be disclosed and that communities should be made aware of the costs of running a transport service.⁶¹

In evidence before the Committee, representatives of Treasury noted that, in principle, government expenditures should be as transparent as possible and an explicit subsidy to bus operators may be more transparent than subsidising via the SSTS:

Mr RONISVALLE: I suppose as a general rule Treasury always believes in making expenditures as transparent as possible. If you make the assumption that it is a subsidy to private bus operators, then transparency would sort of suggest that we should make that explicit rather than doing it via the School Student Transport Scheme. That is an in-principle view.

I think that the implications of changing the way we actually fund the School Student Transport Scheme and its implications for the private bus operators would need to be thought through and see what impacts that would actually have on service levels in the outer areas of Sydney before I could give you a definitive view on whether or not

⁵⁸ Council of Social Service of New South Wales, Submission to the Inquiry.

⁵⁹ Mr Gary Moore, Social Worker, Manager and Director, NCOSS, Transcript of Hearing, 1 June 2000, pages 44 – 45.

⁶⁰ Mr Duncan McInnes, Executive Officer, New South Wales Parents Council, Transcript of Hearing, 7 June 2000, pages 33 – 34.

⁶¹ Mr Damien Anderson, Research Officer, Federation of Parents and Citizens Associations of NSW, Transcript of Hearing, 7 June 2000, page 68.



we would like to go that way. The transparency would indicate that that would be a preferable route in principle.⁶²

The Committee is of the view that transparency and accountability are paramount in public finances. Evidence suggests SSTS payments cross-subsidise regular route services to an extent that is not formally recognised. As such, the cross-subsidisation embedded within the SSTS needs to be unbundled in order to identify and to assess the impact of the subsidies on operators and communities.

Recommendation

9. Subsidies paid to transport operators be identified and the impact of subsidies on operators and communities be assessed.

Required bus capacity

Current commercial bus contracts require operators to provide sufficient bus capacity to carry 92% of applicable student bus pass holders. This is a difficult element of the contract to enforce. Enforcing this clause of the contract would seem to impose an element of inequity where operators are paid for say, 77%-79% of pass holders while being required to provide capacity sufficient to carry 92%. Reflecting these difficulties, it is understood this is an element of contract performance that is not actively policed. Accordingly, this element should be dropped or modified.

Recommendation

10. The current requirement to provide sufficient bus capacity to carry 92% of applicable bus pass holders be modified or dropped.

Rationalising routes

In their submission, the Bus and Coach Association (NSW) indicate that since 1993 they have been requesting the Department of Transport to develop some means of rationalising non-commercial school runs at the time of contract expiry. The aim is to cover cases where patronage levels have substantially varied. Further, the Association argues it is necessary to ensure non-commercial school runs that have been duplicated (due to heavy patronage) remain in the same ownership, so as to prevent problems when the patronage contracts back to one bus load. The Association also notes no such consultation has taken place in spite of requests by the bus industry.⁶³

In their recent review of SSTS bus contracts, PricewaterhouseCoopers concluded the SSTS is not conducted in the most efficient manner in rural areas. Following a

⁶² Mr Mark Ronsisvalle, Executive Director, New South Wales Treasury, Transcript of Hearing, 1 June 2000, page 7.

⁶³ Bus and Coach Association (New South Wales), Submission to the Review, pages 24 – 25.



review of the allocation of routes to the various operators in a specific area, it was evident that:

- bus routes had not been assessed since the introduction of a run;
- there had been many route variations since the introduction of a route;
- routes could service up to 17 schools; and
- the operator followed the original route per the contract where more suitable routes appeared to be available.⁶⁴

PricewaterhouseCoopers argue a rationalisation of routes will:

...enhance efficiency and effectiveness. It could reduce the costs of the SSTS scheme and the opportunity to rationalise the routes is imminent because many non-commercial contracts are coming up for renewal.⁶⁵

A recent review into the Minimum Service Levels Policy for commercial bus contracts found several instances where towns and villages had reached the population threshold sufficient to support a commercial contract. In several cases, multiple operators under non-commercial bus contracts provided the school bus services. Rationalising the non-commercial contracts into one commercial contract would provide those communities with better service levels and realise significant savings to the Government.

The Department of Transport is currently considering how to alter the length of non-commercial contracts, where necessary, to allow all non-commercial contracts in a specific region to expire simultaneously. This would allow the non-commercial contracts to be rationalised into one commercial contract in areas that met the population threshold for commercial contracts. However, many non-commercial operators who accepted the five year extension still have a number of years before their contract is up for renewal, thus delaying any such rationalisation.

Recommendations

11. The Department of Transport initiate consultation with operators to determine the rationalisation of services, where possible.
12. Where appropriate, the number of non-commercial contracts be rationalised by combining multiple contracts with the same operator under one contract.

⁶⁴ PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 33.

⁶⁵ Ibid.



Under-utilisation of bus services

There are concerns the SSTS is causing an under-utilisation of buses, particularly in relation to non-commercial contracts. The Government and bus operators have a substantial investment in capital, ie, buses, in these areas. Evidence suggests the number of students travelling on buses is often significantly less than the available bus capacity.⁶⁶ Further, except in peak periods, when students are being carried to and from schools, buses are often idle for the rest of the day. Therefore an opportunity exists for school buses in non-urban areas to provide improved transport to the broader community in non-peak hours if the pricing arrangements provide sufficient incentive.

Although dedicated school buses can be used for charter services and transporting passengers other than students, the current subsidies may dampen the incentive to optimise bus use. This relates to both the structure and level of funding for non-commercial services.

The recent review of SSTS bus contracts by PricewaterhouseCoopers found, in certain areas, there is a low level of use of buses.⁶⁷

PricewaterhouseCoopers recommend an analysis of the impact of the SSTS so as to determine the various categories of communities and operators within the rural and metropolitan areas. They also recommend the development of a pricing policy to match the segment and category of the community serviced. For example, pricing the service may include a fixed component and a variable component payable based on use of the bus. This would make the benefits of the Scheme to the community in rural and metropolitan NSW transparent. It would also provide clarity on the level of subsidy necessary for the various categories of operator to manage a viable business.⁶⁸

The Committee is also of the view the cross-subsidisation of route services by the SSTS can result in the under-utilisation of buses in non-peak hours, with many sitting idle for the majority of the day.

Recommendation

13. The Department of Transport survey communities and review existing information to find a mechanism to increase the use of SSTS buses outside peak hours.

⁶⁶ This is evident as bus operators are required to provide transport for 92% of students eligible to travel, but are only paid for 77% (metropolitan areas) and 79% (regional areas) respectively.

⁶⁷ PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 31.

⁶⁸ Id, page 31.

Chapter Six

Improving Communication Between Stakeholders

Insufficient co-ordination

The Department of Transport is responsible for the financial management and administration of the SSTS and therefore fully accountable for addressing the concerns and expectations of stakeholders. However, the cost of the SSTS is considerably affected by decisions made by bodies external to the Department with limited consultation.⁶⁹

This is particularly relevant with regard to developments in education, where decisions are made to implement innovations in both the public and private sectors, without having to account for the associated transport costs. Further, when the Department of Education and Training, or other educational bodies, prepare a cost/benefit analysis of the effect of policy changes for Treasury, the impact on transport costs is not incorporated. A full picture of the associated costs is not developed.⁷⁰ This chapter considers the role Treasury should be playing in whole of government co-ordination.

This chapter also considers the many concerns raised with the Committee regarding the lack of coordination between the Department of Transport and educational authorities, and between educational authorities, schools and transport operators. A lack of co-ordination between these parties has resulted in a less than optimal school transport service.

Finally, this chapter considers the information available to various parties on the SSTS. At present, the information available is generally held by the Department of Transport and is focused on ensuring services are provided and funds are accounted for. An ongoing concern is the lack of information available to the numerous stakeholders, each of which has differing information requirements.

Communication between the Department of Transport and the Department of Education and Training

As noted in chapter three, recent changes to education policy such as dezoning and the lengthening of school hours have impacted on the costs of the SSTS.

⁶⁹ This is a common concern in a number of Australian jurisdictions where the relevant transport department has responsibility for the student transport program – see *Report of the 1999 National Conference of School Transport Administrators*, Queensland Transport, Brisbane, 1999.

⁷⁰ Representatives from NSW Treasury indicated that they rely on the Department of Transport to cost the impact of education policies on the transport budget. See Mr Waddington, Principal Financial Analyst, NSW Treasury, Transcript of Hearing, 1 June 2000, page 5.



Representatives from the Department of Transport indicated the Department of Education and Training does not consult with them on issues that will affect transport for school students. In fact, they admitted they often find out after a policy decision has been announced in the media:

Mr COLLIER: What liaison or what consultation, formal or informal, do you have with the Department of Education and Training in relation to changes to their policies? Are you just told that this is going to happen, therefore you just fix it up and arrange the appropriate transport adjustments to your transport system? Do you have some consultation before their policies are released?

.....

Mr FOX: I am happy to answer that. There has been an exchange of letters between directors-general where they have agreed there will be consultation. We have regular meetings with the Department of Education about things that are happening and to address issues as they arise. A lot of them are operational issues about particular things that have come up in relation to the Scheme or between the two elements of the Scheme.

There is one component of the Scheme that we do not manage, which is the transport for disabled students which the Department of Education still runs. So we do have regular meetings about those issues, but when it comes to the major issues, to be honest, we are generally not consulted because they are generally matters of government announcement on education policy as a whole about the whole direction of education policy. Multi-campus schools would be an example.

Mr COLLIER: You find out about it in the media, do you, basically or do you know before the announcement? Do you find out about that in the media or is that discussed between your executives saying, "This is going to happen and what will be the impact on this Scheme before this major announcement is made"?

CHAIR: Probably a more relevant example would be the announcement of the 7.30 a.m. to 5 p.m. at schools. Were you consulted on that matter?

Mr FOX: No, we were not.

CHAIR: So you read about it in the newspaper once the award came out?

Mr FOX: Yes.⁷¹

Mr Fox goes on to state:

Mr FOX: Perhaps I just need to expand on that a little. Once the decision about multi-campus schools was made, we have discussed with the Department of School Education about how we might respond to the emerging issues in relation to multi-campus schools or changing school hours. Certainly, there are some operational on the ground things we have to deal with already in relation to those reforms. We are

⁷¹ Mr Stephen Fox, Director of Service Funding, Department of Transport, Transcript of Hearing, 31 May 2000, pages 67 – 68.



negotiating with them about how to implement those but they are probably a bit more after the event.

CHAIR: The Department of Education claimed that at the time they asked for costings from you and they have asked for those costings in writing, they never get an answer from you. Do you recall those requests?

Mr FOX: We sought to cost some of the reforms after they had been announced. Needless to say, that is a very difficult task because you need a fair bit of information in order to cost something of that complexity. You would need to know the number of students that will be affected, how they were going to be affected, over what time frame they were going to be affected, what sort of transport service they would require, and a lot of that stuff is still being formulated.

So, whilst we have a certain amount of information about student numbers and those who might take up some of the new education options, we really have not got enough of that detail to actually come up with something that is meaningful in terms of the costing.⁷²

However, representatives from the Department of Education claim Transport officials are consulted prior to education policies being announced and educational officials consider the implications of their policies on the cost of transport:

Dr BOSTON: No, I was simply going to make the point that these things do not come out of the blue. There is prior discussion with the Department of Transport. There has been, as has been said, a direction from me to people concerned with change to look at the implications of it and to have it negotiated with transport through our Administrative Services area. I would like to table that direction, in fact, as a piece of evidence.⁷³

The Department of Education and Training also argue they meet with transport officials to discuss changes in education that will impact on school transport:

Dr BOSTON: We have been over many years in conversation with the Department of Transport about the changes that are occurring, and that has happened centrally, particularly through Mr Aggett's area, the Department of Administration.

Mr COLLIER: When you say "conversation", Dr Boston, what do you mean by that - consultation, discussions ongoing?

Dr BOSTON: It followed really from the recommendation from the Public Accounts Committee in 1993 when you recommended that a formal mechanism be established between our department and the Department of Transport for the consideration of school education decisions which have transport implications. A senior management group was set up between those two departments in 1993. They have subsequently

⁷² Id, page 69.

⁷³ Dr Kenneth Boston, Director-General, Department of Education and Training, Transcript of Hearing, 31 May 2000, page 32.



met, my briefing indicates, at least twice a year, in 1993, 1994 and subsequently. In 1997 there was renewed correspondence between them - do you wish me to proceed?

CHAIR: We will get that all on *Hansard*. Do you say just once in those years you have nominated?

Dr BOSTON: There were two meetings in 1993 and 1994.

CHAIR: So, one in each year?

Dr BOSTON: No, the meetings, I am advised, subsequently progressed on a regular basis in subsequent years.⁷⁴

In addition, many stakeholders claimed in submissions and hearings that the SSTS is out-of-date and is not complementing the current education system. As the Commonwealth and State Governments have introduced new education policies, such as Vocational Education and Training courses, extra-curricular activities and multi-campus schools, the SSTS has not been able to respond to these new developments. These innovations are considered to be a core component of the education system and there is an expectation free transport should be available for students attending such courses and facilities.

Furthermore, submissions from rural and regional areas stated the lack of co-ordination between educational developments and transport provision has not allowed them to receive equal access to education as those in metropolitan areas. Casino High School advised in their submission they have:

Implemented fully the Department of Education and Training's agenda for Vocational Education. In doing so inequities for some rural students have occurred. It is believed that some parents feel so strongly about the financial hardship or the lost class time that they may appeal school certificate results. The school is committed to this agenda and so are the parents. There is however, a need to ensure that it is able to be accessed equitably by all students regardless of where they live.⁷⁵

In its recent review, PricewaterhouseCoopers found there was a lack of clarity of the roles and expectations of the Department of Education and Training and the Department of Transport. They recommend a formal structure and process be agreed between the Departments to synchronise strategic planning and processes. For example, when new schools are planned, the Department of Transport should be included during the planning process and not after the school has been built.⁷⁶

The Committee is concerned the Department of Education and Training is making educational changes without considering the cost implications to the Department of Transport. The Department of Education and Training claim they rely on the

⁷⁴ Id, pages 29 – 30.

⁷⁵ Casino High School, Submission to the Review.

⁷⁶ PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 27.



Department of Transport to cost the effect on the school transport budget of any educational changes. However, the Department of Transport claim that Education does not properly inform them of proposed changes and they only find out after the event. The Committee is also concerned the lack of co-ordination between the two Departments has meant transport services have not been as flexible as the innovations require.

The Committee further notes that while a number of education policy decisions have impacted on the SSTS in recent years, the Department of Education and Training has not borne any budgetary responsibility for these decisions. There is a need for a formal liaison mechanism to be established between the Department of Education and Training and the Department of Transport. The aim is to ensure the impacts of educational policies on the SSTS are properly considered and the SSTS properly responds to changes in the structure of education. This was a recommendation made by the Public Accounts Committee in its 1993 Report. However, from the evidence gathered during this review, it appears that such a mechanism was not properly established.

Recommendation

14. Formal consultation arrangements be established between the Departments of Education and Transport for the consideration of education initiatives which have transport implications. These arrangements should include senior executives from both agencies.

The role of Treasury in whole-of-government co-ordination

As mentioned, concerns were raised during the review that the Department of Education and Training made decisions which impacted on the Department of Transport's budget. A number of witnesses argued the funding of school student transport was a whole-of-government enterprise. Dr Boston, Director-General of the Department of Education and Training noted:

Dr BOSTON: I certainly have an eye to government funding generally and the efficient use of the tax payers dollar, and I understand the need for the Department of Transport to work efficiently and well and within budget, but this is actually a whole-of-government enterprise.

The Government is pushing education reform on the one hand. It also has to deal with the issue of how students are going to be transported on the other hand, which is a matter for another agency. Our obligation is to make sure the two are talking together.⁷⁷

⁷⁷ Dr Kenneth Boston, Director-General, Department of Education and Training, Transcript of Hearing, 31 May 2000, page 35.



Traditionally, the role of Treasury departments in the policy process has been to coordinate the management of the government's financial resources.⁷⁸ In evidence, a number of witnesses expressed concerns that Treasury should be coordinating the financial impact of policies which cut across government departments.

Representatives of the Bus and Coach Association argued Treasury need to consult with the Department of Education and Training about the cost impacts of their policies on the Department of Transport:

Mr GRAHAM: We also believe that there is a necessity for consultation between Treasury and the Department of Education because the Department of Education does not believe they have any responsibility for the school transport budget, yet Treasury is obviously putting pressure on the Department of Transport.

If the Department of School Education had some sort of drilling, if I can put it that way, by Treasury as to the implications of these new policies that are coming forward, we might see a better transport system or a more easily funded transport system. I must say that we have attended meetings with the Department of Transport where they have called in senior people from the Department of School Education and we just get no where.⁷⁹

Similarly, the then Director-General of the Department of Transport, Mr Murray, indicated Treasury should be coordinating policies which cut across government departments:

CHAIR: So in your view has Treasury played its role of whole-of-government management in cost control effectively? Do you think it should be the one playing the co-ordination role that is missing here?

Mr MURRAY: I would like to answer that. I do believe they should play that co-ordination role because it is a question here of whether we are dealing with Transport or Education policy. There are strong arguments to support either position. I am not suggesting for one minute that because it is essentially a Transport task it ought to rest with Transport. Nor am I saying the opposite in respect of Education. It is quite clearly a difficult across-government issue and there are wider social issues as well, in my view, relating to family structures and so forth.⁸⁰

Representatives from Treasury indicate that decisions of one department which impact on the budgetary position of another are only considered by Treasury if they are asked to do so as part of the Cabinet process.⁸¹

⁷⁸ Queensland Premiers Department, *The Queensland Policy Handbook - section 5.4.4 Treasury Department*. Obtained from the website: http://www.premiers.qld.gov.au/governingqld/policy/consultation5_4.htm accessed 6 September 2001.

⁷⁹ Mr Roger Graham, Consultant, Bus and Coach Association (New South Wales), Transcript of Hearing, 31 May 2000, pages 10 – 11.

⁸⁰ Mr John Murray, Director-General, Department of Transport, Transcript of Hearing, 31 May 2000, page 70.

⁸¹ Mr Mark Ronsisvalle, Executive Director, and Mr Brian Waddington, Principal Financial Analyst, NSW Treasury, Transcript of Hearing, 1 June 2000, pages 3 – 4.



Treasury also argue they cannot provide advice on the cost impact of educational policies on the Department of Transport without the assistance of the Department of Transport. However, Treasury agree that a formal process is required to ensure the transport implications of education policy decisions are properly considered:

Mr WADDINGTON: Could I just add, Mr Chairman, we would only be able to get cost information once the policy had developed to a stage where the Department of Transport was in a position to be able to provide that costing. We do not have a crystal ball that enables us to provide better costings than the Department of Transport. With a project of this nature, we would still rely on the Department of Transport to look at the implications and to provide advice to Education and ourselves.

CHAIR: That is fine. So, you accept that you should be coordinating. The issue is whether you are. We would like to know whether you are doing that.

Mr TORBAY: Do you consider a formal mechanism should be put into place to ensure that Transport impacts of any changes in Education policy are fully costed prior to the policy being implemented?

Mr RONISVALLE: I suppose the short answer to that is yes. Where one government agency is making a policy decision which affects the costs of another government agency, the decision should be taken with the full knowledge available so that we do not have unintended consequences of one decision on the budget of another agency.

Mr TORBAY: How do you do it?

Mr RONISVALLE: It requires, you are right, some sort of process which brings together things at the centre. Now that can happen to various degrees of sophistication.⁸²

The Committee considers Treasury should have an active role in ensuring that agencies have appropriately considered the cost impacts on other agencies of their policies.

Recommendation

15. Treasury should be involved in any consultations between the Department of Transport and the Department of Education and Training which affect the Budget.

Communication between educational authorities and transport operators

Concerns were expressed to the Committee over a lack of consultation between educational authorities and transport operators. Representatives of the Bus and

⁸² Id, page 5.



Coach Association (NSW) argued that there was insufficient consultation between educational authorities and bus operators:

Ms HODGKINSON: Your submission identifies that educational authorities do not consult with the Department of Transport or bus operators regarding policy changes. Can you explain in practical terms the impact of this on bus operations, please?

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 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.

There is no way that half a school can be let out without warning to the bus operators, yet this is the syllabus that occurs. For instance, and they are trialing this in the northern areas area, we have been told by the regional officer of the transport department, "Well, you ain't seen nothing yet because they are now going to transfer the children in senior high schools between schools because this school is going to have a science laboratory and that school is going to have a French language laboratory and anybody who does French will be transported across. You are going to have to handle that". The department was just told that this is what they want to trial.⁸³

The Bus and Coach Association note that schools, particularly private schools, do not inform transport operators about changes which will affect their services:

Mr COLLIER: Are your members notified well in advance that a particular school is having a pupil free day?

Mr MACDONALD: Currently with State Department of School Education there has been two days nominated, generally the first day of term 1 and the first day of term 3. With the private schools, as little as a couple of days notice, maybe Friday that there is a pupil free day on Monday and that usually comes from the students travelling on the bus rather than from the schools.

In addition to that, we have some of the private schools who do not even inform as to the actual school holidays that take place on a per term basis. So we have some private schools basically having their holidays while State schools are going to school and, conversely, when the State schools come back, some of the private schools are still on holidays and this comes into a utilisation situation.

⁸³ Mr Roger Graham, Consultant, Bus and Coach Association (New South Wales), Transcript of Hearing, 31 May 2000, pages 7 – 8.



Whilst this is going on, operators are still required by the department to basically provide 92 per cent of capacity. So regardless of the number of children who turn up to catch the bus each day, the operator is obliged to provide seats or capacity on the buses for 92 children out of every 100 children who are basically on his free school travel list.⁸⁴

The Bus and Coach Association (NSW) argue there is currently no mechanism to facilitate co-ordination amongst the Scheme's stakeholders. Further, there is no requirement for schools to inform transport operators of any educational changes which impact upon student transport. Whilst the Bus and Coach Association concedes some schools are very co-operative, some schools refuse to let transport issues impact on their educational policies.⁸⁵

No minimum level of service is defined for school services under a commercial contract nor is there any requirement to provide adequate notice to the public for any significant route or timetable variations for school services (unlike route services under the same contract).

Representatives from the Western Sydney Community Forum also argue consultation needs to be improved on a number of levels, including between schools and transport operators:

Ms JUELICHER: There are also some concerns regarding students not being able to have a bus service at times when they leave school early or school finishes early some days and there is no bus service provided. Also, I have had incidents reported to me where buses arrive late at school or drop off really early because bus companies combine trips to different schools and then some students get there really early and others get there really late.

CHAIR: Sometimes it is caused by the schools changing their hours and there is not sufficient communication.

Ms JUELICHER: I think that limited communication happens at a number of levels actually in this whole context. I think there needs to be more communication on a departmental level as well as on the level of the schools and the bus operators to be able to address some of these issues.⁸⁶

Ms Margaret O'Hearn from the Council of Catholic School Parents infers it is in fact the bus operators which dictate the schools timetable:

Ms O'HEARN:... A problem I would also like to highlight...is that school hours are really confined by bus timetables and that is often extremely difficult with schools.

⁸⁴ Mr Barrie Macdonald, Director, Members Services, Bus and Coach Association (New South Wales), Transcript of Hearing, 31 May 2000, page 19.

⁸⁵ Mr William Todd, Metropolitan Vice-President, Bus and Coach Association (New South Wales), Transcript of Hearing, 31 May 2000, pages 10 - 11.

⁸⁶ Ms Denis Juelicher, Transport Development Worker, Western Sydney Community Forum, Transcript of Hearing, 1 June 2000, page 47.



We are having some schools who are finishing schools at 2.40, 2.45 which makes it very difficult.⁸⁷

This is supported by representatives of the Association of Independent Schools who claim that more consultation is needed between schools and transport providers:

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 that will need to be a lot more consultation between schools and providers to ensure that both interests are looked after.⁸⁸

It is evident there is a lack of communication between educational authorities, schools and transport operators. The Department of Education and Training has advised schools that discussions with bus operators should occur when they are proposing changes which will affect school transport:

Ms McCLELLAND: ...in accordance with the Director-General's memo, the expectation is that where schools are proposing changes there would be discussions at the local level with the bus operators to make sure that they can accommodate the changes or to identify any of the problems.

Mr COLLIER: And the school district superintendents are involved in all of that?

Ms McCLELLAND: Yes, they have been asked to be. In the main they would be, yes.⁸⁹

The PricewaterhouseCoopers review found school staff perceived operators' performance against timetables to be poor and inappropriate to meet the needs of the schools. Schools are also experiencing difficulties in coordinating school and bus timetables with operators as there is no obligation to set school times to match bus timetables.

⁸⁷ Ms Margaret O'Hearn, Representative serving on Appeals Panel, Council of Catholic School Parents, Transcript of Hearing, 7 June 2000, page 38.

⁸⁸ Mr Geoffrey Newcombe, Director, School Governance, Association of Independent Schools, Transcript of Hearing, 1 June 2000, page 30.

⁸⁹ Ms Janette McClelland, Deputy Director-General, Department of Education and Training, Transcript of Hearing, 31 May 2000, pages 33 – 34.



PricewaterhouseCoopers also recommend the Department of Transport reinforce mechanisms to improve interaction and communication between operators, parents and schools. They argue consideration should be given to facilitate communication between the stakeholders through:

- the establishment of Conveyance Committees that consist of representatives of operators, the parents and the teachers. These committees could evaluate aspects of the service such as compliance with time schedules, adherence to routes and the number of stops. Such a committee should also consider conflicting requirements of the different schools in a specific area. Previous attempts to introduce such a mechanism have not succeeded because recipients made unreasonable demands on the service providers. This would need to be addressed if there is an intention to re-establish such committees; or
- engage with the NSW Department of Education to formally establish a local area liaison committee chaired by the District Officer of Education. In this way service provision problems can be understood and resolved to the satisfaction of the wider community. However, schools should be realistic as to their expectations of bus operators. Schools serviced by the same bus route need to consider coordinating their starting and finishing times to allow bus operators to effectively service a number of schools.⁹⁰

In Queensland, conveyance committees have been established to help focus services on customer needs. These are local committees that manage matters such as timetables, extensions of routes and the control of student behaviour. A similar approach has been recommended in Western Australia, see box 6.1.

With the move to making payments based on actual usage, if students are dissatisfied with the school transport service, they will be able to choose not to take that service. If passenger numbers drop as a result of poor service, operators will be forced to improve their performance.

⁹⁰ PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, pages 43 – 44.



Box 6.1

THE WESTERN AUSTRALIAN SCHOOL BUS ADVISORY COMMITTEE (SBAC) MODEL

In November 1999 the West Australian Government endorsed the findings of the Review of Transport Assistance for Students. It recommended:

“The use of SBACs be encouraged, particularly where the transport services are to a number of schools or involve several contractors.

SBACs operate under a constitution developed by Transport in consultation with stakeholders and subject to policies and procedures Transport publishes.

The SBAC comprise elected parents of eligible students to represent students in each school serviced by the route or routes being managed, a school representative and local government officer (responsible for roads). All positions on the committee should be voluntary. Contractors and drivers will be allowed to attend meetings in an advisory capacity (but not vote).

Parents of eligible students elect parent members of the committee.

The roles of the committee be mainly advisory and any decisions made must comply with Transport policy and rules.

Committee decisions be subject to audit by Transport.”

Source: Department of Transport Western Australia, *Review of Transport Assistance for Students*, Perth, 1997, p. 15.

The Committee considers it is important for communication and consultation between bus operators and schools to be improved. However, arrangements to facilitate communication and consultation must not be allowed to fail due to unreal expectations of the impact such arrangements might have on local services. To avoid unreal expectations, liaison arrangements need to be clearly defined and the powers, roles and responsibilities of parties need to be identified and understood.

Recommendation

16. Formal liaison arrangements be established to ensure appropriate communication between bus operators, parents, students and schools.
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The Bus and Coach Association have indicated they would be supportive of such a move, as there is currently no mechanism in place to facilitate communication and co-ordination amongst the Scheme’s stakeholders. In evidence before the Committee, Mr Todd, Metropolitan Vice-President of the Bus and Coach Association (NSW) commented:

Mr TODD: ...If I could go back to your question about the co-operation between schools and so forth, we were asked at the beginning of the hearing could we suggest ways of curtailing the cost. It is all about efficiency of buses, limited resources and getting the maximum utilisation and efficiency out of them because the mechanism in place where, within a community or a region there can be dialogue between the administering authorities, the Department of Transport, Department of Education and Training, schools and providers of services to co-ordinate the services to provide the maximum utilisation and do it at the cheapest cost, we would be saying to please go



for it. It saves the taxpayers a lot of money and eliminates a lot of heartache, but there is no mechanism in place to do that.⁹¹

Stakeholders and the information available to them

As previously noted, information currently available regarding the SSTS is generally held by the Department of Transport and is focused on ensuring services are provided and funds are accounted for. The State Transit Authority (STA) gathers data on students via its magnetic strip bus pass. However, the STA does not have to make such information available to the Department of Transport. The SSTS's stakeholders each have different roles and require a different level and amount of information on the Scheme.

Students, parents and carers

In general, the main source of information on the SSTS for parents and students is through the student's school. This information is contained on the application forms which are provided to schools by the Department of Transport for distribution.

Currently, there are separate forms, each of which relates to a particular transport mode including private bus, government bus, rail and private vehicle. Unless parents receive all the forms, they may not be aware of the full range of transport options. For example, students outside the metropolitan area that do not have access to any bus or rail service may be unaware that a subsidy for use of a private vehicle may be available, unless mentioned specifically by the school.

As one of the beneficiaries of this subsidy, parents and students should be fully informed as to what services can be provided and what the standard of that service should be. Providing better information to stakeholders will help ensure their expectations about services are realistic. To illustrate, many parents, students and schools may not be aware of the need to supply services to multiple schools, fluctuating and changeable student numbers, unexpected changes or one-off changes in school hours. The weather and road conditions are other factors that can affect the operator's ability to provide the best and most reliable service.

More information will allow parents to be better informed about the SSTS, reducing calls to the Department of Transport and schools. As users of the services, parents and students would also be able to act as local observers of bus contracts to ensure service quality is maintained and help the Department of Transport monitor performance.

⁹¹ Mr William Todd, Metropolitan Vice-President, Bus and Coach Association (New South Wales), Transcript of Hearing, 31 May 2000, page 10.



Parents and students also need to know what is expected of students while travelling to and from school, particularly in relation to student behaviour and safety on and around buses.

The Department of Transport has advised it has already started to make more information available by providing forms and the basic information on its web site at www.transport.nsw.gov.au/ssts

Schools

Schools are the parents' point of contact for the SSTS and play a vital role in providing information to parents about the Scheme. Schools also inform operators about transport needs and assist operators and parents with student behaviour issues. Further, they provide administrative support to the Department of Transport in receiving and processing student application forms and attendance returns. There is an expectation from parents that the school can provide advice on all aspects of the SSTS. However, at present the only information available for schools is in the application form and from intermittent instructions from the Departments of Transport and Education and Training.⁹²

A co-operative approach between schools, operators and the Department of Transport is essential to ensure services are delivered as efficiently as possible. More information to schools on, for example, factors to consider when seeking to adjust school hours and providing a Department of Transport contact would assist them and improve the delivery of the SSTS.

An important source of data for the SSTS is student details held by the school. These details are used as the basis for determining eligibility and existence of students. In their recent review, PricewaterhouseCoopers concluded the collation and verification of student details and existence is a costly and time consuming exercise. The current system of obtaining written confirmation from schools is inefficient. PricewaterhouseCoopers recommend coordinating the information needs of the Department of Education and Training with those of the Department of Transport.⁹³ The process of eligibility assessment was discussed in chapter 2.

Transport Operators

Transport operators are contracted to provide transport services for all passengers, including both students who are not eligible for subsidised travel and pay a fare, and those who receive free travel. When providing these services, operators are bound by a variety of commercial constraints, eg, capital constraints, asset liquidity and

⁹² For details see Department of Transport, Application for travel under the School Student Transport Scheme (SSTS), available at www.transport.nsw.gov.au/ssts/ssts-form297.html, accessed 6 September 2001.

⁹³ PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 46.



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viability concerns. Operators are also bound by operational constraints, such as traffic congestion.

In order to provide the service as efficiently as possible, operators need schools, students and parents to take a co-operative approach. Greater information about the SSTS and the accountabilities of all stakeholders would help ensure safe, efficient and reliable services. The establishment of formal liaison arrangements, as recommended by the Committee, is one measure which will help achieve co-operation.

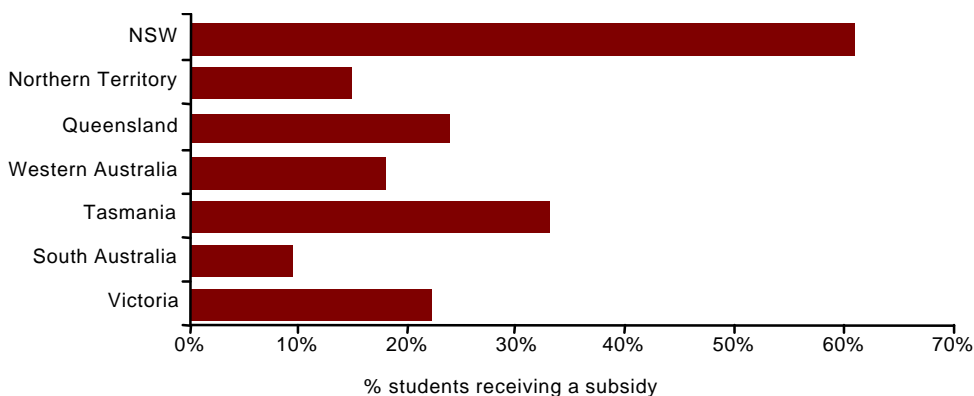
Chapter Seven

Eligibility for Subsidised Student Travel

New South Wales has the broadest eligibility criteria in Australia. As shown in Figure 7.1, 60% of NSW students are subsidised by the SSTS, which is almost twice that of the next most subsidised state (Tasmania) and is three times the non-NSW average.

Figure 7.1

PERCENTAGE OF STUDENTS RECEIVING SUBSIDISED SCHOOL TRAVEL



Source: Department of Transport.

What is clear from an analysis of interstate jurisdictions is New South Wales has the most liberal eligibility criteria in Australia. See Table 7.1 overleaf

Modification of eligibility criteria

Extend the distance criteria

Every student transport subsidy scheme in Australia contains some form of minimum distance criteria such that no subsidy is available if the student falls within the specified minimum distance from the school. The aim is to target the subsidy to those who are likely to need the greatest assistance to travel to school, with the presumption that it is more difficult to travel greater distances.

It is clear from an analysis of interstate jurisdictions that New South Wales has the most liberal eligibility distance criteria in Australia.



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Table 7.1: Eligibility criteria for school student transport assistance

State	Geographic Location Criteria	Minimum Distances from School to qualify for support	'Nearest School' Eligibility Restrictions	Welfare Criteria
New South Wales	No restrictions on assistance for transport due to the students residential location	K – Yr 2: No restriction Primary student: >1.6 km radial or 2.3 km walking – free travel Secondary student: >2 km radial or 2.9 km walking – free travel TAFE students (under 18 yrs): >3.2 km radial – free travel	No restrictions on assistance for transport due to the students choice of school	No welfare criteria
Victoria	Free Travel is provided for eligible students who are located mainly in rural and urban fringe areas and use dedicated bus services, route services, government rail, tram and bus services and privately chartered vehicles	Primary or secondary student: > 4.8 km from the school – free and/or concessional travel	Limited to nearest school	No welfare criteria
Queensland	Free travel is available to eligible students accessing school contract services (predominantly rural and urban fringe students)	Primary student: > 3.2 km – free and/or concessional travel Secondary student: > 4.8 km – free and/or concessional travel	Limited to nearest state school	Free travel is available for students with health care cards who travel on government bus and rail services
South Australia	Rural students must be > 5km from their nearest appropriate government school to access free travel	Students in rural areas must be > 5 km from their nearest appropriate government school to access free travel	Limited to nearest state school for rural children	No welfare criteria
Western Australia	No restrictions on assistance for transport due to the students residential location	Primary or secondary student: > 4.5 km from the nearest appropriate school – free travel	Limited to nearest appropriate school (government school or schools of religious denomination or ethos)	No welfare criteria
Tasmania	Full subsidisation is extended to eligible students accessing school contract bus services which operate only in rural areas	In rural areas > 5 km from nearest school or bus stop – free and/or concessional travel	No limitation on school type	Students with concession cards are allowed free transport to school Concession cards are provided where the student's parents receive pensions or health care cards

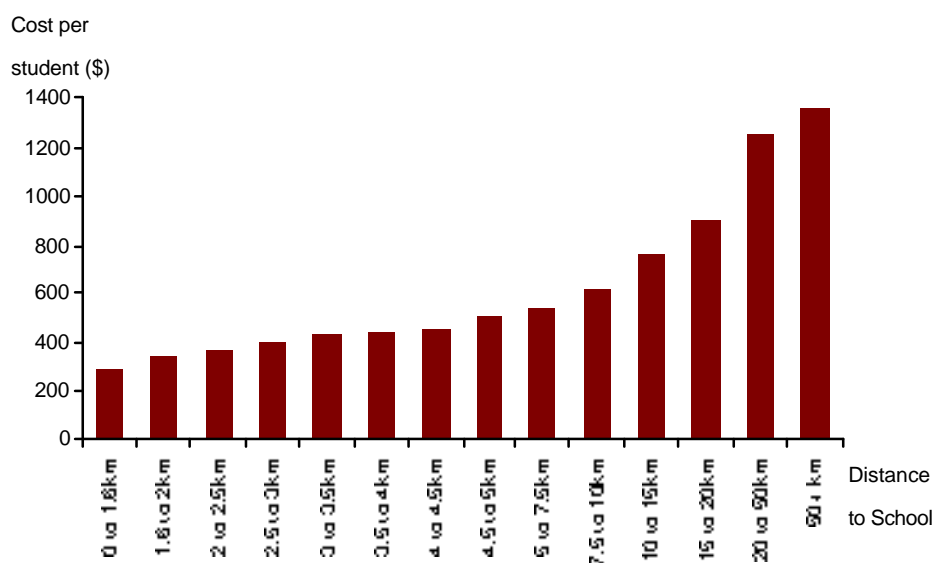
Source: Department of Transport



Due to the direct relationship between distance and costs (see figure 7.2) the liberal minimum distance criteria in NSW means the cost of the SSTS must be greater than for similar schemes in other jurisdictions. If it is decided that the cost of the SSTS must be curtailed, then the imposition of a greater distance criteria as the minimum is clearly one way of reducing the cost of the SSTS. The extension of the distance criteria would also allow for more targeted assistance to those students living the furthest distance from school, who presumably face the greatest geographic restrictions on access.

Figure 7.2

RELATIONSHIP BETWEEN COST AND DISTANCE BETWEEN HOME AND SCHOOL FOR COMMERCIAL BUS CONTRACTS



Source: Department of Transport

It is useful to see the cost savings that could be generated by moving to models broadly similar to those in other jurisdictions. To make this comparison, Table 7.2 sets out the costs of commercial contracts by the distances travelled by students.

Table 7.2

COSTS BY STUDENT TYPE FOR TRAVEL ON COMMERCIAL BUS CONTRACTS

	<i>0 to 1.6km</i>	<i>1.6 to 2km</i>	<i>2 to 2.5km</i>	<i>2.5 to 3km</i>	<i>3 to 3.5km</i>	<i>3.5 to 4km</i>	<i>4 to 4.5km</i>
Infants	\$4,963,148	\$1,306,559	\$3,812,929	\$990,496	\$3,357,729	\$698,578	\$601,807
Primary	\$2,565,761	\$2,233,053	\$3,952,199	\$1,923,245	\$4,943,642	\$1,327,350	\$1,217,377
Secondary	\$2,690,979	\$2,854,504	\$9,736,011	\$8,211,397	\$12,050,960	\$7,203,767	\$6,597,210
TOTAL	\$10,219,888	\$6,394,116	\$17,501,139	\$11,125,138	\$20,352,331	\$9,229,695	\$8,416,394

Source: Department of Transport



From Table 7.2, it is possible to estimate the cost savings that would flow if the distance criteria were modified and strictly applied:

- An approach similar to that in Victoria – eg, a minimum distance of 4.5 km for urban students (ie, for commercial bus contracts) – would result in a saving of approximately \$83.2 million, comprising \$15.7 million from infants, \$18.2 million from primary students and \$49.3 million from secondary students; and
- A staggered approach similar to that in Queensland – eg, a minimum distance of 3 km for urban primary school students and 4.5 km for urban secondary students (ie, for commercial bus contracts) – would result in a saving of approximately \$51.9 million, comprising \$8.1 million from primary students and \$43.8 million from secondary students.

Clearly, the scope for significant savings exists if the Scheme's minimum distance criteria are tightened to bring them into line with similar criteria elsewhere in Australia. This raises the issue of the degree to which this loss of public subsidy is a meaningful disadvantage for those students who would be denied free travel. While those who would lose the subsidy will undoubtedly claim the loss would be significant, it is unlikely that travel to school in New South Wales is inherently more dangerous or more difficult than in other states, or that parents are less able to pay for student travel than in other states.

Representatives from the NSW Parents Council Inc. argue the current radial and walking criteria result in certain children being disadvantaged.

CHAIR: In relation to the inconsistent distance eligibility criteria, could you identify the inconsistencies that exist and where you would like to see some changes?

Mr McINNES: There are two criteria for determining the eligibility of a child for free travel, the radial distance from the school and the walking distance. In certain situations, as the notes say, a child who lives in that gap distance may be disadvantaged.

Let us take the situation of a high school student. The radial distance is two kilometres, the walking distance is 2.9. If the geographical situation is such that the radial distance is almost the same as the walking distance, in other words it is almost in a straight line to the school in some terrain, you could have a child who lives just over two kilometres away from the school getting free travel. However, for a child living within that two kilometre radial distance who has to travel over rivers, lakes, railway lines, or freeways, that child within that two kilometre radial has to exceed 2.9.

Whilst a child living only 2.1 kilometres away from the school will get free travel because of a straight line to the school, other students living within the radial distance from the same school, possibly within different terrain situations, who do not achieve the 2.9 kilometres miss out on transport.

That applies to secondary and primary areas of education for students who are in years 3 to 6 in primary with their relative criteria.



When we apply the distance criteria there are some inconsistencies and it may be better to look at ways of arranging the eligibility just on walking distance alone.⁹⁴

Whilst students not entitled to free school transport may appeal to the Appeals Panel, the NSW Parents Council Inc. argue the distance criteria, as applied by the Department of Transport, are inconsistent and may disadvantage some students.⁹⁵

Limit assistance to the nearest State or 'appropriate' school

Submissions to the Committee from many public schools, especially in rural and regional areas, cite that after the introduction of dezoning policies, they now have to compete with out-of-area schools for student enrolments. These schools are concerned the extension of the distance criteria actively encourages students to travel further distances and thereby increases the costs of the SSTS. A number of parties have suggested restricting the eligibility to the nearest government or non-government school to alleviate the pressure and curtail the increasing cost of the SSTS.

As shown in Table 7.1, almost all other states limit subsidised travel to the nearest:

- state school; or
- appropriate school – an appropriate school is one which may cater for any specific need (eg, religious or sport).

Table 7.3 shows, by education level, the degree to which students attend their closest government school.

Table 7.3

USAGE OF NEAREST GOVERNMENT SCHOOLS BY METROPOLITAN STUDENTS WITH BUS PASSES FOR COMMERCIAL BUS CONTRACTS (BY EDUCATION LEVEL)

	<i>Average distance to:</i>		
	<i>Current School</i>	<i>Nearest Appropriate Government School</i>	<i>Proportion of Eligible Students Currently Attending Their Closest Government School</i>
Infants	3.2km	1.2km	30%
Primary	4.5km	1.3km	14%
Secondary	7.0km	1.9km	11%

Source: Department of Transport

Note: Distance is the straight line distance from the student home address to the school address

⁹⁴ Mr Duncan McInnes, Executive Officer, NSW Parents Council Inc., Transcript of Hearing, 7 June 2000, page 22.

⁹⁵ Id, page 23.



Similarly, Table 7.4 shows, by school type, the degree to which students attend their closest government school.

Table 7.4

USAGE OF NEAREST GOVERNMENT SCHOOLS BY METROPOLITAN STUDENTS WITH BUS PASSES FOR COMMERCIAL BUS CONTRACTS (BY SCHOOL TYPE)

<i>Average distance to:</i>			
<i>Current School</i>	<i>Nearest Appropriate Government School</i>	<i>Proportion of Eligible Students Currently Attending Their Closest Government School</i>	
Government	5.2km	1.8km	25%
Catholic	5.8km	1.5km	0%
Independent	8.5km	1.6km	0%
Special needs	7.3km	na	0%
AVERAGE	5.8km	1.7km	14%

Source: Department of Transport

Note: Distance is the straight line distance from the student home address to the school address

Tables 7.3 and 7.4 demonstrate the introduction of a ‘nearest government school’ criterion would result in a considerable saving, but would affect up to 75% of currently eligible students attending government schools. All students attending private schools would be ineligible. Again, the potential for cost savings are likely to be significant, but at the loss of a subsidy to a large number of households.

Representatives from the NSW Teachers Federation argue school students should only receive free transport to their nearest appropriate government school. The argument is if parents choose not to send their children to the nearest appropriate government school, that is their choice and the costs should be met through private arrangements. Ms Edsall from the Teachers Federation noted:

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.⁹⁶

The Federation of Parents and Citizens Associations of New South Wales were of a similar view:

Mr MOLESWORTH: ...The position of our organisation is extremely clear. We represent parents in Government schools and we are supporters of the concept of

⁹⁶ Ms Sally Edsall, Research Officer, New South Wales Teachers Federation, Transcript of Hearing, 7 June 2000, page 12.



public education and the duty of the State to provide free secular and compulsory education to everyone who seeks it.

In the context of that we support the duty of the Government to provide free transport to enable children to take advantage of the education provided. We treat the choice of school as something which is a matter of civil rights, but the subsidies paid to those who exercise that choice is something on which we have clear policy and that is that choice is a private matter and something which ought not to be subsidised out of the taxpayers' money unless there are extremely sound reasons for doing so.

In relation to the school transport scheme, we believe that there are considerable policy reasons for not doing so. Our submission says that the schools transport scheme should provide free transport for all children to their nearest Government school and if they wish to travel further than that, that is a matter of private choice and should be a matter of private funding.⁹⁷

The Federation of Parents and Citizens Associations are of the view that choosing private education is a private choice. However, in the interests of equity, children attending private schools should be given the subsidy equal to the nearest Government school with the difference being made up by the student.⁹⁸

The Committee also received a number of submissions from public schools which heavily criticised the provision of free travel to school for those students who choose to travel past the nearest or appropriate state school. It should be noted that the common theme through these submissions is public schools are finding it difficult to retain numbers. With the introduction of dezoning policies there has been a move away from the local government school. By placing a restriction on student travel to the nearest government school, public schools are hoping to keep students.

However, many witnesses were against any change in the eligibility criteria based on the student attending the nearest government school. For example, representatives of the NSW Parents Council Inc. argued such a change in eligibility would reduce parents' ability to choose the school which suits their children's needs and expectations:

Mr YORK: ...One of the principles of the parents' council, and it is an accepted principle by government and the Universal Declaration of Human Rights is that parents have a right to choose the best school for their particular youngsters needs and expectations. Therefore, by restricting the payment of transport cost to the nearest government school is contrary to that principle. It is reducing the parents' ability to exercise the right.⁹⁹

In addition, the NSW/ACT Independent Education Union note that under the educational laws of NSW, parents are entitled to determine the most suitable school

⁹⁷ Mr Rodney Molesworth, Publicity Officer, Federation of Parents and Citizens Associations of New South Wales, Transcript of Hearing, 7 June 2000, pages 54 – 55.

⁹⁸ Id, page 56.

⁹⁹ Mr David York, President, NSW Parents Council Inc., Transcript of Hearing, 7 June 2000, page 26.



for their children. Therefore, any change to make only those students who attend the closest or most appropriate government school eligible raises questions of equity.¹⁰⁰ This is also noted by the Council of Catholic School Parents who state:

Major political parties in NSW and in Australia recognise the right parents have to make this choice. The provision of transport to and from school should continue to be regarded by Government as an integral part of the provision of schooling irrespective of which type of school [Government or Non-Government] parents choose for the education of their children.¹⁰¹

Introduce a maximum distance criterion

Another option is to cap the maximum distance that the SSTS will subsidise. Table 7.5 shows the savings that could be achieved with various maximum distance caps for travel with commercial (ie, generally urban) bus providers.

Table 7.5

COST SAVINGS ASSOCIATED WITH MAXIMUM DISTANCE CAPS FOR COMMERCIAL BUS CONTRACTS

<i>Maximum Distance</i>	<i>Projected SSTS Saving (\$ million per annum)</i>
5km	\$138.6
7.5km	\$96.5
10km	\$71.9
15km	\$40.1
20km	\$23.5
50km	\$0.4

Source: Department of Transport

A concern with a maximum distance cap is it is likely to disadvantage those most in need. In evidence before the Committee, representatives from the Catholic Education Commission noted their objections to placing a maximum value on transport for school students on the basis of it being inequitable:

Mr BAKER: Brian referred to the 1992 review, the 1993 report and our support for that process and, obviously, our support for this process. I suppose what we would like to indicate is our concern about some of the ad hoc attempts to reform student transport in the intervening period and just alert the Committee to a couple of ad hoc solutions, in inverted commas, that have been attempted in the past which we have not found to be satisfactory.

¹⁰⁰ NSW/ACT Independent education Union, Submission to the Review.

¹⁰¹ Council of Catholic School Parents, Submission to the Review.



One was the attempt in 1995/96 to put a maximum value on transport at the time of \$450, which was inequitable. It was not introduced, of course, but it would have been inequitable, and we would be concerned if there was any attempt to revive that.

Obviously, we could answer questions on why we came to the conclusion that a flat rate dollar cap would be inequitable.¹⁰²

The Committee considers that a maximum distance cap will likely disadvantage those most in need. However, to overcome this concern, differential caps could be applied to metropolitan and non-metropolitan students.

Further, the distance criteria has become an issue since the dezoning of schools and the increased trend for students to attend schools other than their local government school. Whilst there are concerns about the increased costs of the SSTS due to dezoning, the Committee feels that for reasons of equity no changes should be made to the distance criteria as they currently stand.

Application of socio-economic criteria

Another focus could be to limit eligibility to those students who require the most support to attend school because of their socio-economic status. This is done in other jurisdictions by giving greater priority to:

- students who receive welfare payments – For example, in Tasmania priority is given to those students whose household receives a Health Care Card; and
- public school students over private school students – However, the effectiveness of distinguishing socio-economic status from the type of school must be significantly questioned given the significant increase in low fee private schools over the past decade.¹⁰³

Representatives from the NSW Parents Council argued any moves to give priority to public school students over private school students, or vice versa, would be discriminatory and inequitable:

Mr GLACHAN: There is also a view that the School Student Transport Scheme should be targeted to low income families. These are likely to be students who attend government and most Catholic schools as opposed to the more exclusive independent schools where parents are apparently able to afford the high level of fees that these schools charge. What is your view on this?

Mr McINNES: This matter was explored previously in the last major review. I think the recommendation was that maybe a parental levy would be applied to all

¹⁰² Mr Ian Baker, Director, Policy and Programs, Catholic Education Commission of New South Wales, Transcript of Hearing, 1 June 2000, page 11.

¹⁰³ It should be noted Victoria is currently reviewing eligibility criteria for access to the free school bus system with a view to potentially extending eligibility to private school students. Western Australia has recently reviewed the eligibility criteria for its transport assistance scheme and from 2003 will broaden eligibility to allow students to attend their school of choice.



users in the Scheme. To say that those parents who utilise government schools and some Catholic schools are unable to afford a levy that would be placed on. However, parents who may choose for their child's education an independent school, can pay, I have to say is quite discriminatory and inequitable.

That is saying that all users of government schools are unable to provide the same sort of financial input, their ability as families. That is clearly wrong. The distribution of incomes from the Australian Bureau of Statistics & Census, the last census, clearly indicates there is about an equal balance between government and non-government school parents across all income ranges.

We would certainly reject such a proposal that those parents of children attending independent schools would make a financial contribution.¹⁰⁴

A number of more complex approaches could also be considered. For example, eligibility criteria could be lower for students:

- from suburbs with lower socio-economic averages; or
- attending schools with lower socio-economic averages.

This approach is necessarily broad and data-intensive. A concern with any such approach which requires the analysis of particular schools is it will tend to be either:

- at too high a level of aggregation and hence imprecise; or
- too detailed at a personal level and likely to raise privacy concerns.

However, as a starting point, the approach used by the Commonwealth to allocate funding between private schools, the Socio-Economic Status (SES) model, could be an option for setting eligibility bands based upon the socio-economic circumstances of a school's student body. The SES model is described in these terms:

The SES approach measures the socio-economic status of the parents whose children are enrolled at a school. Rather than asking parents intrusive questions about their income and other personal information the SES model links student addresses with current Australian Bureau of Statistics (ABS) Census data. An SES Index is then applied to obtain an SES score for each school. Schools which draw students from areas of predominantly high SES will receive lower levels of Commonwealth funding than schools which draw from areas of average or low SES.

A socio-economic index can be made up of a number of variables representing various aspects of a person's social position. The SES Index used for non-government school funding includes only three dimensions – income, education and occupation.¹⁰⁵

¹⁰⁴ Mr Duncan McInnes, Executive Officer, New South Wales Parents Council, Transcript of Hearing, 7 June 2000, page 27.

¹⁰⁵ Commonwealth Department of Education, Training and Youth Affairs, *SES Funding Arrangements For Non-Government Schools*, available at http://www.detya.gov.au/schools/ses/SES_FAQ.htm



Considerable savings could be made if the eligibility criteria were altered to limit the number of students eligible for travel under the SSTS. However, for reasons of equity, the Committee considers that all students who are currently eligible for travel under the SSTS should remain eligible.

Flexibility of the free travel policy

A number of submissions to the Committee's review noted the increasing number of school students who travel from school to child care facilities. These child care facilities may be at another school or with a family relative. Currently such travel is prohibited under the SSTS.

Despite this prohibition, the recent PricewaterhouseCoopers review noted anecdotal evidence that students were provided with bus passes to travel to grandparents' or childminders' residences after school.¹⁰⁶

In some cases, custody of a child has been agreed between both parents and the child resides with each parent for part of each week. Current practice is to issue dual passes for these students. This results in transport operators effectively receiving payment for two students when in fact only one is travelling, contributing to unnecessary costs to the Scheme. This issue will be overcome with the introduction of electronic ticketing and the implementation of a payment system based on actual use of the service.

Concerns were expressed in some submissions the SSTS was inequitable when children from broken homes received the benefit of two bus passes when the child of a sole parent who is required to travel from school to child care is ineligible.¹⁰⁷

Representatives from the Federation of Parents and Citizens Associations of New South Wales, are of the view students should be able to travel from school to child care facilities under the SSTS. Whilst they conceded that allowing school students free travel to childcare would increase the costs of the Scheme, they argued it should be allowed on the basis of equity:

Mr GLACHAN: In your submission you say that the students should be allowed to travel to the premises of after school care providers, instead of necessarily travelling home. Have you considered the implications which this decision may have for multiple pass holding by students and the cost impact on the Scheme?

Mr ANDERSON: We have not considered the cost impact in detail because we are stymied to some extent in finding specific information relating to costs, but we believe that there is an important equity issue here and that is that many parents are

¹⁰⁶ PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 38.

¹⁰⁷ See submissions from Mr Thomas George MP, Member for Lismore, regarding Blue Hills College and Goonellabah Out of School Hours childcare, and correspondence from Mrs Winslade and Mrs Bellert.



required to seek full-time employment. Probably most people here have mortgages in Sydney. That is no easy matter to handle on a single income.

It is a changing world and changing social environment. These issues do need to be considered. They are legitimate costs. The whole issue of child care is one fraught with costs implications for Government. This is one of them. This is a minor one. It seems one that could be easily tackled especially in relation to other child care related cost issues.¹⁰⁸

Many witnesses before the Committee also noted the changes in educational policy such as joint secondary school TAFE programs. An increasing number of senior students are participating in special programs at TAFE, or participate in work experience programs as part of their curriculum. They are not entitled for free travel to these activities.

PricewaterhouseCoopers noted similar observations in its review and recommended:

- the SSTS policy be reviewed to consider whether it could accommodate the initiatives introduced by the NSW Department of Education and Training as part of the students' normal school curriculum; and
- the investigation of whether the innovations in education could be used to help solve the under-utilisation of buses in off-peak periods, particularly in rural areas.¹⁰⁹

PricewaterhouseCoopers also note the costs and difficulties of meeting these challenges will need to be carefully considered and assessed to ensure the constraints on flexibility in the transport sector are addressed. A long-term plan also needs to be developed for phasing in the changes over the next five to ten years. This should ensure stakeholders support, in particular the Bus & Coach Association (NSW) and the Department of Education and Training.¹¹⁰

Furthermore, concerns were expressed about the inflexibility of transport provision. Jude Belcher from Dunoon commented that her son, a year 11 student, was driven to a bus stop which enabled him to catch a bus which arrived at school in time for his senior classes. However, he takes the normal school bus home in the afternoon. Given he is not taking the normal school bus of a morning he is not entitled to free travel. This is despite the necessity for him to catch the alternative service to arrive at school in time for class.¹¹¹

¹⁰⁸ Mr Damien Anderson, Research Officer, Federation of Parents and Citizens Associations of New South Wales, Transcript of Hearing, 7 June 2000, pages 65 – 66.

¹⁰⁹ PricewaterhouseCoopers, *NSW Department of Transport: SSTS Bus Contract Review*, January 2001, page 37.

¹¹⁰ *Ibid.*

¹¹¹ Ms Jude Belcher, Submission to the Review.



Similarly, David Funnell from Copmanhurst, in his submission to the inquiry, indicates the system is too inflexible for rural areas and a bus pass system that allows parents to choose ‘pick up’ and ‘drop off’ points would be of greater use.

Currently, students who are deemed ineligible for travel under the SSTS can apply to the Appeals Panel for reconsideration. Ms Margaret O’Hearn noted in evidence before the committee that very few appeals were successful.¹¹² Despite this, the Committee feels that the Appeals process provides for the consideration of issues such as bus timetables, bus routes and safety when determining a student’s eligibility.

Current policies providing more innovative and flexible education are likely to continue and expand. This will result in increased demands for flexible student transport. The introduction of smart card technology presents opportunities for increasing the flexibility of the SSTS by programming smart cards for specific routes (eg, from school to TAFE, from school to child care or for any other education related purposes). The Committee considers students should have access to flexible transport which accommodates the demands of a modern educational curriculum.

Recommendations

17. The SSTS policy be reviewed to consider methods of efficiently accommodating education innovations such as joint secondary school/TAFE programs, work experience programs and other appropriate education related travel.
18. Those students who are currently eligible for travel between school and their place of residence be entitled to travel between school and childcare facilities.

In Chapter 8 of this report, the Committee raises for discussion an alternative framework for funding the SSTS and for making local equity decisions. With respect to Recommendation 17, decisions on what constitutes “appropriate education related travel” could be made by the school committees established to administer such an alternative framework should it be implemented.

¹¹² Ms Margaret O’Hearn, Representative serving on the Appeals Panel, Council of Catholic School Parents, Transcript of Hearing, 7 June 2000, Page 45.