REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO FOLLOW UP OF AUDITOR-GENERAL'S PERFORMANCE AUDIT REPORTS OCTOBER 2009 TO SEPTEMBER 2010

At Sydney on Friday, 14 October 2011

The Committee met at 9.30 a.m.

PRESENT

Mr Jonathan O'Dea (Chair)

Dr Geoff Lee
Mr John Williams
Mr Bart Bassett
Mr Michael Daley
The Hon Richard Torbay

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CHRISTOPHER JOHN YATES, Performance Audit Leader within the NSW Audit Office, 1 Margaret Street, Sydney, and

PETER CHARLES ACHTERSTRAAT, Auditor General within the NSW Audit Office, 1 Margaret Street, Sydney, and

LESLIE ROBERT WIELINGA, Director-General within the Department of Transport, 18 Lee Street, Chippendale, and

CRAIG ROBERT DUNN, Director of Bus and Ferry Services Contracts within the Department of Transport, 16-18 Wentworth Street, Parramatta, and

JOHN KARABOULIS, Deputy Director-General within the Department of Transport, 18 Lee Street, Chippendale 2008, sworn and examined:

Mr WIELINGA: There are two things I would like to say. I have made sure that I have brought the right people along here today to deal with the Committee's questions. I would like to reinforce we have used the Auditor-General's report from 2010 as a constructive opportunity to continue improvements with the delivery of bus services in Sydney. We very much support the audit process. You will see after we talk today that we have used this constructively.

Mr ACHTERSTRAAT: Thank you very much, Mr Chair. I would like to thank the Committee for holding this meeting. It is very opportune because the contracts are due for renegotiation over the next couple of months, so I think it is a very timely period.

CHAIR: Mr Wielinga, in your initial response to the Auditor-General's report you mentioned that your department was undertaking a bus contract benchmark exercise to assist in managing current bus operator performance. While we appreciate that you have provided a written response, and we might cover some of the ground that you have covered in your written response, would you please outline and detail, where appropriate, the outcomes of that exercise.

Mr WIELINGA: Perhaps if I talk about the benchmarking a little bit in broad strategy terms. We are doing benchmarking at two levels. We are doing it against each of the bus companies within the contract areas within Sydney. Secondly, we have set up a national bus performance benchmarking group with other States to work on the details of how we are going against other jurisdictions and to exchange information with those other jurisdictions. New South Wales, Victoria, South Australia, Western Australia, Tasmania and Queensland are now a part of that group.

The purpose of that group's objective is to establish a system of measures for cross-jurisdictional comparison, use the system of measures to understand differences across the jurisdiction, support decision making within Government and to provide comparative information within a framework of confidentiality so that all of the States can be assisted in developing the performance measures for their bus contracts and to exchange ideas, et cetera.

What are the sorts of measures that we are now starting to use with our bus contract measurements? So what are sort of the benchmarking spaces the other States have? We are very much focussed on key performance indicators that have two sorts of objectives. The first is that they are customer focussed. The second is we are trying to find things that are under the control of the bus companies themselves, things that they can make a difference about. I am sure we will get into a little bit of detail about that later on.

Some of the service quality key performance indicators involved that we are looking at are total cost per service kilometre, boardings per service kilometre, early and late trips from departure, early and late trips at the midpoint, complaints per 100,000 boardings, customer satisfaction, average number of heavy vehicle inspection failures per bus per annum, a number of management fraud detected during independent audits of sales and reconciliation process.

We have developed reports since the Auditor-General's report for 2007/8 on those indicators, 2008/9 and 2009/10 is almost completed. At the moment it is an ultimate draft. So we always figured that we needed about three years of information to have some useful platform to leverage off with these performance indicators.

As to the results, we are happy to provide those reports to the committee for its perusal should it wish to look.

CHAIR: That would be good, if you could do that then we might in turn make them available to the Auditor-General for his comments before everything is finalised. It might also be useful for your own benefit in terms of finalising the approach. Is that acceptable?

Mr WIELINGA: I should put on the record, Chair, that some of that has commercial, in-confidence information entered about the financial workings of those companies. Of course, we will provide it to the Committee and the Auditor-General.

CHAIR: And we will treat that in-confidence. You have outlined a number of those key performance indicators which have been developed obviously as a result of that exercise. Are you open to refining some of that based on the feedback from the Auditor-General after he has had a look at it?

Mr WIELINGA: We certainly are. We started with about 78 indicators. I mentioned to you the two objectives that we had a look at. We want to start measuring things that make a difference to the customer. An example of that is if we are managing on-time running. We want to know what is the type of measure, how we do that closely matches the experience that the customer is receiving. It has been a big job but we are happy to share that information with the Auditor-General.

CHAIR: You mentioned that you have completed the work for 2007/8, 2008/9 years and that you have almost completed the report for 2009/10. Can you indicate when that report will be completed? And also speak to those reports in broad terms in terms of the findings in regard to bus operator performance.

Mr WIELINGA: I have a little summary table that has come out of that performance information so far. You would appreciate that it is a mixed bag between the different regions and the different companies. I can give you some percentage there from on-time running, if you would like to get those. There is 14 bus regions and we are looking at almost 18 months of indicators there for that particular indicator. I do not know if it would make sense to go through percentages other than to say that there is variability in performance of all the companies across the regions. I have the reports here with me now.

CHAIR: Would you like to table anything in a public sense? Or can you table that something in a public sense?

Mr WIELINGA: I do not mind tabling this in a public sense because it is about to go up on our website. The reason we wanted the three years of information was that it gave us some trend information, but it has also given us an opportunity to get some independent verification of this performance data, rather than self-reporting. We have our own people out there at the moment doing the checks on this as well. So it is being done by independent contractors.
It is a very important dimension. Now that we have that we can put these results up with some confidence.

CHAIR: Thank you. We might table that document and look forward to receiving further information which might be identified as confidential and will be treated as such as appropriate.

Dr LEE: Director General, I understand you mention in your response that the Department of Transport engaged an independent auditor to audit the metropolitan bus service contracts and that this audit would be expanded to include the auditing of self-reported performance data for bus operators. Can you give us any outcomes from the audits for 2010/11 year?

Mr WIELINGA: We have just done 2009/10. The table that I have given you currently goes up to August this year. It has those percentages. So I have just tabled the document that shows the on-time running figures for those. We have had independent people out there measuring the on-time running at key points on all of the networks and checking that against the self-reporting stuff from the companies and working with those companies where there has been any variations, so that we have sorted out those issues with them.

The second thing is that for those performance indicators we have used both people within the department and outside specialists to advise us on those appropriate indicators.

Dr LEE: Is there much variation between the self-reported indication and your external independent audit of those?

Mr WIELINGA: It is closer now. Clearly there are some of those variations, but when they come up we confront them with the companies and deal with it. If you are saying to me: Is it better to do independent reporting? You bet it is.

Dr LEE: Thank you. This question is perhaps not on my list, the Auditor-General has done a fantastic job and I read your response and everything. Are there things that were missed to fulfil your criteria, that criteria of improving customer service and things that the bus operators can control? Is there any one big thing or a couple of big things that we have not covered? You are very experienced in running all of these things and we are about to renew the contracts. What would you say we should focus on or what have we missed?

Mr WIELINGA: At the end of the day the Auditor-General takes a strategic look at what is happening with bus networks. They are in a position where they can take a helicopter view and have a good look at what is going on. That strategic look is absolutely vital.

There are some issues in the practical implication of some of the outcomes that requires quite a detailed understanding of how the bus business works, some practical issues about how do you get particular outcomes, some of the practical issues about what is the appropriate level to try and generate competition to get best cost outcomes for our community. What are some of the barriers of entry into the market that need to be overcome to get that sorted? Very big competition. That requires lighter details, sometimes economic assessment and it requires a fairly sophisticated understanding of how the industry works. But that material should sit alongside a detailed financial audit.

It is very important work by the Auditor-General, but if you are going to do a comprehensive exercise like that I would like to see a broader approach to having a look at the structure of the industry itself and an examination of some of the potential options on the way forward. We would be very happy to work in a constructive environment like that.

Mr WILLIAMS: There is a couple of aspects to this question. I note your reply on 25 February to the Auditor-General's report. I noted that you mentioned to get a GPS bus tracking technology, which is obviously one of those components that is modernising the ability to audit on-time running. It creates a bit of a concern to me. Is it a resource that is being utilised currently to monitor these contracts in regards to key performance indicators, benchmark and on-time running?

Mr WIELINGA: You are making a very valid point, but the way to answer that question is it needs an appreciation of where we used to be and where we are getting to now with the bus companies. Seven or eight years ago we had a group of family-based companies generally, one or two big players, not very much sophistication in regard to bus route planning and a lot of other things. Their management structures were not geared up to focus on customer service in an appropriate way. The quality of the management generally, their ability to co-ordinate with others was not good. The first lot of contracts did a lot to advance that along the way.

One of the issues that we needed to deal with once we had got through that hurdle was appropriate performance indicators so that we could deal with underperforming contractors and to get the sort of information base that we need that. In a sense there is a little bit of a fear from the bus companies about that sort of exposure they get when you start working on appropriate performance indicators. We took the attitude that we wanted to work with the industry to get that right. I have been appreciative of their cooperation along the way. It is taking us a few months longer than we would have liked, but I think we are going to get a better result as a result of those performance indicators.

At the end of the day technology will need to play a role to inform the quality of that information. It will do two things for us. It will give us a broader span for chasing information with these GPS locators on all buses. It will give us that information database. The reality is that we can not only look at their performance over a period of time, but we can start solving problems live time while they are occurring during the peak period. We are doing that with STA buses with the GPS group or the PTIPS group. We have now just put in the TMC.

For the bus network in Sydney we have got 11 STA officers there monitoring PTIPS. The second thing that we are doing with PTIPS is that we are having a look at the reality of the bus timetables. We set them as they go through our road network. Are they a realistic timetable? Where are the problems occurring? We can see things; for example, like where buses are bunching up and congestion points that happen at a certain time. We are starting using that information to go out to have a look at those locations on our networks to see what we might do about them.

We have 4,500 buses running in Sydney. In 20 years we will probably have 6,500. We will need that technology to give us that information to know how they are performing. The beauty of the benchmarking material is that we can use that information and we can create a band of performers for a particular outcome that the bus companies have got to be in. If they are get outside that band of performance they become a non-performing contractor and our future contracts we expect will allow us to do something about that.

Mr WILLIAMS: My next question probably relates to a customer-service focus. What sort of reporting is going to become public information in regards particularly to these contractors and lifting their level of service to the general public?

Mr WIELINGA: The customer-satisfaction surveys now are being made similar with the new introduction of the new integrated agency. We are now doing the mystery shopper-type surveys across all the networks, road, rail and buses, using a similar structure and a more comprehensive set of questions. That customer satisfaction number is going to be fairly important. The way the questions have been structured is consistent across all of the modes. It is going to give us a relativity about the performance across those different modes. Because the people that are doing this are in our bureau of transport statistics, and they are not actually an operator, they have an independent view of what is going on. We will be using that material to drive the performance of those contractors. As well as that we will be using it to give a little bit more of acute insight to what is concerning the customers out there on those networks.

Mr TORBAY: Just a little bit more about customer results basically, can you just broaden a little bit on the customer satisfaction surveys conducted in 2009/10 and what they told us. You have indicated how it is going to influence the next stages, but I would be interested in those issues along that period of time, what the customers are actually saying to you.

Mr WIELINGA: The customer surveys were undertaken by ITSA and they put them up on their website. As soon as they are completed those figures will be there. When you are having a look at performance on buses one of the key issues for the community is that when a full bus comes along, they are unable to get on to those buses. So one of the issues there is how we stage buses at particular times in the peak and whether or not we consider going from a timetable arrangement to a high frequency type arrangement where buses just turn up every five minutes in certain corridors. We have been trying to take that approach in response to that issue with the new red bus routes that have been going.

The other thing that concerns us is that because congestions on the road network, bus users at some bus stops - sometimes the bus does not turn up on time and when they do there seems to be two or three turn up in a bunch and they are being caught up in some congestion spot. We are using PTIPS to try and overcome that problem to spread it out a little bit.

We get cleanliness issues on the bus routes, so that is another strategy we have to take a look at.

Another issue that is coming out is that the clarity of which buses pull up at which bus stops at a particular location and helping people understand what bus goes where to where. We have got an issue about real time information, about when the next bus is coming. There is a lot of input that is coming about can we get information on our telephones and that sort of thing. We have a trial going for that at the moment.

Mr TORBAY: So fast data information, immediate.

Mr WIELINGA: That is right.

Mr TORBAY: The changes to the structure of transport for NSW, how are they likely to effect the management of the metropolitan bus service?

Mr WIELINGA: Perhaps if I take a little bit of time to talk about the six major divisions inside Transport for NSW. The first one of those is the customer experience division. That is a fairly powerful new division. Its job is to get that insight into what customers need. But more importantly its role is once it identifies that is to have the power and the drive to go out there and make a practical difference to meet those customer outcomes. Instead of just being sorted out by project managers at the coal face or operations people, these people will come in over the top and say: Look, the customers are worried about this particular issue. What is the thing that we have got to do to the infrastructure? What is the thing that we have to do to services? What is the thing that we have to do to ticketing or customer information to help them overcome that problem? As well as that their job is going to be to do a better job of getting back to individual complaints and addressing those and understanding what is going on and how we can tailor our services.

The Transport Services Division, which these two fellows work in, is really about administering the contract for those operational services and making sure that they meet their obligations under the contract. They are to be the hard-nosed contract administration people. Our customer-experienced people, they are the people that are going to be loved within the organisation and get the outcomes for the customers.

In our policy and regulation area their job is going to be to look at the overall framework, for example, that we put in for a bus network. What is the right structure for delivery buses in Sydney, for example? At the moment, as you will know, we have an area strategy and people from that particular bus area can go to other centre connections with neighbourhood agreements with the adjoining area bus companies. Is that the right structure to put into play? Should we go to competitive tendering or should we go to negotiated contracts? What the pros and cons of each of those options in a little bit of detail? That is what policy and regulation people do.

We have a freight and regional development, which is outside the scope of this particular thing. We have got a transport project division. We also have a planning and programs division where all of the transport planning across transport comes into one point. Its job is to define what the role of buses, for example, is over the longer term, what the strategies that we need to put into place to make sure that the bus does undertake the role that it has got in the total transport system. Its job is to make sure that all of those particular mode of systems are planned to work together to create a total transport system for New South Wales and for Sydney.

There are other subtleties about the way the organisational structures, where the investment decisions are made and all of those sorts of things, but we took most of the good ideas from other jurisdictions and we have endeavoured to apply them into the New South Wales environment.

Mr B BASSETT: Does the new metropolitan transport plan include planning for future bus services? And to that end, will it address the variations and service levels between regions it served and the Auditor-General's performance audit? And will it address the need for new or changed bus routes when a need is identified during the contract period?

Mr WIELINGA: Yes. With the new bus planning you have to appreciate the role of buses, and I will get to your question if you can just be a little bit patient with me.

The role of buses is essentially two things. It provides for centre to centre connections where we have not got a rail system, Parramatta to Macquarie Park or something like that. The other thing it deals with is proximity, getting people close to public transport. Its advantage is its flexibility. We can quickly shift bus routes along different road networks and so forth depending on how things are changing with land use.

So what should a business strategy do going forward? The question is that we need to be able to continue to adjust our bus networks as land use changes and our community grows. Now the general approach or strategy to dealing with that is let us do a comprehensive review of our bus networks in each area every three years involving community input and so forth, find out where the demand is, check out the service that is required, adjust our bus routes if they need to be adjusted to respond to things like extra demand, different locations, new suburbs being created, all of those sorts of things.

If you have got a seven-year contract or a ten-year contract, at the end of those contract periods, take a serious look at your overall picture for the delivery of buses. Have we got the right number of areas? Do we need to consolidate? Increase the number of areas? Whatever it is. And have a serious look at the content of our contract documents.

So you are setting up a regime. You have got a transport mode that needs to be flexible and adjust to land use. You need to set up a regime going forward where those systems can be adjusted at regular intervals in response to change in land use patterns and demands. In a nutshell that describes a bus strategy.

Mr BASSETT: Can I just do a follow-up from that? You mentioned about the three years and you put out a contract for seven years and you could assess whether routes needed to change. What about during the three-year period if something changed, what flexibility is there likely to be?

Mr WIELINGA: We call those minor adjustments to the network. In the Transport Services Division there is a group of people called Service Improvement and Co-ordination. Their job is to do the minor tweaks of the network that you are talking about at interim intervals along the way. Their job is to now make sure that buses line up with ferries and line up with train services. You cannot just change a timetable in one mode and not address the other modes. As a result of that the creation of the standard working timetable for the rail services, for the bus services, ferry services et cetera are all being done in the new integrated agency now.

Mr BASSETT: Thank you. We understand that negotiations with bus companies for the next round of contracts has already begun. Can you provide the Committee with a rough idea of the value of the new contracts?

Mr WIELINGA: The value of the new contracts will be determined by that negotiation project. We in total right across the State spend about $1 billion a year on bus contracts. The value of the contracts in the greater metropolitan area is about $660 million.

Mr BASSETT: Just to follow on from that, you were just explaining a little while back about the structure of the organisation and whether you would be going to negotiated contracts or going to tender. We are interested to know is there a plan to call for tenders for the new contracts?

Mr WIELINGA: That is a significant policy decision for Government to make. I can talk to you about the pros and cons of both if you would like me to.

Mr BASSETT: Just a rough explanation on the pros and cons as you see them, that would be good, thanks.

Mr WIELINGA: All right. I mentioned a little while ago about the potential barriers to entry into the market. The first significant issue we have to address and take a look at is what are we asking for competition on? Are we asking for competition on the provision for services? You look at a rail network, for example, one of the things with rail networks is the supply and the demand curve are not even on the same page because of the size of the investment and the infrastructure that is needed, but it is very possible to get good competition above the track level when things are structured correctly.

From that competition point of view, the issue with buses is depots and staging points that are currently owned by private sector companies. Those depots are quite expensive. The land is expensive to get into a Sydney environment. How can we get access to that at reasonable cost? How could we give access to that for all competitors in the industry to get the best financial outcome that we can get? Buses themselves. If you are looking at seven to ten-year contracts, buses last for 12 years. That sort of thing. How do we get proper maintenance and looking after those buses if they are being passed from one contractor to another? How do we make sure that the companies have got a very good relationship with their customers in a particular area? What is the framework that we need to put into place to make sure that that is effective? Understanding their customers out there is a critical part of any format that we put into play.

So we need to deal with those asset issues. The franchising that is happening with Sydney Ferries at the moment has overcome that problem. The State owns the assets. The maintenance yard, the boats and so forth. There is competition happening for the provision of those ferry services.

There are a number of models that needed to be looked at as part of this. We need to address two issues. The two tests are how do we make sure that we get good high quality customer services as well as an efficient cost outcome on both these outcomes. You are looking at renegotiated contracts, the existing bus companies would argue that they understand their customers. They know how they work. We can more easily help you adjust those networks in response to customer needs.

If we are going to go down that path there is a couple of criteria that need to be met. The first thing we need is full transparency of their financial systems and information. We need total access to the costs and so forth with that network. They have to put a strategy in place for continual improvement.

We need to understand and have a very, very good performance management system to make those buses work to time and to work to those costs and so forth. We need an ability in those contractors to take out the non-performers.

Another important consideration in the second environment is how do we create an environment where we maintain enough competitors out there so that every time we tender the processes we know whether there is going to be enough bus companies out there to make sure that we get enough competitive tension in the market to get a good price.

So what do you do with the area strategies and the other parts of the network to make sure that you leave enough players in there to get an outcome is another important policy consideration for Government.

CHAIR: Mr Wielinga, I might finish off the initial round of questioning with a couple of questions. Obviously you have told us a bit about how performance of bus companies might be monitored through the new contracts by virtue of KPIs and benchmarks which are being created. Could you comment any further in relation to the monitoring of bus companies under the new contracts, and in particular, what penalties might be applied to poor performance?

Mr WIELINGA: Perhaps if I start broadly by saying some of the key clauses we would like to see in the new contracts and the discussions that are afoot at the moment with the bus companies and their representatives. We do want to improve the management regime and the performance framework with the performance based contract. I have spoken a little bit about that. I have spoken a little bit about the indicators that we think are important.

The second thing I said that we wanted to focus on was under performance measures that were fully under the control of the operator. There are some circumstances where these buses are operating on a road network where they cannot control the congestions that are out there. That has a very big impact on the actual performance of meeting timetables. There are things that we have to help overcome that. Priority for buses on the road network, putting the routes in the right place, a whole bunch of other things that we have to help them work in those circumstances.

We would like to see a right to terminate as a result of continual poor performance in those contracts. That is to be negotiated. The Government's regime focussed on contractual performance. We want to establish a pricing model around these contracts that reflects the true real cost drivers that are in the bus business. We have done a lot of work on that and we are working with the bus companies. There are other things like the cost of labour, cost of infrastructure, what components are the real cost drivers that make these particular companies perform or otherwise? In a renegotiated environment we have to understand that thoroughly to make it work so that we can have an impact in working with the bus companies to make it operate.

We need to establish a price variation regime that works. If we are going to regularly adjust the routes and the location of buses or add buses to the system, there has to be a realistic pricing regime that deals with that. We need to establish an efficiency regime. We need to get into a position where they can demonstrate a continuous reduction in cost per kilometre and based on industry benchmarks. We do want to put an abatement regime in the contracts that you are talking about so that if they fail to bring a bus up on time they get a financial penalty as a result of that. We are looking at constructing that abatement regime.

CHAIR: Thank you. A final question, but one that I know that the New South Wales public is very interested in, can you brief the Committee about the progress of the electronic ticketing system?

Mr WIELINGA: The electronic ticketing system at the moment is on schedule as far as the contracts are concerned. At the moment some of you will be aware we are starting to put consoles into the private buses. That is happening. In addition we are putting some of the infrastructure facilities into some of the other transport modes, the ferry locations, the rail network. You are going to be seeing some interim polls and that being put into play. There is a lot of testing of equipment going on at the moment. Progress is going in accordance with the schedule, as I said before, the intention is to roll out the very system next year.

CHAIR: Can I ask while we are focussed on Transport for NSW whether either of your colleagues wanted to add anything to any of those questions that have been asked today in terms of - not to say that the Director General hasn't been comprehensive - but some other aspects that you think might be useful for the Committee to particularly take into account?

Mr KARABOULIS: I have nothing to add.

Mr DUNN: No, my Director General has covered it.

Mr WIELINGA: Let me emphasise that my staff are available to the

Auditor-General and this Committee at any time to talk about this material in detail.

CHAIR: Thank you, Mr Wielinga. Can I invite the Auditor-General perhaps to make any comments initially on what he has heard and then perhaps the members of the Committee may ask you one or two as well. But can I invite you for your response in an open-ended way?

Mr ACHTERSTRAAT: Thank you very much, Mr Chair. We are at a critical time now. The existing seven-year contracts are being wound down. They are finishing up. Over the next couple of months new contracts will be entered into. We need to have all hands on deck over the next couple of months to make sure that these new contracts are effective and efficient and they meet the needs of the bus users, the taxpayer, the bus companies and the Government.

It may well mean that over the next couple of months there will be short-term pain, but that is a good trade-off for a long-term benefit over the next seven years. If we can get it right in the new set of contracts, then hopefully there will be a better level of service and less customer complaints. It is heartening to see the Department indicating their suite of key performance indicators and it is also heartening to hear that many of those indicators, the performance of which, will be put on the web for the public to see. I think that is a great initiative by the Department so that the public can see how the indicators are being performed. I will be interested to see which of the suite of indicators will be put on the web and which are deemed commercially in-confidence. Naturally a number will be deemed commercially in-confidence. So we are up for an exciting time over the next couple of months.

CHAIR: Auditor-General, you are happy to look at the benchmarks and KPIs as currently proposed and in a timely fashion suggest any refinements or enhancements to those?

Mr ACHTERSTRAAT: The Director General has quite kindly indicated that we will work together to look at the benchmarks. I will not be in a position to say whether the benchmark should be five minutes late or six minutes late. But what I would like to do is cast my eye over the benchmarks to see whether they are consistent with benchmarks in other jurisdictions.

CHAIR: And in doing so, do you see it as useful, while not all benchmarks will be applicable but to have some benchmarks which are equally demonstrating performance variations between private sector operators and Government operators within the bus sector?

Mr ACHTERSTRAAT: I think if there is going to be 15 different regions, there is a strong case to suggest that the benchmarks should be consistent across those regions, so that individual bus users can get a consistent level of service across those 15 different jurisdictions.

Mr WILLIAMS: As part of your report, and probably concerning for most members, is the fact that where we start looking at customer service, the poor performer was the private bus operators being obviously - with a view of going into transport and I guess what we have seen in the ferries particularly, and an expectation generally, that a private operator is going to provide a greater level of customer service. That is obviously one of the biggest threats that we face trying to manage these bus routes in the future. Do you think that there is any real explanation for why we have had a serious failure?

CHAIR: Is that a question to the Auditor-General or--

Mr WILLIAMS: Either. Les, if that was--

Mr WIELINGA: Again I say we have taken the private bus companies a long way from sort of family-owned businesses to professionally-managed bus companies focussed on meeting customer outcomes and focussed on meeting Government outcomes for the delivery of bus services. There is probably a number of reasons why some of those bus companies do not perform as well as they should. But given our focus on the performance-monitoring system that we have got going now, given some of the other frameworks that have been put into place, like all bus companies, if they do not perform, they are not going to be there.

Dr LEE: My question, if I can, is directed at Craig and John. I thought you could answer some questions. As the contract managers, and I understand you are responsible for the developing of the contracts and working with the bus companies, in your opinion what are their biggest concerns besides are we going to get renewed? Because what you are talking about is a huge thing. It is their whole business and I guess do they want to expand. Say if they have one route, do they want to do five of the areas or three of the areas or are they concerned about the conditions of the contract, because although we talk about a lot of great benchmarks and customer service level, it has been my experience working with the Government, the more the Government puts into their contracts, the more expensive it becomes because we simply inflate everything to make sure that we met those things. In fact sometimes we pay a premium being a Government. What is your interpretation of what the bus operators, companies re tendering? What are their biggest concerns, besides getting the contract again?

Mr KARABOULIS: In relation to the private bus operators obviously continuity of contracts is their primary focus. For us it is ensuring that we get value for money and we get improved performance. So tracking the performance of the operators, whether it be the efficiencies or whether it be the on-time running customer satisfaction/customer service. For us it is a matter of ensuring that we are trending positively.

We are continually improving and we are in that efficient band that Les mentioned earlier, that the benchmarking exercise allows us to determine. I think a lot of the private operators, they too want to improve and want to continue to provide a good customer service and improve the customer service and performance. There is going always to be a fine line between what the competition can bring into the improvements as opposed to renegotiating existing contracts. It is something that we need to go through.

Dr LEE: Through the Chair, can I ask a question?

CHAIR: Please.

Dr LEE: When you are doing the negotiations do you do a lot of work or what sort of work where you do work with them to design those contracts themselves? I mean the bus operators themselves would know the best people on the ground to design those contracts to suit the situation so we do not over engineer a rule of making the contracts too bulletproof. So what sort of negotiations do you do? Do you work with them, sit down and say: Now if you could have anything? If I was negotiating I would say: If you could have anything to make the bus service in this geographic area what would it be? Similar to a design and construct in the building industry I guess.

Mr KARABOULIS: What we do is we initially sit down with a committee that represents the private bus operators and a committee that represents the Department of Transport. We will identify the principal terms. What are the objectives, what are the areas that we want to try and improve. So we will also identify what works in the existing contracts, what doesn't work in the existing contracts, what are the systemic issues in the customer requirements. So we make sure we catch all those objectives and requirements. We will then put a framework into place and then it is a matter of sitting down with the individual operators after that to negotiate the detailed terms and detailed pricing and targets for each particular contract.

CHAIR: Further to perhaps Dr Lee's initial question in terms of what is important for the bus operators, certainly I am aware in the region that I represent locally as a member the Forest Coach lines operate. They have highlighted to me as a local member the importance of their livery or branding, maintaining a look and feel which they traditionally have kept. How insistent is the Department on standardising that approach? Perhaps in answering that also just articulate the rationale and whether or not there is some flexibility there on those sorts of issues.

Mr KARABOULIS: In relation to the standard livery, it was a policy decision to introduce standard livery. Now there are benefits in the standard livery because we are all about integrating transport. We have brought in the MyZone ticketing. We have the electronic ticketing system around the corner. We have integrated timetables and it is about integrating public transport. Livery is a part of that.

I understand that there are certain operators who feel passionate about their livery and their branding. At the moment we have a standard livery in place and the policy is that we will roll that out and we are meeting that standard livery. I suppose there are opportunities to sit down with the private operators and see whether we can further improve that standard livery and whether we address some of their concerns.

Mr WIELINGA: For example, if you are looking at the benefits of livery on the bus system if we had a livery for free shuttles, if we had a livery for buses that go from centre to centre and we had a livery for local bus routes, people could see at a glance the type of bus that it was and what its purpose was.

The other thing is that if they understand what they are when you have an integrated ticket and you combine the right sort of decal with a bus livery system, people can know at a glance that is the Government-funded bus in their transport network that the integrated ticket applies to. At the end of the day these sorts of decisions always get down to how can we make the system easier for people to use. Visual things are quite important. The roundel symbol in London at the moment associated with their transport systems serves that purpose very effectively. Their red buses in London as a particular example, people know what those buses do. You do not do these things in other than a meaningful way.

CHAIR: Mr Bassett?

Mr BASSETT: Since we are talking about the contracts and the length of time that they are over and there has been discussion over the years about security for drivers, what sort of flexibilities are in the contract where they are making new security requirements to ensure whether it is a Government-operated bus or a privately-operated bus that that can be negotiated to ensure that any security changes for drivers is across the board?

Mr WIELINGA: It is one of the challenges you have to deal with renegotiated versus a contract environment. If it is a renegotiated environment it is not an issue. In the other environment, given the difficulty of getting bus drivers, it is a process that we would have to talk to with the private sector about how that might be facilitated.

CHAIR: Perhaps I might invite Mr Achterstraat or Mr Yates to make any comments or if there is anything particularly that you think that is worth highlighting.

Mr ACHTERSTRAAT: Thank you very much, Mr Chair. I would like to thank the Department for the proactive and qualitative way they have approached this audit. I am very heartened by all the research and analysis that is being done behind the scenes by the Department. I would be very keen to see when the rubber hits the road, when the new contracts are entered into, just how different they are to the old ones and what sort of a level of service the bus users of New South Wales can expect over the next period of time.

(The witnesses withdrew)

(The Committee adjourned at 10.30am)