

Public Accounts Committee

Parliament of New South Wales

**Report on the
SCHOOL STUDENT TRANSPORT SCHEME**

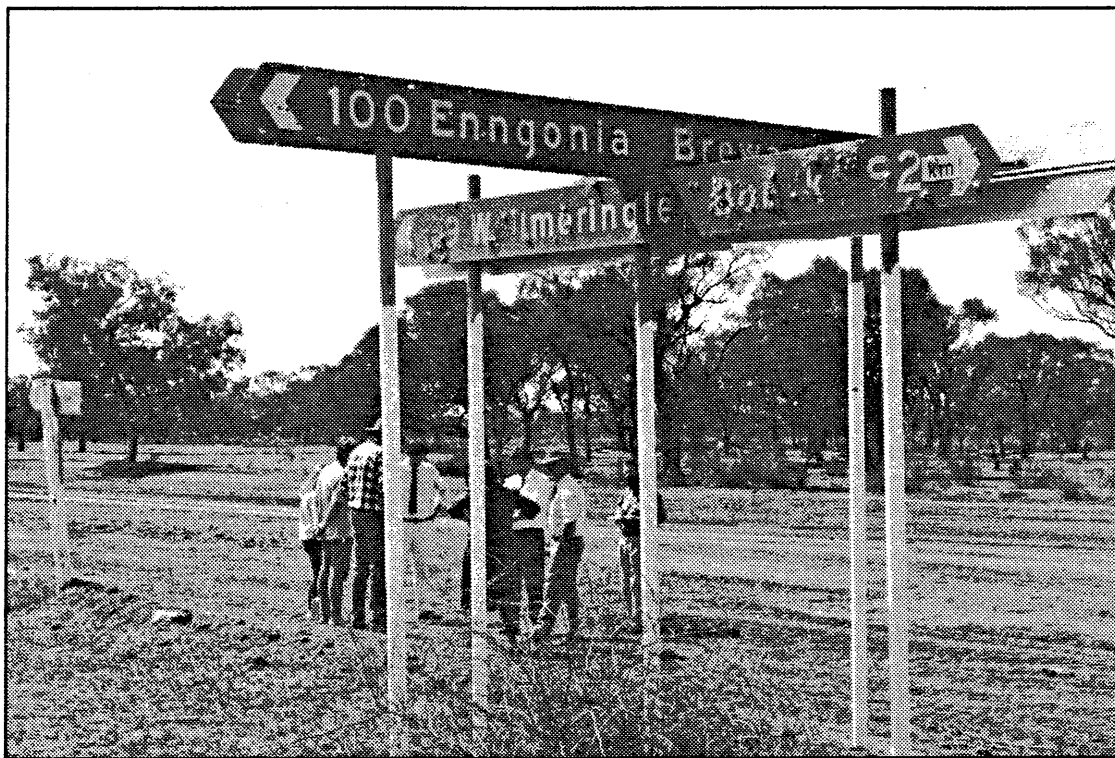
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Parliament of New South Wales

Public Accounts Committee
of the Fiftieth Parliament

REPORT ON THE SCHOOL STUDENT TRANSPORT SCHEME



Committee meets parents at school bus stop at Collerina (47 km from Brewarrina)

SIXTY-EIGHTH REPORT

Inquiry Pursuant to Section 57(1) of the Public Finance and Audit Act, 1983.
(Minutes of Evidence and copies of Submissions are printed in separate volumes to this Report)

January 1993

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From Left:
Ray Chappell (Vice-Chairman), Terry Rumble, Andrew Tink (Chairman), Ian Glachan, Geoff Irwin

The Public Accounts Committee of the 50th Parliament

The Public Accounts Committee of the 50th Parliament comprises three Government and two Opposition members. A chairman and vice-chairman are appointed from the Government.

Mr Andrew Tink, BA, LLB, MP, Chairman

Before becoming Liberal Member for Eastwood in March 1988, Andrew Tink practised as a barrister in equity, commercial and shipping law. He has since served on numerous parliamentary and government committees, holding the position of Chairman of the Joint Committee on the Office of the Ombudsman prior to his appointment to the Public Accounts Committee. He is also an Acting Speaker of the Legislative Assembly and its representative on the Macquarie University Council.

Mr Ray Chappell, MP, Vice-Chairman

Ray Chappell was elected National Party Member for Northern Tablelands in May 1987. He has worked in university administration and in the building and retail industries, and he served four terms as an alderman on Armidale City Council. Ray Chappell is the Legislative Assembly representative on the Board of Governors of the University of New England, and is a Temporary Chairman of Committees in the Legislative Assembly.

Mr Geoff Irwin, ProdEngCert, DipTech, DipEd, MP

Geoff Irwin was elected to Parliament in March 1984 as the Labor Member for Merrylands, and he has been the Member for Fairfield since March 1988. Before entering Parliament he worked in industry as a planning and supply manager and taught business studies at TAFE. He served as a member of the Select Committee upon Small Business and as Opposition Spokesperson on Business and Consumer Affairs.

Mr Terry Rumble, ASA, MP

Terry Rumble was elected Labor Member for Illawarra in March 1988. Before entering Parliament he qualified as an accountant and was employed in public practice and in the coal mining industry. He has served as a member of the Regulation Review Committee and is the Chairman of the Opposition's Backbench Committee which involves Treasury, arts and ethnic affairs.

Mr Ian Glachan, MP

The Liberal Member for Albury since 1988, Ian Glachan has had a varied background. He served five years at sea as a marine engineer, was a farmer for ten years, and operated a newsagency in Albury for 18 years. Mr Glachan is also a past president of the Albury-Hume Rotary Club, an active member of the Anglican Church, and the Legislative Assembly member on the Board of Governors of Charles Sturt University.

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CHAIRMAN'S FOREWORD

In the beginning, the School Student Transport Scheme was designed to provide special assistance to students in rural and remote areas.

Since then, the Scheme's benefits have been extended to more and more urban students as the qualifying criteria were progressively made more generous.

The present criteria, which are broadly based on a qualifying radial distance from school of 1.6 km, are the most generous in Australia, and the total cost of the Scheme is now in the vicinity of \$300 million per year.

However, in examining the equity and fairness of the current Scheme, the Committee made extensive field trips in urban, regional and remote rural areas and discovered that the parents of students in rural and remote areas who transport their own children are being compensated at only a fraction of the costs incurred by them, whereas in urban areas eligible students travel free.

Thus the students the system was originally designed to assist are now very significantly disadvantaged. In addition, 36% of students who do not qualify for free travel because they live within the 1.6 km radius, must pay \$23 for an STA term pass should they wish to travel on public transport.

To address these inequities without adding to the cost of the Scheme, the Committee has proposed that a \$10 per term parental contribution be levied on students participating in the Scheme. This will provide a fund to boost the private vehicle conveyance rates to reasonable levels. In that regard, it is proposed that the contribution be subject to appropriate welfare exemptions, and the Scheme will in general terms continue to apply only to students living beyond the 1.6 km radial distance.

Most importantly, the contribution will discourage the issuing of passes of convenience which are rarely used but against which bus companies are paid - the so called "phantom rider" problem.

Numerous other options considered at length by the Committee included limiting the Scheme to the nearest appropriate school or limiting it in some other way by reference to minimum and maximum radial distances.

After careful consideration, the Committee decided that these options were either significantly discriminating in their impact and/or didn't pay sufficient regard to the reality of the current public school system where dezoning, selective and special high school policies have to a significant extent put paid to the notion of the nearest appropriate school.

Whilst changes to education policies have contributed significantly to the cost increases of the Scheme, it is impossible on the basis of data presently available to determine the impact of particular policies on the Scheme. Accordingly, the Committee believes that surveys should be conducted to better understand and plan for the transport impact of such policies.

In particular, surveys should be conducted to determine actual usage of passes. If actual usage is well below the number of passes on issue, as the Committee strongly suspects, then electronic counting systems should be introduced to accurately quantify actual usage, and bus companies should be paid accordingly. If it is then decided to subsidise bus companies above actual usage, at least the subsidy will be transparent.

At the same time, the Scheme should, as far as possible, compliment the general transport needs of the community in off peak periods, especially needy groups such as senior citizens. Hence the planning of future schools, school bus routes and transport infrastructure should take full account of wider community use.

Finally the Committee believes that it is most important for the Government to spell out the objectives of the Scheme rather than to allow it to develop in an ad hoc fashion where performance is difficult to monitor.

Plainly the Committee has had a very difficult task in addressing its terms of reference and it is well aware that its recommendations will be controversial. For this reason in

School Student Transport Scheme

particular, I would like to thank all Committee members for their exceptional dedication and show of bipartisanship which is in the best traditions of the PAC.

In conclusion, I would like to thank all Committee staff for their help on this Report especially Ian Thackeray who carried out a large proportion of the work. Wendy Terlecki provided invaluable secretarial assistance, as did Caterina Sciara. Both of them worked above and beyond the call of duty.



Andrew Tink MP

Chairman

EXECUTIVE SUMMARY

In keeping with the Public Account Committee's role as a watchdog on public expenditure, the Committee's approach to this Inquiry was to determine if the taxpayer was receiving value for money from the School Student Transport Scheme. The Committee's premise throughout was that the Scheme was a valuable one, which needed to be improved rather than emasculated. Thus the Committee did not primarily set out to identify cuts in a Scheme which has admittedly proved increasingly expensive, but rather to determine if the SSTS was operating in the most effective and efficient manner to achieve government objectives.

However, in this regard, the Committee was faced with a major constraint: clearly defined government objectives for the SSTS do not exist. Partly this is because over time the Scheme has developed in an *ad hoc* way. It was originally intended to provide transport for rural students who lived far from the nearest school, but unplanned and unchecked expansion has meant that nowadays most of those who benefit from it are students from metropolitan areas.

As a direct consequence of the lack of clearly defined government goals and objectives, New South Wales, unlike all other states in Australia, has no official policy limit on access to the school travel scheme. The result is that we effectively have an open-ended scheme where the role of the participants, government and parents, is not defined.

Recommendation 1 seeks to address this primary failing.

Associated with this *ad hoc* and unlimited growth has been a marked increase in costs. In 1989-90, the Scheme cost \$228m; in 1990-91, \$284m; in 1991-92, \$287m; and in 1992-93, it is projected to cost \$306m. The Auditor-General, in a disturbing finding, has determined that over the last ten years, while student numbers have remained fairly stable, the cost of the Scheme has gone up by 68% in real terms.

Many submissions and witnesses sought to determine the causes of this cost increase. Unfortunately, most of those attempts were conjectural and anecdotal. The Committee found to its disquiet that there exist little or no solid data on the respective contributions made by various factors to the cost blowout. Yet such data should normally have been collected as an essential tool for monitoring and making projections for the scheme. Given the cost of the scheme to the taxpayer, the Committee felt this was a serious failing; and evidence to the Committee suggested that the cost of redressing it would be comparatively moderate.

Recommendations 8, 12 and 18 seek to address this serious concern.

The Committee also proposed that surveys be conducted with priority being given to infant students to determine actual usage. In that regard, if, as the Committee suggests, actual usage is well short of passes on issue then the current method of payment to operators based on passes on issue should be changed to actual usage as measured by appropriate electronic devices. Recommendation 7 addresses this issue.

Thus at the outset the Committee faced two important obstacles: lack of clearly articulated objectives for the Scheme and lack of hard data on it.

Despite these basic difficulties, the Committee proceeded to evaluate the scheme according to the terms of reference.

The first major concern of the terms of reference was the question of equity. Significant inequities can currently be found in the scheme. Rural parents are receiving seriously inadequate reimbursements; 36% of students of all ages are ineligible for the scheme and must, if they take public transport to get to and from school, pay a fare whether or not that payment represents a financial hardship for their families; on the other hand, those in the Scheme can benefit from free travel whatever their family income; and students are receiving free transport when the elderly and unemployed are not.

The Committee addressed each of these matters extensively, but of particular concern to it were the problems of isolated rural students.

School Student Transport Scheme

As part of the Inquiry the Committee visited both metropolitan and country schools and noted the differences. The Committee saw first hand the problems faced by isolated rural students in reaching educational institutions. A major concern here was that the private vehicle subsidy rate covers far less than the actual cost to parents of providing transport for their children. Rural students' difficulties are compounded by the tenuous nature of their bus services, some of which are no longer viable from the Transport Department's point of view because of low or falling student numbers. Yet rural students were the very people that the scheme was originally intended to assist. Addressing this anomaly was a primary concern of the Committee in this report.

Recommendations 9 and 16 seek to address the equity issues raised in the inquiry.

The second concern of the terms of reference related to the impact of education policies on the costs of the Scheme. This has been considerable, if difficult to quantify and Recommendation 8 seeks to address the task. Regrettably, the Department of School Education has in the past been free to make policy decisions such as dezoning without being obliged to consider the impact of those decisions on the transport budget. The intention of Recommendation 10 is to identify mechanisms for making the Department of School Education aware of the transport and budgetary implications of its policy decisions.

After careful consideration, the Committee rejected the strategy of splitting budgetary responsibility between both departments. The Committee has come to the conclusion that the SSTS is in essence a transport issue, and is concerned to see that the SSTS is linked to the provision of transport for the broader community.

In relation to the third term of reference relating to the issue of fixed and recurrent costs, the Committee noted the arguments put by Treasury for the use of regular competitive tendering as a means of reducing costs. However, the Committee was particularly mindful of the capital-intensive nature of the bus industry and the need for both long-term commitment on the part of the operators and stability of costs, particularly for smaller operators on non-commercial contracts. In all this the most important goals are that the required services be provided safely and at a reasonable cost to the Government. With

respect to these, the Committee was concerned that recent adjustments to the structure of payments to the industry were revenue neutral and did not seek to evaluate the actual cost of transport services to the Government.

Recommendations 2 to 6 seek to address these issues.

The last of the terms of reference deals with the comparison between the student transport schemes of other Australian States and NSW. It has become a cliché that the NSW scheme is far more generous than that of any other Australian state. However, that bald statement hides a number of other factors like geographic and demographic differences and, in particular, the direct subsidies given to the bus industries in states like Queensland and Victoria.

Nevertheless, even taking those factors into account, it is undeniable that NSW lacks the one major feature that holds in check government expenditure on school travel in other states, that is, the adoption of an official policy defining the scheme. In all other States governments have a defined policy on the type of school to which free transport is available. In NSW the absence of defined goals or policies for the SSTS has made this impossible.

Once the Committee had worked through the terms of reference, it then proceeded to evaluate in the light of those terms of reference the numerous suggestions which it received from submissions and evidence in hearings.

These suggestions included maintaining the existing scheme, removing the distance eligibility criterion for all students, increasing the distance eligibility criterion for all students, increasing the distance criterion for years 11 and 12 to 3.2 km, introducing a maximum distance for free travel, limiting free travel to the nearest state or "appropriate" school, and introducing a parental contribution.

The Committee rejected the "do-nothing" solution of maintaining the existing system. The inquiry found that there were too many problems and inequities associated with the present scheme for it to be preserved as is.

Removing the distance criterion altogether would mean that those who previously had to walk (that is, the 36% of students who lived within 1.6 km of their school) could now take free transport. However the Committee believed that students should make some effort to walk a reasonable distance to school and that 1.6 km was not unreasonable. Moreover the cost of expanding participation in the Scheme by one third would be considerable. For those reasons, the Committee rejected this proposed solution. However it noted that the inequities inherent in the 1.6 km cut off could be addressed in other ways referred to below.

On the other hand, the Committee was not prepared to recommend an increase in the distance eligibility criterion, either for all students, or for years 11 and 12 only. The 1.6 km limit has been in force for 20 years, and the dislocations involved in changing it now would be too serious for this proposed solution to be adopted. Increasing the distance for years 11 and 12 only would be complex administratively, would run counter to government policy of encouraging students to stay on, and would cause problems with students carrying heavy books and bags for longer distances.

A trend appears to be increasingly evident where new schools, often specialised and in less accessible areas, are demanding dedicated school bus services. Introducing a maximum distance for free travel was suggested to reduce the costs of this trend. The Committee rejected this solution as well, because of its administrative complexity and its potential for anomalies. Overall, the Committee was keen to keep the use of any distance eligibility criteria to an absolute minimum. In that regard the Committee proposed that the demand for dedicated school buses which differentiates against other community users such as the elderly be tackled by devising a test which requires a demonstration of wider community benefit in any proposed new service. Recommendations 8 and 12 - 17 deal with these issues.

Limiting free travel to the nearest state or "appropriate" school was rejected as well. The Education Reform Act now allows parents to choose their children's school, so limiting free travel to only the nearest state school would run counter to the intent of the Act. Using "appropriate" school as a substitute runs into the problem that almost any school can be defined as being "appropriate".

In the end, the Committee, after very carefully evaluating all the submissions and evidence, and extensively deliberating on the subject, resolved to recommend the introduction of a nominal parental contribution to the scheme of \$10 a term per child living outside a 1.6km limit, with exemptions for those who receive Family Allowance Supplement and welfare benefits (Recommendation 11).

The Committee cited several reasons. First, those inside the 1.6km distance now have to purchase a \$23 a term STA pass if they want to use the bus regularly to and from school, whereas those outside can go free; \$10 a term (that is, 10 cents a trip) is less than 50% of \$23, but still goes some way towards making students' contributions more equitable across the board. Second, the revenue raised would be used to fund an increase in the private vehicle allowance rate for currently disadvantaged rural parents. Third, because bus operators are paid for 92% of passes issued, those students who currently obtain a pass "just in case" but do not actually use it are contributing a probably large amount to the cost of the scheme; requiring a charge would hopefully discourage a good number of these "phantom riders" and so save on payments to operators. Fourth, adoption of the Family Allowance Supplement and welfare exemptions would ensure even greater equity. Lastly, on close examination of the submissions and evidence of those who opposed the charge, the Committee noted that even they seemed to acknowledge that the scheme could not continue under the present arrangements. They only stipulated that a parental contribution should set at a fair level, which the Committee believes it has settled on.

In summary, the Committee, while working under the severe constraints posed by the lack of policy objectives and of solid data, strove to ensure in its recommendations both greater fairness in the use of the Scheme and greater common sense in its operation.

LIST OF RECOMMENDATIONS

1. The Government should determine and clearly state the objectives and intended outcomes of the School Student Transport Scheme, and clearly specify the department which has responsibility for the scheme. (Page 12.)
2. The current system where the renewal of contracts of existing operators is conditional upon satisfactory performance should be retained. Payments for such services should be based on Price Waterhouse rates. (Page 24.)
3. The current system of new services being let to tender should be retained. (Page 24.)
4. The current system for existing operators should be monitored as a matter of high priority, to ensure that contract rates reflect fare levels that would prevail in a competitive environment. (Page 24.)
5. The Government Prices Tribunal should investigate the cost to the Government of the provision of public transport, and should include the cost of private operators in this investigation. The Prices Tribunal should consider the question of cross-subsidisation in relation to school student transport fares.

As a general rule cross-subsidies should be transparent, as this is an important part of the accountability process. (Page 29.)

6. The question of school bus safety and remanufacturing should be referred to the Staysafe Committee to determine whether, without compromising safety, the averaging of bus ages can be altered to ease cost pressures on small operators. (Page 31.)

7. The Department of Transport should commission an independent survey of levels of usage on a sample basis. Should the survey find that the actual usage is substantially below the 92% of passes on issue, then the basis of payment should change to actual usage, as determined by a method such as electronic ticketing or swipe card technology. (Page 40.)

8. An independent study should be carried out to identify and quantify the factors contributing to the current costs of the School Student Transport Scheme. The study would provide the basis for regular monitoring to identify current and potential costs of the scheme. (Page 61.)

9. The private vehicle subsidy rate should be reassessed to reflect the actual cost of operation of vehicles, and be on a rate per kilometre for the actual distance travelled.

The anomalies relating to Tocal and Murrumbidgee Agricultural Colleges, mini schools and regional centres should be removed. (Page 79.)

10. The Department of Transport should retain financial and administrative responsibility for the SSTS.

A formal mechanism should be established between the Departments of School Education and Transport for the consideration of School Education decisions which have transport implications.

The Department of Transport should prepare a Transport Impact Statement, including a cost benefit analysis evaluating other alternatives relating to Department of School Education proposals for the location of new schools, the reclassification of existing schools and other School Education policy issues which impact on the SSTS budget.

Where such Transport Impact Statements reveal that education decisions will not be cost-effective, then further consultation with the Department of Transport must occur. If the Department of School Education still proposes to proceed with the decision, it may only do so with the explicit approval of the Director-General of School Education. (Page 87.)

11. A parental contribution should be made by those whose children receive a bus or train pass under the School Student Transport Scheme. An exemption should be made for welfare beneficiaries and those who receive the Family Allowance Supplement. (Page 108.)
12. In setting in train any survey of actual usage of passes, the Transport Department should, as a top priority, focus on the actual usage of bus passes by infants students with a view to adjusting payments to operators. (Page 112.)
13. In urban areas the use of existing public transport should be encouraged.

Existing Department of Transport guidelines for the consideration of new bus services should be firmed up to minimise value judgements so as to ensure that existing services, especially trains, are used wherever possible. (Page 116.)

14. Current cross-regional school services should be subject to annual review so that factors such as student time and convenience are better balanced against the other needs of the community. (Page 116.)
15. Such considerations should also apply to any proposals for new urban cross regional school services. (Page 116.)
16. Consideration of requests for the provision of school student transport to new schools on the urban fringe should pay due regard to whether such transport will provide a substantial service for the general community use on an all-day basis. (Page 116.)

17. The Department of Transport should seek to determine the extent and availability of existing buses in country areas with a view to establishing a more genuine community use for these buses. (Page 117.)

18. The Department of Transport should consult with the BCA in reviewing the existing services in rural areas in order to rationalise these services where possible. (Page 117.)

1. INTRODUCTION

TERMS OF REFERENCE

The Public Accounts Committee received notice of a reference from the Minister for Transport in a letter dated 24 April 1992. The letter set out the draft terms of reference for an inquiry into the School Student Transport Scheme. These were:

to review the School Student Transport Scheme in the light of historic and projected increases in the school student travel budget, taking particular account of:

- equity and fairness of the current scheme;
- impact of education policies on the costs;
- the contribution of fixed and recurrent charges to overall costs;
- city and country users;
- comparison with similar schemes in other states and overseas.

The Minister confirmed this reference for the inquiry in a press release of 17 July 1992 (see Appendix B). At that time, due to ministerial changes, the PAC was without a Chairman and one other member. On the appointment of Messrs Tink and Glachan to the Committee and the subsequent election of Mr Andrew Tink to the position of Chairman on 2 September 1992, the Inquiry into the School Student Transport Scheme was commenced.

INQUIRIES AND ATTEMPTS AT REFORM

This is not the first attempt to review the scheme, which has been the subject of numerous reports and studies over the years as governments of both persuasions have sought to limit expenditure on the scheme.

The reviews have generally occurred in response to the Government's concern with the development of the programme and, perhaps significantly, have not for the most part been part of the programme of actual changes to the scheme. These reports are:

Pre-1983:	A number of internal reviews and Government Working Parties
1983:	Russell Inquiry
1985:	Cabinet decision to amend scheme
1988:	Cabinet decision to amend scheme (not introduced)
1989-90:	Auditor-General's Inquiry
1991:	Nicholls Report
1992:	Auditor-General's Inquiry

ROLE OF THE PUBLIC ACCOUNTS COMMITTEE

The Public Accounts Committee is a bipartisan statutory Committee of the Legislative Assembly and its functions are defined by the *Public Finance and Audit Act 1983*. Its mission is to serve the Parliament and thereby the community by:

- acting as parliamentary watchdog of government expenditure;
- promoting efficient and effective implementation of government policy
- ensuring greater accountability of the executive government to Parliament and the public.¹

Section 57 of the Public Finance and Audit Act, which is reproduced in Appendix A, sets out the functions of the Committee.

Generally, it is not the function of the Public Accounts Committee to direct or develop government policy. In this regard, the only reference to government policy in the Public Finance and Audit Act is in Section 57(2) which states that "the functions of the

¹ NSW Public Accounts Committee, *Annual Report 1991-92*, p. 10.

School Student Transport Scheme

Committee extend to an examination of, inquiry into or report upon a matter of government policy if and only if the matter has been specifically referred to the Committee under subsection (1) (f) by the Legislative Assembly or a Minister of the Crown". The Minister referred the matter of the School Student Transport Scheme to the Committee under Section 57(1)(f) in his letter, which terms of reference formed the basis of the inquiry.

From the terms of reference, the Committee clearly has a brief to comment on education policy as it relates to the School Student Transport Scheme, and the power to address issues related to the accounts of the School Student Transport Scheme.

It is also clear from the terms of reference, and the Minister's statements², that a key government concern is the cost of the scheme. While this is clearly important, the Committee's main concern is the efficient and effective use of public money, which does not necessarily mean simply keeping down costs. As was stated in one submission, "cost alone must not be used to assess the viability or usefulness of any government scheme".³ The Committee also has to bear in mind the benefits that the scheme provides for the education of NSW children.

Thus while the Committee has been given a reference which permits it to address government policy, the starting point for this inquiry will be, as for all others, to determine if taxpayers are obtaining the best value for their dollars.

² Mr Baird said that "it was vital that the cost of free school travel - estimated to be \$300m this year - was kept under control". Press Release 17 July 1992.

³ Submission by Mr R Callachor.

METHOD OF INVESTIGATION

The Committee conducted its inquiry between September and December 1992, concurrently with a number of other inquiries and activities. The method of investigation included:

- a review of the 208 submissions received in response to advertisements in the press;
- public hearings conducted on 12 and 16 October 1992;
- metropolitan and country inspections;
- information requested from various parties;
- independent research and informal discussions.

In addressing the terms of reference, the Committee first examined the particular issues raised by the Minister. The results of this examination are set out in Chapters 2 and 3.

At the same time, as part of its broad ranging review of the scheme, the Committee received evidence which strongly suggested various options for action, which are set out and assessed in Chapter 4.

The Committee's conclusions are given in Chapter 5.

2. LACK OF CLEAR OBJECTIVE

In order to determine if taxpayers are receiving the best value for their dollars, it is essential to have a clearly defined objective or outcome against which the efficiency and effectiveness of the School Student Transport Scheme can be evaluated. As will be shown below, the scheme has evolved in an *ad hoc* way since its inception and now lacks a clearly defined objective.

HISTORY OF THE SCHEME

The Public Instruction Act of 1880 allowed station masters to "issue a free pass to any child to travel in a suitable railway carriage or van to and from school established . . . under this Act. Provided that such school . . . be the one nearest to the residence of the parents . . .".⁴ This, according to the Department of Transport, was the origin of the school student transport scheme in NSW.⁵

Whilst it might, therefore, be thought that the scheme had urban origins, it must be remembered that in 1880, the rail network, in fact, served predominantly rural commuters.

A student travel scheme was initiated in 1904 to ensure that, particularly in country areas where there were insufficient numbers to justify the establishment of a school, students were not denied the benefit of an education. Access to education was, therefore, guaranteed by subsidising transport by boat and vehicle for students "who did not live in close proximity to their nearest school".⁶

⁴ Department of Transport, Submission, p. 8.

⁵ *ibid.*

⁶ *ibid.*

"In 1915 students were granted free rail travel to the nearest government school or the nearest private or denominational school conducted by their denomination."⁷ Thus the scheme was extended to non-government schools to ensure access to education, but free travel was still limited to the nearest appropriate school.

This approach was maintained until the 1950s. During this period students in metropolitan areas were able to obtain a 50% concession on the full fare on government bus and rail services.⁸

In 1950 the scheme was altered with the result that the subsidy paid to special school bus services was raised from 75% to 100%. In this way, free transport was introduced "for all country children who resided more than 2 miles (3.2 km) from the nearest appropriate public or non-departmental school".⁹

In 1956 a parental contribution equal to the cost of a government bus term ticket was introduced in country areas.¹⁰

In 1966 this provision was removed so that "all country students were conveyed to school free of charge provided they lived more than 2 miles (3.2 kilometres), walking distance, from the nearest appropriate school".¹¹

In 1967 eligible Sydney students were subsidised for costs in excess of \$2.50 per term.¹²

⁷ Department of Transport, School Student Transport Scheme Manual, p. 3.

⁸ Department of Transport, Submission, p. 8.

⁹ Department of Transport, School Student Transport Scheme Manual, p. 4.

¹⁰ *ibid.*

¹¹ *ibid.*

¹² *ibid.*

School Student Transport Scheme

In 1968, Sydney students were provided with free travel if they lived more than 2 miles (3.2 km) walking distance from the nearest appropriate school, thus gaining equity with country students.¹³

In 1972 the distance criterion for country students was reduced from 2 miles (3.2 km) to 1 mile (1.6 km), while at the same time the requirement that travel be to the nearest appropriate school was abolished.¹⁴

In 1973 the distance eligibility requirement was similarly reduced for Sydney students.¹⁵

In 1977 infant students (i.e. Kindergarten, Year 1 and Year 2) were provided with free travel (on government transport and private bus and ferry services) regardless of the distance from home to school.¹⁶

In 1986 administration of the scheme was transferred from the Department of School Education to the Department of Motor Transport. All infants were still entitled to free travel (i.e. no distance requirement) while all other students who lived further than 1.6 km measured radially "from the school attended" were entitled to free travel. Any student within the 1.6 km radius who had to walk more than 2.3 km or for health or safety reasons were also entitled to free travel.¹⁷ These eligibility criteria are valid currently.

In 1988 administration of the Scheme was transferred to the Department of Transport.¹⁸

¹³ *ibid.*

¹⁴ *ibid.*

¹⁵ *ibid.*

¹⁶ *ibid.*

¹⁷ *op. cit.* p. 5.

¹⁸ *ibid.*

In January 1989, the administration of the TAFE Student Travel Scheme was transferred from the Department of Technical and Further Education to the Transport portfolio, to be consolidated with the administration of the School Student Transport Scheme.¹⁹

The free travel scheme has been extended to certain TAFE students to provide them with the same assistance that they would have received had they remained at secondary school. Currently, to be eligible, students must be more than 3.2 km walking distance from the TAFE college, and must be under 18 years of age 1 January in the year of application.²⁰

Passenger Transport Act

School student transport is now administered by the Department of Transport under the provisions of *Passenger Transport Act 1990*, which received assent on 22 June 1990. One of the objects of the Act is:

4. (c) To encourage the provision of school bus services on a more commercial basis, without disregarding the reasonable expectations of traditional service operators;

Implementation of the provisions of the Act is almost complete. The School Student Transport Scheme is now part of the State's passenger transport services rather than a separate scheme, as before.

LACK OF A CLEAR OBJECTIVE

The history of the scheme indicates it has developed in such a way that it no longer reflects its original intention, which was to provide access to education for children living in areas where there were insufficient numbers to justify the establishment of a school.

¹⁹ *ibid.*

²⁰ Department of Transport, Submission, p. 10.

Indeed, the scheme has become many things to many people. Having commenced as a scheme which provided access to education for the geographically disadvantaged, it has been expanded to provide transport for a large proportion (64%) of the school population. Moreover it has become a vehicle for supporting certain changes in education policy, which involve students travelling longer distances than they did before. These changes include de-zoning and the establishment of selective and specialised high schools.

Moreover, for many parents, the scheme is not simply one which provides access to education for their children. It is now also seen as one which provides a safe haven from both traffic and stranger danger, and there is evidence that it is used by some parents as a *de facto* "child-minding" service. In this way, the scheme reflects a whole range of aims and objectives.

At the same time, the Government has not clearly specified its aims for the Scheme. In its submission, the Treasury stated that there was "no formal documentation of the objectives of the School Student Transport Scheme".²¹ As the Russell Report stated in 1983:

free school travel is not based on any legislative enactment, but items from a Cabinet Minute, and the provision of funds to meet the cost thereof is made by annual budgetary item or supplementations of approved funds.²²

The ramifications of this lack of a specified objective have been noted by a number of witnesses, including the Director-General of the Department of Transport as follows:

Mr MOORE-WILTON: There is certainly no policy statement in existence at the moment in regard to the current scheme.....As with most government programmes I think it is desirable to be able to have a fairly clear and consistent programme within which the effectiveness or otherwise of the programme can be assessed.²³

Based on the current operations of the scheme, Treasury has identified "two quite separate apparent objectives", which effectively make it two schemes:

²¹ NSW Treasury, Submission, p. 3.

²² Russell Report, 1983, p. 21.

²³ Minutes of Evidence, 12 October 1992, p. 2.

1. to subsidise school transport
2. to subsidise the private bus industry on certain non-commercial routes.²⁴

During the hearings, Dr Moy, Assistant Secretary in the NSW Treasury, gave the following evidence:

Dr Moy: . . . but [what] can't be overemphasised, is that while the Scheme originally was established on the basis of very clear objectives to facilitate rural education and provide certain density, if you like, of school population by extending the transport arrangements so that rural schools could be set up, there has been a large range of changes and broadening of the Scheme. This was done without any clear enunciation of what the objectives of the Scheme now are.²⁵

The Director of the Office on Ageing had a similar view:

Ms McFee: . . . the government has no clearly articulated objectives pertaining to the distribution of concessional expenditure on transport. Therefore, Schemes like the School Student Transport Scheme have continued to grow from historical circumstances and in response from [to] pressures from interest groups rather than responding to need".²⁶

It is important for any programme that goals and outcomes be set by which the effectiveness and efficiency of the programme can be measured. In terms of the Public Accounts Committee's charter, the following definitions are instructive:

EFFICIENCY is "using the least possible amount of resources" to achieve a specified goal,²⁷ and

EFFECTIVENESS is "achieving the maximum benefit or outcome for a given level of services".²⁸

More generally, the following Treasury view is relevant:

²⁴ NSW Treasury, Submission, p. 10.

²⁵ Minutes of Evidence, 12 October 1992, p. 44.

²⁶ Minutes of Evidence, 16 October 1992, p. 209.

²⁷ Kirwan R, *Financing Urban Infrastructure: Equity and Efficiency Considerations*, Commonwealth of Australia (The National Housing Strategy), Canberra, 1991, p. 32.

²⁸ NSW Treasury Submission, p. 11.

Economic efficiency refers to the extent to which society meets all of its objectives - including its environmental and social objectives - in a cost-effective way. If a more effective way of meeting an objective replaces a less efficient one, resources will be released which can be used to obtain something else which society values.²⁹

Indeed in relation to the School Student Transport Scheme, the dilemma of the Transport Department is clearly illustrated by its chief executive's evidence to the following effect:

MR MOORE-WILTON: If we go back to your very first question: what are the objectives of the Scheme? We have sought to say [is] that since there are apparently no clear objectives of the current scheme now - it has been amended to such an extent - that we can't put to the Committee a clear view that the Scheme is either meeting its objectives or not meeting its objectives and where it is.³⁰

From these references it is clear that, without a clearly defined objective or outcome, any assessment of the scheme using efficiency and effectiveness criteria is impossible. Indeed, Dr Moy from the Treasury gave evidence to this effect with specific reference to the School Student Transport Scheme:

Dr Moy: ...Those specific objectives that you mentioned would be the sort of things that a good policy should be about. You identify the objectives and then you have to decide how you are going to meet them and in what way.³¹

Put another way, sound financial management requires that managers have "a clear view of their objectives and means to assess and, wherever possible, measure outputs in relation to those objectives".³² Yet the goals, objectives or outcomes of the School Student Transport Scheme have not been articulated. What is more, the Department of Transport, which is the current administrator of the scheme, has acknowledged this.

²⁹ NSW Treasury, *Public Authority Pricing in New South Wales, Case Studies of Existing Policies and Their Likely Economic, Social and Environmental Consequences*, Research Paper, January 1992, p. 5.

³⁰ Minutes of Evidence, 12 October 1992, p. 19.

³¹ *ibid* p. 70.

³² Beringer I et al, *Corporate Management, The Australian Public Sector*, Hale and Iremonger, Australia, pp 103-104.

In that regard there would probably be differences in objectives proposed by the Department of Transport when compared to the Department of School Education. The first question to be settled must be whether the primary objective is a transport or education one. The resolution of this question will determine the issue of which department is responsible for the scheme. The Committee has formed a view on this and it can be found at page 87.

Recommendation 1

The Government should determine and clearly state the objectives and intended outcomes of the School Student Transport Scheme, and clearly specify the department which has responsibility for the scheme.

Whilst the determination and statement of such goals and outcomes are a matter of government policy, the Committee has endeavoured to evaluate the existing scheme according to the terms of reference and the evidence provided through submissions, hearings and discussions.

3. CRITERIA FOR ASSESSING SCHEME

COST OF THE SCHEME

Introduction and background

As indicated earlier, it is the ever increasing cost of the scheme which has been of concern to governments over the last 15 years. Indeed, the cost factor looms large in the current inquiry, as indicated by the terms of references and public statements by the Minister. In that regard, when announcing the terms of reference, Minister Baird stated that "it was vital that the cost of free school travel was kept under control" and that "it was being run efficiently and at minimal cost to the tax payer".³³

In its submission the Department of Transport has provided the following information with regard to cost of the scheme:

	1989/90	1990/91	1991/92	1992/93 (Estimate)
Total SSTS Cost	\$227.6M	\$264.1M	\$286.8M	\$306.4M
Total SSTS Beneficiaries	641,762	643,139	659,182	693,813
Cost Per Beneficiary	\$355	\$411	\$435	\$442

Note: *Amounts are in actual, not real dollars. That is, they are unadjusted for inflation.*

This cost "problem" has been identified in a number of the reviews of the scheme conducted over the last few years.

³³ Minister Baird's Press Release, 17 July 1992.

Thus former Deputy Secretary of the NSW Treasury and now Secretary of the Victorian Treasury, Mr Don Nicholls, recently made an extensive assessment of the Greiner Government's financial performance in which he concluded that "the growth in costs [of the School Student Transport Scheme] has been a matter of budgetary concern to both present and previous governments."³⁴

Similarly, the 1992 Auditor-General's Report shows³⁵ that, while student numbers have increased by only 0.85% since 1980/81, the cost of the scheme has increased in real terms by 68%. In that regard, it should be noted that the Auditor-General has included the Disabled Student Transport Scheme in his figures but allowing for that, the cost increase is still as high as 49.2% in total real terms between 1980/81 and 1991/92.

These trends are graphed below and full details provide in the following table.

³⁴ Nicholls D, *An Independent Review of the Financial Performance of the NSW Government, 1988-1991*, p. 69.

³⁵ Volume Two, p. 72.

School Student Transport Scheme

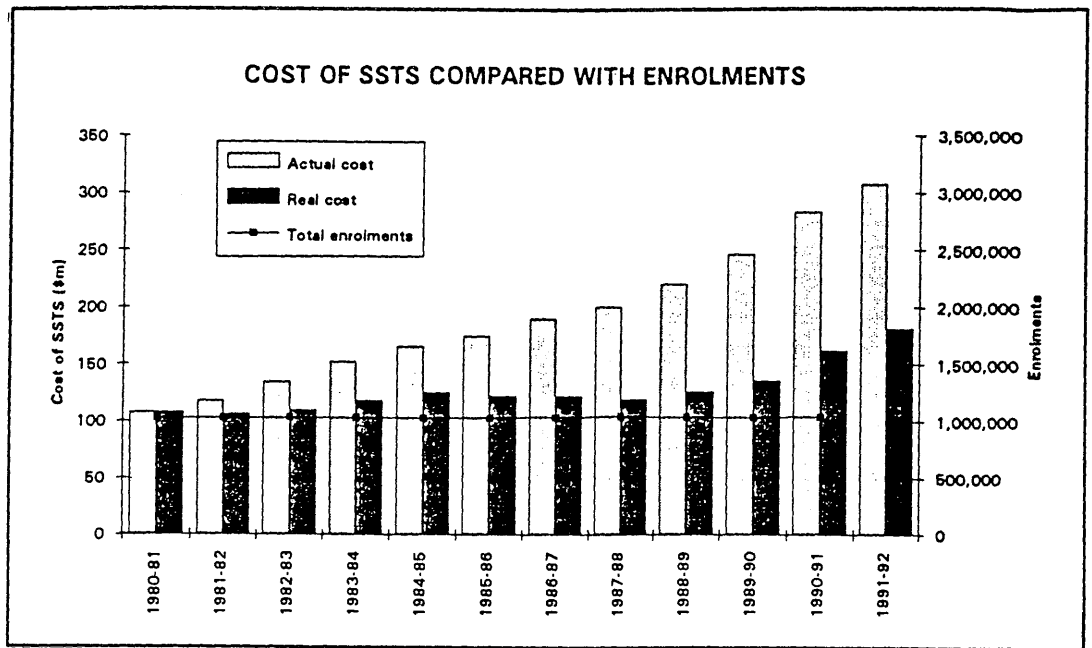
YEAR	TOTAL STUDENT NUMBERS (CALENDAR YEAR)	ACTUAL \$M	REAL \$M	
			SSTS	EXCLUDES DISABLED
80/81	1,028,428	107.7	107.7	
81/82	1,027,291	117.5	106.3	
82/83	1,030,110	134.5	109.6	
83/84	1,028,523,	151.8	117.8	
84/85	1,025,314	165.1	125.0	
85/86	1,026,011	174.1	121.7	
86/87	1,031,004	189.1	121.7	
87/88	1,038,530	199.1	118.9	
88/89	1,033,593	219.2	125.2	
89/90	1,030,623	245.6	135.4	117.3
90/91	1,037,313	283.4	161.7	142.3
91/92		307.4	181.3	160.7

Notes: (a) The real costs are determined by adjusting the actual costs for inflation.

(b) The cost in each financial year is compared with enrolments at the start of the calendar year, e.g. 1980-81 cost vs 1981 enrolments.

Source: Auditor General's Office

A number of distinct trends in real costs are clear from the graphs. From 1980-81 to 1984-85 there occurred a steady increase, which was followed from 1984/85 to 1987/88 by a slight but gradual decrease. From 1987/88 to date, there has been a marked increase in real costs. This is particularly so from 1989/90 to 1991/92, where a very significant increase of 33.9% (which in fact is 37% after subtracting Disabled Students Transport costs) can be identified.



Factors contributing to the cost of the Scheme

The following factors have been identified in submissions and evidence to the Committee as contributing to the cost of the Scheme:

- demographic changes
- administrative inefficiencies
- cost of transport operations
- payment to operators based on passes on issue rather than actual use also known as the "phantom rider" issue. ("Phantom rider" refers to a student to whom a travel pass has been issued, but who travels occasionally. Operators are paid for this pass even though the student has not travelled.)
- generous eligibility criteria
- location of private schools on the urban fringe
- growth of private school education
- increased school retention rates
- education policy changes including dezoning and selective schools
- increased pressure for dedicated school buses.
- 2.3 kms walking criteria (for those within 1.6 km radial distance)
- health and safety exemption (for those within 1.6 km radial distance)

Given the recent, substantial increase in the cost of the scheme, it is appropriate in an inquiry into the historic and projected increases in the school travel budget to try to identify both the factors contributing to the overall rise in costs, over the long term, and the significant increase in real costs which have occurred more recently, since 1987/88. Indeed it is the latter factors which are likely to contribute to future cost increases in the scheme. The two kinds of causes of the cost increase factors will therefore be considered under two broad headings: "Long Term Historic Factors" and "Factors Contributing Particularly to Recent Cost Increases".

Long term historic factors

The following factors are considered to have contributed to the rise in costs on a long-term historic basis:

- demographic changes
- administrative costs
- cost of transport operations
 - a. cross-subsidisation
 - b. level of payments.
- payments to operators for passes on issue rather than for actual use
- eligibility criteria

These factors are dealt with separately below.

Demographic changes

Cities are in a continual state of growth and decay, as some older suburbs decrease in population while newer suburbs increase. The tradition in Australia has been to move away from the older inner suburbs to the cheaper, less dense suburbs on the periphery of the city. This trend has had an effect on the provision of services, including schools. Both Federal and State governments have acknowledged the financial problems created by urban sprawl, particularly with regard to providing services and infrastructure. This has led to policies of urban consolidation with a view to reducing this sprawl and its related costs.

However, it is not entirely clear what the effects of demographic changes on the School Student Transport Scheme are. Indeed, there may well be net savings as schools in older suburbs are rationalised and new schools are opened in suburbs with growing populations. The Department of School Education constructs schools on the basis of need, so that in newer suburbs, schools are constructed when the school-age population reaches a level warranting a new school. Therefore such schools should be located in close proximity to student populations thus reducing the need for school transport.

The Committee visited one government school during its metropolitan inspection and found that, out of a school population of 1500, only one third of students held a bus pass. The remainder of students made their own way to the school, because they lived nearby.

In contrast, a nearby non-government school with a school population of approximately 500 students had over 700 passes on issue. This reflected the large catchment area of the school, the large number of out-of-area students enrolled, and the fact that some students are required to have multiple passes for interconnecting services.

The Committee has received informal advice that the advantages of schools with local catchments in newer areas may, however, be offset by the pre-existing travel and schooling patterns of students in these areas. Similarly there is also the tendency for schools, especially in older areas with decreasing populations, to try to attract students by specialising or becoming selective and thus increasing their catchment areas.

Another demographic factor brought to the attention of the Committee is the increasing popularity of rural sub-divisions and hobby farms, particularly on the Central and North Coasts. Families with school age children who make such lifestyle choices involving long journeys to and from school make a significant financial impact on the Scheme. In a submission to the Inquiry, The Department of Planning pointed out that:

Current settlement trends on the North Coast indicate that 25% of new residential development is occurring in rural areas...[and] it is questioned whether those choosing a rural lifestyle solely for residential purposes....should receive the same benefits [as rural producers].³⁶

³⁶ Department of Planning, Submission

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Administrative costs

A number of submissions argued that administrative inefficiencies were impacting on the costs of the scheme.

The Catholic Education Commission stated in its submission that ". . . savings in administration costs could well provide the savings sought by Government".³⁷ Similarly, the Parents Council pointed out that "long-standing inefficiencies in the Scheme were identified by previous reviews. The Department of Transport must clearly demonstrate by an Auditor-General's Report, as part of the review, that all inefficiencies have been eliminated".³⁸

On the other hand, Treasury states that "the administrative changes recommended in the 'Russell Inquiry' have been largely implemented and that further significant cost reductions by such measures are unlikely . . .".³⁹

Similarly the Department of Transport asserted at the hearings that there were no further savings to be made:

Mr Fisher: On the administration side of it I don't believe there is anything to be gained or saved there . . .

. . . the administrative costs associated with the scheme are approximately 0.6 of one percent of the total expenditure on the scheme in the region and that's quite an achievement.⁴⁰

It is particularly significant that the Auditor-General agrees with this position, as evidenced by those sections of his 1992 Report which deal with the School Student Transport Scheme:

- administratively the Department of Transport has tightened controls in a number of areas

³⁷ Catholic Education Commission, NSW, Submission, 1988 letter to Minister Baird, p. 1.

³⁸ NSW Parents Council Inc., Submission, p. 2.

³⁹ NSW Treasury Submission, p. 2.

⁴⁰ Minutes of Evidence, 16 October 1992, pp. 190-199.

- given the administrative changes made and proposed by the Department of Transport, further strengthening of administrative procedures will produce only marginal savings in the cost of the scheme under current eligibility provision.⁴¹

On balance it would seem that any further savings in administration will be minimal and may not be worth the cost. In reaching this conclusion, the Committee has given particular weight to the views of the Auditor-General, as quoted above.

Cost of transport operations

Although one of the terms of reference of the Inquiry relates to "the contribution of fixed and recurrent charges to overall costs", very few submissions have addressed this issue in any detail or at all. Nevertheless the Committee feels that such charges do make a significant contribution to the cost of the scheme.

Payments to private bus operators make up by far the greatest proportion of School Student Transport Scheme payments. In 1991/92 private bus and ferry operators received \$220.4 million out of a total SSTS budget of \$286.8 million, representing 77% of total payments.⁴² To a large extent this reflects the nature of "public transport" in New South Wales, where, in country and outer metropolitan areas, private bus operators provide the public transport, carrying 66% of the total students participating in the School Student Transport Scheme in 1991/92.

Previous reports: A number of earlier reviews have commented upon the system of payments to operators.

In 1983 the Russell Report stated that:

- Overpayments were being made to private bus operators, both in respect of school services and to subsidise the limited off-peak and weekend services.
- The Government should directly subsidise the bus industry rather than indirectly through the School Student Transport Scheme.

⁴¹ Auditor-General's Report, Volume Two, 1992, p. 72.

⁴² Department of Transport, Submission, p. 19.

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- An Independent Fare Tribunal should be set up to correctly assess private bus costs and fares.⁴³
- The present fare structure of the bus industry is unsatisfactory and the techniques used by the DMT for determining fare increases do not contribute to eliminating present distortions (but do in fact compound them) nor to improving the industry.⁴⁴

In his 1990 Report to the Parliament the Auditor-General reported the following findings:

- Overpayments were being made to private route operators to subsidise off-peak and weekend services. Some private operators were recently being paid up to 240% of the industry average payments while below average payments are being made to others.
- Private route operator student fares are not determined through a comprehensive evaluation of costs but by a percentage increase to an obsolete base struck in the early 1970s.
- Some charter bus operators are being paid well above industry average, suggesting some level of overpayment may be occurring.⁴⁵

It can be seen from these reports that substantial criticisms have been levelled at the system of payments for some years.

Passenger Transport Act: In 1990 the Government undertook a major reform of the passenger transport system in New South Wales with the introduction of the *Passenger Transport Act 1990*. According to the Minister:

the overall aim of the bill is to provide better value for money in the provision of passenger transport. It seeks to do this by introducing the real threat of competition to those local bus operators not providing the level and quality of service achieved by existing best industry practice; levelling the playing field between private and government-owned bus operators; and ensuring that the industry as a whole maintains sound commercial practices.⁴⁶

⁴³ Russell Report, op. cit., p. 5.

⁴⁴ *ibid.*, p. 6.

⁴⁵ Auditor-General's Report, Volume Two, 1990, pp 26-27.

⁴⁶ NSW Parliament Hansard, 8 May 1990, p. 2539.

Under the Act, the provisions of which are still being implemented, the old route and charter operations were replaced by fixed-term commercial and non-commercial contracts.

Under commercial contracts, operators are required to provide certain levels of services and are paid on a "per-head" basis using four standard fare scales, namely urban, urban fringe, country town and rural which reflect the operators' ability to obtain multiple journeys.

Non-commercial contracts (formerly charter operations) operate where no commercial contracts are taken up and are paid on a per bus basis, calculated on an agreed formula set by the independent consultants Price Waterhouse. This formula calculates the revenue for operators on non-commercial contracts taking into account factors such as bus size, distance travelled, time taken to travel, depreciation and return on investment.

Another feature of the Act, which is a carry over of earlier arrangements, is the exclusivity granted to bus operators over routes or areas. Thus a large number of "natural" monopolies are operating to provide a service, which is, however, supported by government subsidy.

While issues such as those relating to high cost operators have been addressed by the introduction of standardised fares and the Price Waterhouse formula based on an agreed industry average, a number of submissions have raised issues which still need to be addressed.

Tendering: During the hearings, the following exchange took place with Mr Gilmour from the Department of Transport:

Mr IRWIN: In relation to the charter services, has the Department considered, say in the areas of new services, opening up to competitive tendering?

Mr GILMOUR: We are required to under the Act.

Mr IRWIN: With existing services is there a programme in place to open those to competitive tendering in the course of time?

Mr GILMOUR: The Act essentially grants rights to existing operators.

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Mr IRWIN: For how long?

Mr GILMOUR: They get a new contract for five years and the contract provides that the contract shall be renewed unless performance has been unsatisfactory.⁴⁷

Defending this system, Mr Gilmour said that the charter rate has been assessed as a fair return by Price Waterhouse independently and that it is a fair return: "not too much and not too little".⁴⁸ Indeed Mr Gilmour asserts that a departmental comparison "with the Victorian position where they tender indicates that the Price Waterhouse rate is a little below what the Victorians have been getting in tenders".⁴⁹

On behalf of the Bus and Coach Association (BCA) , Mr Graham made the further point that under the new Act what the Transport Department is doing is realising that instead of itself working out what the school runs should be, as it would need to do in a tender system, it is far better to give the operators incentives to work out the best service by giving them a rate per head.⁵⁰

On the other hand, Treasury was more in favour of a tender system. It believed this would provide for a better integrated system to best take care of other passengers such as senior citizens and militate against school buses sitting idle "until 3.30 doing nothing".⁵¹

On behalf of Treasury, Dr Moy said that competitive tenders over short periods would reduce monopoly problems but there was a need for balance:

Dr MOY: There is a balance you are going to have to strike between what people are going to have to achieve [to get] a rate of return on the investment they put in, and the ability to keep getting the incentive to maintain the lowest prices. What you end up doing depends on the payments mechanism. You might award a tender for two or three years on a fixed price or you may award a tender over a slightly longer period

⁴⁷ Minutes of Evidence, 16 October 1992, p. 204.

⁴⁸ *ibid.* p. 200.

⁴⁹ *ibid.*, p. 206.

⁵⁰ Minutes of Evidence, 12 October 1992, p. 96.

⁵¹ *ibid.*, p. 59.

with periods in-between where the price is reviewed on the basis of tenders raised elsewhere or wherever.⁵²

In considering this issue, the Committee was mindful that any changes would need to be gradual so as not to jeopardise existing operators, and that there was a need to ensure some stability of cost. On balance, the Committee believes that the current system should prevail for the time being, especially in view of the Victorian comparison and because operators will have an incentive to work out the most efficient routes. However, this area should be one for on-going priority monitoring because it lacks the strict price competition inherent in tendering.

Recommendation 2

The current system where the renewal of existing operators is conditional upon satisfactory performance should be retained. Payments for such services should be based on Price Waterhouse rates.

Recommendation 3

The current system of new services being let to tender should be retained.

Recommendation 4

The current system for existing operators should be monitored as a matter of high priority, to ensure that contract rates reflect fare levels that would prevail in a competitive environment.

⁵² *ibid.* p 60.

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Cross-subsidisation: In his book *Managing State Finance*, Don Nicholls, states that :

To judge the impact of cross-subsidisation it is important for decision making, both economic and political, that the cost be measured and made obvious (transparent) in the financial statements of the government.

If the authority providing the goods is to meet the cost, accountability suggests that the extent to which the customers of the authority are meeting that cost is displayed in the financial statements and annual report.⁵³

In its submission, Treasury expressed concern that one of the factors contributing to the cost of the School Student Transport Scheme "is the use of subsidy (to an unknown extent) to maintain the viability of other services provided by transport operators"⁵⁴. Elsewhere Treasury has argued that "cross-subsidies make bad economics when they become large".⁵⁵

At the Committee's hearings the Treasury referred to the "NOROC Report", an unpublished consultant's report commissioned by the Department of Transport. It identified "a degree of cross subsidy between school transport services and general bus services in private bus operations".⁵⁶

Treasury supported this cross-subsidy argument by pointing out that Victoria and Queensland, which have lower School Student Transport Scheme costs than New South Wales, provide various levels of direct subsidies to the bus industry.

Dr MOY: If you look at the aggregate data that's available, New South Wales, for example, has a very expensive School Student Transport Scheme compared to the other States and no general subsidies to private bus operators. The general subsidy, for example, in Victoria is around \$100-million a year and the school transport subsidy is much, much lower than ours - probably \$150m-\$170-m. I have forgotten the exact numbers. There is similarly a general transport subsidy to private bus operators in Queensland which is about \$35-million a year.

⁵³ Nicholls D, *Managing State Finance - The New South Wales Experience*, NSW Treasury, 1991, p. 52.

⁵⁴ NSW Treasury, Submission, p.1.

⁵⁵ NSW Treasury, *Public Authority Pricing in NSW*, op. cit., p. 4.

⁵⁶ Minutes of Evidence, 12 October 1992, p. 46.

The fact that they are identified in some other States and it is not identified and paid in New South Wales, is indirect evidence about the cross-subsidy, plus the direct evidence sighted by previous consultants, does tell you that there is a lot going on that's clearly not transparent.⁵⁷

However the Department of Transport rejected the cross-subsidy claim. In evidence, the Department stated that the NOROC data was out-of-date:

CHAIRMAN: There has been a report done that suggests there is a pretty high level of cross-subsidy. Would you agree with that?

Mr FISHER: I believe the report refers to a group of operators who were known as the Twelve Apostles and these were people that were high cost route operators and in 1989 were actually converted to charter at a rate high than the then economic rate. As an offset, at a substantial saving, I might add, they were allowed to continue their route operations and to receive pensioner concession payments and that has continued up until this point.

However, I am just in the process of issuing non-commercial contracts to these people and from that point onwards they will receive only the Price Waterhouse payments for the vehicles that they have in use.⁵⁸

The Department also argued that bus operators run typical businesses which have high and low revenue periods:

Mr GILMOUR:... with any business your revenue periods are going to occur in certain peak periods.... Retailers don't necessarily make money on Mondays and Tuesday but they are still open because they provide a service across a whole period of time.⁵⁹

and,

Mr GILMOUR: I don't believe there is cross-subsidisation.... because the school need coincides with the peak.⁶⁰

On a more general level, however, the Minister for Transport indicated during the second reading debate on the Passenger Transport Act, that cross-subsidies had an important role to play:

⁵⁷ *ibid.*, pp 46-47.

⁵⁸ Minutes of Evidence, 16 October 1992, p. 199.

⁵⁹ Minutes of Evidence, 12 October 1992, p.14.

⁶⁰ Minutes of Evidence, 16 October 1992, p. 200.

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At the moment our operators have exclusive patronage, and, as a result, are able to cross subsidise their less popular routes and times with more popular ones. Upsetting this delicate balance could be devastating for the consumer, the operator, and, in financial terms, the Government. For this reason deregulation of local bus routes is not considered appropriate.⁶¹

The Office on Ageing had a different perspective again. According to the Office:

Mr KILSBY:Given a typical fare for the journey it is actually producing a contribution for the journey to the total operations. To me that, in fact, shows it is actually off peak travellers who are actually cross subsidising peak travellers or who can potentially do that. They have got to be there in the first place. If the fares are constant during the day some of your off peak travel can actually produce a contribution towards supporting the cost of the peak operation.⁶²

From this evidence any of the following cross-subsidisation possibilities could be occurring:

- there is none
- the peak is subsidising off-peak
- the off-peak is subsidising the peak
- cross-subsidisation is an important element in the Passenger Transport Act.

There is obviously considerable disagreement on the cross-subsidy issue and its impact on the School Student Transport Scheme. What is needed as a starting point is a greater level of transparency in the identification of subsidies which is so important in the accountability process. As Treasury stated at the hearings:

Dr MOY . . . if you are going to get cost effective delivery of the services you really need these things transparent so it's clear what you are paying for and the government can make a decision about what it's actually buying in the way of social services or, in some cases, maybe just private services.⁶³

⁶¹ NSW Parliament Hansard, 8 May 1990, p. 2540.

⁶² Minutes of Evidence, 16 October 1992, p. 213.

⁶³ Minutes of Evidence, 12 October 1992, p. 47.

The issue of cross-subsidisation should not be considered in isolation from the overall fare and cost structure of public transport, whether provided by public or private operators. This is the subject of a Committee recommendation on page 29.

Level of payments: As mentioned earlier, a number of reviews had been critical of overpayments made to operators. As part of the recent reforms to the industry, new standardised fare structures have been introduced for commercial contract operators including the STA, and a standardised formula has been introduced for non-commercial contract operators.

An essential element of this standardisation is that it be revenue neutral. This involves an averaging process where overpayments are intended to balance underpayments. However while these changes do not cost the government anything, no savings are made either. Thus the total amount of the payments was not reduced. Payments were merely redistributed.

The Transport Department put it in the following way:

Mr GILMOUR: What we are doing is over four years bringing the high cost ones down and the low cost ones up to a proper average both in terms of fares and charter.⁶⁴

However it is clear, that this "proper average" has not been independently assessed, a point acknowledged by the Department of Transport:

Mr GILMOUR:.... What the Passenger Transport Act required legally was that we set a maximum fare for like areas, so we have one for urban, one for urban fringe, one for town country etc. That has been done on the basis of the averages that are there that existed.⁶⁵

On the question of independent assessment, the Russell Report stated as far back as 1983 that:

⁶⁴ Minutes of Evidence, 16 October 1992, p203

⁶⁵ Minutes of Evidence, 12 October 1992, p. 40.

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the true costs of the various components of the private bus industry must be regularly reviewed and monitored.....Historical bases 10 years old, but indexed, whilst simple, are not a satisfactory method where expenditures of over \$100 million p.a. are involved.⁶⁶

This statement appears to be equally valid today. The recent reforms did not address the operating costs of the industry nor the relationship between these costs and payments by the government to the industry. Given the size of the outlay for the Government, it would seem appropriate that such analysis be carried out.

The appropriate body for such an inquiry would be the Government Prices Tribunal, and the Department of Transport has already signalled that this is a probable course of action. At the hearings, the Director-General informed the Committee that the next stage of reforming passenger transport would involve a fundamental review of public transport fares by the Government Prices Tribunal. At the same time the Department would assess the implications for the private sector. Mr Moore-Wilton stated that, based on other Prices Tribunal reviews, "we would expect the Prices Tribunal to visit the whole question of efficiency and contestability as to whether the public sector should provide services vis-a-vis the private sector so they will have to compare both".⁶⁷

Recommendation 5

The Government Prices Tribunal should investigate the cost to the Government of the provision of public transport, and should include the cost of private operators in this investigation. The Prices Tribunal should consider the question of cross-subsidisation in relation to school student transport fares.

As a general rule cross-subsidies should be transparent, as this is an important part of the accountability process.

⁶⁶ Russell Report, op. cit. p5

⁶⁷ Minutes of Evidence, 12 October 1992, p. 41.

Remanufacturing: Under the Price Waterhouse model, contract holders are required to comply with the average age of bus conditions:

- An average age of 12 years, calculated over the 5 years of a contract applies to buses with a loading and standing capacity of 26 persons or more;
- An average age of 8 years calculated over the 5 years of a contract applies to buses with a loading and standing capacity of 25 persons or less;

Operators in country areas who own only one bus which is used to provide school bus services have the choice of operating under a non-commercial contract:

- either with the average age of bus equipment, or
- being exempted from the average age of bus requirement.

Operators who request an exemption are still paid on the Price Waterhouse basis; however the return on investment, the depreciation and the spare bus allowances are based on the actual age of the bus and on historical costs, not on the average age of the bus and the historical costs, as they are in the case of non-exempted operators. In that regard, there is concern that one bus operators are not paid enough.

The Committee believes that one key issue this policy seeks to address is that of bus safety. In that regard, the current policy seems designed to put old buses off the road, although, from what the Committee has seen on its country inspections, the policy will in actual fact have the effect of putting many operators of old buses, which nevertheless are quite safe, off the road. Although the BCA disputes this, the Committee is convinced it is a problem.

The evidence of the General Manager, Operations, of the State Transit Authority is instructive:

MR THURSTON: If you strip a chassis down and there is no corrosion, no rust and everything is fine, you put a new body on it . . . That would obviously reduce the cost of paying \$200,000 for a school bus run.⁶⁸

Whilst increasing payments to operators with an exemption may be one way to go, the Committee believes that the whole question of remanufacturing and safety needs to be revisited with a view to allowing older buses which are still safe and which in all respects comply with legal requirements to be remanufactured, thus reducing costs and the need for higher payments by single and small operators.

Recommendation 6

The question of school bus safety and remanufacturing should be referred to the Staysafe Committee to determine whether, without compromising safety, the averaging of bus ages can be altered to ease cost pressures on small operators.

Payment for passes on issue

One factor consistently identified as contributing to the cost of the scheme is the payment of operators on commercial contracts for 92% of passes on issue. This method of payment commenced in 1968 with introduction of the pass system. The rationale for this method of payment is the contractual obligation that operators provide the bus capacity for all students with passes, discounted by 8% to allow for school absenteeism. Thus in return for providing bus capacity at all times for 92% of all students with passes the operator is paid as if all those students that is, 92% of all students at the school actually travel.

It was put by some witnesses that the number of students carried was much lower than 92% and that therefore operators were being overpaid. Although claims of the rates of

⁶⁸ Minutes of Evidence, 16 October 1992, p. 239.

actual usage vary from 40% to 100%, at the moment there is no way of knowing the actual level of usage because the evidence is only anecdotal.

The Director-General of the Department of School Education put the issue as follows:

DR BOSTON: First, on the issue of equity and fairness of the current scheme, we would put the view that bus companies should be paid for the actual journeys made rather than on the basis of the number of bus passes issued. The anecdotal evidence that we have from the Department of School Education, from senior officers throughout the State, indicates that many students are driven to and from school by parents. Many never, or very rarely, use their bus passes. That seems to be particularly the case with students enrolled in infants classes.⁶⁹

The Bus and Coach Association seems to agree with Dr Boston's last point because its submission states that "the usage of buses by infant pupils is extremely low".⁷⁰

The Catholic Education Commission also stressed the importance of the question of payment for passes on issue as follows:

BR TAYLOR: You have probably picked up the phrase we use, the "phantom riders". We feel that this is where most of the expense of the system goes I would wonder whether, in fact, that is the way the bus operator would normally run a bus service. They run the bus service and the number of passengers that get on and pay their fares, that is the money they collect for it.⁷¹

Representatives of the Association of Executives of Christian Schools were even more emphatic:

MR GLACHAN: . . .What inefficiencies do you see in the scheme?

MR BOWSER: Phantom riders.

MR CANNON: Phantom riders, no question.⁷²

⁶⁹ Minutes of Evidence, 12 October 1992, p. 67.

⁷⁰ Bus and Coach Association (NSW), Submission, p. 20.

⁷¹ Minutes of Evidence, 12 October 1992, p. 109.

⁷² Minutes of Evidence, 16 October 1992, p. 175.

Over 15% of all submissions to the Inquiry asserted that payments to operators should be for the provision of an actual service. Put another way, operators should be paid only for actual journeys made by students and not for passes on issue.

The Parents Council witnesses put this point most succinctly with their recommendation that "payments to charter and commercial route operators [should] be based on the actual number of children conveyed".⁷³

On the other hand, Mr Fisher from the Department of Transport claimed that "in some cases some operators carry nearly 100% and I believe that, maybe, 92% is inappropriate".⁷⁴

Set out below are a number of situations cited to the Committee where passes are underutilised:

- many students are one-way bus travellers, who are driven to school in the morning, often by a parent on the way to work, but who take the bus home in the evening.
- because they are developing social interests and out-of-school activities, many older students do not regularly use their passes.
- infant pupils, who are entitled to passes regardless of distance from school, are usually transported by parents but obtain passes "just in case".
- students who normally travel to school by other means (walking, cycling) obtain passes for those occasions when they may need to catch the bus, such as on rainy days.

⁷³ *ibid.*, p. 151.

⁷⁴ *ibid.*, p. 190.

There is, however, some disagreement on the "rainy day" argument which asserts that on wet days the demand for bus capacity is actually higher than on other days.

The Bus and Coach Association representative agreed with the argument in the following terms:

CHAIRMAN: . . . Your argument, as I understand it, is 92 per cent of passes on issue is what is needed to provide that capacity that is there for the rainy days and days when all of a sudden there is mass need for bus transport. Is that what it gets down to?

MR GRAHAM: It is, and there is a little more than that . . .⁷⁵

The argument was also supported by the submission of the Federation of Parents' and Citizens' Associations of NSW. However the Federation also felt it indicated the inadequacy of the current system in the following terms:

In bad weather, buses which have adequate capacity on sunny days are frequently overcrowded which demonstrates the shortcomings of this archaic method of pass allocation and service provider reimbursement. Providers constantly seek an advantage from the Free School Student Transport Scheme and are quick to offer the minimum service necessary to convey students, regardless of what they are paid to provide under the Scheme.⁷⁶

Interestingly, the Department of Transport representative did not appear to accept the "rainy-day" thesis:

MR WILKINSON:....I would suggest from my observations, and my staff's observations that less would use it on a wet day. However, if it fines up in the afternoon you find that they all use it.⁷⁷

And more generally,

MR GILMOUR: It is generally known that revenue for public transport goes down in very wet years.⁷⁸

⁷⁵ Minutes of Evidence, 12 October 1992, p. 88.

⁷⁶ Federation of Parents' and Citizens' Associations of NSW, Submission, p. 6.

⁷⁷ Minutes of Evidence, 16 October 1992, p. 192.

⁷⁸ *ibid.*

This was suggested by a Catholic Education Commission representative in the following terms:

MRS CLIFTON: On wet days, in my experience, fewer children use the bus than normally because the children have to walk from the school out to the bus stop which might not be very close and also from the bus stop to home and on a very wet day you are more likely to have mum come and pick them up from the school playground and drive them into the garage at home.⁷⁹

Members of the Association of Executives of Christian Schools made similar statements:

MR JOHNSTON: I don't believe that the behaviour pattern of parents in schools varies enormously on wet days or those exceptional days because for every child that gets on the bus on a wet day atypically there are other children who don't catch the bus and are driven to school by their parents.

MR CANNON: I was surprised with the wet day thesis myself.⁸⁰

Taking all this into account, the Committee remained concerned that while parents were critical of perceived overpayments, many would take a different view if there were not enough bus capacity for their children to be able to travel on buses when all children wanted to. Thus the crux of the problem involves an assessment of the appropriate level of capacity to supply given the variable levels of demand and cost.

In particular, the Department of Transport is concerned about public reaction to inadequate bus capacity which might result in some school children being unable to travel on special occasions at peak demand:

Mr GILMOUR: But one thing to keep in mind when we are talking about metropolitan services is that being able to predict the usage on a particular day has proved in the past to be difficult and this is one reason where, when the usage level was established at 92 per cent, the requirement is also there for the operator to have that capacity of service in operation on any given day.

So that when you go to a straight usage basis then obviously operators are going to try and judge their services according to some pattern of

⁷⁹ Minutes of Evidence, 12 October 1992, p. 114.

⁸⁰ Minutes of Evidence, 16 October 1992, p.178.

usage over time. I guess one needs to balance at that point the chaos or whatever might occur if there is insufficient services on a day to a situation of having a sensible and rational way of getting kids to school.

⁸¹

According to Mr Moore-Wilton the result is that the "operator has to provide the capacity to take the market every day whether or not the market turns up"⁸².

This is apparently what the current system demands or expects. However Russell questioned the basis of this arrangement, stating in his Summary of Principal Findings:

1. The present system of paying operators on passes issued is not in accord with the principles agreed to in 1968, when the pass system was introduced. At that time, a percentage of passes issued, which reflected actual usage, formed the basis of payment.
2.Payments for route services should not be based on passes issued but on usage, as measured by regular sample surveys.⁸³

The Committee was nevertheless reminded that there are potential difficulties with this approach, as the head of the Department of Transport observed:

Mr MOORE-WILTON: If we had a situation where, in fact, we were providing under capacity on any consistent basis or even on an irregular basis, I think the public impact of that would be quite negative for any government in the sense that children could not get to school. There is a sensitivity there that you are, in fact, providing for the peak rather than for the average, in a sense. Its not like turning up at the airport and saying "Well, you can catch the next plane." The capacity has to be there.⁸⁴

What the bus operators point out is that, under their commercial contracts, capacity must be supplied for 92% of passes on issue regardless of the loadings on any particular day. Thus whilst there are occasions when loads may be reduced because of sports days, pupil-free periods and wet days, the capacity is still required to be provided. However the

⁸¹ Minutes of Evidence, 12 October 1992, p. 5.

⁸² *ibid.*, p. 7.

⁸³ Russell Report, p. 4.

⁸⁴ Minutes of Evidence, 12 October 1992, p. 7.

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operators' costs are virtually the same for running buses whether full or empty and therefore it is only reasonable that they be paid accordingly.

Interestingly, however, the issue of capacity did not turn out to be a problem in Tasmania. In that regard the recently retired head of the Department of Roads and Transport in Tasmania gave the following evidence:

CHAIRMAN: How did you handle the problem of phantom riders in wet weather peak travel? Does Tasmania work on the 92 per cent available bus passes rule, or is it more on actual usage?

Mr DREW: It used to, but it went to actual usage, including the private operators.

CHAIRMAN: Did that create another issue, that there was not enough capacity on wet weather days?

Mr DREW: No, the biggest issue was that the ridership that was claimed to be there, wasn't there.

CHAIRMAN: This is crucial.

Mr GLACHAN: You found that out - that they were actually claiming ridership that did not exist?

Mr DREW: In the private sector yes, very strongly so.

Also,

. . . **Mr DREW:** Yes, I think there are two issues. I think it is very important what was said then; you cannot vary a timetable on a daily basis. You have to determine what your normal maximum load is and design your system around that. What I am saying is the apparent maximum load and the actual maximum load, were two different things and that is where the reduction occurred.

CHAIRMAN: In reducing from the apparent maximum load to the actual maximum load ---

Mr DREW: That was not a problem, on the vast majority of services.

CHAIRMAN: On wet days where all of a sudden there were hundreds of people writing to the minister saying "Under the new system, we cannot get a bus, it is outrageous - fix it". Did that tend not to happen?

Mr DREW: That tended not to happen. Usually, for example, you had four buses going to a particular destination and you found that by careful analysis you could run to three throughout the whole year. You still had to have the capacity, that's the point Mr Thurston made. You still have to have the capacity for normal variation and so it is a case of

determining what the normal variation is, and that is where you get proper figures.⁸⁵

Thus the Tasmanian experience suggests that through careful analysis of the normal variations between apparent and actual maximum loads, significant savings can be made.

In the Committee's view, the following points emerge:

- it is inappropriate from any acceptable financial management approach to be paying for services not provided
- it is also inappropriate that the actual numbers of students being transported is unknown
- if operators are currently carrying full loads then
 - (a) they have adjusted capacity to meet reduced (or increased) demand. In either case a variation of payment is appropriate
 - (b) operators are carrying the assumed 92% and payment for actual journeys made will not affect operator revenue
- if operators are not carrying full loads then they may be regularly carrying less than 92% and could be overpaid.

The Bus and Coach Association states that it is willing to assist the government in determining actual number of students travelling:

MR GRAHAM: . . . the Association is only too happy to co-operate and determine fully how many pupils are travelling.⁸⁶

⁸⁵ Minutes of Evidence, 16 October 1992, pp 229-230.

⁸⁶ Minutes of Evidence, 12 October 1992, p. 99.

However the BCA argues that any change to the basis of payment would necessitate a re-evaluation of the fare structure.

MR GRAHAM: . . . If the number is 91 per cent or 81 per cent or 101 per cent, fine, but the Association has to get back to also being paid as a reflection of the cost of providing the service. We are not too sure that the fare is right either. At the moment the 92 per cent times the fare seems to give a reasonable return. If, all of a sudden, the 92 per cent is shown to be way out, and therefore the return came down to below the cost of provision of the service, naturally the Association would be saying, "We have to look at the fare", because that is the other component.⁸⁷

The Committee did not agree with this argument. Operators on commercial contracts are paid on a "per head" basis at a rate agreed to by the government and the industry. This rate is presumably "commercial", that is, it provides sufficient profit for the operator. If the maximum average number of students travelling is say, 80% and operators are required only to provide bus capacity at this level (over a reasonable period of time) then their operating costs are reduced accordingly. It is difficult to see how, on a commercial basis, the fare structure needs to be reassessed.

However, if the current fare structure does not provide an adequate return for operators without this payment for capacity, then it would seem that the fare structure is not genuinely commercial.

Thus if fare structures are inadequate and operators require additional revenue via payment based on passes on issue, then it is in fact a subsidy. It would arguably be more efficient to pay for actual journeys made with government support for any further contributions being by means of a clearly identified CSO element.

According to Treasury this need for transparency is important:

where subsidies are provided through low prices produced by public enterprises, it is important that such subsidies should be transparent. Such arrangement should be identified and be open for public scrutiny. Where particular services or groups of customers are subsidised, such subsidies should be financed from the general revenue of the government and not

⁸⁷ *ibid.*

by the other customers of the organisation through cross-subsidy. This ensures that price signs for the latter group are not distorted.⁸⁸

On the question of surveys, the Parents and Citizens witnesses strongly agreed that it would be an appropriate investment of public money to set up a system which could find out what is going on with bus patronage. Thus an audit was seen as a short-term expense which would provide a long-term saving.⁸⁹

Recommendation 7

The Department of Transport should commission an independent survey of levels of usage on a sample basis. Should the survey find that the actual usage is substantially below the 92% of passes on issue, then the basis of payment should change to actual usage, as determined by a method such as electronic ticketing or swipe card technology.

Eligibility

The eligibility criteria of the Scheme in NSW are based on both distance and age. The current 1.6 km distance eligibility was introduced in country areas in 1972 and in metropolitan areas in 1973, and thus has been operating for some time. In 1977, the distance criterion was totally removed for students in Kindergarten to Year 2.

According to the Department of Transport, the 1.6 km distance based eligibility criteria have a significant impact on the cost of the scheme.⁹⁰ Furthermore, the complete removal of the distance criterion for Kindergarten to Year 2 students further impacts upon the cost of the scheme,⁹¹ because operators are paid on the basis of 92% of passes on issue and the evidence is that, whilst many Kindergarten to Year 2 students have passes, few use

⁸⁸ NSW Treasury, *Public Authority Pricing in NSW*, op. cit. p. 12 .

⁸⁹ Minutes of Evidence, 12 October 1992, p. 133.

⁹⁰ Department of Transport, Submission, p. 33.

⁹¹ *ibid.* p. 30.

them. For example Dr Boston said in evidence that many students enrolled in infants classes rarely or never use their passes.⁹² Indeed this form of transport subsidy is not a priority in Victoria, "where kindergarten and pre-school students are allowed on school buses only if there is space available after accommodating primary and secondary students".⁹³

The generosity of the NSW scheme is obvious, according to the Department, when compared with schemes in other States, for it is "by far the most generous and as a result the most expensive".⁹⁴

In its submission the Department of Transport provided a table comparing SSTS schemes throughout Australia. This is reproduced in Appendix C.

From this table it can be seen that the NSW 1.6 km distance eligibility requirement is considerably more generous than any of the schemes operating in the other States.

In its submission, the Department of Transport has also calculated savings to be made by extending the distance eligibility criterion. These calculated savings provide a guide to the cost impact of the 1.6 km eligibility to the overall scheme and are set out below:

<u>New Radius</u>	<u>Savings to Government</u>
3.2 km	\$61m to \$89m
4.8 km	\$91m to \$119m

At the hearings the Director-General of the Department emphasised that he was of the opinion that "there is no doubt that it is the eligibility criteria which determines the broad cost of the system".⁹⁵

⁹² Minutes of Evidence, 12 October 1992, p. 67.

⁹³ Department of Transport, Submission, p. 32.

⁹⁴ *ibid.* p. 30.

⁹⁵ Minutes of Evidence, 12 October 1992, p. 37.

With regard to age eligibility, reference has already been made to the evidence of both the School Education Department and the Bus and Coach Association that infants do not use their passes regularly (see p. 33). Thus it is reasonable to conclude that many of them are phantom riders and the actual patronage of buses by infants is much less than the passes on issue would suggest. This in turn leads to the conclusion that bus capacity is being provided and paid for is not utilised.

On the safety issue, information provided by the Bureau of Crime Statistics indicates that travelling to and from school is essentially a very safe activity⁹⁶. Nevertheless there is more than ever before considerable concern about the safety of children, particularly very young children, and the removal of this age eligibility criterion would in the Committee's view meet with an unacceptable level of opposition.

Finally, a Department of Transport witness made an interesting observation regarding distance eligibility, apparently based on calls received by departmental officers to the following effect:

Mr GILMOUR:before we had this 1.6 people might make a choice to buy a house close to a school so that kids could easily walk. It seems that the incentive of free travel actually suggests to people that what I need to do is make sure I buy a house that is outside the 1.6kms so I get the travel.⁹⁷

Factors contributing to recent cost increases

The following factors emerged as ones which are contributing to recent cost increases:

- location of private schools on the urban fringe
- growth of private school education
- increased school retention rates
- education policy changes such as dezoning and selective schools
- increased pressure for dedicated school buses.

⁹⁶ Bureau of Crime Statistics, data by fax, 10 August 1992.

⁹⁷ Minutes of Evidence, 16 October 1992, p. 188.

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- 2.3 kms walking criteria (for those within 1.6 km radial distance)
- health and safety exemption (for those within 1.6 km radial distance)

As with the long-term factors referred to earlier, it has proved difficult to quantify the actual costs for each of these factors. A recent attempt to quantify the cost impact of some of the recent factors is contained in a report done for the Department of Transport by a consultant, Mr R Graham, using departmental data. Although the report has not been published by the Department, its attitude is best expressed by the Director-General in the following terms:

MR MOORE-WILTON: . . . It was not a public report and whilst it contains a great deal of information, there is nothing in that report, which, as I understand it - I read it again last night - which is inconsistent with what the department is saying. We were quite happy once the Secretariat indicated that they would like to see that level of detail, to provide that report....

We have no problem with the Committee having that material. I don't think there is anything in Mr Graham's conclusions which are greatly different from points that are either made in our paper or that we would make, other than in regard to State Transit.⁹⁸

In the following sections dealing with factors contributing particularly to recent cost increases, references will be made to Mr Graham's report. In that regard, it should be noted that Mr Graham has acted as a consultant for both the Department and the Bus and Coach Association.

Location of private schools on the urban fringe

The Bus and Coach Association first raised this issue as a significant one contributing to recent cost increases, and the evidence of the Association's representatives is instructive.

MR GRAHAM: So you have this massive trend in the last five years whereas previously private school children meant you basically got more children travelling by train to Pymble or North Sydney, wherever it might be. Not now. Children are taking 15 and 20 km bus trips to suburbs we never heard of until the private schools were built there, and they named a suburb after them.

⁹⁸ Minutes of Evidence, 12 October 1992, p. 35.

..MR MACDONALD: Yes, and more so in country areas of New South Wales, with outlying regional private schools setting up ...⁹⁹

The Parents Council acknowledged the trend identified by the Bus and Coach Association but felt that it was not a significant factor in the overall costs of the scheme. In that regard, their evidence was as follows:

MR MACAULY: There are a number of new Christian fundamentalist schools which, because of land values and things, are on the outskirts of cities and things like that. I would think that the numbers of pupils attending those schools and thereby, perhaps, being an added total cost in the overall bill, I would think it is insignificant.¹⁰⁰

The Association of Executives of Christian Schools took a different view and said that the distances travelled to their schools had actually decreased because of the expansion of urban areas into their locations:

MR BOWSER: . . . over the last ten years, many of them would have their students coming perhaps lesser distance than they might have. Some of the schools are becoming far more localised.¹⁰¹

On balance the Committee feels that the creation of new schools on the urban fringe does create significant cost pressures on the School Student Transport Scheme Budget but that these have a tendency to decrease over time as urban infill localises the catchment areas.

Nevertheless the potential cost impact of this issue is significant and is estimated by Graham's report to be of the order of \$1,500,000 in 1990/91.

Growth of private school education

The representatives of the non-government school sector see the problem of increased costs being associated largely with government schools.

⁹⁹ *ibid.* p.103.

¹⁰⁰ Minutes of Evidence, 16 October 1992, p. 161.

¹⁰¹ *ibid.*, p. 169.

Thus the Parents Council does not feel that much of the cost increase in the scheme can be blamed on the non-government school sector. In its submission the Council says that of the factors which "have contributed to a greater number of children travelling to school and travelling longer distances to school, ... only a small proportion of these are attributable to the non-government schooling sector".¹⁰²

Similarly, the Catholic Education Commission believes the costs problem lies with the government schools. In evidence its representative Brother Taylor said :

the cost of the scheme is escalating by the provision by the government of selective high schools, technology high schools and the dezoning of high schools...¹⁰³

Not surprisingly the Federation of Parents' and Citizens' Associations disagrees. In its submission, the Association claims that "considerable amounts of the School Student Transport Scheme's resources are used to convey predominantly private school students inordinate distances to schools of their choice".¹⁰⁴

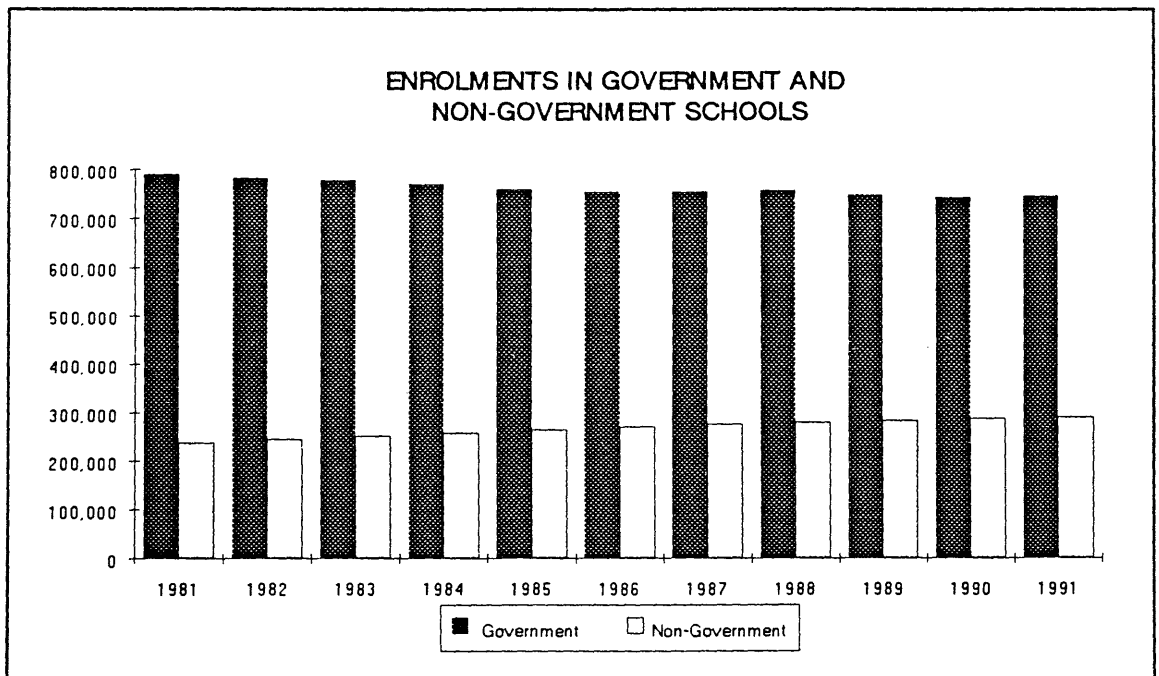
In weighing up these arguments, it should be noted that the number of students in the private school system has grown over the last 10 years while the number in government schools has decreased as evidenced in the accompanying table.

¹⁰² NSW Parents' Council Inc., Submission, p. 2.

¹⁰³ Minutes of Evidence, 12 October 1992, p. 112.

¹⁰⁴ NSW Parents' Council Inc., Submission, p. 5.

YEAR	GOVT	%	NON-GOVT	%	TOTAL
1981	790,575	76.9	237,853	23.1	1,028,428
1982	782,284	76.2	245,007	23.8	1,027,291
1983	778,604	75.6	251,506	24.4	1,030,110
1984	770,924	74.9	257,599	25.1	1,028,523
1985	761,017	74.0	264,297	26.0	1,025,314
1986	755,257	73.6	270,745	26.4	1,026,011
1987	755,084	73.2	275,903	26.8	1,031,004
1988	757,921	73.0	280,609	27.0	1,038,530
1989	749,263	72.5	284,330	27.5	1,033,593
1990	743,186	72.1	287,437	27.9	1,030,623
1991	746,417	72.0	290,896	28.0	1,037,313



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In themselves, these figures do not mean that the private school sector is contributing disproportionately to the increase in costs, because what is important is the distance travelled by students. However, in that regard, it has been claimed by the Bus and Coach Association that private school students do generally travel further distances:

Private schools tend to have much larger catchment areas than Government schools. Furthermore, the newer private schools tend to be located in newer greenfield sites, not readily accessible by scheduled public transport services. These two factors result in bus travel to private schools being of longer distance and therefore more costly.¹⁰⁵

As mentioned earlier, the Committee visited a non-government school in the metropolitan area which, with a school population of approximately 500, had over 700 bus passes on issue, reflecting the non-localised, large catchment nature of the school. On the other hand a nearby government school had approximately one third of students with bus passes. However, as will be seen later, public education policy changes including dezoning and selective high schools also mean that many more public school students are travelling longer distances.

Graham's report estimates that the growth of private school education cost the School Student Transport Scheme \$500,000 for the year 1990/91.

Increased school retention rates

As part of their policies to create a skilled workforce, both the Federal and State Governments are encouraging students to remain at school until Year 12. In that regard, the Federal Government has set a retention rate target of 90% by 1997.

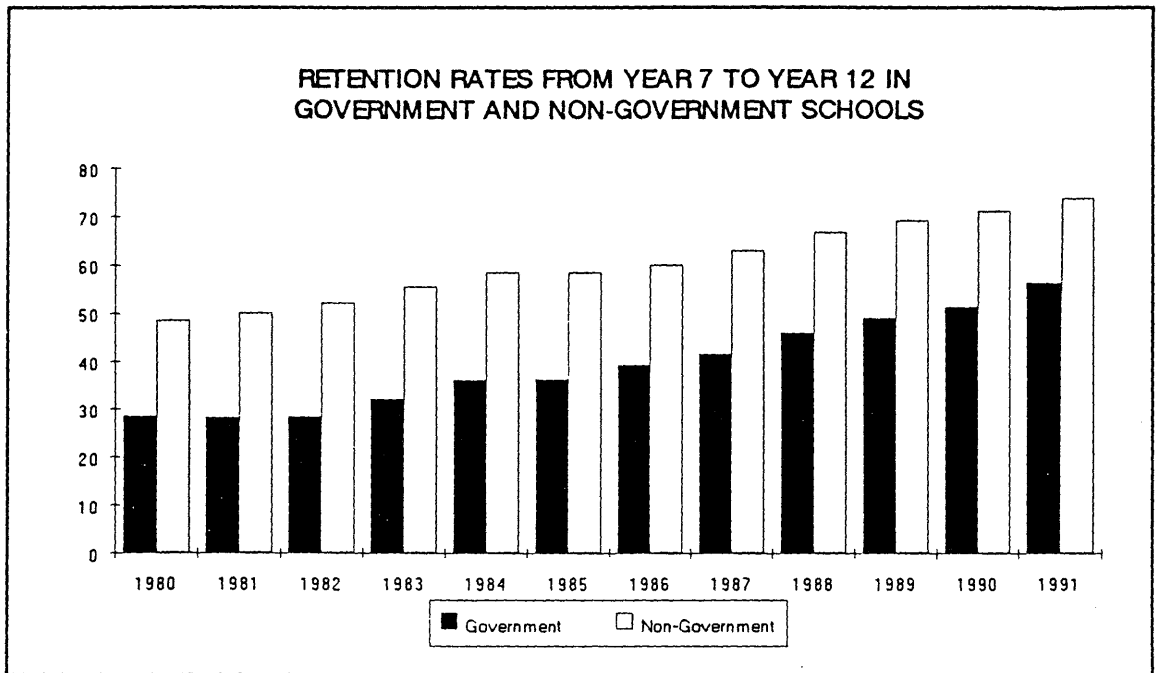
The merit of this policy was acknowledged by the Director-General of School Education at the hearings who asserted that "increased retention is a good thing, educationally. We would not want to see anything done that would severely discourage that."¹⁰⁶

¹⁰⁵ Bus and Coach Association NSW, Submission, p. 24.

¹⁰⁶ Minutes of Evidence, 12 October 1992, p. 74.

In order to assist students financially, the Federal Government provides Austudy to eligible school children in order to complete their school education. Generally students must be 16 years of age or over, studying an approved full time course at school, and satisfy a family income and assets test. The allowance is generally taxable. Currently approximately 68,000 students are receiving Austudy in NSW.

The following graph illustrates the way in which retention rates are increasing:



Overall, there is general agreement that the increase in high school retention rates is a significant factor contributing to the increased costs of the SSTS.

The Department of Transport's perspective is clear from the following evidence:

MR MOORE-WILTON: It is our observation, and I think it would be generally accepted in the community, that both for economic and social policy reasons you have had a 10 per cent increase of students staying on for years 11 and 12....We would expect that given a location of a high school ...that that means a greater use of that category of students than in the past. We would expect that that is likely to continue for some time but we will need to do some detailed work for sure.¹⁰⁷

and,

CHAIRMAN: What do you think the big increase in the cost of the scheme is due to in the last couple of years?

¹⁰⁷ *ibid.*, p. 36.

School Student Transport Scheme

MR WILKINSON: The retention rate at school, I would suggest.¹⁰⁸

In reviewing past developments, the Bus and Coach Association submitted that the doubling of the retention rate over 10 years has had a substantial effect on the increase in SSTS costs.¹⁰⁹ In looking to future developments the Teachers Federation stated that the Federal Government's retention rate targets could have a further significant cost application to the school student transport subsidy.¹¹⁰

It should be noted that the projected retention rate for NSW government schools is 76% which represents a levelling from the significant increase currently occurring in NSW.¹¹¹

It is obvious that the larger numbers of students remaining at school until Year 12 are having a significant impact on the costs of the School Student Transport Scheme. Whilst operators will be paid for all passes on issue to such students it has been put strongly that senior students are more independent and therefore likely to use their passes much less frequently. One submission put this matter this way:

Students in Yr 12 are allowed to drive themselves to and from school. Nearly half of them avail themselves of this opportunity, either as drivers or passengers....every year this represented about 100 (out of a class of 220). One year, I took a survey to discover that 85% of those students travelling privately, held travel passes as well.¹¹²

As these students under different circumstances could be out in the workforce and therefore considered to be adults it may be appropriate, from an SSTS perspective, to treat Years 11 and 12 students as adults.

¹⁰⁸ Minutes of Evidence, 16 October 1992, p187.

¹⁰⁹ Bus and Coach Association NSW, Submission, p. 29.

¹¹⁰ NSW Teachers Federation, Submission, p. 7.

¹¹¹ Letter, dated 30 September 1992, from Director-General of School Education, to the Public Accounts Committee.

¹¹² Mr S Pearson, Submission, p. 3.

Whilst the cost of high school retention rates on the Scheme is very significant, it cannot be determined with accuracy. In that regard, the Department of Transport witnesses stated in evidence:

Chairman:...One area he [Graham's report] didn't cover that is of interest to us is high school retention rates. The impact of the Year 10 to Year 12 students in terms of impact on the Scheme.....I think it was one area that wasn't covered. If we could possibly get some detail on that in the same way that he has dealt with the other matters that would be most useful?

....Mr Moore-Wilton: But you wouldn't have data to answer that last question that the Chairman has asked?

Mr Gilmour: No.

Mr Moore-Wilton: That needs to be done specifically because the Scheme at the moment doesn't distinguish between anyone at high school. We would need to look at that separately. ¹¹³

Education policy changes

The Education Reform Act 1990 introduced a number of major reforms to the NSW education system. In particular, freedom of choice in schooling, or dezoning, is claimed to have had a significant effect on the cost of the SSTS.

Mr Graham's report estimates that between 2% and 5% with an upper limit of 10% of students attend schools outside their area and that additional costs associated with dezoning for state and systemic schools range from \$150,000 to \$700,000 for the financial year 1990/91.

On the other hand, in response to a question without notice from the Hon P F O'Grady on 11 May 1989, the Hon. Virginia Chadwick replied on 25 October 1989, "that the increase in the cost of the school student transport scheme as a result of school dezoning is estimated to be slightly less than \$4 million for a full year". ¹¹⁴

¹¹³ Minutes of Evidence, 12 October 1992, p 36..

¹¹⁴ NSW Parliament Hansard, 25 October 1989, p. 11811.

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Reports commissioned by the Department of School Education following the introduction of freedom of choice in primary and secondary schools (in 1989 and 1990, respectively) showed the following:

- 1.7 per cent of students in primary schools (in metropolitan areas) were non-local enrolments.
- 16 - 21 per cent of secondary students in the metropolitan area were non-local enrolments, and
- 2 -7 per cent of secondary students in non-metropolitan areas were non-local enrolments.¹¹⁵

A submission from Pendle Hill High School shows that

- Prior to dezoning, with regard to Year 7 only, there was an annual intake of approximately 210 (local) students, with less than 0.1% of students at the whole school travelling from "out of the area".
- Since dezoning the Year 7 enrolments have dropped, in the last two years, to about 155, of which about 135 to 140 are local students. Current (1992) Year 6 enrolment is 278 students. It is anticipated that 170 local students will enrol in Year 7, so that in 1993 108 students will be travelling elsewhere to school.¹¹⁶

There are certainly differences between these Department of School Education and the Graham report estimates, which suggests that data in this area are inadequate. Given the coincidence in time between dezoning and the recent cost increases in the SSTS, and based on the figures presented to by the Department and Pendle Hill High School, it is certain that dezoning and selective schools are having a significant impact, but the extent of it cannot be established with precision. In the words of Dr Moy from Treasury,

¹¹⁵ Letter, dated 9 October 1992, from Director-General, Department of School Education, to Public Accounts Committee.

¹¹⁶ Principal, Pendle Hill High School, Submission.

"de-zoning has had a tangible but not a major impact in the growth in the costs of the Scheme".¹¹⁷

One issue which needs to be actively pursued is the staggering of school starting and finishing times to best utilise existing transport resources. In this regard, the head of the Transport Department gave the following evidence:

MR MOORE-WILTON: The education system under the current system has little or no incentive to be flexible and it suits the education system to have a pretty rigid and firm and predictable school student transport system both in terms of the utilisation of teaching staff and volunteers and in terms of the way they run themselves If you are going to focus on more flexibility there, that really does invite a need for a very strong and continuing liaison between the operator, whether it be public or private, the school and the parents.¹¹⁸

On that score, Ms McGill on behalf of the P & C Association indicated that it was possible:

MS MCGILL: If I were a bus operator in a particular area, I would be wanting to consult with the P & C and the area it would cover. Having been through that process where a bus operator was actually picking up and delivering students from seventeen schools in the area a meeting with those representatives worked out a very good relationship to the point where schools were staggering their starting and finishing times.¹¹⁹

At a policy level, the head of the Education Department assessed the possibilities as follows:

DR BOSTON: . . . it is very difficult in relation to primary schools to operate them substantially aside from present hours for the sake of families and the way they organise themselves and also for the safety of travel for young children. With senior secondary schools, generally with the senior classes, there is increasing flexibility these days with the length of the school day and the timing of classes . Often in conjunction with TAFE programmes which may lead to late afternoon and evening classes.¹²⁰

¹¹⁷ Minutes of Evidence, 12 October 1992, p. 51.

¹¹⁸ *ibid.*, p. 12-13.

¹¹⁹ *ibid.*, p. 131.

¹²⁰ *ibid.*, p. 85.

The best approach may well be liaison between the bus operators and the local community.

Overall, the Committee believes that if the Department of Transport were to prepare a Transport Impact Statement when considering the location of new schools or change of status to existing schools, then the Departments of Transport and School Education would rapidly develop innovative and cost-saving policies in many areas including, for example, the siting of selective schools and the staggering of school hours. The question of Transport Impact Statements is considered in more detail in Chapter 3, Section B(e).

Increased pressure for dedicated school buses

The Bus and Coach Association has expressed concern that there is an increasing trend towards the introduction and development of specialised school bus services which, if allowed to continue, has the potential to increase the SSTS costs considerably. In that regard, the Association cited a number of examples including some "ethnic" schools around Sydney, buses travelling from Nambucca Heads to private schools in Coffs Harbour each day (50 - 60 km one way), and parental pressure to separate high school and primary school students.

MR GRAHAM: One of the problems with the school buses, and it is a problem that the Association believes has to be addressed in the near future, is the community pressure to keep extending the range of school bus services that are being offered. So that these days, in the metropolitan area, a school bus does not hardly at all resemble a route bus.

The school bus tends to dart down every side street that a pressure group has put an application on the Government or Department to go down, if the road is suitable. The increasing tendency to go up and down both sides of the road so the children won't have to cross a road; increasing tendency no longer to drop the children at a railway station so they can go by train to school - they will go direct by bus to school; and the Association is perturbed by these sorts of trends.¹²¹

....The same with going up two ways in a street, same as the primary school wanting to have separate buses from the high school.¹²²

¹²¹ *ibid.*, pp 88-89.

¹²² *ibid.*, p. 102.

On its metropolitan inspection the Committee saw first hand at East Hills a situation where a group of parents in one area were able to initiate a new bus service to transport their children to their school of choice.

The STA has also reported pressure to alter routes for specific purposes, and points out the greater cost involved in providing "a door to door type service or lengthy circuitous routes to lessen distance to bus stops".¹²³

Although the cost of this phenomenon is not presently a large factor in overall SSTS costs, it is the potential that the BCA is concerned about. In that regard, BCA representatives said in evidence that at the moment "the cost is not high, but the potential is enormous".¹²⁴ Moreover the solution is seen by the BCA to be stricter guidelines as evidenced by the following extract:

MR GRAHAM:One of the problems is that we are virtually alone amongst the states in not having some very firm guidelines as to what constitutes a new bus service....In every other state there was a rule to say you cannot go past a railway station, or you cannot run a service unless there is at least twenty children, or you cannot do this and that. We have no rules.¹²⁵

The Department of Transport advised the Committee that the criteria for assessing applications for new and amended services generally centre on cost effectiveness. However a number of factors including travel times and student convenience are also considered:

MR WILKINSON: Cost effective in that case, yes, and the travel times of the people, the modes of travel, . . . the time taken by those students to get to school as opposed to the direct services.¹²⁶

and,

¹²³ State Transit Authority, Submission, p. 15.

¹²⁴ Minutes of Evidence, 12 October 1992, p. 103.

¹²⁵ *ibid.*, p. 102.

¹²⁶ Minutes of Evidence, 16 October 1992, pp 184-185.

MR GILMOUR: The manual that is used by Departmental Officers...sets out on p.13 the principles to be taken into account...Without going into all of them it goes . . . through things like the location of various modes of travel, the suitability of the timetables, the travelling time, the number of transfers, the cost savings and the walking distances associated with getting to the transport. In each case it's a complicated assessment and there is a judgement at the end of the day that has to be made.¹²⁷

The guidelines referred to by Mr Gilmour are set out in Appendix D.

It would seem that the BCA is arguing that these factors need to be replaced by quite specific rules which minimise the scope for value judgements. It also emerged from evidence given by SRA witnesses that using existing services, especially trains wherever possible, would lead to significant savings in the Scheme.

CHAIRMAN: This means in real terms for the government, that it's a lot cheaper for kids to be using free passes on trains than on buses, particularly private buses?

MR AILWOOD: Yes, I guess you could say that . . . I think that would be right in terms of the marginal impact on State Rail.¹²⁸

2.3 km walking criteria and health and safety exemption

The radial, health and safety exemptions were introduced in 1986. The exemptions allow passes to be given to those students who live within a 1.6 km radial distance from school but who have to walk more than 2.3 km. Students who live within 1.6 km from school but who cannot walk there because of health or safety reasons also qualify for a pass.

According to evidence given by the Department of Transport, the number of students who become eligible under these exemptions amount to a few thousand each year:

MR IRWIN: How many appeals on the grounds of 1.6 km or 2.3 km or on the grounds of health and so on, would you get?

MR WILKINSON: In my office a couple of thousand a year. Should it be refused or not eligible for a pass on the radial distance or walking distance, invariably they come back with a doctor's certificate which says they suffer from asthma and they get a free pass.

¹²⁷ *ibid.* p185.

¹²⁸ *ibid.*, p. 256.

MR IRWIN: Do you have set guidelines for what health reasons you will allow?

MR WILKINSON: It is on the production of a medical certificate....

MR IRWIN: Looking at a fairly small country town would it be fair to say that because of the safety reasons and the lack of footpaths and so on that almost every child who was outside a very close walking distance would be considered eligible?

MR WILKINSON: Yes. You find that on the fringe areas of Sydney as well.

MR IRWIN: The distance criteria is quite meaningless when it comes to areas outside the metropolitan area?

MR FISHER: I wouldn't say that, no. . . . 'We are talking about safety issues and there are not hundreds of them out there but there are some.'¹²⁹

The Department has since advised the Committee that 1134 students were granted SSTS benefits based on health and safety criteria in the calendar year 1992.¹³⁰

Availability of information

While acknowledging that a number of factors contribute to the cost of the School Student Transport Scheme, the Department of Transport projects costs by applying the Consumer Price Index to the total cost of the scheme without attempting to make any assessment of the potential for individual components to have varying impacts upon the scheme.

Mr RUMBLE: Are the projected costs for the School Transport Scheme calculated by extrapolating current total costs or by analysing and projecting all relevant costs impacting on the scheme?

Mr GILMOUR: What we have done in terms of the future projections is assume that what we have got now is a base level and our projections are based on an inflation rate of around three to four per cent. We don't claim to be experts in being able to predict and forecast inflation rates. On the basis of experience of the last three or four years, we seem to have somewhere around a three per cent real growth of costs either by

¹²⁹ *ibid.*, p. 194.

¹³⁰ Letter, dated 23 November 1992, from the Director General Department of Transport, to the Public Accounts Committee.

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additional numbers or by the changes in people travelling to and from and longer routes.¹³¹

None of the submissions or evidence provided any quantitative analysis of the costs of the abovementioned factors or their impact on the scheme.

The only attempt to cost some of these factors is contained in Mr Graham's report to the Department of Transport referred to earlier. Mr Graham's results, which are based on 1990/91 estimates, are tabulated below:

COST FACTOR	ESTIMATED COST IN 1990/91 \$ (ROUNDED-UP NEAREST \$0.5M)
SCHOOL CLOSURES	500,000
GROWTH IN PRIVATE SCHOOL ATTENDANCE	500,000
PRIVATE SCHOOLS LOCATING IN FRINGE URBAN AREAS	1,500,00
ALTERATIONS TO SCHOOL CATCHMENT AREAS	UNKNOWN
DE-ZONING OF STATE SCHOOLS	1,000,000
SELECTIVE HIGH SCHOOLS	1,500,00
THROUGH BUSES REPLACING BUS-TRAIN TRAVEL	-
TOTAL	5,000,000

From information provided by the Auditor-General's Office, the real cost increase of the School Student Transport Scheme for 1990/91 (over the previous financial year) was \$26.3 million. While Mr Graham has not analysed all factors said to be impacting on the scheme such as retention rates/ 2.3 km walking and health/safety exemptions, these

¹³¹ Minutes of Evidence, 12 October 1992, p. 34.

calculations would indicate a possible short-fall of \$21.3 million between the real cost increase and the cost increase Mr Graham's factors add up to.

Such a significant shortfall indicates either that factors not included in Mr Graham's analysis are impacting considerably on the cost of the scheme, or that Mr Graham's assumptions are not well founded. Either way such inconsistencies and uncertainties further highlight the lack of hard data on which management decisions are being based.

In its submission, the Department of Transport acknowledged the need for further study, by stating in relation to a number of the cost-factors listed above that they "need analysis".¹³² In that regard, the Committee believes that the Department should be in a position to carry out any necessary analysis. Indeed, from the point of view of effective management, this is plainly something that should be done and should have been done, on a regular basis.

The Parents' Council expressed concern about the quality of information in its submission as follows:

The financial information on the costs of the SSTS since 1986 is incomplete, presented in differing formats and is inconsistent. The Council had difficulty in following the pattern of increasing costs both in actual and real terms due to the poor quality of the financial information available.¹³³

This point was repeated in evidence by Council representatives:

MR MCINNES: The Government and the Department surely must be making its decisions and policy changes if they are going to come, on accurate information. One of the long-standing criticisms, way back from the Russell Report in 1983 has been that information has not been accurate . . .¹³⁴

Treasury agrees that there is a lack of adequate data:

¹³² Department of Transport, Submission, p. 20.

¹³³ NSW Parents' Council Inc., Submission, p. 6.

¹³⁴ Minutes of Evidence, 16 October 1992, p.153.

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DR MOY: . . . the data for this whole area seems to be very loose. The only information that we are entirely confident in, is the level of outlays that we are paying which is a far from satisfactory situation . . . It's about 28% of identified Community Service Obligation payments of the government . . . I come back to the point, that it is badly targeted and a badly designed scheme is a very expensive scheme.¹³⁵

However the Director-General of the Department of Transport gave evidence to the contrary:

MR MOORE-WILTON: . . . But I also think much of contribution to the cost of the scheme, and why it costs and where it costs, surveys will make it clearer but will not basically, I think, affect the basic principle, conclusion of the policy judgements. I think the reasons why the scheme costs the way it does are fairly manifest without having to do a lot of surveys. They are a detail rather than the substance of why this scheme costs what it does.¹³⁶

There is also a Departmental view that such surveys might not be worth the cost:

MR MOORE-WILTON: . . . But as you might expect it is very difficult to be able to separate out when children are moving across sectors, there is no way that we can, without interviewing a range of students, in respect of how they have been impacted in the scheme. That would be quite a detailed exercise and quite costly.¹³⁷

Apart from the fact that these comments are at variance with the Department's written submission which stresses the need for analysis,¹³⁸ Treasury believes that a survey to obtain a more detailed picture of what is going on would not be inordinately expensive:

MR CHAPPELL: . . . From your experience in Treasury would you think that that would be very expensive?"

. . . **DR MOY:** Off the top of my head I don't know because I haven't got data bases. Presumably, if you are talking about sampling across the State it gets expensive because you have got to send people out. You are probably talking about \$100,000, \$150,000 for some sort of study in that area.

MR CHAPPELL: Presumably such a study could also find out about the cost of general subsidies in transport -

¹³⁵ Minutes of Evidence, 12 October 1992, p. 46.

¹³⁶ *ibid.*, p. 6.

¹³⁷ *ibid.*, p. 4.

¹³⁸ Department of Transport, submission p. 20.

DR MOY: Yes, you would do everything.

MR CHAPPELL: You would pick it up at the same time and that we would have --

DR MOY: If you were going to do something like that you would design it to try and cover all aspects. So you would have to give some thought to the design of the study in terms of reference but that may be just way out of left field. You can do a fair amount for \$150,000.¹³⁹

Most importantly, the State Transit Authority submission stresses the need for information as follows:

The matching of revenue and costs is further complicated by the limited availability of data on the cost of providing free school travel and the level of usage. In its sustained drive for enhanced commerciality State Transit is aware of the greater need for more specific information about costs and revenue. To this end State Transit is currently developing and introducing new information systems. The information that will be available will permit more detailed analysis of the revenue and cost elements of the overall transport function.¹⁴⁰

Indeed in a complex world with limited budgetary resources, it seems almost trite to say that useful and pertinent information is indispensable in allocating the resources in the most efficient way. As Beringer states:

corporate management ... aims to clarify objectives and provide a logical and systematic basis for forward planning for the total organisation. It provides a systematic approach to

- establishing corporate goals for the organisation;
- making strategic decisions on organisational priorities
- **monitoring progress;** [emphasis added]
- reporting to the government and the community.¹⁴¹

It is apparent that both the historic and recent factors impacting upon the cost of the scheme are wide-ranging. There is no universal agreement on the relative impacts of these factors and some evidence is in conflict. However what concerns the Committee most is that the evidence is nearly all anecdotal and there seem to be little or no hard data to accurately analyse the factors impacting upon the scheme.

¹³⁹ Minutes of Evidence, 12 October 1992, p. 55.

¹⁴⁰ State Transit Authority, Submission, p. 10.

¹⁴¹ Beringer et al, op. cit., p. 104.

It seems to the Committee that this must limit management's ability to identify areas where efficiencies can or need to be made and to make accurate predictions for future costs of the scheme. As a method of managing public money, the Committee believes that this is unsatisfactory, especially considering that the scheme costs taxpayers approximately \$300 million per year.

Recommendation 8

An independent study should be carried out to identify and quantify the factors contributing to the current costs of the School Student Transport Scheme. The study would provide the basis for regular monitoring to identify current and potential costs of the scheme.

Information required would include the impact of the following on costs of the SST Scheme:

- demographic changes
- location of private schools on fringe of urban areas
- growth of private school education
- eligibility via exemptions
- use of specialised bus services
- dezoning
- selective and special schools

Much of this could be gathered through the schools, and would be the basis of ongoing monitoring of the scheme.

The Committee is convinced of the need to have a more accurate breakdown of the costs of all factors impacting upon the scheme, so that management is better able to monitor and manage the scheme. However, the Committee is just as convinced that the Scheme

has an important role in the education process of the State. It is therefore important that, in analysing all the costs, the benefits and beneficiaries be identified and quantified. This then allows the community, through its political process, to determine precisely how the scheme should best be arranged to achieve its aims.

Thus the study recommended by the Committee should also seek to identify benefits and beneficiaries of the current scheme.

OTHER FACTORS FOR CONSIDERATION

Education Reform Act and Passenger Transport Act

The Education Reform Act, which is a major reform of the present New South Wales Government, sets out the framework for the provision of education in NSW. In particular, the Act has implications for the Government's role in ensuring access to education. The principles on which the Act is based are set out in Section 4, as follows:

- (a) every child has the right to receive an education;
- (b) the education of a child is primarily the responsibility of the child's parents;
- (c) it is the duty of the State to ensure that every child receives an education of the highest quality;
- (d) the principal responsibility of the State in education of children is the provision of public education.

Thus under the Act, the provision of education is the responsibility of both the State, which must provide public education and ensure its quality, and of parents, who have the "primary responsibility" for the education of their children. In that regard, parents have a duty to ensure that their children attend school between the ages of 5 and 15 pursuant to the provisions of section 22 of the Act.

In his second reading speech on the Education Reform Bill, the Minister said:

the Bill demonstrates a clear commitment to choice and diversity; to high achievement and standards; and to equality of opportunity.¹³⁹

Later in the same speech the Minister said:

The Government has a primary responsibility for the provision of public education which is accessible to all children and of the highest educational standards. This principle runs right through the present bill.¹⁴⁰

¹³⁹ NSW Parliament Hansard, 29 March 1990, p. 1342.

¹⁴⁰ *ibid.*, p. 1343.

Thus for the Minister, part of the Government's role in the provision of public education is to ensure accessibility. However there is no specific reference to accessibility in relation to private education.

As far as is relevant the Act also sets out the "objects for its administration or of education", in the following terms:

6. (1) It is the intention of the Parliament that every person concerned in the administration of this Act or of education of children of school-age in New South Wales is to have regard (as far as is practicable or appropriate) to the following objects:
- (e) mitigating educational disadvantages arising from the child's gender or from geographic, economic, social, cultural, lingual or other causes;
 - (i) recognition of the special problems of rural communities, particularly small and isolated communities;

The Parliament has, therefore, been mindful of and concerned with the provision of education to those disadvantaged by distance, among other things.

Approximately 15% of all submissions received by the Committee argued that free transport was an essential component of the Government's freedom of choice in education policy. In that regard, the Parents Council submission argued that the School Student Transport Scheme enables all parents to exercise their right of choice of school for their children and that this has a direct relationship with the Education Reform Act 1990. With respect to the dezoning policy, the submission argued that the SSTS policy represents a commitment on behalf of the Government to the basic democratic principle of freedom of choice of school both within and across the government and non-government sectors.¹⁴¹

The submission of the Association of Executives of Christian Schools pointed to a relationship between education and transport, arguing that the SSTS must not be seen in isolation from general education policy.¹⁴²

¹⁴¹ NSW Parents Council Inc., Submission, p. 4.

¹⁴² Association of Executives of Christian Schools, Submission, p. 1.

At this point some consideration needs to be given to section 34 of the Act which deals with "admission to government schools", and which gives the legislative basis for the Government's "dezoning policy". In that regard it is interesting to note that there is no specific mention in section 34 or anywhere else in the Act of the obligations of the Government with regard to transporting students to school. However this does not mean that the Government has no responsibilities in this area, because, as was mentioned above, issues of accessibility, geographical disadvantage and isolation are specifically referred to in the Act.

Thus the State has an obligation to provide access to public education. Moreover there is an implied right of access for all by virtue of the right of the child to receive an education, and in conformity with the Minister's commitment, in his second reading speech, to equality of opportunity. However, the Act requires that parents play a substantial role, and it is difficult not to conclude that parents must assume some of the responsibility for ensuring that their children have access to education.

In considering the provisions of the Education Reform Act, especially the problems of small and isolated rural communities dealt with in the Act, the Committee considered arguments made in some submissions from country areas that the position of rural and urban students was totally different when it came to what they needed from the Scheme.

The argument ran along the lines that country students generally had a greater distance to travel to school, and therefore had no choice but to be participants in the Scheme to get to school. Thus their situation could not be compared with that of city students, who, it was argued, could choose to attend a local school. However, the Committee had difficulty with this argument, because there are now many situations in urban areas where changes to educational policies, including dezoning and the establishing of selective and specialised high schools, have made the provision of school transport just as essential. These changes have also affected the choice available to city students. Thus, for example, where a comprehensive school is turned into a selective one, it may be imperative for some students to travel some distance away from what used to be their nearest local high

school, quite apart from any question of students travelling some distance to attend selective schools.¹⁴³

A distinction needs to be made here, of course, between country students for whom a bus service is available, on the one hand, and country students who are obliged to travel wholly or partly by private conveyance, on the other. In this regard, as argued elsewhere in this Report, country students who rely wholly or partly on private vehicle conveyance are significantly discriminated against in a direct financial sense and in a way which is distinguishable from urban and country students who are able to catch school student transport (see p. 74).

The other legislation impacting on the School Student Transport Scheme is the Passenger Transport Act, which provides a framework for the provision of passenger transport throughout NSW. It is through this Act that the Department of Transport administers the School Student Transport Scheme by virtue of the one specific reference to school transport as follows:

4. The objects of this Act are:
 - (c) to encourage the provision of school services on a more commercial basis, without disregarding the reasonable expectations of traditional service operators;

Under the Act, access to education, where a comprehensive public transport system operates, is provided by operators on a "commercial basis" where school transport is provided as part of a wider community transport service.

While the Minister stated during his second reading speech that "Sydneyiders have excellent private bus services",¹⁴⁴ such services do not extend into many parts of rural NSW. Under the Act this is acknowledged by the provision of non-commercial contracts for the provision of school transport for those students where "no regular bus services

¹⁴³ Advice to Public Accounts Committee from School Education Department.

¹⁴⁴ NSW Parliament Hansard, 8 May 1990, p. 2540.

operate".¹⁴⁵ These were previously known as charter services and cover rural areas and some smaller country towns. They do not extend to regional centres covered by commercial operations although these centres may also be "fed" by non-commercial operators from outlying areas.

However, it seems that in metropolitan areas where there is a comprehensive public transport network, this network should be utilised wherever possible. In this, the provisions of the Passenger Transport Act can play a crucial role. As the Office on Ageing stated at the Hearings:

Mr KILSBY: . . . I think the 1990 Act has laid the framework for the sort of thing that we're advocating which is trying to build up the public transport system as something for all day use rather than the least worst way of getting some problematical peak travel. It's not really an easy thing to do but it really has to happen, otherwise the framework that the Act has set up is just not a sustainable framework if the off peak use doesn't occur.¹⁴⁶

Thus it can be seen that the relevant statutory provisions place obligations on parents in relation to the education of their children. Many recent education policy changes make it increasingly difficult to distinguish between city and country students when it comes to questions of nearest appropriate school and freedom of choice. However, at the same time, the glaring anomaly of the costs of the private vehicle conveyance on country students needs to be considered, as does the equity question arising where new dedicated school bus services are introduced at the expense of general community users.

Equity and fairness

Definitions

The terms of reference specifically require the Committee to consider issues of equity and fairness.

¹⁴⁵ Department of Transport, Submission, p. 13.

¹⁴⁶ Minutes of Evidence, 16 October 1992, p. 218.

To put the questions of equity and fairness in context, it is important to note that the Treasury claims that the School Student Transport Scheme represents 28% of all Government community service obligations. This means the Scheme absorbs 28% of all State Government subsidies for community services.¹⁴⁷

Reference was made earlier to the original objective of the SSTS, which was to guarantee equity by providing access to education for those in locations where schools did not exist. A representative from the Office on Ageing pointed out in evidence:

. . . all concessional schemes are presumably prompted by equity concerns, that is redistributing wealth to ensure a basic level of access to resources for everybody.¹⁴⁸

Equity can, however, be defined a number of ways, and attempts to establish a scheme based on equitable principles will, to some extent, be subjective. Indeed, the introduction of equity at one level of the system may create problems at another level. For example, the increased use of dedicated school buses on special routes detracts from the creation of general bus routes, especially for the elderly. This serves to highlight the complexity of the Scheme, especially where it meshes in with the general transport system. In that regard, it further reinforces the need for the Government to determine the aims and objectives of the Scheme, so that equity issues stretching right across the public transport system can be adequately addressed.

As stated above, equity can be defined in a number of ways:

- BENEFIT EQUITY seeks to ensure that those who benefit from a scheme bear an equivalent share of the cost.¹⁴⁹
- ACCESS EQUITY aims to provide those who do not have adequate means to pay for the scheme gain access at least to a socially desirable minimum level.¹⁵⁰

¹⁴⁷ Minutes of Evidence, 12 October 1992, p. 46.

¹⁴⁸ Minutes of Evidence, 16 October 1992, p. 212.

¹⁴⁹ Kirwan R, op. cit., p. 34.

¹⁵⁰ *ibid.*

- VERTICAL EQUITY takes into consideration the different capacities to pay for the scheme between households of different income levels.¹⁵¹
- HORIZONTAL EQUITY seeks to treat "students in similar situations on a like or consistent basis".¹⁵²

In its submission, the Office on Ageing noted two elements of the equity question in the following way:

One relates to the redistribution of resources, to ensure basic access for all, and determines how much in total the community should spend in redressing transport disadvantage. The other relates to fairness in allocation, in that groups which are equivalent in relevant respects should be equally treated.¹⁵³

The Parents' Council submission stated that the current Scheme is equitable and fair to all students and their parents.¹⁵⁴ On the other hand, the Department of Transport pointed out that the inequity arising from distance eligibility criteria means that 36% of students receive no benefit at all under the Scheme. More particularly, some students who live just under the 1.6 kilometre radial distance are required to walk up to 0.7 of a kilometre further before being able to qualify.

The inequity of this was stressed in evidence by Mr Johnson on behalf of the Parents and Citizens Association:

. . . it is a very active one and I don't think its something we can put aside; and that is the difference between the radial distance of 1.6 km and the actual walking distance to school. That can vary enormously.

¹⁵¹ NSW Treasury, Submission, p. 11

¹⁵² *ibid.*

¹⁵³ Office on Ageing, Submission, s. 3.2

¹⁵⁴ NSW Parents Council, Submission, p. 2.

Children do not walk the way the crow flies. Their real walk could be like 2.5 km.¹⁵⁵

The submission of the Office on Ageing took a broader and most important community perspective of equity and government concessional expenditure. In that regard, the Office argued that the level of expenditure on school transport, compared to what is available for transport support for older people, is inequitable.¹⁵⁶ In particular the submission stated that:

The Office believes it is clearly inequitable, for instance, that the State should pay in full for the daily travel of children over long distances to fee-paying schools chosen by parents in preference to nearer State-provided alternatives, but does not give any support towards the costs of older people travelling long distances to avail themselves of life-critical medical treatment not available nearer to home.¹⁵⁷

It can therefore be seen that there are significant inequities both within the Scheme itself and in the wider context in which it operates as part of the general transport network

Ability to pay

Ability to pay is integral to the concept of vertical equity, and has been raised in a number of submissions.

In arguing that school transport is an "issue of equity", the Teachers' Federation submission concentrated particularly on vertical equity and stated that without it:

Students who come from poor backgrounds may not attend school at all if there were no free transport. Any move to downgrade the scheme has the potential to deprive students from such backgrounds from their right to quality education in our democratic society.¹⁵⁸

¹⁵⁵ Minutes of Evidence, 12 October 1992, p. 125.

¹⁵⁶ Letter from Minister for Community Services, 28 August 1992, Office on Ageing Submission.

¹⁵⁷ Office on Ageing, Submission, s. 3.3.

¹⁵⁸ NSW Teachers Federation, Submission, p. 3.

School Student Transport Scheme

The Federation's view is supported by NSW Council of Social Service (NCOSS), which proposed that no financial disincentive to attendance at school should be introduced to children from economically disadvantaged families, particularly at a time when many families were confronted with financial difficulty.¹⁵⁹ In that regard NCOSS noted that the costs of raising children are considerable, and that families already spend between \$32.50 and \$45.28 per week simply on transport for children ranged between ages 5 and 13.¹⁶⁰

However, such issues are capable of resolution in a way which addresses other equity considerations at the same time. Indeed the Treasury argued that the horizontal and vertical equity of the Scheme would be improved by a parental contribution, combined with exemptions for welfare beneficiaries.¹⁶¹

In indicating their concern about this approach, both NCOSS and the Association of Executives of Christian Schools (AECS) stressed the need for exemptions. In that regard AECS stated that the application of the levy should be means-tested, with exemption for all who qualify for family allowances from the Department of Social Security.¹⁶² NCOSS also stated that the Family Allowance should be the basis for any exemptions.¹⁶³

The Catholic Education Commission was also concerned about the ability of families to pay:

Mrs CLIFTON: . . . there are many families who are just above that welfare line, and very often they are poorer than those on welfare because they don't have any of the benefit and they don't show up on the welfare figures, but they are having a bigger struggle than the people who do.¹⁶⁴

¹⁵⁹ NSW Council of Social Service, Submission, s. 1.3.

¹⁶⁰ *ibid.*, s. 2.1.

¹⁶¹ NSW Treasury, Submission, p. 2.

¹⁶² Association of Executives of Christian Schools, Submission, p. 2.

¹⁶³ NCOSS, Submission, s. 3.3.

¹⁶⁴ Minutes of Evidence, 12 October 1992, p. 119.

In its submission, the Office on Ageing pursued the issue of vertical equity, questioning the Government's priorities and indicating its concern that resources were being inappropriately directed:

Do we have our priorities right? The Office questions whether it is reasonable to spend so highly on a form of transport that, for instance,
(a) is used in many cases by those who could afford to pay for some or all of it themselves (higher income families)? . . .¹⁶⁵

The Parents and Citizens submission developed this argument in the specific context of School Student Transport as follows:

The New South Wales Government needs to better target recipients of free school transport. Parents are concerned that free school transport has been misapplied by governments in the last 20 years and has been abused by those who could well do without this now over generous form of government support . . .¹⁶⁶

On the other hand, it must be remembered that parents of children attending non-government schools who may be perceived to be in higher income brackets often in actual fact have only very modest incomes, especially those attending denominational systemic schools. In addition, each child at such a school saves the Government approximately \$1800 per annum. All these issues must be fully considered in any debate on equity.

In considering vertical equity and the ability of families to pay or contribute in some way to the Scheme, the Committee has taken into consideration the following programmes:

Austudy provides eligible students with financial support to complete their school education. To be eligible, students must be 16 years of age or older and satisfy family income and assets tests. In 1991, 68,224 students received Austudy in New South Wales.

¹⁶⁵ Office on Ageing, Submission, s. 2.6.

¹⁶⁶ Federation of Parents' and Citizens' Associations, Submission, p. 5.

School Student Transport Scheme

The Family Allowance is a Federal Government scheme "to provide assistance with the cost of bringing up children".¹⁶⁷ To qualify for the family allowance, a person must have a dependent child under 16 or a student child aged 16 or 17 who is not a prescribed student. There is also an income and asset test which must be satisfied. In that regard, the parental income test varies according to the number of children. For example, Family Allowance is not paid if the family's income exceeds \$64,167, with one child. The assets limit for the scheme is \$600,000. Thus the scheme is reasonably generous.

The Family Allowance Supplement was introduced by the Federal Government to provide assistance "to low income families who have children to support and who are not receiving Social Security or similar income support payments".¹⁶⁸ The scheme was introduced to assist those lower income families who were just above the welfare threshold and who, because they were not entitled to any assistance, were made relatively worse off, particularly rural families. This was a key concern of the Catholic Education Commission referred to earlier. The allowance supplement is paid only to those already receiving a Family Allowance but is limited to specified incomes and is subject to an assets test of \$359,250 excluding the family home.¹⁶⁹ Income limits and maximum payments are set out below:

Number of Children	Children under 13 years	Children 13 - 15 years	Maximum rate FAS paid if combined income is less than	Maximum rate of FAS payable per fortnight	Some FAS paid if combined income is less than
1	1	0	20700	60.80	23861
	0	1	20700	85.90	25166

¹⁶⁷ Department of Social Security "A guide to Payments and Services: Information Handbook 1992", p. 36.

¹⁶⁸ *ibid.*, p. 38.

¹⁶⁹ *ibid.* p 39.

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2	2	0	21324	121.60	27647
	1	1	21324	146.70	28952
	0	2	21324	171.80	30257
3	3	0	21948	182.40	31432
	2	1	21948	207.50	32738
	1	2	21948	232.60	34043
	0	3	21948	257.70	35348
4	4	0	22572	243.20	35218
	3	1	22572	268.30	36523
	2	2	22572	293.40	37828
	1	3	22572	318.50	39134
	0	4	22572	343.60	40439

The Department of Social Security has advised that as at 20 September 1992 the total number of families in NSW (excluding the Broken Hill Regional Office) receiving FAS was 61,253 representing a total 146,970 children.

For the purpose of considering any system of parental contributions with appropriate exemptions it is important to note from the Tasmanian experience that the issue of confirming FAS recipients was not a problem:

Mr IRWIN: In being able to confirm the FAS arrangement, was the government agency able to directly contact the federal government agency?

Mr DREW: Yes, done straight through their computer.

Mr IRWIN: So it was a fairly straight forward matter to be able to do it on that basis?

Mr DREW: Yes.¹⁷⁰

City/country

¹⁷⁰ Minutes of Evidence, 16 October 1992, pp 227-228.

School Student Transport Scheme

As part of its inquiry, the Committee visited schools in both the metropolitan and country areas and not surprisingly found that the problems, circumstances and arrangements for each school were markedly different. However, the Committee was particularly struck by the obvious difficulties encountered by isolated rural students in reaching educational institutions. For many, it was not a matter of choosing which school to attend or which mode of transport to use, it was more a question of whether or not there was any school in the area and any transport available to reach it. For many such students available transport often means a combined private car and bus journey.

Of particular concern to the Committee was the fact that the car subsidy rate does not cover costs, and buses in such areas are often under threat from year to year as student numbers vary. It is this group that the SSTS was originally designed to assist. However as the Scheme has evolved, this same group has become the most marginalised and receives the least benefit from it.

The Committee received first-hand experience of the difficulties encountered by isolated rural students when it visited Brewarrina. In that regard, Committee members travelled 40 kilometres from Brewarrina along a dirt road to a school student bus stop, where they met a group of parents. Students are driven from home to the bus stop by their parents, which may itself involve a further journey of many kilometres. They are then picked up at 7.30 a.m. and returned to the bus stop at 4.30 p.m. where they are then collected by their parents. Unfortunately, the road becomes impassable in wet weather, and local schools have prepared "wet weather packs" for students to use at home at these times.

While the journey described above seems arduous enough, the Isolated Children's Parents' Association stated in its submission that distances travelled by students and their parents can be considerably longer. A selection of these is listed below:

- A family in at Balranald lives 20 km from a school bus stop. The bus then travels a further 100 km to the Hay High School.
- A family at Berrigan travels 184km daily, ie 36800km annually.
- A family from the Walgett district travels 88km daily.

- A family from the Goodooga district travels 104km daily.¹⁷¹

One of the key issues to emerge from the Committee's country visits was that the allowance currently paid for the private conveyance of school children is inadequate and unrealistic because it does not even cover the actual cost of the transport. Under the SSTS, the subsidy paid for transporting school students by private conveyance is on a daily per capita basis for the single journey between home and the point at which the private conveyance terminates i.e. the school, bus pick-up point or railway station.¹⁷² (Actual subsidy rates are detailed in Appendix D).

The ICPA has calculated, based on current levels of payment and average student loads and distances travelled, that the rate at which parents are currently compensated for driving their children to school or the school bus is approximately 3 cents per kilometre per child.¹⁷³ In that regard, the Association points out that the rate payable by NSW Government departments for privately owned vehicles used periodically for official business is 24.1 cents per kilometre which is, according to the ICPA, the lowest rate paid by the Government.¹⁷⁴

Another key issue for the parents of isolated school student is the viability of the bus services which transport their children to school. Thus if the Department decides that a bus service is no longer viable, because of falling student numbers, then parents are forced to drive their children the whole distance from home to school and back. Especially given the low level of the current private conveyance allowance and the time demands on rural families in difficult economic times, this is a not a welcome development. The only alternative for such parents is to enrol their children in distance education, which costs the Government \$14,000 per annum for a primary student and

¹⁷¹ Isolated Children's Parents' Association, Submission, 1991, Submission to Minister Baird, p. 6.

¹⁷² Department of Transport, SSTS Manual Vol. 1, p. 21.

¹⁷³ Isolated Children's Parents' Association, Submission, p. 4.

¹⁷⁴ Isolated Children's Parents' Association, Submission, 1991, Submission to Minister Baird, p. 3.

School Student Transport Scheme

\$10,000 per annum for a secondary student".¹⁷⁵ However, most such parents are understandably concerned that they are not significantly equipped to be able to fully assist their children in complex educational tasks, and see their children's attendance at school as being imperative.

As was indicated earlier, the School Student Transport Scheme originated with a view to providing access to education for the more isolated of the State's school children. However, while the transport scheme has expanded in the metropolitan area, to the point where it is now the most generous in Australia, the private conveyance rates paid to the parents of isolated school children has meant that they do not receive more than a fraction of the cost of taking their children to and from school. This is an issue which the Department of Transport finds difficult to reconcile, because whereas the original intent of the Scheme was to overcome disadvantages faced by rural children, it "can find no basis why the Scheme has been liberalised, in effect, to benefit urban children rather than rural children".¹⁷⁶

The breakdown of costs/student numbers between city and country is shown below.

Year	metropolitan \$ million				country areas \$ million			
	1989/90	1990/91	1991/92	1992/93 (estimate)	1989/90	1990/91	1991/92	1992/93 (estimate)
Total	\$99.9	\$117.8	\$127.5	\$136.4	\$127.7	\$146.3	\$159.3	\$170.0
No of SSTS Students	417,145	418,041	428,468	450,978	224,617	225,098	230,714	242,835
Cost per student	\$239	\$282	\$298	\$302	\$569	\$650	\$690	\$700

¹⁷⁵ Isolated Children's Parents' Association, Submission, p. 6.

¹⁷⁶ Minutes of Evidence, 12 October 1992, p. 20.

Source: Dept of Transport Submission p 22

Commenting on these figures, the Director-General of the Transport Department said:

Mr MOORE-WILTON: The fact that the absolute cost of transporting rural children is significantly higher than the urban scheme, we don't think is terribly important because it was always intended that it was to overcome that disadvantage.¹⁷⁷

In addition whilst there is a substantial difference in the per capita cost between country and city areas, a higher per capita cost is to be expected in country areas. As the Department of Transport states in its submission this occurs because country students travel greater average distances than metropolitan students,¹⁷⁸ and the use of non-commercial contracts is more widespread. Nevertheless the end result still is that isolated students in particular are still significantly disadvantaged compared to their metropolitan counterparts.

In noting the different way the Scheme operates for city and country students, the Parents' Council submission stated:

The scheme generally provides an excellent level of services for city users. The same flexibility and options are not always available in rural area . . . If charter operators do not provide the services in rural areas, then the conveyance of children falls upon the parents. This can be an additional burden for parents....The Committee is encouraged to examine these matters to ensure that rural parents are treated equitably.¹⁷⁹

In assessing the overall Scheme, it seems to the Committee that urban and non-urban students have different needs and problems which require quite different approaches. As the Treasury submission points out, this occurs in other States where different concessions for students living in country areas apply.¹⁸⁰ This was reinforced by the evidence of Treasury witnesses:

¹⁷⁷ *ibid.*, p. 20.

¹⁷⁸ Department of Transport, Submission, p. 21.

¹⁷⁹ NSW Parents Council, Submission, p. 9.

¹⁸⁰ NSW Treasury, Submission, p. 9.

Dr MOY: It depends on the objectives of the Scheme . . . You might very well have one answer for urban and quite another for rural.¹⁸¹

Indeed the Treasury submission said that the Committee needed to consider whether benefits should be more generous in the country than in metropolitan areas.¹⁸²

Whilst approximately 10% of all submissions received referred to problems for students in isolated country areas, such as rural financial difficulties, lack of alternative schooling and/or transport and the need for equity with metropolitan students, no submissions suggested that metropolitan students were disadvantaged compared to those in the country. In that regard, the Committee believes that the problems isolated country people in particular face transporting their children to school, indeed to any school, are greater than in metropolitan areas.

The most obvious manifestation of this is the total inadequacy of the current private vehicle conveyance subsidy. Other anomalies identified by the ICPA in its submission include:

- school-aged students attending Tocal and Murrumbidgee Agricultural Colleges;
- students attending mini schools at the Distance Education Centre;
- gifted and talented students who need to travel to regional centres for assessment or remedial programming.

Thus those the Scheme was created to assist are now substantially worse off than those who have benefited by the extension of the Scheme into urban areas.

Recommendation 9

¹⁸¹ Minutes of Evidence, 12 October 1992, p. 59.

¹⁸² NSW Treasury, Submission, p. 9.

The private vehicle subsidy rate should be reassessed to reflect the actual cost of operation of vehicles, and should be on a rate per kilometre for the actual distance travelled.

The anomalies relating to Tocal and Murrumbidgee Agricultural Colleges, mini schools and regional centres should be removed.

The Committee notes that the ICPA in submission to the Minister for Transport in July 1991, and which formed part of the submission to this inquiry, recommended:

that the conveyance allowance scheme for school children without access to a public transport system continue in its present form, but that the rate of reimbursement increases to 12.05 cents per kilometre travelled. The allowance would continue to be paid for each student transported in this way and indexed annually in line with increases in the CPI.¹⁸³

In its submission, the Department of Transport estimated that "the average car running costs are approximately 15c/km. This does not include insurance and registration costs, as the vehicle is used for other purposes, some of which may entitle the owner to tax concessions".¹⁸⁴

The Department points out that the basis of payment could be "the number of vehicle trips rather than student trips [but] this approach would discourage car pooling . . ." ¹⁸⁵ or "two trips per day per student . . . [which] would bring PVC in line with the basis of payment to Government and private bus operators under commercial contracts".¹⁸⁶

The Committee questions the validity of comparing the PVC to commercial operators, and feels that it is more valid to compare it with non-commercial arrangements where

¹⁸³ Isolated Children's Parents' Association Submission, Submission to Minister Baird dated 16 July 1991, p. 5.

¹⁸⁴ Department of Transport, Submission, p. 37.

¹⁸⁵ *ibid.*

¹⁸⁶ *ibid.*

operators are paid for the actual cost of providing the service, at the agreed (Price Waterhouse) rate.

This notwithstanding, the Committee notes that the Department estimates that the rate of payment were based on flat running costs of 15 c/km, then "based on the current eligibility criteria and 2 trips per day, the additional cost to the Government would be in the order of \$7.1m per year i.e., 100% increase on the current cost".¹⁸⁷

The Committee feels that the current emphasis of the SSTS is misdirected and that the above recommendation should be implemented as a matter of equity. Whilst the implementation of this recommendation should not be premised on any cost savings in other parts of the Scheme, the Committee notes that its recommendation relating to a parental contribution would provide a pool of funds which may well cover the cost of the PVC increase.

Other States

As indicated previously, the Department of Transport submission firmly concludes that the NSW School Student Transport Scheme has by far the most generous eligibility of all State schemes, and as a result is the most expensive.¹⁸⁸

In particular, NSW is the only State with an age-based eligibility which allows students in Kindergarten to Year 2 to be eligible for free transport, and with the exception of the Northern Territory, no other scheme has a distance criterion of less than 3.2 km.

In its submission, the Bus and Coach Association stated that free school travel is available in most Australian States, New Zealand and the United Kingdom. Moreover, "an analysis

¹⁸⁷ *ibid.*

¹⁸⁸ Department of Transport, Submission, p. 30.

of the schemes available in these places shows that, outside of Adelaide, NSW provides the most liberal free school travel scheme".¹⁸⁹

The Department of School Education has reached a similar conclusion in its submission where it is said that the NSW Scheme is very generous when compared with arrangements in other States.¹⁹⁰ This is also supported by the Isolated Children's Parents' Association which states that NSW has the most generous travel scheme in Australia.¹⁹¹

However, a note of qualification is provided by the Parents' and Citizens' Association, which argues that the 1.6 km eligibility distance (measured radially) is not as generous as it appears because the actual walking distance to school can vary enormously. In many cases children do not walk the way the crow flies and "their real walk could be more like 2.5 km".¹⁹² Nevertheless this says more about inequities within the New South Wales system than it is about New South Wales having a less generous scheme than other States.

At the same time, the NSW Parents' Council rejects such interstate comparisons. Thus the Council says that the fact that other states are less generous than New South Wales is not a convincing argument for reducing the scale of the New South Wales Scheme to match theirs.¹⁹³

The Association of Executives of Christian Schools made a similar point in its submission as follows:

Our association is concerned with the terms of reference in respect to a comparison with schemes interstate and overseas. The variables in the total educational provision budget from state to state are such, that comparisons, on the basis of transport costs would be simplistic. Furthermore the policy framework that supports different state schemes

¹⁸⁹ Bus and Coach Association, Submission, p. 11.

¹⁹⁰ Department of School Education, Submission, p. 3.

¹⁹¹ Isolated Children's Parents' Association, Submission, p 6.

¹⁹² Minutes of Evidence, 12 October 1992, p. 125.

¹⁹³ NSW Parents Council Inc., Submission, p. 9.

makes simple cost comparisons (typical of previous reviews), rather meaningless.¹⁹⁴

The New South Wales Treasury has also injected a note of caution regarding interstate comparisons, pointing out that in both Queensland and Victoria, direct subsidies are given to the bus industry and that this does not occur in NSW.

Moreover although there are no data available, it might be argued that, on a macro level, there could be savings to NSW in that, should the distance eligibility be removed, the resultant increase in traffic would create more congestion, pollution and traffic accidents.

The Committee acknowledges that the NSW eligibility criteria are more generous than other States, but accepts also that such quantitative comparisons have limitations. For example, demographic and geographical differences between the States make comparisons tricky. What the Committee has found more instructive is that, while all schemes have eligibility criteria, all schemes other than that of New South Wales have some form of limitation which is universally set by defining the type of school to which free transport is available. Thus they are closed - not open-ended, schemes.

Impact of education policies

As a result of the issues canvassed in Chapter 3, the Committee has no doubt that education policies have impacted upon the School Student Transport Scheme. This point is emphasised by the Parents' Council submission, which states that the impact of de-zoning, expansion of selective schools and the higher retention rates are regarded as significant factors in the increased cost of the SSTS.¹⁹⁵

However the extent to which educational policy and particularly recent educational policy changes have contributed to the cost of the Scheme is difficult to determine. Most importantly, this is also a conclusion reached by the STA, which stated in its submission

¹⁹⁴ Association of Executives of Christian School, Submission, p. 2.

¹⁹⁵ NSW Parents Council Inc., Submission, p. 8.

to the inquiry that education policy can affect both the demand and operating costs of providing transport. However, whilst the effects of Government policy can be readily identified, it is difficult to quantify the actual cost of much of the policy.¹⁹⁶

On the question of cost/benefit, the Isolated Children's Parents' Association submission stated that whatever the costs of the Scheme, they are justifiable when weighed against the overall cost of education in the State budget and the importance placed on the acquisition of the best possible outcomes for all students.¹⁹⁷ This relationship between transport and education was seen as an important factor by many. In particular, it was referred to by the Association of Executives of Christian Schools, which argued that "the Scheme must not be seen in isolation from general educational policy but seen as part of a package of measures that is the public commitment to educational provision".¹⁹⁸

The importance of the SSTS to education is certainly acknowledged by the Committee, but it must also be concerned, as a watch-dog on public expenditure, to see that the Scheme operates in the best interests of all taxpayers.

In recent times, the School Student Transport Scheme has not only been free for eligible students, but has also been substantially free for the Department of School Education in that since 1986, the cost of the Scheme has been met by the Department of Transport budget. During the hearings, a Treasury witness said:

"... it's easy to see how departments certainly focus much more on those costs that impact on their own budget than on someone else's and just leave someone else to pick up the tab".¹⁹⁹

¹⁹⁶ State Transit Authority, Submission, p. 14.

¹⁹⁷ Isolated Children's Parents' Association, Submission, p. 5.

¹⁹⁸ Association of Executives of Christian Schools, Submission, p. 1.

¹⁹⁹ Minutes of Evidence, 12 October 1992, pp 50-51.

School Student Transport Scheme

Overall, it is of concern to the Committee that there is no budgetary responsibility on the Department of School Education with respect to the impact on the School Student Transport Scheme of its rezoning, selective and specialist high school policies. This is not to say that the current education budget would need to be reduced by the amount of any Transport budget. On the contrary, the Education budget would need to be increased by the any proportion of the current budget allocation for the SSTS which might be made the responsibility of the Department of School Education. Thus if the Department of School Education were to be responsible for 50% it should get 50% of the allocation.

Whilst the Treasury acknowledges that the Department of Transport is the appropriate organisation to cost and manage the Scheme,²⁰⁰ rather than having School Education run it, it is in fact jointly run at the moment in as much as school staff vet the eligibility of school students to receive passes.

Ultimately for the Department of Transport the issue of prime importance was the overall cost of the Scheme rather than the impact of education policies although these were still seen as significant. In that regard, the Director-General of the Transport Department said in evidence:

Mr MOORE-WILTON: Certainly if you have the Education Department take responsibility for the growth in cost that would, at least, cap the system but it wouldn't address the basic issue as to whether the system itself is too generous.²⁰¹

Informal discussions with the Department of School Education indicate that issues relating to transport are considered when planning new school locations. The Committee acknowledges the importance of this, but also stresses the need for the Department to enhance this strategy and develop others which encourage better use of existing public transport. For example, selective schools and special schools should be and continue to be located at or near well-established transport nodes.

²⁰⁰ *ibid.*, p. 50.

²⁰¹ *ibid.*, p. 23.

Overall the Committee is concerned that, while a number of education policy decisions have impacted on the School Student Transport Scheme in recent years, the Department of School Education has not borne any budgetary responsibility for these decisions.

The Committee gave very close consideration to the question of whether the budgetary responsibility for the SSTS should be split between the two departments to impose a budgetary discipline on each of them. After lengthy discussion the consensus emerged that such a division is not conducive to effective management and that one department should have clear financial responsibility for the Scheme. In that regard, the Committee sees the SSTS as being in essence a transport issue, the technical and administrative particulars of which the Department of Transport is best equipped to manage.

Indeed one of the Committee's concerns is to ensure that as far as possible the SSTS is linked into the provision of transport for the broader community.

At the same time the Committee is concerned that Department of School Education decisions, especially those related to the location of new schools and the reclassification of existing schools have, and have the potential to have, major impact on recurrent transport cost.

In that regard, the capital cost savings to the Department of buying a school site remote from transport as distinct from one close to transport will in all probability pale into insignificance when the recurring transport costs of SSTS services to the remote site are tallied up over time.

Accordingly, while the Committee does not think it is appropriate for Department of School Education to bear part of direct budgetary impact of its policies, it must nevertheless be formally involved in some kind of pro-active interdepartmental mechanism whereby the cost impact of its policy decisions is fully taken into account.

Recommendation 10

The Department of Transport should retain financial and administrative responsibility for the SSTS.*

A formal mechanism should be established between the Departments of School Education and Transport for the consideration of School Education decisions which have transport implications.

The Department of Transport should prepare a Transport Impact Statement, including a cost benefit analysis evaluating other alternatives relating to Department of School Education proposals for the location of new schools, the reclassification of existing schools and other School Education policy issues which impact on the SSTS budget.

Where such Transport Impact Statements reveal that such education decisions will not be cost-effective, then further consultation with the Department of Transport must occur. If the Department of School Education still proposes to proceed with the decision, it may only proceed with the explicit approval of the Director-General of School Education.

- * The above recommendation does not apply to the Disabled Students Transport Scheme which is the responsibility of the Department of School Education and which did not fall within the Committee's Terms of Reference.

4. OPTIONS FOR ACTION

Assessment of recommended approaches

The Committee agrees with the 1992 Auditor-General's Report that "further strengthening of administrative procedures will produce only marginal savings in the cost of the Scheme with current eligibility provisions". However, the Committee has not set out simply to make cost savings.

What concerns the Committee is the lack of an objective which would provide the framework for the operation of the Scheme and define the role of all participants. Like any government programme, the Scheme requires well defined parameters in order to operate efficiently.

The task for the Committee has been to establish a limit to the Scheme which is simple and equitable. It must be one which allows the Government its legitimate role, which contributes genuine social benefit, and which allows parents and students to exercise their freedom of choice inside and outside the public school system. At the same time it is reasonable to expect an equitable contribution in return for the individual benefits that such freedom of choice bestows. NCOSS put the issue as being one of how to set parameters for the contribution which the Government should make and that which families may be asked to make.²⁰²

Such a limit point need not be one of distance although the Committee did consider this option at length. Rather it is a conceptual point which could be defined in a number of ways. Examples include:

- a dollar value per student per year

²⁰² NCOSS, Submission, s. 4.

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- a maximum travel time allowable
- a maximum distance allowable
- limiting schools to which free travel is available
- requiring a parental contribution.

As a starting point, the Committee feels that students should, generally, be expected to make some effort to get to and from school and can reasonably be expected to walk a certain distance. The Committee also feels that a similar principle should apply with regard to access to the chosen method of transport. Currently, in New South Wales, that distance is 1.6 kilometres measured radially, but it is subject to certain exemptions relating to health and safety. In other States the distance criterion is much greater, being in most cases 3.2 kilometres.

Beyond the point where students can be expected to walk to school, the Government has a responsibility to ensure that all students have access to education. This is a student's right and such access may take the form of the provision of schools, transport, or distance education or a combination of more than one of these.

However, the provision of such access should not be open-ended although this is effectively the position with the current School Student Transport Scheme. This open-endedness can be attributed to the lack of a defined objective. Without an objective the Scheme lacks a definite scope and has the potential to expand unchecked, being fed from the public purse.

Therefore there needs to be established a point beyond which it is unreasonable to expect the Government to continue to provide the "access" and where the parent or the student assumes the responsibility. For example, with regard to de-zoning, decisions by parents to by-pass closer schools in favour of more distant ones imply a large element of perceived individual benefit and suggest it is reasonable to expect a more direct parental responsibility in contributing to such access.

Nicholls stated that "significant improvement in budget performance in this area is likely only to come with a change in policy that sees a reduction in benefits closer to the lower levels offered in all other states".²⁰³ The Committee agrees that a change in policy is needed. This change should see the SSTS policy defined. Central to this would be a determination of the roles of both the Government and parents in providing access to school education.

While acknowledging that the definition of such a limit is ultimately a matter for government policy, the Committee has given the matter careful consideration.

A number of suggestions for changes to the Scheme were made to the Committee. Many of the submissions, at least implicitly, addressed the open-ended nature of the NSW Scheme. Some submissions sought to broaden the Scheme albeit using equity arguments, whilst other submissions requested that the Scheme remain the same. The main recommendations from these submissions are listed below:

- maintain the existing system
- bus safety issues
- after school care
- remove the distance eligibility criterion completely
- change distance criterion (eg Adopt eligibility criteria from other States - 3.2 km for Primary and 4.8 km for Secondary);
- alter the distance criterion for Years 11-12. Health and safety exemptions to apply;
- introduce a maximum distance for free travel based on zones (say those established by current fare structures under the Act);
- limit free travel to nearest state or "appropriate" school;
- introduce a parental contribution (say \$10 - \$40) per term with welfare exemptions.
- remove age criterion;
- more effective use of the Passenger Transport Act

²⁰³ Nicholls D, op. cit., p. 69.

Maintain the existing Scheme

Maintenance of the existing Scheme was proposed by many submissions, the authors of which see it as important and worthwhile. These submissions tended to reflect two distinct constituencies.

The first constituency pointed out the importance of the Scheme for rural students. Because of the significant disadvantages experienced by rural students in travelling to and from school both in relation to distance travelled and access to public transport, the Scheme is seen by this constituency as an essential part of education.

The second constituency argued that the Scheme is an essential adjunct to the Government's freedom of choice in education policy. This argument reflected an urban and often private school constituency. This freedom of choice argument was supplemented with an economic rationale that, if the system was to be changed in a way which forced parents with children in private education to move their children into the public education system for financial reasons, then the extra cost to the Government would be approximately \$1800 per student per year.

As the Parents Council stated in its submission:

These [non-government school] parents carry a significant financial burden in the exercising of their right of choosing the school attended by their children . . . Whilst these parents continue to contribute significantly to schooling costs, they are also providing the Governments of the nation with massive savings in public funds.²⁰⁴

On the other hand, the Parents and Citizens submission asserted that:

choosing to attend a different school is a legitimate option for citizens of a free country. It is not, however, the responsibility of government to

²⁰⁴ NSW Parents Council Inc., Submission, p. 4.

provide transport to the school of choice, any more than it is government's responsibility to subsidise other choices.²⁰⁵

The submission however is qualified by the following evidence of Mr Johnson on behalf of the Parents and Citizens Federation:

I think because technological high schools and those special schools have been, in fact, developed by the Government and they have been made a part of the Government school system, with the agenda or brief that they be offered to all Government school students. So we see that as fairly much part and parcel of what the Government, under the Education Reform Act is obliged to offer.²⁰⁶

Thus notions of nearest appropriate schools, different schools and apparently clear distinctions between the public and private systems are becoming fuzzy indeed.

Nevertheless the point that choosing to attend a different school shall have transport ramifications was made by a number of submissions, which argued in essence that students travelling beyond their nearest schools are exercising voluntary choice, which carries no element of compulsion. However these submissions assert that there is a price for that choice which is the cost of the transport beyond the nearest school. In reconciling this argument with the private school freedom of choice argument, a key question is the possible cost of large numbers of private school students coming into the public system if that freedom of choice incurs a transport cost.

The following comments by the Department of School Education covers some of the cost issues:

It could be argued that the cost to the government of a student moving from the private to the public school system would be minimal. In such cases, where we are not talking about a wholesale influx from one system to another then these marginal (incremental) situations can normally be accommodated within existing class sizes and no additional salary cost would be incurred.

²⁰⁵ Federation of Parents and Citizens Associations, Submission, p. 5.

²⁰⁶ Minutes of Evidence, 12 October 1992, p. 121.

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In situations where we are talking about . . . a major shift in pupils. . . then there would be significant costs involved.²⁰⁷

Seen in this light, the question is one of scale. In that regard, it is relevant that many parents choose schools for reasons unrelated to free transport such as religion, school attended by parent, or perceptions of discipline. There is reason to believe that these choices will continue to outweigh anything but a substantial change to the SSTS. In that regard, Dr Moy from the Treasury gave evidence to the effect that he suspected that the price elasticity of demand for private schools was not all that sensitive.²⁰⁸

However many other submissions acknowledged the need for some change to the Scheme, including St John the Fisher Catholic School, Tumbi Umbi School and Holy Cross School at Kincumber. At the hearings the Bus and Coach Association stated that

Mr GRAHAM: . . .for a period of over five years [the BCA] has been conscious that the current school travel system could not keep going the way it has, and . . .has been cooperating . . . to try and work out ways in which the budget could be reduced.²⁰⁹

The Parent and Citizens also acknowledged that the need to cut costs is now imperative, and has "been imperative for many years".²¹⁰

For the reasons outlined above, the Committee believes that the Government should consider changes to limit the scope of the Scheme. These changes should not be seen as a simple cost cutting exercise, but as a rational approach to operating an important government programme which acknowledges both government and parental roles and obligations.

Bus safety issues

²⁰⁷ Letter dated 13/11/92, from Director-General School Education to Public Accounts Committee.

²⁰⁸ Minutes of Evidence, 12 October 1992, p. 53.

²⁰⁹ *ibid.*, p. 87.

²¹⁰ *ibid.*, p. 121.

Although the question of school bus safety was not specifically referred to in the Terms of Reference originally provided by the Minister and the Hearings were advertised and proceeded with on that basis, the Minister raised issue of the school bus safety in correspondence dated 10 November 1992.

Given the nature of the terms of reference advertised, the Committee received very little evidence on safety issues except for the following from the Department of Transport:

3.2.1 Safety Related Issues

The Bus and Coach Safety Standing Committee is currently examining school bus safety issues, including those canvassed below following a reference from the Minister for Transport.

3.2.1 (a) Carrying capacities

Three-for-two Rule:

The "Three-for-two" rule states that, for the purpose of establishing passenger carrying capacity, three children apparently under the age of 12 are taken to equal two adults. This rule is followed in other States, and takes into account the need to assure the safety of students carried, as well as the factors of economy and the levels of service which can be made available. Parent groups have objected to the practice on perceived safety grounds, however road safety statistics and other available evidence do not support their concerns.

Were the rule to be eliminated in country areas, the cost to the rural SST budget would increase by 14% to 28%, i.e., \$20.7m to \$42.2m. Exact costs would need to be determined through a case by case analysis.

Standing passengers:

Parent groups have submitted that the carriage of standing passengers should be eliminated in country areas, again on perceived safety grounds.

The additional cost of eliminating all standing passengers in rural areas in 1991/92 would range from \$59.2m to \$79.8m. Note this figure assumes retention of the "three-for-two" rule for seated passengers.

Neither of the above figures include the impact of eliminating "three-for-two" and standing passengers in metropolitan areas, nor does it address the implications generally for public transport (bus, rail and ferry) if standing passengers were not allowed.

Seat belts on school buses

Parent groups have also campaigned for the introduction of seat belts on school buses in country areas.

If seat belts were made compulsory on rural school buses, all standing passengers, and the "three-for-two" rule, would have to be eliminated. The increase in SST cost for rural school transport only, would be in the order of 55%, or \$81.5m on 1991/92 figures. Proportional increases in urban areas could be anticipated from flow-on effects.

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Summary

In summary, the additional cost effects of adjusting "Three-for-two" and standing capacity, including the possible introduction of seat belts FOR COUNTRY AREAS ONLY IS:

- | | | |
|----|---|-----------------------------------|
| 1. | Eliminate "Three-for-two", but retain authorised adult standing capacity | \$20.7m - \$42.2m |
| 2. | Eliminate standing passengers but retain "Three-for-two" for seated passengers | \$59.2m - \$79.8m |
| 3. | Eliminate standing and "three-for-two" (eg by introducing seat belts, but not including any costs associated with seat belt installation) | \$79.8m - \$144.7m ²¹¹ |

Plainly there are many significant cost implications which need to be taken into account when considering issues of school bus safety. In that regard, the Committee felt that, if this matter is to be pursued, further consideration of the technical safety issues would be best referred to the Parliament's Staysafe Committee for appropriate inquiry. However the Committee notes that the costs implications of the safety issues are very considerable.

Extend Scheme to after school care

On 23 November the Committee received correspondence from the Director of Vehicle Transport, Department of Transport, raising issues relating to travel to after school care centres.

Again this issue of extending the Scheme to after-school care did not form part of the Committee's advertised Terms of Reference. Accordingly, the Committee received very little evidence on the matter and does not feel in a position to comment or draw conclusions relating to this issue, except to make the following comments.

The Committee understands that recurrent funding for before and after school care is a Commonwealth responsibility and that if there is responsibility at State level it is handled by the Department of Community Services. Moreover this division of responsibility is

²¹¹ Department of Transport, Submission, pp 23-24.

rigidly enforced by the Department of School Education and the Committee's view is that it does not fall within the purview of the SSTS as currently constituted.

Should any move be made to extend the Scheme it should be made at Cabinet level, taking into account financial and policy issues traversing at least three departments, namely the Department of School Education, the Department of Transport and the Department of Community Services.

Indeed the Committee believes that it is the past ad hoc extension of the Scheme in this way which has caused great difficulty when it comes to defining the objectives of the Scheme and measuring its efficiency and effectiveness.

What all this illustrates is the pressing need for the Government to define the objectives of the Scheme.

As far as any Cabinet consideration is concerned, it should be noted that the "extension of SSTS to cover after school care arrangements and activities would be difficult to limit . . . [and] additional payments to operators for extra journeys if this extension were granted could cause a blowout in SST payments in 1991 at up to 87%."²¹²

Remove the distance eligibility criterion completely

Currently 64% of all NSW school students receive free travel regardless of family income. This creates an element of horizontal inequity because not all students are treated in a like manner. In that regard, 36% of all students must pay for travel to school albeit at a concessional rate which can be quantified at \$23 per term for a single section State Transit Authority concession pass, whilst the remaining 64% travel for free. As the Director-General stated at the hearings:

²¹² *ibid.*, p. 28.

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"There is an inequity between a concession provided to all students and the concession provided to two thirds of the students which is substantially more generous".²¹³

Another approach was proposed by the New South Wales Council of Social Service which proposed the removal of distance based eligibility criteria because "the setting of such criteria necessitates judgements being made about what appropriate distances are for students to be walking to school."²¹⁴ NCOSS further stated its belief that "it is impossible to set a standard which is in the interests of all families and students. Therefore the Council supports the abolition of the 1.6 kilometre distance criteria for free student transport".²¹⁵

However, this approach did not receive much support and would plainly result in significant extra cost involving as it does expanding the number of participants in the scheme by up to one third. It could be expected that, over time, the scheme would expand to include most of the 378,131 students currently ineligible. As the vast majority of these students would be in metropolitan areas, an estimate of the cost increase can be made based on the current 'per head' cost of \$298 in metropolitan areas.²¹⁶ This indicates a potential total cost increase of approximately \$100 million.

The Committee acknowledges that the setting of arbitrary limits can create inequalities. However the Committee believes that there may be more substantial inequalities to address.

On balance, the Committee is firmly of the opinion that school students should make some effort to walk a reasonable distance to school. The Committee does not feel that the current 1.6 km radial distance criterion is onerous, particularly when compared to radial distance requirements in other States.

²¹³ Minutes of Evidence, 12 October 1992, p. 20.

²¹⁴ NCOSS, Submission, s. 2.4.

²¹⁵ *ibid.*, s. 1.9.

²¹⁶ Department of Transport Submission, p. 22.

The Committee is therefore of the opinion that the 1.6 km walking distance should be maintained provided that the health and safety provisions, which currently operate, are maintained. The Committee does note however that of those 36% who choose to pay for public transport, there is a significant inequity involved vis à vis the 64% who presently travel free.

Increase distance eligibility criterion

Proposals to increase the distance eligibility criteria, to bring NSW into line with other states were advocated by a number of submissions, and were implicit in the statements of the Auditor-General and Nicholls referred to earlier.

These proposals were emphatically opposed by many other submissions and the evidence of the Parents' and Citizens' Associations representative:

Mrs BARKER: I don't think we would actually see the answer to the problem being to make the distance longer. ²¹⁷

In its submission to the Committee the Department of Transport has considered this in detail as one of its options and calculated possible savings to the Government which would arise from the fact that a percentage of currently eligible school students would lose their eligibility.²¹⁸

Such changes would have little impact on rural students according to the Department, because they would mainly affect students in metropolitan areas and in major country towns who generally travel shorter distances. Hence, non-commercial school charter services would not be affected.²¹⁹

²¹⁷ Minutes of Evidence, 12 October 1992, p. 125.

²¹⁸ Department of Transport, Submission, p. 34.

²¹⁹ *ibid.*

In evidence, the Bus and Coach Association contended that the extension of the distance criterion from 1.6 kilometres to 3.2 kilometres would affect government school students in metropolitan areas rather than private school students.²²⁰ This is because private school students generally travel longer distances, and thus the impact of this proposal on metropolitan students across the board is uneven.

Overall, the Committee felt that NSW should not adopt other states' criteria without sound and compelling reasons. The 1.6 km criterion has been in effect in metropolitan NSW for almost 20 years. Over this time the criterion has clearly had an effect on the Department of School Education's planning approach with respect to matters such as school locations and densities. This in turn has caused tens of thousands of parents to make decisions on schooling and housing and the criteria should not be altered without a compelling reason. The Committee does not favour extending the 1.6 km distance criterion.

Increase distance criterion for Years 11 and 12 to 3.2 km

The Committee noted that TAFE students under the age of 18 are entitled to free transport for travel greater than 3.2 km.

To apply the same conditions to Year 11 and 12 students would mean an increase in the maximum walking distance from 2.3 km to 3.2 km. Given the regional rather than local nature of TAFE, the effect of the difference in distance is of little significance. It should be noted that TAFE students are not restricted to school hours but use their passes according to the requirements of classes, which provide the opportunity to, say, visit libraries. Such a facility is not available to school students. Year 11 and 12 school students must pay full adult fare to attend libraries.

No submissions were received which called for a reduction in the TAFE distance to that applying to school students.

²²⁰ Minutes of Evidence, 12 October 1992, p. 107.

During a visit to one senior private high school, the Committee heard strong concerns expressed about the safety of senior girls from non-English speaking backgrounds in the event that the distance criteria were altered.

Using different distance criteria for different groups of students would add costly complexity to the Scheme.

To apply a greater distance criterion for Year 11 and 12 students may be seen as running counter to the "Staying On" policy of Governments to encourage students to complete 12 years of schooling.

While retention rates have risen significantly over the past decade, the rate of increase has now levelled off and further increases in cost to the Scheme from increased retention rates would be minimal.

This option is, therefore, not supported by the Committee.

Introduce a maximum distance for free travel

This option was suggested by the Bus and Coach Association, which expressed concern that the pressure for more specialised bus services and the spread of private education to the periphery of the city has the potential to cause the current costs of the Scheme to blow out considerably. According to the BCA, this pressure is occurring in both urban and non-urban areas. The BCA's suggestion was that a distance limitation for free travel would mitigate this pressure.

Whilst the Committee accepts that the BCA has identified a serious potential problem, it believes that the BCA's suggested response has a number of inherent difficulties. Given geographic and demographic variations both within the metropolitan area and across the state generally, what may be a reasonable maximum distance in one area may not be satisfactory in another. Accordingly, there would have to be some sort of a zone approach with maximum distances set according to the zone. From the equity point of view this

would create more problems of the type already experienced in the current Scheme where the 1.6 kilometre inner radius cuts in.

Thus although the Committee has opted for the use of distance eligibility criteria elsewhere in this report, the anomalies which can be caused by them are significant, and the Committee is therefore keen to keep them to a minimum when recommending changes to the Scheme. In the Committee's view the BCA approach would only contribute to further anomalies and it would be complex and costly to administer. It is, therefore, not supported.

Finally, the Committee notes that whilst other states may have upper limits on free travel by limiting entitlements to the nearest appropriate school, none have adapted a system of upper radial distance limits.

Limit free travel to nearest State or "appropriate" school

The Parents' and Citizens' Association of NSW, argued that free transport should be provided for all school students to their nearest accessible and appropriate government school and that students choosing to attend private schools more distant than their nearest accessible government school should be obliged to contribute to the cost of transport to their chosen school.²²¹ A similar approach was adopted by the NSW Teachers Federation, which stated that students should be subsidised for travel to their nearest public school.²²²

This approach to limit the SSTS was, in various forms, suggested by some 15% of submissions to the Committee. The variations occurred in the consideration of the exact nature of the definition of the "nearest" school to which free transport should be provided. Definitions suggested ranged from "nearest", "nearest State", "nearest State or systemic" and "nearest most appropriate" school.

²²¹ Federation of Parents' and Citizens' Association, Submission, p. 2.

²²² NSW Teachers Federation, Submission, p. 3.

In that regard, it is important to note that this approach is in line with all other the States which effectively limit their schemes in this way.

What all these submissions shared in common was the point that travel beyond the nearest school however defined should not be free, but paid for by the student. The rationale was that there is a perceived private benefit in choosing one school which is more distant than another where from an "objective" point of view that other provides a reasonable public or denominational education. The rationale seeks to differentiate private choice from the accepted public policy goal of ensuring that school children get appropriate access to a compulsory education system in the form of a network of local public or, as many argue, local denominational schools. While a decision to travel beyond a nearby school might be made for a number of reasons, it is assumed by those who argue this case that the element of perceived personal or private benefit for the student is very likely to predominate, and thus this private benefit should be paid for by the individual not the state.

In New South Wales the zoning of the state school system, which provides parents with a substantial right to choose where to send their children to school, is further complicated by the development of specialised and selective schools.

The difficulty, therefore, is that any attempt to define the nearest appropriate type of school, to which free travel would be limited, could produce a complicated and contradictory policy and the following evidence of the Head of the Transport Department is instructive on this point:

Mr MOORE-WILTON: . . . It has been our view that to try and fine that down to limit particular schools or types of schools, or religious nature of schools, it is probably not either sound policy and certainly it is much more complicated in terms of its intrusiveness on the parents' freedom of choice so we have not focused on any of those aspects.²²³

In its written submission the Department of Transport concluded that:

²²³ Minutes of Evidence, 12 October 1992, p. 25.

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the impact of de-zoning on SST costs has not been as substantial as the claims of some groups. It is submitted that any savings made by introducing the suggested limitation would be significantly reduced by the cost of administering the scheme refinement.²²⁴

The only approach which could provide the scope to create non-contradictory policies whilst at the same time being non-discriminatory would be one which limits free transport to the "nearest appropriate" school. Yet the definition of "appropriate" would need to be so broad that it would not provide any effective limitation to the current Scheme to satisfy the education requirements in today's system.

The Committee does not support such an approach.

Introduce a parental contribution

In considering the issue of a parental contribution, the Committee was aware of the stated opposition of a number of organisations and individuals to such an approach.

In evidence, Catholic Education Commission representatives indicated that any proposal to introduce a fee should be seen as a last resort to discourage people who are pass holders of convenience.²²⁵ In its submission, the Parents' and Citizens' Association stated that its policy is one of free transport for all school students to the nearest State school, a view which was shared by the Teachers Federation.²²⁶

On a slightly different tack, the Parents Council indicated it is reluctant to consider a fee while other inefficiencies exist in the Scheme,²²⁷ and this approach was also taken by the Association of Executives of Christian Schools²²⁸ and NCOSS.

²²⁴ Department of Transport, Submission, p. 39.

²²⁵ Minutes of Evidence, 12 October 1992, p. 113.

²²⁶ NSW Teachers Federation, Submission, p. 3.

²²⁷ Minutes of Evidence, 16 October 1992, p. 162.

²²⁸ *ibid.*, p. 178.

This resistance to a fee was to some extent motivated by issues of vertical equity and concerns about how much the fee might be. In that regard, many noted the potential burden of any parental contribution on low income families especially in these difficult economic times. For example, NCOSS was concerned that:

Rev HERBERT . . . there is no disincentive to the weaker members of the community, the lowest income earners in the community in regard to education because of the transport issue. We know that the Government's policy has been that people can have a freer choice about which school they send their children to. We do not think you should now have a transport policy which in fact means lower income people cannot access that other policy . . .²²⁹

The Association of Executives of Christian Schools pointed out that even a \$40 levy per year would have a major impact on some families given that such a levy would actually be greater than their fee increases for each of the last two years.²³⁰

The Catholic Education Commission was equally concerned that even a fee of \$10 per term "would still have a very significant effect on the ability of some parents to send their children to Catholic schools and it certainly should not be applied to welfare cases."²³¹

However the Committee came to the view that opposition to a fee may not be as absolute as it might first appear. In that regard, NCOSS qualified its opposition to a fee with the statement that any welfare exemptions should be based on the family allowance rather than the family supplement.²³² Furthermore, NCOSS felt that, if any savings did occur as a result of the inquiry:

Rev HERBERT: . . . they should be used for other transport needs, again of disadvantaged and lower income people in the community, rather than simply a general saving to the government.

CHAIRMAN: That generally would have the result of making any changes much more acceptable. It would be seen less of a penny-pinching

²²⁹ Minutes of Evidence, 16 October 1992, p. 262.

²³⁰ *ibid.*, p. 178.

²³¹ Minutes of Evidence, 12 October 1992, p. 118.

²³² Minutes of Evidence, 16 October 1992, p. 263.

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exercise and more of an equity correction type process, assuming we could get it right.

Rev HERBERT: Yes, I think so . . .²³³

The AECS argued that the user pays approach is "simplistic", but appeared to be resigned to a levy, when it stated that should a levy eventually be recommended, several conditions should apply. Such a levy should be a nominal charge only, guaranteed by legislation to ensure that it not be a device for regular taxation increases.²³⁴

Some Christian school submissions suggested the introduction of some type of fee. In that regard, the John Wycliffe Christian School submission suggested:

a small charge for bus passes with a modest maximum family fee per year would cut out those students who only hold a pass for convenience . . . I would far prefer that the scheme remained free but I recognise that the administrative costs of an alternative means of controlling the issue and abuse of bus passes would probably be prohibitive.²³⁵

Similarly, the Principal of the Summerland Christian School suggested in his submission that:

realizing the urgent need for financial reform, our suggestion is that a proposed levy be imposed with a means-tested exemption for families already paying school fees above a minimum amount (say \$500 per year) and with total family taxable income below a maximum amount (say \$35000).²³⁶

The Illawarra Christian School made a similar recommendation.²³⁷

The Catholic Education Commission, in a letter to the Minister for Transport dated 12 July 1988, which formed part of the current submission, stated:

²³³ *ibid.*, p. 262.

²³⁴ Association of Executives of Christian Schools, Submission, p. 2.

²³⁵ The John Wycliffe Christian School, Submission, p. 3.

²³⁶ Summerland Christian School, Submission by Principal.

²³⁷ The Illawarra Christian School, Submission.

The Commission recommends that instead of your proposed changes all students who choose to travel to school by bus, train or ferry, would purchase travel passes each term at a flat rate for all such passes, say at \$10 per term with a maximum of \$30 per family.

The requirement to pay for a pass would reduce the temptation to hold a pass which would be used infrequently.²³⁸

In evidence, a witness from the Association of Executives of Christian Schools considered the steps necessary to eliminate phantom riders and said:

Mr CANNON: I realise that there have been in the last part of the year a preference not to move to any form of small charge being made. I believe that human nature being what it is it is going to be almost inevitable that even a token amount will prevent people from taking out a freeby. I believe that that amount should be a very token amount . . .²³⁹

The Armidale Catholic Education Office in a submission to the inquiry recommended that:

an annual flat fee, for example, \$20, might be charge to deter those who could travel to school by other means from applying for a travel pass. This would reduce the costs by supplying a direct source of funding to the government and reducing the number of travellers.²⁴⁰

Some other submissions which made similar recommendations included the Holy Family School (Kelso), Our Lady of the Rosary College (Tamworth), Santa Sabina College and the Glen Innes Public School Parents Club. The submission from the Black Mountain School P & C (Guyra) stated that "all students 3-12 who live in urban/metropolitan areas must pay to travel to school by state buses or trains, or by private bus".²⁴¹

The Treasury, too, favoured some form of charge, which would be for access to the Scheme rather than payment for journeys made, stating at the Hearings that ". . . we

²³⁸ The Catholic Education Commission, Submission - letter to the Minister for Transport dated 12 July 1988.

²³⁹ Minutes of Evidence, 16 October 1992, p. 175.

²⁴⁰ Armidale Catholic Education Office, Submission.

²⁴¹ Black Mountain School P & C (Guyra), Submission.

should stress much more that really there should be pay for access to the service rather than monetary, paying for use".²⁴²

In its submission, the Treasury assessed the option of a parental contribution in association with a "means test" quite positively from the point of view of equity.²⁴³

Furthermore, in evidence, the Director-General of the Department of School Education stated that "the Department would support a small parental contribution towards the obtaining of passes being introduced to the SSTS, with a view to it being a disincentive to parents of children who use their passes infrequently".²⁴⁴

Of considerable interest to the Committee on this issue was the attitude of the Isolated Children's Parents' Association. As this Association represents those students the Scheme was originally designed to help and who are now most disadvantaged, the Committee believes that the Association's views should carry considerable weight. In addition, it is the only Association which represents the "parents of children from all systems" and they "do not favour one against the other".²⁴⁵

While the private vehicle subsidy rate referred to earlier is a particular concern for the Association, as are a number of other matters relating to distance education issues, the Association indicated in its submission that if these matters were addressed then it would not oppose the introduction of a fee:

the support of this association for any proposal to apply a universal charge to students accessing school travel services is dependent on a positive outcome of the requests outlined in this submission.²⁴⁶

²⁴² Minutes of Evidence, October 12 1992, p. 45.

²⁴³ NSW Treasury, Submission, p. 14.

²⁴⁴ Minutes of Evidence, 12 October 1992, p. 67.

²⁴⁵ *ibid.*, p. 142.

²⁴⁶ Isolated Children's Parents' Association, Submission, p. 3.

The Association's President, Mr Swales, put the relationship between parents and the government regarding access to schools in the following terms:

Mr SWALES: . . . We don't see the prime objective as being free access to the nearest government school, we see it as affordable access to an appropriate school, and appropriate covers the whole range.²⁴⁷

This simple definition provides an important key to a workable policy for the Scheme. The Government currently has a policy of dezoning which provides the opportunity for all students to gain access to an "appropriate" education. However, access to this "appropriate" education is not based on a concept of affordability - it is free. It is the Committee's opinion that parents, by virtue of their "primary responsibility" for their children's education, should assist the Government in providing access and contribute what is affordable.

The Committee recommends that:

Recommendation 11

A parental contribution should be made by those whose children receive a bus or train pass under the School Student Transport Scheme. An exemption should be made for welfare beneficiaries and for those who receive the Family Allowance Supplement.

The Committee favours a contribution of \$10 per term per child and notes that the FAS and various DSS welfare schemes are structured to take account of the number of children in a family. However it may also be appropriate for the Government to consider some sort of maximum family contribution for larger families although it notes that no such

²⁴⁷ Minutes of Evidence, 12 October 1992, p. 142.

School Student Transport Scheme

family contributions operate under the State Transit Authority's \$23.00 per term special concession.

The Committee envisages that the parental contribution would be collected by the transport operators with exemptions being verified by the Department of Transport. In evidence Bus and Coach Association witnesses raised no objection to the proposition that parental contributions could be collected by operators.²⁴⁸

The Committee appreciates that this recommendation will be highly controversial and has given it very careful consideration. In doing so it has paid particular attention to the following points:

- The Scheme currently discriminates against those students living in remote rural areas who it was originally intended to assist above all others.
- A contribution by users of the Scheme will establish equity with regard to non-users, so that those near artificial eligibility boundaries will be less discriminated against, because users of the Scheme will be making a direct contribution.
- The Scheme currently discriminates against 36% of all school students who live within the 1.6 km radial distance.
- For those students the cost of a one section term pass which is required for travel within this zone is \$23, and there are no family concessions.
- There is a group within the 36% who though, they live within the 1.6 km distance, are obliged to travel by bus along certain routes for more than one section or walk more than 2.3 km or to walk.
- A parental contribution from all users will go some way (although not all the way) to evening up these anomalies

²⁴⁸ Minutes of Evidence, 12 October 1992, p. 106.

- The funding pool created by the contributions, estimated at between \$16.9m and \$20m²⁴⁹ and which presumes a 20% welfare exemption rate, will provide the basis for resolving the most glaring inequity in the Scheme, namely, the private conveyance rate paid to the parents of isolated rural students who were the original beneficiaries of the Scheme
- The uniform application of the charge, save for welfare exemptions, will treat everybody equally, and will thus avoid the pitfalls of previous proposals. These were seen to discriminate against particular groups. For example, the problems which arose in connection with some 1988 proposals for change were described by a Parents Council witness as follows:

Mrs LONERGAN: They imposed a levy on some non government school parents. It wasn't across the board, it was just those children who attended levels one to four schools and it was almost a religious discrimination.²⁵⁰

- The creation of exemptions leads to significant inequities especially in the vicinity of cut-off points and results in significant administrative expense and complexity.
- The concept of the nearest appropriate school in NSW now has little meaning given the blurring in the system due to the Education Department's dezoning, selective and special schools policies.
- It must be remembered that private school students save the government \$1,800 each per year²⁵¹ and that dezoning selective and specialised high schools are creating senior public school student travel patterns similar to those of private school students.

²⁴⁹ Department of Transport Submission, p. 36.

²⁵⁰ Minutes of Evidence, 16 October 1992, p. 155.

²⁵¹ Minutes of Evidence, 16 October 1992, p. 150.

School Student Transport Scheme

- A contribution will discourage students from applying for passes on the basis that they might need them for occasional use. Thus the phantom rider problem will be diminished.

- Whilst there was no enthusiasm for a parental contribution it seemed to the Committee that most witnesses recognised the cost difficulties faced by the Government and acknowledged the contribution was one way of easing the problem.

- With regard to the exemptions, the Committee was mindful of the need for them to be reasonably generous in difficult times and therefore structured them around the Family Allowance Supplement which takes account of family size although the Government may also need to look at a maximum family contribution for larger families.

- The Education Reform Act indicates that both the State and parents have responsibilities in the education of children.

- The Committee notes that the parental contribution of \$10 per term is approximately 10 cents per trip.

Remove age eligibility

As indicated earlier, the BCA and the Dept of School Education have each pointed out that a large number of infant students, who are automatically eligible for the SSTS and who obtain passes, do not use them. Thus the suggestion is that many in this age group are phantom riders, who nevertheless cost the Government a lot of money, because operators are being paid for the passes on issue rather than on the number of passes in use.

In its submission, the Department of Transport suggests that this part of the Scheme adopts the wrong approach because:

no other States have any age based eligibility: in NSW eligibility based on distance criteria removed for kindergarten to Year 2 students. Contrary to our approach, Victoria has accorded a low priority to this group. Under their arrangement, Kindergarten/pre-school students are allowed entry into a bus only if seats are available after accommodating primary and secondary students.²⁵²

School Education's view on this was put by the Director-General of Education who said in evidence:

Many students are driven to and from school by their parents. Many never or rarely use their bus passes. That seems to be particularly the case with students enrolled in infants classes.²⁵³

On this basis, Dr Boston advocated that bus companies should be paid for the actual journeys made rather than on the basis of the number of bus passes issued.

In the light of Committee's recommendation to introduce a participation fee, one aim of which is to reduce phantom riders, the Committee does not advocate any change to current eligibility arrangement for kindergarten to Year 2 students. However, in setting in train any survey of actual usage of passes, the Transport Department should, as a top priority, focus on the actual use of bus passes by infants students with a view to adjusting payments to operators should the concerns of Dr Boston be borne out. In that regard, if there is to be an ongoing subsidy in the circumstances Dr Boston describes, it should be clearly transparent.

<p><i>Recommendation 12</i></p>

²⁵² Department of Transport, Submission, p. 30.

²⁵³ Minutes of Evidence, 12 October 1992, p. 67.

In setting in train any survey of actual usage of passes, the Transport Department should, as a top priority, focus on the actual use of bus passes by infant students with a view to adjusting payments to operators.

More effective use of the Passenger Transport Act

In its submission, the Office on Ageing recommended that "school transport be considered holistically as part of the general public transport system rather than as a self-contained issue".²⁵⁴ It would seem from the evidence heard and the information obtained by the Committee, that the School Student Transport Scheme is still being dealt with in isolation and the Minister's aim of providing "better value for money in the provision of public transport"²⁵⁵ may not have been achieved.

Though one of the objects of the Act was to "encourage the provision of school bus services on a more commercial basis", this may not have happened. As the Office on Ageing points out, low expenditure for certain concessionary recipients (e.g. transport and unemployed) "is due to absence or scarcity of transport facilities - a factor that has not been allowed to impair school transport where the necessary resources are brought in".²⁵⁶

The Committee has heard evidence, particularly from the BCA, of the use of specialised, dedicated school bus services in both urban and non-urban regions, and the potential for their growth, which tends to support this claim.

In commercial contract areas, these specialised school bus services are the most obvious examples of what would seem to be the provision of transport contrary to a genuinely integrated public transport system, as advocated by the Office on Ageing, in its submission as follows:

²⁵⁴ Office on Ageing, Submission, s. 5.5.

²⁵⁵ NSW Parliament Hansard, 8 May 1990, p. 2539.

²⁵⁶ Office on Ageing, Submission, s. 2.5.

By paying the costs of school transport directly the government is partly relieving transport operators of the pressure to develop sustainable networks and services on an all day basis. If cross-subsidy of under-used non-school services from school student payments is possible, little incentive for change is provided. If not, SSTS payments may be buying facilities which are not deployable elsewhere for further purposes.²⁵⁷

It would perhaps be of more benefit to the general community if transport concessions were diverted from generous universal schemes (SSTS) into user-based support dependant on relative disadvantage . . . and to encourage self-sustaining public transport.²⁵⁸

In part, a similar approach was advocated by the Treasury as one of its options. The development of "Integrated Services", which advocated "reducing SSTS payments to bus operators and providing direct subsidies for general bus services in areas of need", received the most favourable assessment from the Treasury. The submission argued that this approach "should result in a greater spread of transport services . . . [while it] may not result in savings, it could produce greater community benefits for the same cost to the government."²⁵⁹

All schools need to become aware of the transport costs involved when considering new locations. The Government should try to contain SSTS payments to operators by limiting the growth of specialised services. In urban areas, the Government should not be so concerned to provide for particular groups' transport needs. Rather, it should be more concerned to provide for the general community need.

Special school buses servicing isolated schools on the urban fringe and dedicated cross-regional buses in urban areas do not appear to fit within the Passenger Transport Act, and will not encourage operators to develop other services:

Mr KILSBY: . . . With the legislative framework which is now in force in New South Wales, namely the 1990 Passenger Transport Act, it seems to me that public transport can only be provided in a sustainable way if enough off peak use can be generated to make this contribution towards the expense to provide peak services.

²⁵⁷ *ibid.*, s. 4.5.

²⁵⁸ *ibid.*, ss 4.5 & 4.6.

²⁵⁹ NSW Treasury, Submission, p. 13.

School Student Transport Scheme

Paying the full cost of school services at peak times would give bus operators little incentive to develop this off peak travel market and you would probably find that the off peak services that they provide are provided more because its a requirement to their contract with the Department of Transport, rather than because they are there to serve particular travel needs which have been identified.²⁶⁰

The Committee feels that it is not appropriate to encourage these cross-regional services in favour of existing public transport services, particularly trains with their low marginal costs. Similarly, new bus services to cater specifically for new schools in urban fringe areas need to be justified. Factors such as students' time and convenience must be better balanced against other community transport needs when appraising applications for new bus services in urban areas where public transport already exists.

In urban fringe areas and green fields sites where public transport does not exist, new services should be justified on the basis of the community's need, not just the school's. The community's need could be established by paying due regard to whether such transport will provide a substantial service for general community use on an all-day basis. In this the provisions of the Passenger Transport Act can play a crucial role. As the Office on Ageing stated at the hearings:

Mr KILSBY: . . . I think the 1990 Act has laid the framework for the sort of thing that we're advocating which is trying to build up the public transport system as something for all day use rather than the least worst way of getting some problematical peak travel. It's not really an easy thing to do but it really has to happen, otherwise, the framework that the Act has set up is just not a sustainable framework if the off peak use doesn't occur.²⁶¹

Recommendation 13

²⁶⁰ Minutes of Evidence, 16 October 1992, pp 213-214.

²⁶¹ *ibid.*, p. 218.

In urban areas the use of existing public transport should be encouraged.

Existing Department of Transport guidelines for the consideration of new bus services should be firmed up to minimise value judgements so as to ensure that existing services, especially trains, are used wherever possible.

Recommendation 14

Current cross - regional school services should be subject to annual review so that factors such as students' time and convenience are better balanced against the other needs of the community.

Recommendation 15

Such consideration should also apply to any proposals for new urban cross regional school services.

Recommendation 16

Consideration of requests for the provision of school student transport to new schools on the urban fringe should pay due regard to whether such transport will provide a substantial service for the general community use on an all-day basis.

The Committee heard evidence during its country inspection of buses being purchased by various organisations or under various arrangements (CAP, local hospitals) in the one town, yet they were not available for use for say the School Student Transport Scheme. The Committee is concerned that this is inefficient and a waste of resources.

Recommendation 17

The Department of Transport should seek to determine the extent and availability of existing buses in country areas with a view to establishing a more genuine community use for these buses.

The Bus and Coach Association informed the Committee of the need to rationalise bus routes in rural areas. These services have grown up on an *ad hoc* basis over the years and are now maintained by virtue of their historical nature. The BCA have indicated their willingness to work with the Department of Transport to achieve such a rationalisation. Given that SSTS costs are rising in rural as well as metropolitan areas such an approach has merit.

Recommendation 18

The Department of Transport should consult with the BCA in reviewing the existing services in rural areas in order to rationalise these services where possible.

CONCLUSIONS

Over the years there have been numerous reports and studies on the School Student Transport Scheme in New South Wales. They have made a wide range of recommendations aimed at improving its efficiency and equity, and at cutting down its ballooning costs. Only a limited number of these recommendations have ever been put into practice. The cost of the SSTS has continued to rise inexorably, now standing at about \$306m, and the Scheme still includes many inequities and inefficiencies.

The Committee was very mindful of the fact that some fundamental changes were now imperative. The point has been reached where it is no longer possible to delay or water down the required measures. Taxpayers must now be assured that their ever-increasing contributions to the Scheme are being properly spent, and that the Scheme is being run in the most rational possible way.

It was with the firm resolve to address the basic issues decisively and practically that the Committee approached this investigation. A completely bipartisan spirit prevailed throughout. The Committee's seriousness of purpose was evident in the large number of deliberations and hearings it held, as well as in the considerable extent of its metropolitan and especially country inspections.

The conclusions the Committee reached after this long and arduous process are unanimous. First and foremost, there now need to be explicit objectives and criteria set for the Scheme. Their absence was a fundamental flaw handicapping the Committee in judging the Scheme's efficiency. Second, much more data need to be systematically collected on the factors leading to the Scheme's cost blowout. It is difficult to know where exactly to concentrate efforts to reduce costs without enough hard evidence on what factors are actually causing those costs to rise.

Despite the absence of objectives set for the scheme and data on its operation, the Committee was able to reach a number of other conclusions and recommendations which could be implemented without significant delay. To do so, it closely examined the 208

School Student Transport Scheme

submissions made in response to its advertisements, interviewed scores of parents, officials and experts, and spoke as well to a sizeable number of students.

A major consideration for the Committee was equity, particularly as between city and country users of the Scheme. Those country users who rely on private transport are significantly disadvantaged at present in financial terms, and an important conclusion of this report is that that disadvantage must now be redressed. The Committee has therefore recommended that country parents whose children are obliged to travel by private conveyance should be reimbursed at a rate that reflects the actual cost of operation of the vehicle.

Equity considerations figured in another of the Committee's recommendations, that which proposes a \$10 parental contribution per term per child living outside a 1.6km radial distance from school (10 cents a trip). At present, the 36% of NSW schoolchildren living inside this radius must, if they take transport regularly, buy a \$23 a term STA bus pass to get to and from school. A child living just inside the radius will be obliged to pay and one living just outside will not, even though they may be living next door to each other. A \$10 contribution goes some way to redressing that inequity.

The Committee also considered that one of the most telling arguments for parental contributions was that they could be used to form a pool to fund the very necessary increase in the private vehicle subsidy rate paid to rural parents.

Another important argument was that the parental contribution would discourage the so-called phantom riders. At present, bus operators are paid on the assumption (never tested) that 92% of students with passes are actually travelling on the bus. Many students may actually travel quite rarely on the bus, but at the beginning of the school year they still obtain a pass for travel "just in case", simply because it is free. So the number of students with passes is artificially high and does not reflect the number who travel. A good way of discouraging the taking out of passes "just in case" is to charge a nominal amount for the pass. Then even if the 92% proportion is retained, it will be 92% of a smaller and more realistic number.

Equity was a factor in yet another of the Committee's recommendations. The NSW Office on Ageing maintained that it was not fair that students should have dedicated transport when the elderly, disabled and unemployed did not. They claimed that new school transport routes should be instituted only where they could be supplemented by an adequate amount of day- and night-time transport benefiting the rest of the community as well.

Members of the Committee agreed, although they were concerned to stress that their recommendation should apply to new routes only, with existing routes being subject to annual review keeping this criterion in mind.

A related matter concerned the co-ordination between the Department of School Education and the Department of Transport. New schools are presently authorised by the Department of School Education without formal consultation with the Department of Transport, even though the new bus routes required represent an increase in the SSTS budget. The Committee concluded that this practice ought to stop. It recommended mechanisms for obliging the Department of School Education to be aware of the transport implications of its decisions. These include formal consultations with the Department of Transport and the instituting of a formal Transport Impact Study.

Throughout this investigation the Committee has sought to identify practical and logical solutions to the problems of the School Student Transport Scheme. Witnesses and those who made submissions generally agreed that the time when action can be deferred has passed. The Committee now looks forward to a serious examination by interested groups and the community generally of the issues it has raised.

APPENDICES

APPENDIX A : Functions of Public Accounts Committee

Section 57 Public Finance and Audit Act 1983

57. (1) The functions of the Committee are:
- (a) to examine the Public Accounts transmitted to the Legislative Assembly by the Treasurer;
 - (b) to examine the accounts of authorities of the State, being accounts that have been:
 - (i) audited by the Auditor-General or an auditor appointed under section 47(1); or
 - (ii) laid before the Legislative Assembly by a Minister of the Crown;
 - (c) to examine the opinion or any report of the Auditor-General transmitted with the Public Accounts or laid before the Legislative Assembly with the accounts of an authority of the State (including any documents annexed or appended to any such opinion or report);
 - (c1) to examine any report of the Auditor-General laid before the Legislative Assembly;
 - (d) to report to the Legislative Assembly from time to time upon any item in, or any circumstances connected with, those accounts, reports or documents which the Committee considers ought to be brought to the notice of the Legislative Assembly;
 - (e) to report to the Legislative Assembly from time to time any alteration which the Committee thinks desirable in the form of those accounts or in the method of keeping them or in the method of receipt, expenditure or control of money relating to those accounts;

- (f) to inquire into, and report to the Legislative Assembly upon, any question in connection with those accounts which is referred to it by the Legislative Assembly, a Minister of the Crown or the Auditor-General; and
- (g) to inquire into expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation or otherwise than in accordance with the provisions of this Act or any other Act and report to the Legislative Assembly from time to time upon any matter connected with that expenditure which the Committee considers ought to be brought to the notice of the Legislative Assembly.

(2) The functions of the Committee extend to an examination of, inquiry into or report upon a matter of Government policy if and only if the matter has been specifically referred to the Committee under subsection (1) (f) by the Legislative Assembly or a Minister of the Crown.

(3) The functions of the Committee do not extend to an examination of, inquiry into or report upon the estimates of any proposed expenditure by the State or by an authority of the State.

(4) If, at the time at which the Committee seeks to report to the Legislative Assembly in accordance with subsection (1), the Legislative Assembly is not sitting, the Committee shall present its report to the Clerk of the Legislative Assembly to be dealt with in accordance with section 63C.

(5) * * * * *

APPENDIX B : Minister Baird's Press Release**MEDIA RELEASE****17 JULY, 1992.****INQUIRY INTO SCHOOL STUDENT TRANSPORT SCHEME**

The NSW Parliament's public accounts committee will hold an inquiry into the School Student Transport Scheme, Transport Minister Bruce Baird said today.

He said the Government was determined to provide efficient public transport services for school children throughout the State.

But Mr Baird said it was vital that the cost of free school travel - estimated to be \$300 million this year - was kept under control.

He said the NSW school transport scheme was far more generous than those in other States.

"We spend \$246 per child on school transport costs compared with just \$100 per child in Victoria and \$128 in Queensland," he said.

"More than 600,000 free travel passes are issued in NSW each year so it is a major program.

"We want to make sure that it is being run efficiently and at minimal cost to the taxpayer.

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"If there are any ways to cut costs without adversely affecting students we want to identify them."

Mr Baird said the all-party inquiry would be asked to investigate;

- . WHETHER the current scheme was fair.
- . THE Impact of education policies on the cost of the scheme.
- . HOW the NSW scheme compares with those in other States.
- . PARTICULAR issues affecting city and country users.

Mr Baird said children were entitled to free travel passes if they lived more than 1.6km away from their school or if they had to walk more than 2.3 km to school.

All infants students - those in Years 1 and 2 - receive free travel.

Passes are also issued to students where it is considered dangerous to walk to school because of traffic conditions.

The acting chairman of the Public Accounts Committee, Ray Chappell, said parent groups, teachers, transport operators and other interested parties would be invited to put submissions before the inquiry.

He said submissions would have to be forwarded to the committee by August 14 and public hearings were expected to be held in early September.

* * *

COMPARATIVE PROFILE OF SCHOOL STUDENT TRANSPORT SCHEMES

STATES	AGE BASED ELIGIBILITY	DISTANCE BASED ELIGIBILITY	URBAN/RURAL ELIGIBILITY	SCHOOL ZONE ELIGIBILITY	WELFARE BASED ELIGIBILITY
NSW	All Kindergarten to Year 2 students are eligible (no distance criteria)	K - Yr 2 : No restriction Rest : 1.6 km radius	Available for both urban and rural students	No limitation on distance / No zonal restriction	No disabilities
QLD	No	Primary : > 3.2 km Secondary : > 4.8 km	Available for both urban and rural students. (But note distance criteria.)	Limited to only the nearest school/zonal restriction	No
ACT	No	Principally no free travel except for specific target group (e.g. students with disabilities unable to use public transport, and some from rural areas).	Available to rural students with specific consideration as mentioned in distance criteria	No applicable	No
VIC	Kindergarten or pre-school students are allowed on school buses only if there is space available after accommodating primary and secondary students.	Available to only rural students with > 4.8 km distance criteria.	Students from rural areas only are eligible. Others in urban areas are allowed fare concession	Limited to only the nearest school/zonal restriction	No
TAS	No	Principally no free travel except for students from rural areas under interim arrangement since February 92	Available only for students from rural areas	No limitation on choice of school	Yes
SA	No	> 5 km for all age/grade	Available mainly for rural areas students	Limited to nearest government school	Yes
WA	No	> 4.5 km for rural and isolated areas students	Available mainly in rural areas. Urban students are given concession in fare	Limited to nearest school'	No disabilities
NT	No	> 1.6 km for all age/grade	Available for both urban and rural students	Limited to nearest school	No

**APPENDIX D : Guidelines for Assessing Student Mode of Transport
(Dept of Transport SSTS Manual)**

4.2 To achieve a practicable and balanced solution in any situation, regions must consider the unique circumstances generated in each case by the following factors:

- (a) The location of the various optional modes of travel (i.e. private bus, Government bus, rail or any combination) relative to the student's home, school and each other;
- (b) The suitability of the timetables for each mode compared to school times and each other;
- (c) The travelling time associated with each mode of travel;
- (d) The number of transfers required between modes of travel or within a particular mode;
- (e) The walking distances associated with each mode of travel;
- (f) The cost savings to the Department;
- (g) The availability of the necessary capacity on existing State Transit Authority bus services and State Rail services;
- (h) The cost to the State of providing additional rail carriages or buses, if necessary.

It may be necessary in some cases, therefore, to consult with the appropriate office of the State Rail Authority or State transit Authority.

- (i) The safety of students whilst travelling. Refer Section 10.3.

APPENDIX E : Private Vehicle Conveyance Subsidy

The current scale rates, which are effective from term 3 1992, are as follows:-

DISTANCE	RATE
More than 0km to 1.6km	\$0.21
More than 1.6km to 8km	\$1.10
More than 8km to 16km	\$2.19
More than 16km to 24km	\$3.29
More than 24km to 32km	\$4.39
More than 32km to 40km	\$5.50
More than 40km to 48km	\$6.58
More than 48km to 56km	\$7.68
More than 56km to 64km	\$8.79
More than 64km to 72km	\$9.87
More than 72km to 80km	\$10.98
More than 80km to 90km	\$12.08
More than 90km to 100km	\$13.19
More than 100km to 110km	\$14.28
More than 110km to 120km	\$15.39
More than 120km to 130km	\$16.50
More than 130km to 140km	\$17.61
More than 140km to 150km	\$18.70
More than 150km to 160km	\$19.81
More than 160km to 170km	\$20.92
More than 170km to 180km	\$22.02
More than 180km to 190km	\$23.12
More than 190km to 200km	\$24.23
More than 200km to 210km	\$25.34
More than 210km to 220km	\$26.44
More than 220km to 230km	\$27.55
More than 230km to 240km	\$28.65

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More than 240km to 250km	\$29.76
More than 250km to 260km	\$30.86
More than 260km to 270km	\$31.97
More than 270km to 280km	\$33.07
More than 280km to 290km	\$34.18
More than 290km to 300km	\$35.28
More than 300km	\$36.65

The above are daily rates paid on a per child basis for the **single journey** from home to school or nearest transport pick up point, and apply to motor vehicles, motor launches or horse.

Half the above rates apply to motor cycles.

Bicycles - No payment is available for a student who rides to school.

APPENDIX F : Witnesses at Public Hearings

Monday 12 October 1992

Department of Transport

Mr Maxwell William Moore-Wilton
Director-General

Mr Rodney Charles Gilmour
Executive Director, Vehicle Transport Policy & Regulation

Ms Pamela Gaye Sayers, Director, Vehicle Transport Policy Development.

NSW Treasury

Dr Paul Moy
Acting Deputy Secretary

Ms Esther Chesterman
Senior Budget Officer

Department of School Education

Mr Kenneth George Boston
Director-General

Mr David Rowland
Acting Director of Properties

Mr Gregory David Egan
Director Administration and Finance for Metropolitan North Western

Mr Kevin Allan Sykes
Director Audit

Bus and Coach Association (NSW)

Mr Roger Lance Graham
Transport Economics Consultant

Mr Barrie Grahame Macdonald
Executive Director

Catholic Education Commission

Brother John Adrian Taylor
Executive Director

Ms Marea Ellen Donovan
Solicitor

Brother Kelvin Brian Canavan
Executive Director of Schools, Archdiocese of Sydney

Mrs Loretta Margaret Clifton
Acting Principal, Our Lady of the Rosary School, The Entrance

Federation of Parents' and Citizens' Associations NSW

Mr Tom Bettle
Publicity Officer

Ms Jenny Barker
Metropolitan Vice-President

Ms Edna McGill
Executive Member

Mr Warren Johnson
Executive Officer

Isolated Children's Parents' Association

Mr Alan James Swales
President

Mrs Jennifer Mavis McLellan

Friday 16 October 1992

NSW Parents Council Inc

Mr Donald Grant Macaulay
President

Ms Josephine Lonergan
Vice-President

Mr Duncan Alexander McInnes
Secretary and Executive Officer

Ms Virginia Maria Paton
Executive Member

Association of Executives of Christian Schools

Mr Robert Johnston
Principal, John Wycliffe Christian School, Warrimoo

Mr Noel Frederick Cannon
Principal, Redeemer Baptist School, North Parramatta

School Student Transport Scheme

Mr Geoffrey John Bowser
President, Principal, St Marys Christian Community School, Erskine Park

Department of Transport

Mr Rodney Charles Gilmour
Executive Director, Vehicle Transport Policy and Regulation

Mr Ronald James fisher
Regional Manager, Northern Region

Mr Alan Edgar Wilkinson
Regional Manager, Metropolitan and Western Region

Ministry of Health and Community Services (Office on Ageing)

Ms Gillian Louise McFee
Director

Mr David John Edmund Kilsby
Consultant - Sinclair, Knight, Buchanan

State Transit Authority

Mr Guy Christopher Thurston
General Manager Operations

Mr Keith William Drew
Consultant Automatic Fare Collection Programme

Mr Jon Ross Phippard
Revenue Accountant.

State Rail Authority

Mr Christopher Robert Ailwood
General Manager Commercial, City Rail

Mr Thomas James Gable
Acting Group, General Manager, Country Link

NSW Council of Social Service of New South Wales

Rev Harry James Herbert
President

Ms Debra Jane Tipper
Policy/Liaison Officer

Regny Holdings Pty Ltd (in camera)

Mr Kamal Rampal

Managing Director

APPENDIX G : Public Accounts Committee SSTS Meetings

DATE		MEETING NUMBER
August 1992	24th	No. 370
September 1992	3rd	No. 371
	15th	No. 372
	16th	No. 373
	22nd	No. 375
	24th	No. 377
October 1992	8th	No. 378
	15th	No. 380
	28th	No. 382
November 1992	17th	No. 383
	18th	No. 384
	24th	No. 385
	27th	No. 388
December 1992	21st	No. 389
	22nd	No. 390

APPENDIX H : Inspections

9-10 September 1992: Armidale-Lismore area

Members: Andrew Tink, Ray Chappell

Staff: Ian Thackeray

LOCATION	ACTIVITY
Lismore Cathedral	Observed bus activity
Electorate office of Bill Rixon, Member for Lismore	Meeting with Rod Dymock (Principal of Summerland Christian School) and Debbie Grant and Colleen Oaten (Parents and Friends Association of Trinity Catholic College)
Electorate office of Bill Rixon, Member for Lismore	Meeting with Barry Wheeler (Assistant Director of Administration and Finance) and Tony Palmer (Manager of Administration), North Coast Region, Department of School Education
Electorate office of Bill Rixon, Member for Lismore	Meeting with Mike Maxwell (Chairman of the Bus and Coach Association) and other operators
Bonalbo Central School	Meeting with Janine O'Brien (Principal of School) and bus operators
Commercial Hotel, Deepwater	Meeting with Rod Bailey (Principal of Deepwater School) and parents
Armidale	Meeting with Alan Bicknell (former Department of Transport area manager, now school bus operator)

10 September 1992: Brewarrina

Members: Andrew Tink, Ray Chappell

Staff: Ian Thackeray

LOCATION	ACTIVITY
Brewarrina area	Inspected 25 mile school bus route, and meeting with parents at end of bus route
Brewarrina Catholic School	Meeting with Principal
Brewarrina Central School	Meeting with Principal and bus operators
Brewarrina	Meeting with bus operator

School Student Transport Scheme

9 September 1992: Goulburn area

Members: Terry Rumble, Ian Glachan, Geoff Irwin

Staff: Patricia Azarias

LOCATION	ACTIVITY
Bowman Coachlines, Goulburn	Meeting with Ken Bowman (proprietor)
Goulburn High School	Meeting with Peter Marshall (Principal), Pam Parry (small bus operator from Crookwell), and Julie Carey (bus operator)
North Goulburn Primary School	Meeting with Peter Brown (Principal), Robyn Queripel (Vice-President of the Parents and Citizens Association and Librarian at the school)

10 September 1992: Carrathool-Hay-Booligal-Hillston

Members: Ian Glachan, Terry Rumble

Staff: Ian Clarke

LOCATION	ACTIVITY
Carrathool Public School	Meeting with Rob Burns (bus operator), Debbie McMahon (parent), and Lyn Anstice (parent)
Hay War Memorial High School	Meeting with Tim Edwards (Hay Public School Principal), Don Linegar (High School Deputy Principal), David Houston (Isolated Children's Parents' Association), and Paul Derrig, Ian McLeod, Gwen Carver and Stan Porter (bus operators)
Claughton House - Hay Student Hostel	Meeting with Bruce Morphett (Manager) and David Houston
Booligal Public School	Meeting with John Lynch (teacher), and parents Margaret Robinson, Alison Crozley, Vicky Ireson, Jenny Clarke, Kerry Angett, Bill and Jennifer Sheaffe (Isolated Children's Parents' Association)
Box Yards Road and Alma Road, near Booligal	Inspection of dirt road to Margaret Robinson's home (Mrs Robinson travels 35 km each way, four times a day, to take her children to and from school)
Hillston Central School	Meeting with Ian Anderson (Principal) and Ross and Kay Kenefick (parents)

18 September, 1992: Sydney metropolitan area

Members: Andrew Tink, Ray Chappell, Geoff Irwin

Staff: Patricia Azarias, Ian Thackeray

LOCATION	ACTIVITY
East Hills Girls High School	Observation of school arrivals, meeting with Jan Aveyard (Principal) and staff administering SSTS, and meeting with parents
Challenge Coachlines, Moorebank	Meeting with Bob Stevens and Bob Ellis (bus operators)
Westbus, Edensor Park	Meeting with Debbie Bosnjak, Charlie Debono and Robert Ash (bus operators)
Mary McKillop College, Wakeley	Meeting with Maureen Quilter (Deputy Principal) and administrative staff
Prairiewood High School, Fairfield	Meeting with John Pickering (Principal), school staff and parents, and observation of bus departures

APPENDIX I : Submissions Received

Abel, Joan	[REDACTED]
Anderson, Mrs F	[REDACTED]
Ashford Central School	Mrs C Panaho Hon Secretary [REDACTED]
Association of Executives of Christian Schools	Geoff Bowser President [REDACTED]
Austin, S W	[REDACTED]
Bald Blair P & C Association	Pamela Clark, Secretary [REDACTED]
Balranald Parents & Citizens Association	Dianne Atkins, President [REDACTED]
Barellan Central School Council	R Cusack, Executive Officer, [REDACTED]
Barker College Hornsby	N W Tucker Headmaster
Bellata Public School	Anne Lawrence President Bellata P & C Association [REDACTED]
Bellimbopinni Public School	G Davies, Secretary P & C Association [REDACTED]
Ben Lomond P & C Assoc	T Everett, Secretary, Ben Lomond Public School, [REDACTED]
Bert Oldfield Public School	Chris Worthington Principal [REDACTED]
Betts, Brian & Patricia	[REDACTED]
Bibbenluke Public School Bibbenluke	Fiona Tuckerman Secretary [REDACTED]
Bicycle Institute of NSW Inc Sydney	Russell Webber, Vice President, [REDACTED]
Bingara Central School Parents & Citizens Assoc	Mrs C Brown Secretary [REDACTED]

Public Accounts Committee

Black Mountain School P & C Association	Julie Walker Hon Sec [REDACTED]
Blackshaw I C	Local Co-Ordinator State Administration Scheme NSW Government Tamworth
Bombala Public School P & C Association	AM Kater, Secretary, [REDACTED]
Bowraville Central School	Beth Richardson Secretary [REDACTED] [REDACTED]
Boyle, Mrs Sylvia	[REDACTED]
Bradley, Vince & Marge	[REDACTED]
Bray, J W & N D	[REDACTED]
Brewarrina Central School	Bruce Robinson, Principal, [REDACTED] [REDACTED]
Broughton Anglican College Parents and Friends Association	Ann Shephard Vice-President [REDACTED] [REDACTED]
Bullarah Primary School Staff & Community	[REDACTED]
Bunnege T	[REDACTED]
Bus and Coach Association (NSW)	Barrie G Macdonald Executive Director [REDACTED] [REDACTED]
Byrne, G T & V A	[REDACTED]
C Quigley, A McMillan J Quigley and S Montgomery	[REDACTED]
Callachor, Roger	[REDACTED]
Callahan, R & G 40	[REDACTED] [REDACTED]
Calrossy	Graham Hilder, Principal [REDACTED] [REDACTED]
Cannon, Wayne R, JP	Drummond Memorial School
Carrigan, Mrs Claudia	Secretary, [REDACTED]

School Student Transport Scheme

Catherine McAuley College	Brother John Mullins [REDACTED]
Catholic Education Box Commission NSW	Taylor, Brother J A Executive Director, [REDACTED] [REDACTED]
Catholic Education Office Armidale	Paul Woodcock Diocesan Director of Catholic Schools [REDACTED]
Chillingham Parents & Citizens Assoc	Kathy Rowley, Secretary [REDACTED] [REDACTED]
Chivers K	[REDACTED]
Church, Mrs Gwen	[REDACTED] [REDACTED]
Clare Public School	Parents & Citizens Association [REDACTED]
Combined Pensioners & Street Superannuants Association of NSW	Hutton, Bruce, Assistant State Secretary [REDACTED] [REDACTED]
Comboyne Public School P & C Association	Mrs J M Hurrell, President, [REDACTED]
Condong Public School	Elder, R W Principal, [REDACTED] [REDACTED]
Connor, Catherine	[REDACTED]
Corbett, Mr & Mrs R	[REDACTED]
Cowper Primary School P & C Assoc	Mr John Gay, President, [REDACTED]
Crescent Head P & C Assoc	Richard Dube', President, [REDACTED] [REDACTED]
Crowe, Henry and Marie	[REDACTED]
D'Arcy, R J	[REDACTED]
Dalgleish, Mrs R	[REDACTED]
Delaney, B	[REDACTED]
Delungra Public School Parents & Citizens Association	Jill Brown Secretary

Public Accounts Committee

Dept of School Education	[REDACTED]
Devlin, Elma	[REDACTED]
Diocesan Catholic Girls High School	Bathurst
Donaldson S	[REDACTED]
Drummond Memorial School Armidale, Parents Assoc	Mason, Peter President, Armidale
Dunn, Conny	[REDACTED]
Elliott, Megan L	[REDACTED]
Enright, Sheila	[REDACTED]
Ethnic Affairs Communities Council of NSW	Edna McGill, Chairperson, [REDACTED] [REDACTED]
Everett, David J	[REDACTED]
Fairfax Primary School P & C Association	N R Stearman Secretary, Fairfax P & C [REDACTED] [REDACTED]
Federation of Parents & Citizens Associations of NSW	Warren Johnson, Executive Officer
Figtree High School	Mrs Lynn Jones [REDACTED]
Finlason, Judy Network of Community Activities	Co-Ordinator [REDACTED]
Flinn, Michael J	[REDACTED]
Forbes Women's Refuge Collective	[REDACTED] [REDACTED]
Ford, Mrs	[REDACTED]
Gault, Mary	
General Technology Pty Ltd	[REDACTED]
Gerard, Neil	[REDACTED] [REDACTED]
Glen Innes Public School Parents Club	Sheryl Stokes [REDACTED] [REDACTED]

School Student Transport Scheme

Glen Innes High School	Mrs Betty Crofts, President, [REDACTED] [REDACTED]
Graham, John	[REDACTED]
Gray J	[REDACTED]
Green Point Baptist Christian Community School Limited	Rodney Lynn Principal [REDACTED]
Guyra Central School Parents and Citizens Association	Lois Mitchell Beth White, [REDACTED] [REDACTED]
Hammond J	[REDACTED]
Hanna, Hany A	[REDACTED]
Harwood Island Public School	White, Mrs L, Secretary P & C [REDACTED] [REDACTED]
Holy Cross Primary School	Sr Maureen McDermott [REDACTED]
Holy Family School, Lindfield	Mihael J Crittenden, Principal [REDACTED] [REDACTED]
Holy Family School, Kelso	Neville J Bradbury Principal [REDACTED]
Holy Family School Association	Susan Smith Secretary Oxford Road P & F [REDACTED]
Trinity Senior High School Wagga	Sr Alexis Horsley, Secretary Board of Wagga Management [REDACTED]
Hurlstone Agricultural High School Council	Neil Fogarty, President, [REDACTED] [REDACTED]
Illawarra Christian School	Geoff Hewitt Principal [REDACTED] [REDACTED]
John Wycliffe Christian Education Association	R Johnston Principal [REDACTED] [REDACTED]
Johnston P C	[REDACTED]
Keen, Mrs Catherine M	[REDACTED]
Kempsey High School P& C	Donna Ward, Secretary, [REDACTED] [REDACTED]

Public Accounts Committee

Kilaby, David	Sinclair Knight & Buchanan, Transport Consultants
Kincoppal-Rose Bay the Sacred Heart	C J Faisandier Principal New South Convent of Head [REDACTED]
Kingscliff High School Citizens Assoc	Bob Moore, President, [REDACTED]
Kyogle Primary P&C Assoc	Parker, Veronica, Secretary.
Kyogle High School P & C Assoc	Dibley J, Secretary, [REDACTED]
Lane Cove Public School & Citizens Association	Cheryl Webster Secretary [REDACTED]
Langtry, Mrs Vicki	[REDACTED]
Leichhardt Municipal Council	Alderman Nick Masterman [REDACTED]
Lismore High School Parents &	John Thompson Secretary [REDACTED]
Macksville High School Parents & Citizens Association	Mrs J Cathcart Secretary [REDACTED]
Maclean High School Citizens Assoc	Mrs Margaret Kirby Woombah St Parents & Maclean
Main, Helen	[REDACTED]
Marsh, Mrs A	[REDACTED]
Martin, Pamela	" [REDACTED]
Matchett, J M	[REDACTED]
Matson, Ian	[REDACTED]
McDougall, N B	[REDACTED]
McKelvie, Mrs Helen	[REDACTED]
McNamara, Mark & Janet	[REDACTED]
Medlow Public School, Parents & Citizens Assoc	S O'Donnell, Secretary, [REDACTED]

School Student Transport Scheme

Ministry of Health and Community Services (NSW)	Gillian McFee Director
Monaro High School	Mrs Merida Matthews [REDACTED] [REDACTED]
Monte Sant'Angelo College	Mrs Jenny White Secretary [REDACTED] [REDACTED]
Moree Primary School Council	Margaret Lyne Hon Secretary [REDACTED] [REDACTED]
Mount Erin Boarding School	Sr Anne Quinane Administrator [REDACTED] [REDACTED]
Mount Erin High School	Gerard Madeen Princippal [REDACTED] [REDACTED]
Murwillumbah Primary School	[REDACTED]
Murwillumbah Seventh Day Adventist Primary School	Mrs Lana Donaldson President Home & School Association [REDACTED]
Murwillumbah Christian Community School	Kay Richens Administrator [REDACTED] [REDACTED]
Nagle Girls High School	John Andrews Assistant Principal [REDACTED] [REDACTED]
Nash, Christine	[REDACTED]
New England Institute of TAFE	[REDACTED]
Newman High School	Trish Rushton Finance and Projects Co- ordinator
Newtown High School of the Performing Arts	President Newtown H S P A P & C Association
Northern Area Regional Organisation of Councils	Don Budge Executive Officer [REDACTED] [REDACTED]
Northholm Association Inc	Greg Campbell President
Northholm Grammar School	Christopher Welsh Headmaster Arcadia
NSW Department of Planning,	Remington Centre, 175 Liverpool St Sydney 2000

Public Accounts Committee

NSW Parents Council Inc	Duncan McInnes Executive Director [REDACTED] [REDACTED]
NSW Treasury	[REDACTED]
NSW Department of Transport	[REDACTED]
NSW Federation of School Community Organisations	Allen, Shirley General Secretary,
NSW Council of Social Services (NCOSS)	[REDACTED]
NSW Teachers Federation	John Hennessy General Secretary [REDACTED] [REDACTED]
Osborn, Ian & Leslie	" [REDACTED]
Our Lady of the Rosary College Tamworth	Br P Hamill, Principal, [REDACTED] [REDACTED]
Patrician Bros College Blacktown	C O'Connell, A/Principal, [REDACTED] [REDACTED]
Payne, Mrs D	[REDACTED]
Pearson, Stuart	[REDACTED]
Pendle Hill Public School	Pendle Hill
Pollitt, Nicholas and Carolyn	[REDACTED]
Porter, Mr & Mrs N	[REDACTED]
Prior, James	[REDACTED]
Red Bend Catholic College	Br Paul Gilchrist
Redwin S	[REDACTED]
Regan, Mrs Sylvia	[REDACTED]
Regny Holdings Pty Ltd	[REDACTED]
Rollan, Mrs M J	[REDACTED]
RTA	P Wolfe, Director, Corporate Development, [REDACTED] [REDACTED]
Ruckert, M	[REDACTED]

School Student Transport Scheme

Sandy Beach Public School	Mr Peter Wyborn Principal [REDACTED] [REDACTED]
Santa Sabina College Parents & Friends Association	Mrs E Hassett President Strathfield
Santa Sabina College	Sr Judith Lawson OP Principal [REDACTED]
Short, Mr & Mrs G	[REDACTED]
Simpson, David	[REDACTED]
Smith, L W	[REDACTED]
Smith, Maureen	[REDACTED]
South Grafton Primary School	John Thornton Prinicipal [REDACTED] [REDACTED]
Ss Peter & Paul's Primary School Parents & Friends Association	[REDACTED]
St Patrick's Primary School	Miss Dale Ford Principall [REDACTED] [REDACTED]
St Joseph's School Coraki	Peter Galvin Principal, [REDACTED]
St Carthage's Lismore Parents and Friends Association	Marie Whitney Honorary Secretary [REDACTED] [REDACTED]
St Mary of the Angels School President Parents and Friends	Mrs Sue Adams [REDACTED]
St Mary's Armidale P & F Association	B Burton for P & F Assoc, Armidale,
St John the Baptist, Sth Woy Woy [REDACTED]	Leo Fry, Principal, [REDACTED]
St Joseph's School Maclean P & F Association [REDACTED]	Nerida Dufficy, Sandra Lamberton Fundraising Committee, [REDACTED]
St Xaviers School, Gunnedah [REDACTED]	Sr M Gabrielle, School Board, [REDACTED]

Public Accounts Committee

St Pius X College Chatswood & Friends Association	Warren Boyd President [REDACTED] [REDACTED]
St Michael's School	Sr Ursula Hartigan Principal [REDACTED] [REDACTED]
St Peters Primary School P & F Assoc	Mr R A Sumbak Secretary [REDACTED] [REDACTED]
St Celia's School	Mrs Rhonda Devereux Principal [REDACTED] [REDACTED]
St Joseph's School	Mr Gerard Crichton [REDACTED] [REDACTED]
St John Fisher Catholic School	Elain Middleton Principal Tumbi Umbi
St Bernard's School Batehaven P & F Association	Peter Paine President, [REDACTED]
State Transit Authority	Gilmour, Rod, Executive Director, [REDACTED] [REDACTED]
State Rail Authority	Walker, John Executive Director, Rail and Policy Regulation, [REDACTED]
Studley, Mrs M A	[REDACTED]
Summerland Christian School	Janine Wright [REDACTED]
Summerland Christian School	Rod Dymock Principal [REDACTED] [REDACTED]
Tenterfield High School	B G Kearney Principal [REDACTED]
The Spastic Centre of NSW	P D Roberts Secretary [REDACTED] [REDACTED]
Thomas J	[REDACTED]
Thornecroft Mr & Mrs N	" [REDACTED]
Toongabbie Baptist Christian Community School P & T Association	Ken Clunas Honorary Secretary
Trinity Grammar School	Dr, T Wright, Second Master, [REDACTED] [REDACTED]

School Student Transport Scheme

Trinity Catholic School	Colleen Oaten Hon Secretary [REDACTED] [REDACTED]
Tweed Heads South Public School [REDACTED]	G Harry, Secretary, [REDACTED]
Tyalgum Primary School	A J Cosgrove Principal [REDACTED] [REDACTED]
Tyre, Mrs Sophie	[REDACTED]
Uki Public School P & C Assoc	[REDACTED] [REDACTED]
Uralla Central School Council	John Sullivan Executive Member [REDACTED] [REDACTED]
Vine, Mark	[REDACTED]
Webster, Elizabeth	[REDACTED]
Wee Waa Public School	M Nolan, Secretary, Namoi Cluster Principals' Council [REDACTED]
Westlawn Primary School	R J Farquharson, President [REDACTED] [REDACTED]
White, Mrs Elizabeth Jean	[REDACTED]
Wicks, D H & G F	[REDACTED] [REDACTED]
William Clarke College	Barrie Bishop President [REDACTED] [REDACTED]
William Clarke College	Saunders, Jenny Secretary,
Woods, G A	[REDACTED]
Woolgoolga Public School P & C Assoc	G Abbott, President, [REDACTED] [REDACTED]
Worboys T	[REDACTED]
Worsell G A W	[REDACTED] [REDACTED]
Xavier High School Albury Friends Association	Mick Baz, President, [REDACTED] [REDACTED]

APPENDIX J : Calls for Submissions



PARLIAMENT OF NEW SOUTH WALES LEGISLATIVE ASSEMBLY

Inquiry into School Student Transport Scheme

The Public Accounts Committee has received a reference from the Minister for Transport, the Hon B. Baird MP, under section 57(1)(f) of the Public Finance and Audit Act 1983, to inquire into the School Student Transport Scheme in New South Wales. The Terms of Reference for the Inquiry are as follows:

"To review the School Student Transport Scheme in light of the historic and projected increases in the school student travel budget, taking particular account of:-

- equity and fairness of the current Scheme;
- impact of education policies on the costs;
- the contribution of fixed and recurrent charges to overall costs;
- city and country users;
- comparison with similar schemes in other states and overseas."

Submissions relevant to this Inquiry are invited from interested parties and members of the public. Closing date is 14 August, 1992.

Submissions will be treated as public documents unless otherwise requested and should be sent to:

The Director
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY 2000

Public Hearings will be held in early September.

Further information may be obtained from Ms P. Azarias (02) 230 2631

Ray Chappell MP
Acting Chairman
Public Accounts Committee.



PARLIAMENT OF NEW SOUTH WALES
LEGISLATIVE ASSEMBLY

Inquiry into School Student Transport Scheme

Following a reference from the Minister for Transport, the Hon. B. Baird, M.P., the Public Accounts Committee recently sought submissions from members of the public and other interested parties for its Inquiry into the School Student Transport Scheme. The Terms of Reference for the Inquiry are as follows:-

"To review the School Student Transport Scheme in light of the historic and projected increases in the school student travel budget, taking particular account of:-

- equity and fairness of the current Scheme;
- impact of education policies on the costs;
- the contribution of fixed and recurrent charges to overall costs;
- city and country users;
- comparison with similar schemes in other states and overseas."

The Public Accounts Committee has now extended the advertised deadline for submissions to the **28 August, 1992**. Public Hearings will now be held in the second half of September.

While submissions are treated as public documents, the Committee is required under Section 58 of the Public Finance and Audit Act to ensure the confidentiality of any submission or evidence if so requested.

Submissions should be sent to:

The Director
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

Further information may be obtained from Ms. P. Azarias (02) 230 2631.

Ray Chappell MP
Acting Chairman

GLOSSARY

Phantom Rider

The term used to describe the situation where a student, being eligible, is in possession of a bus pass, but who, either regularly or irregularly, does not travel on the bus. A number of reasons have been suggested as to why students with passes do not use them. Some travel to school with parents but return home by bus, others (particularly infants) travel both ways with parents, while other students walk, cycle or drive to and from school. In all cases these students obtain a pass. Bus operators (both private and government) are paid, under the SSTS, on the basis of 92% of the passes on issue (the 8% reduction being for absenteeism) for providing bus capacity for this 92%. If the actual number of students travelling is less than this 92% then the difference equals the number of "phantom riders". The operator is paid for transporting these "phantom riders", although they do not actually travel. However, operators are currently required under their commercial contracts to provide, at all times, the capacity for the 92% of passes on issue.

Commercial Contracts

In accordance with the new Passenger Transport Act bus operators who had previously provided route services for (ie services which also operated in school holidays) were eligible for commercial contracts. Under commercial contracts, operators design their own bus routes and timetables to satisfy the pre-determined conditions of the contract. These conditions include the provision of school transport. Operators receive revenue on a "per-head" basis, on a standardised fare scale using standardised section lengths.

Non-Commercial Contracts

Those operators not paid on a "per-head" basis (ie under commercial contract arrangements) are paid on the actual cost of providing the service. This arrangement generally operates for the provision of school services where no regular passenger services operate. Prior to the Act, these were services were provided under charter arrangements. Under the new act there is only one rate of payment for non-commercial contracts, based on an analysis of the bus industry by **Price Waterhouse**. Thus the rate is known as the Price Waterhouse formula. The rate makes allowance for distance related costs, time-related costs, and fixed costs.

Private Vehicle Conveyance

Where no passenger transport services exist, a scale rate is payable to parents for transporting their children to the nearest public transport access or school. Rates are paid according to distance travelled and the number of students transported. However, the subsidy is paid daily for a single journey between the home and the point where the private conveyance terminates.

School Retention Rate

This is a measure of the numbers of students remaining in the education system, and generally refers to the numbers of students continuing to complete Years 11 and 12. It is expressed as a percentage to show the progression of a group of students from one year to a higher year. For example, the 1992 retention rate, Year 7-12, is determined as follows:

1992 Year 12 Student Population:	40,302
1987 Year 7 Student Population:	59,797
Retention Rate Year 7-12 = $40,302/59,797 =$	67.4%

Family Allowance

Is an allowance paid by the federal government to families to assist with the costs of bringing up children. This includes children under 16 and full-time dependent students who are ineligible to receive a prescribed education allowance (eg Austudy). It is subject to an income test (varied according to the number of children) and an assets test., although hardship provisions may apply.

Family Allowance Supplement

Is an allowance paid by the federal government to provide additional income support to low income working families with children to support, and who do not receive Social Security or similar income support payments from the Commonwealth. It is paid in addition to the Family Allowance and is not taxable. It is subject to an incomes test and an assets test. The income limit varies according to the number of children in the family. One the family income exceeds these limits, payments are reduced. When income reaches the disqualifying limits, payments cut out altogether. Hardship provisions may apply.

Horizontal Equity

Is the fairness or justice in the treatment of individuals in similar circumstances. For example, those of a similar age group may be treated in the same way, or those who live in similar locations should be treated in a similar way.

Vertical Equity

Is the fairness or justice in the treatment of individuals in different circumstances, particularly financial circumstances.

Benefit Equity

Seeks to ensure that those who benefit from a scheme bear an equivalent share of the cost.

Access Equity

Aims to provide those who do not have adequate means to pay for the scheme gain access at least to a socially desirable minimum level.

LIST OF ABBREVIATIONS

AECS	Association of Executives of Christian Schools
BCA	Bus and Coach Association
DoT	Department of Transport
DSS	Department of Social Security
FAS	Family Allowance Supplement
ICPA	Isolated Children's Parents' Association
NCOSS	NSW Council of Social Services
PVC	Private Vehicle Conveyance (Subsidy)
SSTS	School Student Transport Scheme
STA	State Transit Authority

Public Accounts Committee

Parliament House, Sydney 2000
Telephone: 230 2631
230 2111
Fax: 230 2831



PARLIAMENT OF NEW SOUTH WALES
LEGISLATIVE ASSEMBLY

MEMORANDUM

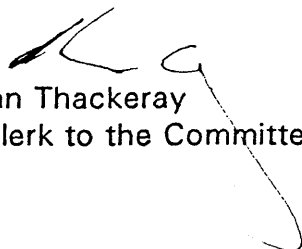
Date: 20 April 1993
From: Ian Thackeray
To: Paul Guilfoyle
Subject: Report Printing

The Public Accounts Committee requires further printing of the following reports, at your convenience:

REPORT	NUMBER REQUIRED	COMMENT
School Student Transport Scheme (No. 68)	30	WHITE COVER
School Student Transport Scheme (No. 68) - TRANSCRIPTS	60	BLUE COVER
Port Macquarie Hospital (No.63)	20	GREEN COVER

Please provide reports in B5.

Appreciating your assistance.


Ian Thackeray
Clerk to the Committee

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