REVIEW OF BUS SERVICES IN NEW SOUTH WALES

INTERIM REPORT
November 2003
Contents

Foreword vii
Interim report recommendations xi
Metropolitan network & service planning xi
Metropolitan contracting xii
Metropolitan funding xii
Rural & regional NSW xiii
Statewide fares, ticketing & concessions xv
SSTS administration xv
Statewide governance arrangements xvi
Maps xvii–xxiii

1 Introduction 1
  1.1 The Review’s Terms of Reference 1
  1.2 Approach to the Review 2
  1.3 Scope of the Review 3
  1.4 This Report 3

2 Overview of current arrangements 5
  2.1 History of bus services in NSW 5
  2.2 Current arrangements 6

3 Community consultation & submissions: summary of issues raised 10
  3.1 Consultations 10
     Community 11
     Government Agencies 11
     Regional NSW 11
     Unions 11
     Transport Operators 11
  3.2 Submissions 12
     Overall analysis 12
     Commentary on major issues 13
     Frequency 13
     Service planning 13
     Reliability 13
     Driver issues 14
     Ticketing & fares 14
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service delivery</td>
<td>14</td>
</tr>
<tr>
<td>Vehicle issues</td>
<td>14</td>
</tr>
<tr>
<td>Bus priority</td>
<td>14</td>
</tr>
<tr>
<td>Passenger information</td>
<td>14</td>
</tr>
<tr>
<td>Regional issues</td>
<td>15</td>
</tr>
<tr>
<td>4 Bus services in metropolitan areas</td>
<td>16</td>
</tr>
<tr>
<td>4.1 Planning of metropolitan bus services</td>
<td>16</td>
</tr>
<tr>
<td>Current arrangements</td>
<td>16</td>
</tr>
<tr>
<td>Services not reflecting travel patterns</td>
<td>17</td>
</tr>
<tr>
<td>Inflexible MSL requirements</td>
<td>18</td>
</tr>
<tr>
<td>Lack of incentives</td>
<td>19</td>
</tr>
<tr>
<td>Lack of bus priority</td>
<td>20</td>
</tr>
<tr>
<td>Planning, environmental &amp; parking policies</td>
<td>21</td>
</tr>
<tr>
<td>Taxation issues</td>
<td>22</td>
</tr>
<tr>
<td>4.2 A new approach</td>
<td>22</td>
</tr>
<tr>
<td>Government planning role</td>
<td>23</td>
</tr>
<tr>
<td>Strategic Bus Corridors</td>
<td>23</td>
</tr>
<tr>
<td>Relation to contract regions</td>
<td>25</td>
</tr>
<tr>
<td>Initial analysis of Strategic Corridors</td>
<td>25</td>
</tr>
<tr>
<td>Bus priority extension &amp; enforcement</td>
<td>26</td>
</tr>
<tr>
<td>Integrated local services</td>
<td>27</td>
</tr>
<tr>
<td>More flexible MSLs</td>
<td>28</td>
</tr>
<tr>
<td>Co-ordinated metropolitan planning</td>
<td>29</td>
</tr>
<tr>
<td>Specific CBD issues</td>
<td>31</td>
</tr>
<tr>
<td>4.3 Suggested solutions: metropolitan planning</td>
<td>32</td>
</tr>
<tr>
<td>4.4 Contracting metropolitan bus services</td>
<td>33</td>
</tr>
<tr>
<td>Current arrangements</td>
<td>33</td>
</tr>
<tr>
<td>4.5 Limitations of the current arrangements</td>
<td>34</td>
</tr>
<tr>
<td>Route or area contracts</td>
<td>34</td>
</tr>
<tr>
<td>Rights of renewal, performance assessment</td>
<td>36</td>
</tr>
<tr>
<td>&amp; competitive tendering</td>
<td></td>
</tr>
<tr>
<td>Service standards</td>
<td>37</td>
</tr>
<tr>
<td>Information about service changes</td>
<td>39</td>
</tr>
<tr>
<td>Reporting requirements</td>
<td>39</td>
</tr>
<tr>
<td>Breaches, termination and step-in rights</td>
<td>40</td>
</tr>
<tr>
<td>Contract duration</td>
<td>41</td>
</tr>
<tr>
<td>SSTS, fares &amp; concessions</td>
<td>41</td>
</tr>
</tbody>
</table>
### Contents

Employing regionally-based transport development officers 74  
A new regulatory framework 75  
Delivering better value for money 76  

5.4 Transitioning to new arrangements 81  
5.5 Exploring the concept: the Dubbo case study 82  
5.6 Suggested solutions: rural & regional NSW 83  

6 Statewide issues 86  
6.1 Fares, ticketing & concessions 86  
   Fare structures and levels 86  
   Concessions 89  
   Ticketing 89  

6.2 A proposed new approach 90  
   Equitable access 90  
   Frequent users 91  
   Concessions 92  
   Ticketing 93  

6.3 Suggested solutions: fares, ticketing & concessions 94  

6.4 School Student Transport Scheme (SSTS) 94  
   Cap the level of subsidy 95  
   Cap and index the total SSTS budget 95  
   Introduce a co-payment 96  
   Giving schools control of transport budgets 96  
   The need for schools to be involved in SSTS administration 97  
   Accessing student data 99  

6.5 Suggested Solutions: SSTS administration 99  

6.6 Governance Arrangements 99  
   Deficiencies in current administrative arrangements 99  
   Other models 100  

6.7 A proposed governance model 101  
   Alternative asset management 102  

6.8 Suggested solutions: statewide governance arrangements 103  

6.9 Transition arrangements & legislative change 103  

Appendix 1: Terms of Reference 104  
Appendix 2: Organisations consulted 105  
Appendix 3: Submissions received from organisations 108  
Abbreviations 111
Foreword

The creation of a bus transport system which provides common standards of fares, and service levels tailored to the needs of each community, is an essential outcome of this Review.

To achieve the optimal result, the Review has developed a number of creative strategies, set out in this Interim Report for consideration by Government.

The problems canvassed and the solutions proposed are a response to the current inequities existing in a system divided – between long established and newly developed regions of Greater Sydney, between different bus operations, Government and private, and between communities with a variety of travel requirements.

Previous attempts to deal with these inequities have been frustrated by an inability to reconcile the differing objectives and imperatives of private and Government bus operations.

The Review invited the travelling public to “have a say” and bus travellers who submitted their views expressed a desire for the availability of frequent, reliable and reasonably priced services.

The extension of these concepts across the landscape requires a new approach to contracting for bus services by Government, and a reallocation of subsidy payments currently made to operators.

The changes proposed to the operating and contracting regime may not be capable of immediate implementation in all regions. However, acceptance of the need to make change, and planning for a phased introduction, will result in the benefits of the new approach being realised over time.

The Review has examined bus travel requirements in both urban and rural communities, and accepts that the problems and solutions differ in each locale.

Consequently, we propose local solutions be developed to meet the special needs of people living outside urban areas.

When travel patterns across the Sydney metropolitan area are examined, it is clear that the majority of journeys are within or between adjoining regions.

The existing bus route structure radiates from the Sydney CBD. It services
peak time commuters, but it fails to provide travel solutions for many potential public transport users who are consequently forced to drive their cars.

In the outer suburbs, due to contract area restrictions and the primary role of private bus operators as providers of a feeder service to the rail network, the limitation on cross regional travel is even more apparent.

Where a cross regional service has been introduced the patronage generated has justified its development. This is evidenced by the State Transit service from Bondi Junction to Burwood, and the Perth Circle Route operated as part of the Transperth bus network.

As required by its terms of reference, the Review has developed a plan for strategic corridors across Sydney and also for Newcastle, the Central Coast and Wollongong.

These strategic corridors provide a framework from which to connect and integrate local bus routes serving old and new communities, regional centres, hospitals and education facilities.

To limit the ever increasing use of cars, and the consequent pollution and traffic congestion, it is essential that more bus travel options be presented to travellers.

The Review believes the proposed strategic routes will contribute to this objective.

The experience of Government bus regulators in other Australian States and Territories in introducing change, and improving service to the travelling public, has been examined by the Review.

In particular, there is a need to ensure service standards are set and maintained by Government, through an easily understood and applied contract regime.

The existing contracting arrangements are based on an evolutionary process stretching back to the inception of public passenger bus transportation in New South Wales.

The current legislative limitations, imposing exclusive contracts renewed in perpetuity, are outdated and must be restructured.

New contracting arrangements are proposed for the Greater Sydney region, which incorporates Newcastle, the Central Coast and Wollongong, to facilitate development of a fully integrated and equitable bus system.
Subsequent to a transitional period, contracts should be based on periodic competitive tendering, to ensure operators provide an efficient service at a measured cost to Government.

In considering the best vehicle for regulating the new contracting regime, the Review believes a Passenger Services Division of the Ministry of Transport would be well placed to provide the necessary contract administration skills.

With the addition to the Division of a bus service planning function, an asset administration group, as well as financial control and funding mechanisms, a structure would be in place to appropriately respond to community requirements.

The Review also sees merit in further consideration of alternative asset management structures, such as an asset and infrastructure trust, that would separate service operation from asset ownership.

The Review, by its terms of reference, is required to take into account the findings of the Ministerial Inquiry into Sustainable Transport in NSW undertaken by Dr Tom Parry.

The Interim Report of that Inquiry was released in August and provides a number of suggested solutions to questions of fare parity, equity for concession pass travellers, and solutions to morning peak travel congestion for full fare paying passengers.

A number of significant options were put forward by the Inquiry to mitigate the burgeoning cost to Government of the School Student Transport Scheme.

In particular, the Inquiry proposed a change to the Scheme to ensure payment for travel is based on actual travel only, and a means tested co-payment be introduced, as a control measure on passes issued.

After careful consideration the Review endorses many of the Inquiry’s options and proposes that in some respects they be extended.

As previously indicated, the public transport requirements of rural and regional communities differ significantly from those of the urban traveller.

Due to social disadvantage and isolation, many needs cannot be satisfied by traditional transport means, and much more emphasis must be placed on individual solutions.

These can best be achieved by pooling and utilising all resources currently available and allocating them for community use through the employment of
regional transport development officers by the Ministry of Transport. These officers will work with local transport committees to determine the mix of services required for each area.

The purpose of the Interim Report is to recommend a blueprint for future reform, which will secure permanent improvement to the bus transport system.

The Interim Report will also provide a platform from which the recommendations can be tested in further consultation with stakeholders.

Subsequently, the Interim Report recommendations will be further developed with legislative, commercial, funding and contracting solutions for incorporation in the Final Report.

Barrie Unsworth
Chair
Review of Bus Services in NSW
Interim report recommendations

The Review proposes and seeks comment on the following preferred options in relation to key issues raised in the Report:

**Metropolitan network & service planning**

1. Develop a network of Strategic Corridors for Sydney, Wollongong, Newcastle and the Central Coast providing fast, frequent, direct and convenient links to regional centres.
2. To support this network of Strategic Corridors, establish 10 contract regions for the Sydney metropolitan area, 2 for Newcastle and one each for Wollongong and the Central Coast.
3. Integrate planning of strategic and local bus services, with the Government leading network design in partnership with operators.
4. Target bus priority on all Strategic Corridors under an expanded Bus Priority Program, supported by effective regulation and enforcement.
5. Replace the Minimum Service Level policy with more flexible service and frequency guidelines that respond to identified travel demand and support the Strategic Corridors.
6. Develop innovative solutions to ensure access to local transport services, such as better integration of community transport services with the bus network and demand responsive services.
7. Provide greater integration of metropolitan planning with transport planning policies to support regional centres, encourage development along Strategic Corridors and restrict parking.
8. Encourage local councils to implement local planning policies under which developers contribute to public transport costs, developments better accommodate public transport services, and councils and transport planners co-ordinate to anticipate service requirements.
9. Investigate and undertake a cost benefit analysis of the provision of free CBD bus services – jointly funded by councils and Government – in Parramatta, Newcastle and Wollongong.
Interim report recommendations

Metropolitan contracting

10. Phase-in the introduction of competitive tendering as current contracts expire. In transitioning to this arrangement, stringent cost and performance benchmarking and monitoring should apply.

11. Establish new contracting arrangements with terms and conditions that include or reflect:
   ■ a duration of 5 years;
   ■ new planning and funding arrangements (such as mechanisms to determine service frequencies, negotiate service changes and promote partnership planning);
   ■ a comprehensive set of measurable service standards and specifications (such as punctuality and reliability requirements, complaint handling processes, community consultation/notification mechanisms);
   ■ driver training and work safety priorities (such as induction, customer relations, safety and personal security aspects);
   ■ reporting requirements and patronage and service data to be provided;
   ■ uniform fares, ticketing, concession and SSTS arrangements;
   ■ Smartcard arrangements, including the installation of new technology hardware on buses; and
   ■ a series of graduated remedies, such as a penalty regime, to deal with contract breaches, and termination and step-in rights (as necessary) as a last resort.

Metropolitan funding

12. Modify the current “net cost” funding model, where operators retain the fare revenue, to incorporate:
   ■ payment of school student transport on actual travel only using Smartcard technology;
   ■ reimbursement of concession travel at an agreed rate or fixed sum; and
   ■ payment of transparent service subsidies for agreed outcomes at efficient costs, in those areas where it is determined (either on the basis of efficient costs benchmarking or competitive tendering) that
fare and other revenue will not be sufficient to enable service requirements to be met.

13. Over time, align subsidy payments to State Transit and private operators as fare levels are equalised, to be part of an industry-wide subsidy payment as outlined in recommendation 12.

Rural & regional NSW

14. Introduce Integrated Regional Transport Planning as a vehicle for a whole-of-government approach to planning, contracting and funding transport services in rural and regional areas.

15. Establish Transport Working Groups in identified transport regions - aligned with the planning areas used by NSW Government human service agencies - to involve stakeholders in identifying and developing strategies to meet the region’s transport needs. These groups would bring together state and local government agencies, service providers, community organisations and representatives of service users.

16. Employ, in the Passenger Services Division of the Ministry of Transport, regionally based Transport Development Officers with responsibility for co-ordinating, in consultation with the Transport Working Groups:
   ■ the development plans that identify needs and the package of services required;
   ■ the procurement of services; and
   ■ the ongoing contract management and performance monitoring.

17. Implement a new regulatory model, with a focus on service delivery outcomes rather than different service types, and a more uniform approach to accreditation across service providers to promote innovative service solutions.

18. Implement flexible arrangements for procuring the identified “package” of services required for a particular area. Local service providers should be encouraged to work co-operatively and submit collaborative proposals for meeting identified service needs. Competitive tendering could be an option where collaborative efforts are not possible, and/or there is a likelihood of reasonable competition.

19. Assess service provision proposals on the basis of:
   ■ maximising available resources and minimising duplication of effort;
   ■ effectively meeting identified community need;
the ability to provide services at efficient cost; and
ensuring fair and equitable opportunities for all accredited service providers.

20. Implement a more flexible contracting regime, based on services to be provided rather than a specific region or route and incorporating the following:
- a 5-year term;
- planning and funding arrangements;
- arrangements in relation to SSTS, fares, ticketing and concessions;
- measurable service standards and specifications for the mix of required services;
- appropriate reporting requirements to enable better monitoring of performance and assist with service planning; and
- mechanisms for dealing with dispute resolution, complaints, breaches of the contract, and reassignment of the contract in certain circumstances.

Contracts with service providers that involve use of Government funded vehicles would also include availability requirements and charge out rates to specified community groups (based on benchmarked efficient marginal operating costs).

21. Obtain cross agency support for establishing Integrated Regional Transport Budgets through pooling existing funds from SSTS payments, concession reimbursements, community transport funding, and other NSW Government agencies’ rural transport programs.

22. As part of the new contractual arrangements, implement a funding model that:
- as appropriate, encourages service providers to collect and retain fare revenue;
- enables specific services to be purchased on a per kilometre basis;
- reimburses any SSTS or concession travel provided on the basis of actual travel and/or at an agreed (efficient cost) rate;
- enables the provision of targeted subsidies (from the Integrated Regional Transport Budget) where the above funding streams will not be sufficient to enable the provision of services identified through the planning process; and
- enables any savings from the pool of funding to be directed towards
increased service provision and/or the purchase of additional services.

23. Recognising the success of the Western NSW Transport Trials, develop a proposal for an Integrated Regional Transport Planning model (as outlined above) for NSW, incorporating Transport Working Groups, Transport Development Officers, new contractual arrangements and an Integrated Regional Transport Budget.

Statewide fares, ticketing & concessions

24. Adopt a consistent fare scale, as determined by IPART, across all metropolitan bus services.

25. Apply a single fare scale to regional NSW. This may be higher than the metropolitan fare scale if there is evidence to support higher costs relative to passenger numbers for regional areas. Transition arrangements to balance impacts on passengers and operator revenue will need to apply.

26. Under new contractual arrangements, require operators to offer a frequency of use discount, possibly in the form of a Travelten or equivalent “travel bonus” scheme.

27. Apply a consistent suite of targeted concessions, based on those available on State Transit buses, across NSW, with the bus Pensioner Excursion Ticket expanded to the greater metropolitan area.

28. Implement the proposal from the Parry Inquiry Interim Report to increase the Pensioner Excursion Ticket to $2.50 and to target its availability to Pensioners and War Widow/ers. The ticket should not be available before 9:00am weekdays, when half-fare concessions should apply.

29. Introduce the proposed Smartcard system with a very simple set of fares and a limited number of products only.

30. Oblige operators under their contracts to be involved in the Smartcard ticketing system to ensure its full benefits are realised.

SSTS administration

31. Implement the Parry Inquiry Interim Report’s option of introducing a $30 annual co-payment for SSTS, with “safety net” exemptions for those families who cannot afford to pay.
Interim report recommendations

32. Give further consideration to the Public Accounts Committee’s Inquiry into the SSTS proposal to give schools direct control of transport budgets and responsibility for purchasing services.

33. Develop a Memorandum of Understanding between education bodies and the Ministry of Transport to progress key SSTS administrative tasks that are essential to the effective running of the Scheme.

Statewide governance arrangements

34. In the long term, establish a NSW Passenger Transport Authority with responsibilities for planning (in co-operation with providers), contracting, funding and monitoring passenger services, including buses, and for regional co-ordination in relation to community transport.

35. In the interim, establish a Passenger Services Division within the Ministry of Transport to undertake the above functions.

36. Further consider alternative asset management arrangements that would separate asset ownership from service operations.
Maps

Map 1: Sydney Metropolitan Existing Contract Areas
Map 2: Sydney Metropolitan Proposed Contact Regions
Map 3: Sydney Metropolitan Strategic Bus Corridors
Map 4: Newcastle Strategic Bus Corridors
Map 5: Central Coast Strategic Bus Corridors
Map 6: Wollongong Strategic Bus Corridors
*Non-commercial arrangements for school student travel may apply in some areas.
Map 3: Sydney Metropolitan Strategic Bus Corridors
Map 6: Wollongong Strategic Bus Corridors
1 Introduction

Bus services play an important role in transport provision across NSW. They are a key transport mode in metropolitan and rural areas and are the dominant public transport provider in Sydney, where close to one million bus trips are taken on an average weekday (compared with the 750,000 trips by rail). They connect people to work, education, railway stations, shops, regional centres and other activities. As an integral part of the wider transport system, effective bus services are vital to meeting community needs and enhancing the quality of life for people in NSW.

1.1 The Review’s Terms of Reference

On 2 July 2003 the Minister for Transport Services, the Hon Michael Costa MLC, announced the establishment of a Ministerial Review into Bus Services in NSW, to be chaired by the Hon Barrie Unsworth.

The Review was to examine, and make recommendations to improve, bus service provision for people in NSW.

The Terms of Reference (see Appendix 1) require the Review to consider:

- The opportunity provided by integrated ticketing to establish a consistent state-wide fare regime;
- The potential benefits of a network of strategic bus regions across the Greater Sydney metropolitan area which integrate with rail services and other travel patterns;
- Improving the structure of the network to respond to changes in the future capacity of rail, and the future development of the metropolitan area;
- Improved Bus Priority measures, Transitways and other options that may impact on services and suggested desirable service standards;
- Improved use of resources in rural and regional communities to ensure more flexible solutions to local transport needs;
- Funding, contractual and regulatory arrangements and any legislative changes required to implement these improvements; and
- The best mix of recommendations to achieve improvements in a cost neutral manner.
The Terms of Reference also require the Review to take into account the findings of the Ministerial Inquiry into Sustainable Transport for NSW being undertaken by Dr Tom Parry. An Interim Report from this Inquiry was released in August 2003, with a Final Report due to be presented to the Minister in December 2003.

1.2 Approach to the Review

The work of the Bus Review is being undertaken within broader NSW Government objectives for transport, urban development and the environment. These objectives, set out in documents such as NSW Government Action for Air and Shaping our Cities, aim to:

- increase the use of public transport;
- provide efficient, reliable and safe public transport options;
- connect communities, meet the need of growing suburbs and ensure equity and accessibility;
- contribute to environmental and urban management goals; and
- ensure value for money, accountability and transparency for Government investment in the public transport system.

The methods used to address the Terms of Reference involved a range of approaches, including:

- a detailed examination of current bus service delivery arrangements in NSW;
- consultation with key stakeholders including representatives of community and special interest groups, bus operators, academics, experts and interested individuals;
- analysis of over 1,300 submissions received from individuals, organisations and groups;
- examination of bus service systems in other States, most notably Queensland and Western Australia;
- visits to regional centres in NSW (Wagga Wagga, Dubbo, Lismore, Wollongong and Newcastle) to gain first hand knowledge of the challenges faced;
- a case study approach to examine issues of concern, particularly in relation to rural and regional issues;
1. Introduction

■ a review of documentation relevant to bus service provision in NSW, other states and overseas; and
■ research, analysis and modelling on key issues such as patronage growth, service integration and financial impacts.

The approach taken to encourage stakeholder and community involvement in the review process, and the issues raised in consultations and submissions, are discussed in more detail in Chapter Three of this Report.

1.3 Scope of the Review

The focus of the Review is principally on bus services defined by the Passenger Transport Act 1990 as regular passenger services (which means they are run according to regular routes and timetables). However, in looking at the total picture to ensure best use of available resources, it has been necessary to also examine other services such as CountryLink coach services and services provided under community transport programs.

References in this report to the Greater Metropolitan Region are largely based on the definition and boundary applied by the Department of Infrastructure, Planning and Natural Resources (DIPNR), extending to Port Stephens in the north, the Blue Mountains in the west and encompassing Wollongong and the shires of Wollondilly and Shoalhaven in the south. (For planning purposes, it does not extend down to Nowra as the DIPNR region does). The term “country NSW” or “rural and regional NSW” refers to those towns and areas outside this boundary.

1.4 This Report

This report presents information, analysis, preliminary findings and suggested solutions relevant to the Terms of Reference for the Review of Bus Services in NSW.

Chapter Two provides a brief history of, and an overview of current arrangements for, the provision of bus services in metropolitan and country NSW.

Chapter Three summarises the main issues and themes arising from the submissions received and consultations undertaken as part of the Review.
1. introduction

Chapter Four provides an analysis of critical issues underpinning bus service provision in metropolitan areas, including planning, contracting and funding. It makes preliminary findings and presents possible solutions for further consideration.

Chapter Five identifies issues impacting on bus service provision and communities in country NSW. It uses a case study approach to highlight concerns, make preliminary findings and to suggest a new approach to service delivery.

Chapter Six analyses a number of issues of statewide significance. These include fares and concessions, the administration of the School Student Transport Scheme, and the need to reconsider governance arrangements for effective service planning and delivery.

The intention of this Interim Report is to make preliminary findings and identify possible solutions for debate and discussion. Submissions in response to the suggested solutions are welcomed and will inform the Final Report (due in February 2004). They should be sent to:

NSW Bus Services Review
Ministry of Transport
GPO Box 1620
Sydney NSW 2001

or: busreview@transport.nsw.gov.au

by Friday 19 December 2003.
2 Overview of current arrangements for the provision of bus services in NSW

2.1 History of bus services in NSW

Improvements to roads and technology following World War I meant that, by the mid 1920s, privately operated buses had joined Government rail and tram services to become a significant part of the NSW transport system. Their flexibility, convenience and low capital cost enabled them to make inroads into the patronage of trams. This resulted in a series of controls from 1928 to 1932 to safeguard the State’s investment in the tram network. Measures included the licensing of bus operations in Sydney and Newcastle and the taxation of services which competed directly with those provided by Government.

Whereas in 1930, there had been 587 buses servicing 206 bus routes in Sydney, by 1933 this was reduced to 314 buses servicing 161 routes. As private operators pulled out of service provision, the first Government operated bus service, from Manly to Cremorne Junction, was provided on Christmas Day 1932. In rural areas where competition was not an issue, the Government left licensing of private bus operations to local councils.

Throughout the 1930s, Government bus services were progressively extended through the takeover of private companies. The metropolitan bus network grew through the Eastern Suburbs, Inner West, Lower North Shore and Northern Beaches as the construction of arterial roads (a Depression relief measure) provided further impetus to extend services.

From the late 1930s onwards trams were gradually replaced with buses. As Sydney emerged from World War II, buses became the means, in preference to the overworked and dilapidated tram fleet, to restore pre-war service levels and maintain services during the 1946-49 coal disputes.

The end of petrol rationing saw a steep increase in car ownership, with registrations doubling from 200,000 to 400,000 in 5 years. Over that same
period, Sydney’s population increased by 13%. Growth in new postwar suburbs resulted in increased demand for, and the provision of, additional bus services. By 1949, there were 831 Government and 730 private buses in metropolitan areas and 1,299 private buses in rural areas.

The development of the post-war metropolitan bus network was, therefore, largely driven by the objectives of replacing trams (finally achieved in 1961), restricting competition from private operators, and, where possible, taking over private bus routes. Private operations were generally limited to the provision of feeder services to railway stations and serving the newly established regional shopping centres.

It was not until the creation of the Urban Transit Authority in 1980 that the Government charged an agency with a broader public transport policy role in relation to private buses. By this time, the fleet had grown to 1,680 Government buses and 1,832 private buses in Sydney, Wollongong and Newcastle.

The introduction of the Passenger Transport Act in 1990 repealed the 1931 Transport Licensing Act and brought in major changes aimed at improving accountability and service standards through such things as service contracts, accreditation and Minimum Service Level requirements.

2.2 Current arrangements

Today, bus services in NSW continue to be provided by both Government and private operators. In the Greater Metropolitan Region, there are around 1,930 Government (State Transit) owned buses and over 2,500 private buses serving over 800 routes. Outside the metropolitan area, there are over 2,000 buses owned by private operators providing school bus and other services in country NSW.

The Government investment in bus service provision in NSW is substantial – over $600 million for 2002/03.

The Passenger Transport Act 1990 requires bus operators to be “accredited” to meet relevant safety, financial and other standards, and to enter into a service contract with the Director-General of the Ministry of Transport for the provision of regular passenger services. Contracts are either “commercial” (the operator’s revenue comes from the farebox and Government reimbursement for concession and free travel required) or “non-commercial” (the total cost of the service is met by Government).
In NSW, there are 236 commercial contracts held by 167 operators providing regular route services in metropolitan areas and the larger country towns. 1,829 non-commercial contracts are held by 847 operators, who largely provide school bus services in rural and regional NSW.

Contracts confer considerable rights. Commercial contracts are for 5 years and give operators exclusive rights to an operating area or route, and the right to have their contract renewed every 5 years subject to satisfactory performance, including meeting requirements for minimum service level provision.

Non-commercial contracts do not give operators exclusive rights as the sole service provider or rights to contract renewal (although they have generally been renewed every 5 years) but they do provide the operator with a regular and secure government-funded income.

**Bus services in NSW - Key statistics**

The following table presents key statistics on bus services in NSW:

<table>
<thead>
<tr>
<th>Table 2.1: NSW BUS Services 2002-2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Item</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Contracts</td>
</tr>
<tr>
<td>Operators</td>
</tr>
<tr>
<td>Funding ($M)</td>
</tr>
<tr>
<td>SSTS</td>
</tr>
<tr>
<td>Conc Reimbursement</td>
</tr>
<tr>
<td>PET</td>
</tr>
<tr>
<td>STA CSOs</td>
</tr>
<tr>
<td>NightRide</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>Patronage (M)</td>
</tr>
<tr>
<td>Adult</td>
</tr>
<tr>
<td>Child/Concession</td>
</tr>
<tr>
<td>Pensioner</td>
</tr>
<tr>
<td>SSTS</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

1 Operators: Accredited to operate a regular passenger service as of 22/10/03.
As Table 2.1 indicates, of the $613.8 million in Government funding for 2002/03, approximately $374.7 million went to private operators, most of it through payments under the (free) School Student Travel Scheme (SSTS). The remaining $239.1 million went to State Transit. Compared to private operators, State Transit is less reliant on SSTS funding, more reliant on concession reimbursement, and receives additional funding of $95.2 million from Government not available to private operators.

For commercial contracts, SSTS payments are not based on actual trips undertaken by pass holding students, but according to a formula which multiplies the number of passes on issue by a presumed pass usage rate. It is common for students to obtain a pass but not use it regularly. It is therefore generally acknowledged that operators are “overpaid” on SSTS, which then serves to cross-subsidise unprofitable regular route services.

In metropolitan areas and those country towns where commercial services operate, operators are each responsible for planning and developing services within their exclusive contract area. This means there are 167 operators in NSW undertaking their own service planning. Travel restrictions apply when an operator enters another operator’s exclusive area so cross boundary services are limited.

In country areas, there is generally one non-commercial contract per school bus service. The route is based on the location of the students and schools and is agreed to by the Ministry of Transport as part of the contract.

As well as regular passenger services provided under commercial and non-commercial contracts, there are a number of other services which are classified as regular passenger services but are covered by different contracting arrangements. Transitway services will operate on rapid bus roadways in Western Sydney, with the Liverpool-Parramatta Transitway (LPT) in operation since early 2003. Amendments to the Passenger Transport Act in 2001 enable transitway routes to be excised from existing contract areas and put to tender, with contracts for a maximum of 10 years. The LPT is funded in a similar way to commercial services.

Nightride buses have replaced late night rail services in some parts of metropolitan Sydney. There are 3 contracts which are for 2 years (with possible 1 year extensions) and which are competitively tendered. Operators are funded by Government for the total cost of the service. Routes and frequencies are determined by the Ministry of Transport as part of the contract.

For both State Transit (Sydney only) and private operators the fare system is based on distance based sectional fare scales, with 4 different fare scales.
applying - metropolitan, urban fringe, country town and rural. State Transit fares are generally cheaper, due to the additional pricing CSO paid by Government. Concession fares on State Transit services are, in general, more extensive than for private operators. Time based fares apply on State Transit services in Newcastle.

In metropolitan and country areas, Government and privately operated public transport services are complemented by Community Transport programs under which community organisations and local councils receive funding to provide services to the “transport disadvantaged”. For 2003/04, the Ministry of Transport will provide $11.8 million to organisations under three different community transport programs. The Ministry also administers the Taxi Transport Subsidy Scheme (TTSS), which provides half-price taxi travel for people with a severe and permanent disability. For 2003/04 $15.6 million has been committed to TTSS-subsidised taxi travel for NSW.

Other NSW Government agencies also fund and provide community-based transport. For example, in 2002/03, the Government spent $45 million on transporting students with disabilities through the Department of Education and Training’s Special Needs Transport Service. Around $7.5 million was spent by the Department of Health to deliver non-emergency health-related transport and accommodation services for isolated patients.

In total, over $80 million is allocated each year to specific schemes to improve transport access across the community, not including the SSTS.

The provision of regular passenger bus services and community transport is largely overseen and administered by the Ministry of Transport. Different monitoring arrangements apply to the different types of contracts. Commercial and non-commercial contract holders are (in theory) subject to an audit against the contract requirements at least once every five years; the Transitway contract requires the provision of regular performance data from the operator; Nightride contracts are reviewed when the term of the contract expires every two years; and under the various community transport programs, 20% of services are audited each year.

As the following Chapters will indicate, the bus service system in NSW is complex and fragmented. Different contracting, planning and funding arrangements, service levels, standards and fares exist between, and even within, country and metropolitan areas. This Interim Report explores in detail the problems and inequities associated with such arrangements and their impediment to optimal outcomes and value for money. It suggests solutions for developing a more integrated, consistent and equitable system that will deliver better results.
Community consultation & submissions: summary of issues raised

3.1 Consultations

Consultation has been a key means of understanding concerns and canvassing views and opinions on bus services provision across different interests and locations in NSW. A wide range of stakeholders has been involved, including government, industry, community groups and individuals. Approaches to encourage this participation have included:

- meetings with Dr Tom Parry and the team undertaking the Parry Inquiry;
- regular meetings with the Bus and Coach Association Reference Group, established for the purpose of the Review;
- regular meetings with the Government Review Advisory Group, comprising representatives from relevant government agencies (including Treasury, The Cabinet Office, RTA, DIPNR, SRA);
- regional visits to Wagga, Dubbo, Lismore, Newcastle and Wollongong to meet operators, government delivery agencies, councils and bus users;
- community forums involving groups representing the interests of older people, youth, people with disabilities and public transport users;
- meetings with the Rail, Tram & Bus Union and the Transport Workers’ Union;
- meetings with representatives of other transport operators including the Community Transport Organisation and NSW Taxi Council and peak organisations such as the Local Government & Shires Association and the NRMA;
- meetings with State Government central agencies, delivery agencies and agencies involved in delivering or supporting transport operations; and
- inspections of bus industry operations including bus depots, the RTA’s Transport Management Centre, the State Transit Radio Room, the Liverpool-Parramatta Transitway and numerous bus routes.
3. Community consultation & submissions

A list of organisations involved in these processes is given at Appendix 2.

Various themes were identified through these consultations by different groups and across different locations, as outlined below:

■ Community
The community forums highlighted concerns over disparity between the State Transit and private operators (in terms of fares, concessions, service levels and accessibility), the degree of community involvement in service development, the current lack of service incentives, and deficiencies in modal integration. Community forums highlighted not only that public transport needs to be a viable alternative to the car but also that a significant number of people are totally reliant on public transport.

■ Government Agencies
Common themes arising from these consultations were the need to address inequities and disparities in the existing arrangements, get better value from existing resources and take a whole-of-government approach to delivering transport services.

■ Regional NSW
The regional visits have highlighted that the key to delivering better transport services is the co-ordination of resources. Many community assets are effectively “locked away” from optimum use because of program guidelines that restrict access, private ownership arrangements, lack of appropriately trained staff or other barriers to resource sharing. At the same time, scarce funds are often used in a way which results in duplication of services.

■ Unions
Both unions emphasised the need for effective and enforced bus priority measures to improve fleet utilisation and take pressure off drivers. The need for improved driver training (including safety, behaviour management and route familiarity) was also a key message.

■ Transport Operators
Bus, taxi and community transport operators were in general agreement that current service provision arrangements require review in respect of: funding mechanisms/Government subsidies to operators; ensuring longer-term operator viability; capitalising on local knowledge in developing local services; and increasing co-operation between operators. Both state and local government need to play a role in improving service planning and bus priority.
3. Community consultation & submissions

3.2 Submissions

Significant effort was made to ensure individuals and organisations could be involved in the Review by making a submission. Advertisements were placed in the metropolitan and regional press during July 2003 to announce the Review and to advise of the Terms of Reference and contact details. Advertisements were also provided to the State Transit and the BCA to display on buses. A website (including an on-line questionnaire), dedicated e-mail address and 1800 freecall number were established to provide information about the Review, and enable the community to be involved.

Over 1,300 submissions were received from individuals, community groups, the transport industry and government organisations. The vast majority of submissions - 90% - were made by individuals. The organisations which made submissions are listed at Appendix 3. Approximately 95% of all submissions came from metropolitan areas, reflecting the central role played by buses in Sydney, Newcastle, Wollongong and the Central Coast.

Of the individuals who made submissions, approximately 67% used the on-line questionnaire (included at Appendix 4). Over 80% of all submissions were received electronically, whether through the on-line questionnaire or by e-mail.

Over 5% of submissions took the opportunity to make a positive comment, which were largely directed at drivers and local services.

Overall analysis

The major issues raised in submissions were:

<table>
<thead>
<tr>
<th>Issue</th>
<th>% of submissions which raised this issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>48%</td>
</tr>
<tr>
<td>Service Planning</td>
<td>45%</td>
</tr>
<tr>
<td>Service Provision</td>
<td>43%</td>
</tr>
<tr>
<td>Reliability</td>
<td>30%</td>
</tr>
<tr>
<td>Driver Issues</td>
<td>26%</td>
</tr>
<tr>
<td>Ticketing/ Fares</td>
<td>25%</td>
</tr>
<tr>
<td>Vehicle Aspects</td>
<td>17%</td>
</tr>
<tr>
<td>Bus Stops</td>
<td>17%</td>
</tr>
<tr>
<td>Bus Priority</td>
<td>14%</td>
</tr>
<tr>
<td>Travel Time</td>
<td>10%</td>
</tr>
</tbody>
</table>

As a subset of the submissions, the questionnaires completed by individuals reinforced the importance of frequency and reliability of services. When
asked to identify the “most important service issues” for them, respondents indicated:

- Frequency: 66%
- Reliability: 55%
- Travel Time: 19%
- Fares: 14%.

Commentary on major issues
The bulk of submissions came from individuals who may or may not use bus services regularly. They are well placed to highlight issues of concern with the current system. This feedback has provided the Review with a clear understanding of the areas where further action is required.

Frequency
With 48% of submissions raising frequency of services, this is a key issue for the Review. While 18% of submissions raised concerns with peak period frequency, a higher proportion - 26% - raised concerns with services during the shoulder peak and off-peak periods.

It was suggested in a number of submissions that minibuses may be a solution to maintaining frequencies in off-peak periods.

Service planning
A number of major issues were raised in this category, with the most common being the need for better co-ordination of public transport services - particularly bus to bus and bus to rail (16%). Passengers also identified a desire for more frequent service reviews to ensure service levels develop in response to demographic changes (13%).

12% suggested more direct or cross-regional routes, especially services moving away from the “radial” structure that focuses on Sydney CBD, and 11% requested improved consultation with passengers to ensure services meet real travel needs.

Reliability
Reliability of existing services was a major concern for respondents, with 12% concerned at late running and 10% concerned at cancelled services. Commuters also expressed frustration at early departure of services, which rated in 5% of submissions.
3. Community consultation & submissions

Driver issues
While numerous responses complimented drivers or acknowledged the difficulties of their work environments, a significant number of submissions (17%) expressed concerns over driver courtesy. A further 7% raised safe driving as an issue.

Ticketing & fares
A broad range of ticketing and fare issues were raised, dominated by the non-integration of current ticketing arrangements (7%) and fare levels for private services (5%) and State Transit services (4%).

Discouraging cash fares was identified in 5% of submissions as one solution to improving travel time and reliability, particularly for peak services.

Service delivery
Reflecting the identified need for improved service frequency, regular peak period commuters raised significant concerns over inability to board services (19%) or standing-room only services (7%), and suggested the need for improved express service arrangements (13%). A further 7% of submissions indicated that a specific bus service was not available.

Vehicle issues
This category was dominated by the cleanliness and comfort of buses, which was raised in 11% of submissions. The other issues raised were vehicle maintenance (3%) and accessibility (3%).

Bus priority
The need to improve travel times for buses was widely acknowledged, with extension of bus priority measures suggested in 11% of submissions and 4% promoting better enforcement of existing priority measures. In this context, 9% of submissions raised journey time as an issue.

Passenger information
Improved passenger information was seen as being important for both existing and potential passengers, with 8% of submissions identifying the need for better information at bus stops and 4% suggesting improved driver knowledge of routes.
3. Community consultation & submissions

Regional issues
Submissions from individuals in rural and regional areas highlighted service unavailability (particularly with village to town services), school student transport (eg seating capacity requirements) and the journey time taken on some services. Organisations highlighted the need for better co-ordination to address unmet demand.
This Chapter looks at planning, contracting and funding arrangements for bus services in metropolitan areas. It considers the limitations of the current arrangements and potential ways of making improvements.

4.1 Planning of metropolitan bus services

Current arrangements

Under current arrangements, each commercial bus operator plans their services separately. With 31 operators serving the Sydney, Newcastle, Central Coast and Wollongong regions alone, there is no real metropolitan bus network.

Integrated bus systems do operate where a single operator has a number of adjoining contracts. For example, State Transit has 23 contracts covering Sydney’s Northern Beaches, North Shore, Eastern Suburbs and Inner West. The remainder of the metropolitan area is served by a series of smaller systems, each largely planned and operated in isolation.

The most significant effect of these arrangements has been a continuing decline in bus patronage since 1991. While buses remain the dominant public transport mode, bus travel reduced consistently across metropolitan areas between 1991 and 2001. When excluding the fixed school travel market:

- its overall share of Sydney’s travel market reduced from 5.9% to 5.0%. The State Transit share declined from 3.8% to 3.6% and the private bus share declined from 2.1% to 1.4%;
- in Newcastle, bus share declined from 4.0% to 2.5%;
- on the Central Coast, bus share declined from 4.0% to 2.5%; and
- in Wollongong, bus share declined from 2.7% to 1.9%.

The number of car trips per day in the Greater Metropolitan Region rose from 7.8 million to 9.5 million – a 22% increase – over the same 10 year period. Nevertheless, rail managed to retain its 5% market share in the same circumstances.
The BCA has reported that, since 1991, private bus operators have increased service levels, above contracts requirements, by between 20% and 50%. Despite such increases, private bus operator patronage has continued to decline both in total trips and in market share. This shows that service levels alone are not the solution to delivering better bus services.

The Review believes that deficiencies in the current planning, contracting and funding approach have played a large role in the decline in bus patronage. In planning terms, the major constraints have been a lack of integrated planning of local and regional services which reflect real or desired travel patterns. This is integrally linked to, and compounded by, a contracting and funding regime which:

- provides operators with exclusive rights in contract areas and focuses them primarily on travel within their boundaries;
- provides few incentives to improve existing services (apart from school travel); and
- places high risks on the development of new services.

External influences such as land use planning, parking policies, road priority and taxation have also had a significant impact on the bus industry. These issues are explored below.

Services not reflecting travel patterns
Map 1 shows the existing contract boundaries for operators in the metropolitan area of Sydney. This map shows the “patchwork” effect created by the number of operators and contract areas in each region and highlights that they do not reflect logical travel patterns. For example, in Western Sydney, the Westbus Fairfield contract area is locked out of the regional centres of Parramatta and Liverpool by two operator contracts to the north of the area and one to the south of the contract area.

Exclusive rights to a defined geographical area, and the travel restrictions that apply to operators once they enter another’s exclusive territory, make it difficult to establish viable services which cross contract boundaries. Comments to the Review such as the straightforward “Too city focussed. Need more cross regional services developed” (#862) emphasise how these restrictions affect people on a daily basis. As a result, key travel routes, employment patterns or regional growth may not be reflected in services, forcing passengers into choosing an indirect or interrupted bus route or choosing not to use public transport at all.
For example, Newcastle residents living west of Wallsend and Glendale have to change buses (and operator and fares) for travel to the major regional destinations of Newcastle CBD, Charlestown, John Hunter Hospital, Broadmeadow Railway Station and Newcastle University.

The benefits of being able to plan services across a wider region is clearly demonstrated in parts of Sydney and Newcastle. State Transit’s Sydney Buses achieves a 14.2% share of the journey to work market while the remaining operators achieve only 1.9% share. Admittedly, State Transit’s Sydney operations benefit from more dense residential areas, concentrated business centres and greater constraints on car use. Nevertheless, State Transit’s Newcastle operations, which do not benefit from these conditions to the same extent, still achieve 3.2% of the journey to work market compared with 1.1% for private operators in the area.

There are other problems in placing responsibility for network planning and service development on operators. It assumes they all have a detailed knowledge of their passengers’ travel patterns, as well as access to modelling tools and data and the capacity to translate this into an effective route network. While some operators are able to do this, and some do it very well, others are less willing or able to undertake the market research, demand modelling and business case approach required for the development of new services.

Arrangements that allow disparate planning approaches need to be changed as they restrict the development of an effective bus network and are unfair to people who simply happen to live in certain areas.

Inflexible MSL requirements
Minimum Service Level (MSL) requirements are intended to ensure that core transport services are consistent across commercial contract areas by stipulating the base level of service to be provided. MSLs stipulate the following geographical coverage, frequency and operating hours in urban areas:

- For geographical coverage, operators must provide primary route services within 400 metres of 95% of the contract area population, six days per week. At night and on Sundays, the service route must be within 800 metres of 95% of the relevant population; and
Minimum service frequencies and hours of coverage are determined according to a contract grading, based on population minus the number of cars in the area. Most private metropolitan operators are required to operate weekday services on primary routes from 6:00am to 9:30pm, providing half-hourly frequencies in the peak and hourly services at other times.

While MSL requirements help to ensure adequate services, their strict application can result in circuitous routes that are unattractive or inefficient.

For example, MSL coverage requirements may force a service to be diverted onto a peninsula, irrespective of the patronage it generates. This diversion makes the route longer for people already on the service but may generate no additional passengers.

MSL frequency requirements compound this situation by spreading resources across all the specified routes and providing no allowance to target resources onto more effective routes.

Lack of incentives
Buses should be an obvious option for serving growing areas as they can be put in early, are flexible, and are less reliant on high cost infrastructure than other modes. They can commence operations into new development areas as residents and businesses move in, building travel patterns that support public transport from day one. The patronage they capture should then position the Government to determine whether to move to higher volume operations, be it bus, light rail or rail.

Under the current system, servicing newly developing areas is problematic. Section 4.3 highlights how school student travel and concession reimbursements are central to the current funding model and are the mechanisms for Government subsidies for bus services. In planning terms, this funding approach makes planning new services risky for operators, particularly in growth areas where patronage may take time to build. It also skews the priority in service planning towards school services which is a guaranteed and captured market.

The current arrangements also reduce incentives to growing patronage on existing route services. These issues are explored in more detail in Section 4.3.
4. Bus services in metropolitan areas

Lack of bus priority
The Bus Priority program is managed by the RTA, with $45 million in funding over 3 years. The program aims to develop measures to facilitate the provision of fast, efficient bus services, particularly in congested areas or those with high demand for public transport. Measures available include dedicated Bus Lanes, Transit Lanes, bus bays and priority traffic signal operations along major bus corridors. The RTA determines the degree of bus priority provided according to service frequency.

In addition, the RTA and Ministry of Transport jointly fund the Transitways program, which is developing purpose built routes for high capacity bus services. Transitways combine dedicated infrastructure, bus priority and operating contracts, which package the critical elements of improved bus services at a high standard.

The Rail Tram and Bus Union (RTBU) highlighted the dual benefits of bus priority in its submission.

Faster running times are more attractive for the travelling public and result in increased patronage as witnessed by the 40% growth on Victoria Road services due to the inbound Bus Lane established in 1996.

In 1981 State Transit’s busiest and most profitable service – Route 380 – took 37 minutes from North Bondi to Circular Quay. It currently requires 52 minutes ... if 5 minutes could be taken off the same timetable could be operated with 30 to 35 less buses. These buses could then be utilized to improve frequencies in growing areas.

The NRMA submission also demonstrated that other road users recognise the justification for high occupancy vehicle lanes, with 62% of their surveyed respondents agreeing that bus and transit lanes help reduce traffic congestion in peak hours. Alarmingly, 67% of the same respondents thought it was unlikely that people driving illegally in a bus or transit lane would be caught, with 35% admitting to having done so.

Numerous submissions to the Review supported further emphasis on bus priority measures, including:

Eliminate on street parking in CBD between 6am and 7pm to allow for easier bus movements. (#693)
Bus lanes should be used both ways during the peak hour to speed the return of buses from the in or outbound trips. The strict enforcement of these lanes through active camera monitoring is essential. (#1056)

When implemented and enforced, bus priority is very effective. Transit Lanes on arterial roads such as Military, Victoria and Epping Roads enable travel speeds at 40-50% higher than adjoining traffic lanes, even including bus stopping time. Bus Lanes are also an effective use of roadspace, as demonstrated by the Harbour Bridge where the one Bus Lane (with 12,000 passengers) carries more people in the peak hour (7:45-8:45am) than all the other five lanes combined (8,250 people).

However, to date, the majority of bus priority projects have been undertaken in the State Transit area. This reflects the higher service frequencies and State Transit’s ability as a regional operator to develop cogent bus priority strategies that can be progressively implemented. Once again, the fragmented contract areas beyond inner Sydney are disadvantaging passengers who happen to live in areas served by private operators.

There is a need for increased funding and a more strategic approach to Bus Priority. These issues are linked, as the RTA cannot be expected to commit funding to ad hoc measures. There is a strong case for greater funding when the current priority program for buses – the predominant public transport mode – received marginally less funding in 2002/03 than the $15.5 million cycleway program.

Planning, environmental and parking policies
The Government’s metropolitan development strategy – Shaping Our Cities – encourages urban structures that make public transport use more attractive and moderate car use. It promotes mixed use centres of all sizes and functions, concentrating trip generating activities such as offices, shopping centres, and entertainment, health and education facilities.

Shaping our Cities also advocates parking policies to discourage car use, particularly for travelling to work in centres with good public transport access. Surveys by the Transport Data Centre show that constraints on parking strongly influence peoples’ decisions to travel to work by public transport, along with non-ownership of a car and cheaper or faster public transport.

In 2001, only 28% of the workforce in Greater Metropolitan Sydney was employed in commercial centres. The remaining 72% worked in dispersed locations. Not surprisingly, the private car has about a 70% mode share for
the journey to work. Planning of transport services needs to support metropolitan planning strategies by making these centres more attractive as employment locations.

Consultations with the Environment Protection Authority (EPA) emphasised the need to grow public transport’s overall mode share, as required under targets in the Government’s 25 year air quality management plan, Action for Air. The EPA recognises that implementing practical measures such as Smartcard ticketing and bus priority, as well as achieving regulatory change, is critical to reducing Sydney’s dependency on cars.

The current fragmented bus system does not support the Government’s planning priorities or air quality targets. Planning by individual contract area does not sufficiently focus bus services on regional centres and provide the public transport access required to support the growth of these centres.

Taxation issues
There are other factors such as taxation that also impact on bus travel. The Goods and Services Tax introduced in July 2000 has imposed an 8-10% cost on public transport fares and a simultaneous drop in the cost of car purchase. The Fringe Benefits Tax favours the use of cars for journeys to work over the use of public transport. By contrast, taxation regimes in the UK, USA and Canada are encouraging employers to subsidise their employee’s journey to work by public transport.

As noted in the Interim Report of the Parry Inquiry:

Commonwealth tax policies can make it difficult to achieve objectives for public transport.

4.2 A new approach

Bus patronage is falling despite operator attempts to improve services. At the same time, community need is not being met and Government priorities are not being addressed by Sydney’s predominant public transport mode. A new approach to bus service planning is clearly needed to achieve service improvement and patronage growth. The Review proposes an integrated planning approach with the key features being:

- the Government taking appropriate responsibility for network planning;
- identification of strategic corridors which reflect real travel patterns, support regional centres and provide a blueprint for bus priority funding;
a planning partnership between the Government and operators to develop local services which integrate, where necessary, with the strategic corridors and serve local needs; and

reconsideration of the MSL approach and its replacement with less rigid guidelines with defined service outcomes.

**Government planning role**

Greater Government involvement in the planning process is justified to ensure a metropolitan wide approach is taken to a metropolitan wide problem that has the potential to undermine its key environmental, development and social equity priorities. As outlined in Section 4.3, an active role in planning is also required for Government to better manage its risk exposure in funding a system over which it currently has little control.

A similar approach has been taken in Perth and Adelaide, while South-East Queensland and Melbourne are establishing processes to undertake planning on a metropolitan scale.

**Strategic bus corridors**

As part of the consultation process, the Review met with representatives of the Warren Centre and considered its report, *Sustainable Transport in Sustainable Cities*. The Warren Centre report builds on the work of Paul Mees, who has highlighted the “network effect” generated by operating services at high frequencies on broadly north-south and east-west routes that cross an urban area. This approach has been used in Toronto, Canada, where public transport has a 22% share of journey to work trips.

In its submission to this Review, the Warren Centre proposed a series of integrated, grid like, high frequency bus routes throughout Sydney. While the Review believes the increased resources and travel behaviour changes required by the grid approach limit its attractiveness, this concept led to further consideration of the types of routes that work well in Sydney. Analysis of routes that have generated patronage growth has identified the following common characteristics:

- they satisfy travel demand;
- they are anchored at regional centres (such centres are Parramatta, Liverpool, Hurstville, Erina, Charlestown or Wollongong) that offer a range of activities including employment, retailing, and medical, education and entertainment facilities, as well as providing a public transport hub for easy interchange;
4. Bus services in metropolitan areas

- they are fast, frequent, direct, reliable and simple to understand;
- they pass through generators (district centres, TAFEs, universities, industrial areas and hospitals); and
- they provide a service across all time periods.

The Review therefore proposes a series of Strategic Corridors for Sydney, Newcastle, Wollongong and the Central Coast, which are identified in Maps 3 to 6.

These services will be frequent, fast, convenient and direct and their key features will be:
- frequent services - seven days and nights a week - with standard peak hour frequencies of 10 minutes;
- bus priority measures along corridors that allow services to operate quickly and reliably;
- permanence - Bus Lanes combined with quality shelters and passenger information;
- direct linkages to major centres where there is a concentration of activities that generate trips;
- integration of services with other strategic bus corridors and other modes - particularly rail - to make travelling to dispersed destinations easier;
- effective monitoring of service delivery, especially during peak and shoulder peak periods, to ensure sufficient capacity and appropriate stopping patterns to meet passenger needs; and
- providing complementary or substitute services for Nightride services.

As with public transport generally, the network of Strategic Corridors (the strategic network) will be more effective when a mode shift from car is obtained through supportive land use planning and pricing policies. These include, as a minimum, the concentration of development around strategic corridors and in regional centres, and restrictions and/or charging for parking in regional centres.

In South-Western Sydney, the LPT is incorporated into the network as a strategic corridor. The Review also supports the development of the proposed North-West Transitway and nominates it as a major transport corridor in this region. While the strategic corridors in Newcastle, Wollongong and the Central Coast generally reflect existing routes, their inclusion in the network will provide a focus for bus priority and service enhancement in these areas.
Relation to contract regions
The introduction of Strategic Corridors requires consolidation of existing contract areas into larger contract regions as:

- the proposed Strategic Corridors cannot operate effectively under the pick up/set down restrictions currently in place under the existing exclusive rights arrangements; and

- integrated planning will promote the better services, integration and economies of scale required to make the Strategic Corridors viable.

This is discussed further in Section 4.5, under the heading “Routes or area contracts”.

The Review, therefore, proposes 10 contract regions for the Sydney metropolitan area, 2 for Newcastle, and one each for Wollongong and the Central Coast. The proposed contract regions for Sydney are shown in Map 2.

Initial analysis of strategic corridors
Patronage forecast modelling has been undertaken on the proposed strategic network for Sydney. The modelling was limited to the strategic routes and did not include the local services that would integrate with these services. The Transport Data Centre used the Sydney Travel Model, analysing the 7:00–9:00am peak period.

Table 4.1: Strategic Corridors Patronage Modelling

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus/Bus Rail</td>
<td>15.3%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Rail</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car</td>
<td>84.7%</td>
<td>83.8%</td>
</tr>
</tbody>
</table>

This initial modelling indicates that the strategic network has the potential to significantly increase public transport mode share and limit the growth in car usage across Sydney.

Further analysis by the Review indicates that the majority of the Strategic Corridors are individually viable and the network as a whole is viable. It also appears to have the ability to shift some non-CBD travel from rail to bus, taking pressure off the rail system during the morning peak.
4. Bus services in metropolitan areas

While only indicative, this positive outcome supports further investigation of the concept and further modelling to finetune results. Similar work will also be undertaken for the Newcastle, Wollongong and the Central Coast strategic networks.

**Bus priority extension & enforcement**

The plan for Strategic Corridors across Sydney, Newcastle, Wollongong and the Central Coast will provide the RTA with a blueprint to direct bus priority resources, beyond State Transit boundaries and the Transitway program.

The hierarchy of bus priority measures can be seen as:

- **Level 1.** General traffic lanes with Bus Priority (eg “no right turn – buses excepted”).
- **Level 2.** Transit Lanes with Bus Priority (eg queue jumps, B signal traffic lights).
- **Level 3.** Bus Lanes with Bus Priority (eg using global positioning technology to switch traffic lights to green).
- **Level 4.** Dedicated Bus Roads with Bus Priority at junctions with other roads.

Bus Lanes are seen as more desirable than Transit Lanes because of their effectiveness, visibility and the ability to enforce them electronically. Bus Lanes are also a very public demonstration of commitment to public transport. This would require current Transit Lanes or general traffic lanes to be converted to Bus Lanes.

Once the road-based priority is in place, the strategic network provides a plan to enable the progressive roll-out of supporting infrastructure such as:

- technology to provide or enforce bus priority;
- upgrades of bus stops from poles to shelters (and bus stations along Transitway routes); and
- upgrades of passenger information to electronic and real time services.

As an added benefit, discussions with emergency services representatives have highlighted the benefits to police, fire and ambulance services of having a network of priority lanes across metropolitan areas to improve response times.

Effective bus priority also needs effective enforcement. NSW Police have advised the Review that current arrangements requiring offenders to be pulled over are not an efficient use of resources and can obstruct traffic flows. The Review recommends that the concept of “owner onus” – that currently applies to most other traffic offences and allows for infringement
notices to be posted to the registered owner of the vehicle - be extended to apply to the enforcement of Bus Lanes.

The permanency of the Bus Lanes and supporting infrastructure should encourage concentration of development along these routes, supporting the Government’s preferred metropolitan planning outcomes. This development will, in turn, further strengthen the viability of the Strategic Corridors by generating patronage. Depending on local conditions, higher degrees of bus priority or higher capacity modes, such as light rail, could then be introduced.

Case Study: Bus priority on Warringah Road

The proposed Warringah Road Corridor is an example of the type of work that can be undertaken along the Strategic Corridors across Sydney.

The Warringah Road “bus corridor” extends from Frenchs Forest to Chatswood via Warringah Road. This is an important and heavily trafficked arterial road carrying 20 different bus routes.

The proposed priority measures are costed at $5 million and include:

- an additional Bus Lane on Warringah Road;
- bus priority signals at traffic signals and queue bypass lanes to allow buses to use left-turn lanes to proceed to the head of the queue; and
- use of the median to widen the road for additional Bus Lanes while keeping within the current road reservation and maintaining existing turn bays and footpaths.

Establishment of Bus Lanes on existing roads will require a high level of cooperation with the RTA, local government and community stakeholders such as chambers of commerce.

Integrated local services

Local bus services are an important part of the network proposal. For many people they are the means by which they access local shops, schools and other services. They also provide penetration into residential areas to feed patronage onto the strategic routes.

A case study approach has been used to examine the impact of integration of local services with the strategic network. The Liverpool-Parramatta area was chosen because of the ability to integrate local services along the LPT, a prime example of a bus priority corridor.
Case Study: Integrated network planning

Six operators currently operate in the area of South-Western Sydney adjoining the Liverpool-Parramatta Transitway. Local services should feed onto the LPT but don’t because of contract limitations.

In this case study, modelling to integrate the trunk LPT route with local routes was undertaken in co-operation with all the operators, based on the 7:00 to 9:00am peak.

The modelling developed a scenario which combined the LPT and local network as if it was served by one operator with integrated fares. There was a 10 minute frequency on the primary routes serving Parramatta and Liverpool on the LPT. There was a 20 minute frequency on the secondary route network serving both the LPT and the rail line.

This scenario saw patronage increase by 62% over the existing arrangements, while the number of bus hours - and therefore costs - remained neutral.

More flexible MSLs

Bus services that are effective and sustainable are generally those that are fast, frequent and direct. Achieving this may require an increase in walking distance to the bus stop, with the majority of passengers then benefiting from higher frequency and more direct bus services.

The Review believes the rigid and simplistic Minimum Service Levels need to be replaced with service development guidelines that are more responsive to identified travel demand and will better support the Strategic Corridors. These guidelines would be determined by Government, and would be implemented jointly by Government and operators through the planning process.

Support for greater targeting of service on to main corridors was expressed in comments such as:

Too many bus stops and bus routes ... I do not mind having to walk 5-10 minutes to get to a bus if it means I can get to the city in under 50 minutes. (#493)
There is still a need to provide services to people who cannot walk longer distances to bus stops. As a traditional regular route may not always be the answer, options to better serve these people could include:

- the flexibus type of service as operated in the Holroyd area of Sydney (see below);
- less frequent or less direct services reflecting the low patronage; or
- greater use of community transport.

Better co-ordination of community transport with bus services, which should occur anyway to ensure effective services for all of the community, provides a way to release services from the constraints of MSLs without people losing access to transport. The Review is interested in feedback on this issue, and also whether further study of the impact on the current rules for distances to bus stops is required.

Case Study: Baxter’s Bus Lines – Flexibus

The Flexibus, which operates in the Holroyd area, provides one return journey per day at a designated time to destinations such as the Westmead Hospital, Parramatta CBD and local shopping centres.

Passengers are picked up and dropped off at pre-arranged stops close to their homes and often at their door, with pick-ups arranged by phone the day before.

This service currently attracts up to 20 people per day.

Co-ordinated metropolitan planning

A comprehensive and integrated policy, planning and service delivery strategy is essential if public transport services are to meet community needs. To use an analogy, the Sydney Olympics transport task was successful because it applied a package of measures including integrated multi-modal ticketing, public transport priority on roads, restrictions on car use, concentration of activities to a limited number of centres and strong community messages.

Sydney has a “major event” each weekday when 1.52 million people travel to work. The elements that made the Olympics successful have clear parallels in the proposals put forward by this Review, which need to be seen as an inter-dependent package.
The Review therefore endorses the strategies outlined in Shaping Our Cities, and believes that anchoring the strategic routes at regional centres and serving them with frequent, fast and reliable services will support its objectives.

There is a clear link between concentration of employment in centres, restrictions on parking and high public transport use. Dense commercial areas such as the Sydney CBD, North Sydney, Parramatta and Chatswood all have high public transport use. Areas with fewer parking constraints, like Macquarie Park, have much lower public transport use for work journeys.

Just as policies to support regional centres rely on good public transport access, the bus services promoted in this Review need concentrated employment and supportive parking policies to ensure their viability.

The Review supports a stronger policy of locating office-type employment in the designated centres, in conjunction with more restrictive parking policies for the same centres to encourage greater use of public transport.

The Review also supports the Shaping Our Cities strategy of earlier planning and introduction of bus services in new urban development areas to establish the practice of using public transport.

One option for implementing this approach is the model used by South Sydney Council, where the Green Square development has used developer contributions to jointly fund with State Transit a cross regional service from Leichhardt to Coogee (Route 370) for off peak frequency.

The Ministry of Transport and DIPNR have developed an integrated land use and transport planning package to assist local councils in efforts to support public transport and reduce car dependency. State Environmental Planning Policy (SEPP 66) will encourage councils to put controls on parking, develop viable concentrations around centres, and ensure consultation with transport agencies and providers in local planning.

Greater consideration needs to be given to public transport in local planning processes, with developers contributing to costs, new developments being better planned to accommodate services and greater co-ordination between councils and transport planners to ensure service delivery can anticipate residential or commercial growth.
Specific CBD issues
The movement of people within congested CBDs poses problems for cities of all sizes. This has been a major issue raised during the Review and has been discussed with civic leaders including the Lord Mayors of Sydney, Parramatta, Newcastle and Wollongong and various chambers of commerce.

Experience with Melbourne’s free tram route, Perth and Fremantle’s free Central Area Transit (CAT) buses and Adelaide’s free B-Line buses demonstrates that the community will eagerly support and use free, high frequency services that link key activities within the CBD. In these cases, local government makes a financial contribution to the service and benefits from the control provided by part ownership of the service.

Applied to NSW, council parking charges, enforcement revenue and developer contributions provide a basis for local government to contribute to the cost of installing and operating similar systems. A set percentage of parking fees could be hypothecated to fund a local government contribution to CBD bus services. The Government is well placed to contribute through parking levies, which seek to improve public transport in these commercial districts.

In the case of the City of Sydney, there is evidence that the introduction of Bus Lanes has provided better access to and within the CBD. The freeing up of roadspace following the completion of the Cross City Tunnel will provide opportunities to further extend these bus priority measures, and the enforcement measures suggested by the Review will increase their effectiveness.

There are concerns that adding a new mode, such as light rail, in the centre of Sydney will increase congestion, limit accessibility for buses and force passengers to interchange between services. The Review, therefore, does not support the current proposal to extend light rail through Sydney CBD. Any future proposal should address concerns regarding the impact of increased congestion on bus transport.

Discussions with the Lord Mayors of Newcastle, Wollongong and Parramatta support further consideration of the concept of free and frequent CBD buses in those centres.

In each of these CBDs, particular local issues make a free central area transport scheme attractive. Key features could include:

- in Newcastle, a free service operating from the Broadmeadow or Woodville Junction precincts to the Newcastle CBD, in the event
4. Bus services in metropolitan areas

Lower Hunter Transport Working Group recommends the removal of the heavy rail service in its Final Report on transport options in the Lower Hunter;

■ in Wollongong, a free service linking the key activities that are concentrated around the CBD, including the retail hub, Wollongong Station, and Wollongong Hospital as well as attractions such as the beach, WIN Stadium and brewery;

■ in Parramatta, a free service linking destinations such as the commercial district, Civic Place, Chinatown, the restaurant precinct, the Rivercat wharf, Parramatta Park (including Old Government House, Parramatta Stadium and Council’s proposed aquatic centre) and the $110 million Parramatta Transport Interchange. It could also include the North Parramatta precinct to tie this area in with Parramatta’s burgeoning growth.

4.3 Suggested solutions: metropolitan planning

The Review proposes and seeks comment on the following preferred options in relation to key issues raised in the report:

1. Develop a network of Strategic Corridors for Sydney, Wollongong, Newcastle and the Central Coast providing fast, frequent, direct and convenient links to regional centres.

2. To support this network of Strategic Corridors, establish 10 contract regions for the Sydney metropolitan area, 2 for Newcastle and one each for Wollongong and the Central Coast.

3. Integrate planning of strategic and local bus services, with the Government leading network design in partnership with operators.

4. Target bus priority on all Strategic Corridors under an expanded Bus Priority Program, supported by effective regulation and enforcement.

5. Replace the Minimum Service Level policy with more flexible service and frequency guidelines that respond to identified travel demand and support the Strategic Corridors.

6. Develop innovative solutions to ensure access to local transport services, such as better integration of community transport services with the bus network and demand responsive services.

7. Provide greater integration of metropolitan planning with transport...
planning policies to support regional centres, encourage development along Strategic Corridors and restrict parking.

8. Encourage local councils to implement local planning policies under which developers contribute to public transport costs, developments better accommodate public transport services, and councils and transport planners co-ordinate to anticipate service requirements.

9. Investigate and undertake a cost benefit analysis of the provision of free CBD bus services - jointly funded by councils and Government - in Parramatta, Newcastle and Wollongong.

4.4 Contracting metropolitan bus services

Current arrangements
With the exception of amendments to the Passenger Transport Act in 1997 (requiring the introduction of a performance assessment regime), current commercial contracts have changed little since they were first introduced in the 1990s. This is not surprising given that the Act requires that they be renewed on the same terms and conditions every 5 years. As well as renewal (linked to meeting requirements of the performance assessment regime), key matters specified in the contract include:

- a contract term of 5 years;
- the regional service area or lines of route over which the operator has exclusive rights, and any non-exclusive rights to provide services along other particular routes (including any travel restrictions that may apply);
- the need for the operator to be accredited;
- the minimum service levels that must be met;
- the need to provide sufficient capacity to cater to 92% of SSTS passes on issue;
- a requirement that operators use their “best endeavours” to ensure scheduled journeys are not early and are no more than five minutes late;
- the maximum fares (including concession fares) that may be charged;
- requirements for the operator to furnish and maintain bus stops and signs, and meet vehicle and driver standards;
- information for the public such as timetables, adequate notice for any significant variations, a customer complaints register and telephone service;
4. Bus services in metropolitan areas

- information to be provided to the Director-General, including the need to notify the Ministry of Transport if a service is varied or not provided, maintain statistics, and develop an information management system;
- termination provisions; and
- a requirement that contract variations must be in writing and signed by both parties.

4.5 Limitations of the current arrangements

Ten years from when the contracting regime was first introduced, there are real concerns with its effectiveness and ability to deliver improved services. Its impact on service planning has been discussed in Section 4.1 and further discussion and analysis concerning other aspects are presented below.

Route or area contracts

Contracts in the metropolitan area are generally for specific geographical areas. The Act also provides for route contracts, which, in the metropolitan area, are generally only for services in urban fringe or newly developing areas.

Section 4.1 showed that the development of an effective bus service network is constrained by the large number of separate operators, the small size of some bus contract areas and the fact that the boundaries of these contract areas do not correspond to travel patterns.

The case study of the region surrounding the LPT in Section 4.1 demonstrated that it is possible to improve services (both frequency and destinations served) by operating service networks as if they were one region. The case study also showed that an increase in services can be achieved without additional financial outlay through the efficiencies gained by having one operator in one consolidated region.

The Terms of Reference require the Bus Review to consider the potential benefit of strategic regions in the Greater Sydney Metropolitan area. It is clear that there are considerable potential benefits to contracting for the development and provision of bus services across wider segments of the metropolitan area. Strategic regions should form the basis of contractual arrangements and should:

- be based on desired bus travel patterns and the route structures that would best serve them;
4. Bus services in metropolitan areas

- avoid dividing up “natural” routes which would disadvantage passengers (through, for example, forced transfers), or would cause operational inefficiencies (such as overlapping routes);
- have related/co-ordinated routes in the same areas (e.g., line haul service and feeder services in the same area);
- minimise total vehicle requirements to avoid situations where one area has its peak vehicle usage in the AM peak, and an adjacent area has its peak vehicle usage in the PM peak;
- be matched to available depots where possible;
- maximise operational efficiency (in terms of driver shifts and hours to minimise dead running);
- be based on communities of interest where possible;
- have regard to natural geographic areas and constraints (e.g., waterways); and
- take into account the needs of growing and developing areas.

As already indicated in Section 4.1, the Review suggests that there should be 10 contract areas in Sydney, 2 in Newcastle and one each for Wollongong and the Central Coast.

With a substantial reduction in the number of contract regions, the possibility of market dominance by one operator increases. It may be necessary to limit the proportion of the bus market that one operator can control. Options to maintain a competitive industry include:

- controls over the number of contracts that any one operator may hold (the model used in Perth); and
- limits on the percentage of the total market that any one operator/entity may control.

Larger contract regions will lessen the importance of the exclusive rights provisions in the commercial contract, particularly as basing contract boundaries on travel patterns increases the likelihood of travel routes being contained in the one region. Increased patronage and fare revenue from the improved network will also lessen the financial impact of an operator entering another’s area, and the proposed funding model allows for targeted subsidies where a particular region does not provide an adequate return.

As a number of Strategic Corridors will cross contract region boundaries, there will be a need for co-operative arrangements between relevant
operators. The arrangements in place under the Perth Circle Route, where one operator holds the management contract but 3 operators share the route, is a good example of this approach working in practice.

Rights of renewal, performance assessment & competitive tendering
In the mid-1990s, it became increasingly evident that the Passenger Transport Act 1990 and commercial contracts oriented bus operators towards meeting minimum service standards only. A National Competition Policy review by IPART in 1996/97 identified that renewal of contracts should be based on the achievement of best practice, rather than minimum standards.

The resulting Passenger Transport Amendment Act 1997 linked the renewal of commercial bus contracts to the achievement of best practice “objectives and standards” prescribed by a Performance Assessment Regime (PAR). The idea was that operators who were assessed as not meeting the PAR requirements would not have their contracts renewed and a competitive tendering process would follow.

Notwithstanding that PAR has yet to be introduced, it is doubtful that it would have resulted in the improvements and degree of contestability envisaged. It would also have created other difficulties. The PAR provisions in the Act require it to be established as a separate process, with its objectives and standards not forming part of the contract. This would create a cumbersome system with two sets of standards for measuring an operator’s performance, but with the PAR standards only relevant to the issue of contract renewal.

It is also difficult to establish appropriate benchmark standards for measuring performance under a PAR-type scheme. If they are not sufficiently rigorous, it can be difficult to demonstrate that they have not been met and the threat of competitive tendering is weak. Further, if an operator had failed to meet the PAR standards, there is currently no ability to extend the contract for a period (as it has to be for five years) while any disputes are heard or a replacement operator is found.

The lack of a PAR means that, even if an operator has performed poorly, they have had their contracts renewed on an ongoing basis and on the same terms and conditions. Therefore, the Government is currently restricted in its ability to change contract requirements to drive service improvements, or to require operator involvement in initiatives such as the Smartcard ticketing system.
There is a need for mechanisms to focus operators on achieving best practice in bus service provision at efficient costs. The Review believes that periodic competition for the right to operate services would achieve this.

As the State Transit submission to the Review has noted:

... systems that attempt to model competition are difficult to formulate and equally difficult to administer. Almost universally around the world where competition has been introduced, short of outright deregulation, the mechanism of choice is competitive tendering.

A number of reports concerning bus services in NSW have recommended competitive tendering of service contracts in the metropolitan area (including the PAC’s SSTS Inquiry, the Parry Inquiry Interim Report, and the NSW Audit Office’s Audit of Bus Contracting Arrangements).

Procurement options for bus services in NSW range from deregulation, to competitive tendering, “threatened” competition through a benchmarking process and the current arrangements. The Review believes that competitive tendering would be superior in terms of service effectiveness, accountability and transparency. While additional administrative costs may be incurred, they would be offset by the efficiencies gained from operating services in larger contract regions.

Under a competitive tendering process, the Government would identify the broad service outcomes desired for a particular region, including the strategic routes. Within these parameters, operators would then be required to develop their bid outlining a proposed network of strategic and local services, intended service levels, and the cost of service provision. The assessment of bids would focus on two main criteria – proposed level (and quality) of service, and the quantum of any subsidy payment required from Government to operate. Previous performance would also be a consideration.

Transitioning from the present situation to such arrangements obviously requires the resolution of some complex issues and further consideration. Implementation of a benchmarking regime (on cost and performance) as an interim arrangement would be required.

Service standards
Service standards specified in the current contract are limited and difficult to measure and enforce. The Review received many comments on service reliability, such as:

A late bus is annoying but even worse is the non arrival all together of a scheduled service. (#531)
4. Bus services in metropolitan areas

While this is a major issue for passengers, there are no provisions in relation to on-time running and reliability, other than the requirement that operators use their “best endeavours” to ensure services do not operate early and that 95% are no more than five minutes late. The difficulty in measuring “best endeavours” is compounded by a lack of reliable service data with which to measure on-time running.

Minimum service level specifications are one of the few quantifiable and measurable standards in the contract. However they are only “minimum,” they are not subject to regular review or adjustment, and operator adherence to them is not actively or systematically monitored. Again, this is in part due to a lack of reliable service data.

In regard to vehicles and other requirements – such as bus stop standards, passenger information and fare collection/ticketing systems – the current system allows for a variety of specifications across the metropolitan area. In addition there are differences in presentation which are factors not prescribed by the contract. The result is a highly variable bus fleet for Sydney, with no common livery and differences in the quality of service on offer.

In its submission to the Review, the Transport Workers’ Union (TWU) recommended that action be taken to:

... improve working practices and conditions, adopt best practice safety standards (including mandatory OH&S and violence prevention training), and implement mandatory workplace induction programs.

Submissions from passengers reinforced the need for improved driver training including safe driving and customer service, with comments to the Review such as:

Drivers should know major cross streets, where to change for other routes and where major shops or other landmarks are. There is no excuse for poor service. (#898)

There is a need for stronger, more measurable standards on key aspects of service delivery to ensure a high quality bus system. These will need to recognise those factors beyond the operators’ control, such as road works. The Review proposes that contracts need to:

■ contain Service Guidelines to provide a framework for operator service planning in consultation with Government, replacing the prescriptive MSL requirements;

■ provide for the progressive implementation of bus priority measures and Smartcard technology which will enable accurate data collection and...
measurement of performance and reliability, linked to an effective penalty system;

■ establish system wide standards for bus stop signage, passenger information and livery; and

■ require appropriate minimum standards of bus design and accessibility.

Information about service changes
A common complaint in relation to bus services, in particular school bus services, is that changes to routes and timetables are made without consultation or sufficient notice. The contract does not stipulate that operators must consult with the community prior to introducing changes, and only requires that “adequate notice” be given to the public for “significant” route or timetable variations. As well, the contract requires that operators maintain a register and a telephone service for complaints, but it does not specify a time period within which complaints should be dealt.

In contrast, under new contractual arrangements being introduced in South East Queensland, proposed amendments to services, routes, or timetables will have to be:

■ notified to Government (the Chief Executive of Translink); and

■ subject to community consultation

before approval is given. Before changes can be introduced, 10 days’ public notice is required.

Perth bus contracts require a response to written complaints within 21 days, while issues raised in calls to the Comment Line must be investigated and responded to within 5 days.

Contracts for metropolitan bus services in NSW need to require a greater degree of consultation and public notice on service changes, and to specify response times for complaints and comments.

Reporting requirements
The current contract does not prescribe the type and frequency of information that operators must provide. It requires operators to develop a management information system to monitor compliance with the specified service standards, and that they provide reports from the system within 21 days of being requested to do so. However, the limited service standards in the contract means that the information and reports that can be requested are also limited.
Notwithstanding this, the Ministry of Transport is currently negotiating with operators to commence voluntary monthly reporting on key service and patronage data. While data reliability may be an issue, in the longer term Smartcard ticketing technology will enable the routine collection of accurate and comprehensive patronage and some service data. This, along with improved service standards and more clearly defined reporting requirements in the contract, will provide for an effective performance monitoring system.

Breaches, termination & step-in rights
The current commercial contract does not provide a series of graduated remedies for dealing with poor performance and contract breaches. By contrast the Transitway contract contains the following provisions:

■ A breach by the operator is subject to a requirement to remedy.
■ A breach of certain contractual requirements (such as misinformation) leads to termination.
■ A breach not remedied in the required time may be subject to financial penalty.
■ Step-in rights can be exercised for a breach that leads to termination or for a breach that persists or creates safety concerns and for similar important reasons.
■ Termination is the final sanction.

In effect, under the existing commercial services contract, the only sanction available to the Director-General with respect to a breach that is not rectified within the required time period is termination of the contract. However, a serious or persistent failure to observe the terms is generally required before this can happen, and the definition of this is open to interpretation.

Termination provisions are also difficult to implement because of requirements for the Director-General to notify the operator of the breach, and then give the operator 28 days to rectify any deficiency, with a further 3 days to rectify required before the right to terminate may be exercised. This gives an operator the opportunity to rectify the breach immediately, to seek an extension of time, or, potentially, to commence legal proceedings to stop termination.

Not surprisingly, very few contracts are terminated under the current arrangements.

A series of graduated remedies similar to the Transitways contract should be included in revised contracting arrangements.
A further complication is that if a contract is terminated, it can be difficult to find a replacement operator. Unlike the Transitway contract, the current commercial contract does not provide for step-in rights or call options, which would ensure that the operator’s assets could be used by Government as a temporary measure to guarantee continued service provision until a new operator is in place.

Contract duration
If asset ownership is separated from the operation of services (as discussed in Section 6.7), the length of a contract should no longer be determined by the operator’s need to gain a return on assets: it may be shorter. However, administrative implications and the need to ensure sufficient time for operators to develop service networks and build patronage also have to be considered. At this stage, the Review suggests a contract term of 5 years. This requires further consideration.

SSTS, fares & concessions
The commercial services contract is silent on the SSTS (as is the Passenger Transport Act 1990) despite it being such a central part of the current system. A number of changes to SSTS, particularly funding arrangements, are proposed by this Review and it will be important for key aspects of the Scheme to be reflected in the contract.

As Section 6.1 demonstrates, there is a clear need to reduce the multitude of fares and fare products currently available across the system. Inequitable concession availability also needs addressing. The contract needs to be more prescriptive in this regard to ensure uniformity across the system.

4.6 Suggested solutions: metropolitan contracts

The Review proposes and seeks comment on the following preferred options in relation to key issues raised in the report:

10. Phase-in the introduction of competitive tendering as current contracts expire. In transitioning to this arrangement, stringent cost and performance benchmarking and monitoring should apply.

11. Establish new contracting arrangements with terms and conditions that include or reflect:
   - a duration of 5 years;
4. Bus services in metropolitan areas

- new planning and funding arrangements (such as mechanisms to determine service frequencies, negotiate service changes and promote partnership planning);
- a comprehensive set of measurable service standards (such as punctuality and reliability requirements, complaint handling processes, community consultation/notification mechanisms);
- driver training and work safety priorities (such as induction, customer relations, safety and personal security aspects);
- reporting requirements and patronage and service data to be provided;
- fares, ticketing, concession and SSTS arrangements;
- Smartcard arrangements, including the installation of new technology hardware on buses; and
- a series of graduated remedies, such as a penalty regime, to deal with contract breaches and termination and step-in rights (as necessary) as a last resort.

4.7 Funding metropolitan bus services

The current funding model
As outlined in Chapter 3, the bulk of metropolitan bus services operate under commercial service contracts. The key features of the funding arrangements for these contracts are as follows:

- Operators collect fares for tickets sold and retain this revenue;
- Government reimburses operators for concession tickets, up to the full adult fare;
- Government pays the operator for carrying holders of free school bus passes, with the formula based on an agreed usage rate of the total passes on issue;
- Operators are required to provide bus services to a level specified by the Government under the MSL policy; and
- Most metropolitan operators supplement the above revenue streams with charter work.

Subsidisation of bus services
Like other public transport operations, bus services generally require a Government subsidy, with taxpayer funding used in every state in Australia to
assist in delivering services. In NSW, this subsidy is provided primarily through the SSTS and, to a lesser extent for private operators, through pensioner and other concession reimbursements. In addition, the Government makes Community Service Obligation (CSO) payments to State Transit, which includes much higher levels of concession reimbursements.

As indicated in Table 2.1, total Government payments to State Transit and private bus operators in 2002/03 totalled $613.8 million, with the bulk ($384.8 million) directed to operators through the SSTS.

Metropolitan bus operators are heavily dependent on Government payments. Available evidence is that, on average, 45% of revenue for private commercial metropolitan operators is from the SSTS. A further 6% of revenue is reimbursement for concession fares. However, within this average, there is a wide variance in reliance on the SSTS, with metropolitan private operators receiving between 22% and 87% of total funding from this source.

The proportion of revenue from Government payments to State Transit is 42%, with SSTS payments comprising only 8%. This partly reflects the demographic profile of the areas served by State Transit, its more dense and developed patronage base, and its greater emphasis on route service.

SSTS as the prime subsidy mechanism
Central to understanding the existing funding arrangements is the relationship between SSTS funding and the MSL policy. SSTS payments are based on an assumption that 77% of the total number of passes on issue in metropolitan areas will be used on any given day. It is generally assumed that operators use SSTS payments, along with revenue from more profitable routes, to cross-subsidise less profitable route services. The MSL frequencies and hours of operation specified in the contract effectively requires this cross-subsidisation to occur.

In its submission to the Review, the BCA acknowledged that SSTS payments cross subsidise regular passenger services, but highlighted that the extent of this varies across operators:

*Revenue from transporting school students under the School Student Transport Scheme is often a major revenue source for the operator and is also used to cross subsidise some route services, and in other instances, route and charter services cross subsidise school services.*

The sheer bulk of SSTS payments and its increasing costs have resulted in
numerous calls to make these payments more transparent by linking them to actual trips undertaken:

Funding mechanisms should be based on trips taken rather than estimates. (Parry Inquiry Interim Report)

Efficiencies could be obtained if commercial bus operators were reimbursed for the student bus pass holders they actually carried. (PAC Inquiry into the SSTS)

Payment on actual use can only be achieved by improvements in ticketing and trip validation technology, which will be possible with the introduction of system-wide Smartcard ticketing arrangements in the metropolitan area. In the interim, to determine the actual use of bus passes, the Ministry of Transport has commenced an SSTS pass usage survey. Preliminary results (over two school terms) suggest that only 57% of passes are used on any day, which emphasises the fact that the current funding formula is based on an assumption that does not reflect reality.

If SSTS payments were reduced to reflect actual ridership, then many “commercial” contracts would be unlikely to be viable at present service levels. Alternative funding support from the Government would be required to meet MSL requirements.

For accountability of public funding and to ensure value for taxpayers’ money, it is imperative SSTS is paid on actual use. Government must be able to clearly demonstrate what it is purchasing for any additional subsidies paid on top of SSTS.

Other payments to operators
In addition to SSTS payments, the Government makes payments to State Transit and private operators to compensate them for carrying concession passengers at less than the full fare. For example, with half fare concessions, 50% of the revenue comes from the passenger, and 50% from Government. In 2002/03, these payments totalled $54.7 million.

The Parry Inquiry Interim Report highlights that Government should expect to pay lower than standard fares for SSTS (and presumably for concessions), on the basis that a purchaser who buys a large proportion of a business’ services should expect to receive a discount in recognition of the benefits received by the business.

State Transit is funded by Government at a level which allows it to offer lower fares than private operators, carry a wider range of concession passengers...
and operate non-commercial services on some routes. For these obligations, State Transit receives additional CSO payments on top of those provided to private operators. While the resulting inequities are further discussed in Section 6.1, this section concentrates on their impact on funding arrangements.

These CSO payments fall into the following categories:

- Pricing CSO payments to compensate for Government directives to charge lower maximum fares than private operators;
- Service CSO payments to compensate for Government directives to provide services above the MSL requirements; and
- Concession CSO payments to compensate for Government directives to offer a broader range of concessions than private operators.

The Pricing and Service CSOs paid by the Government in 2002-2003 totalled $95.2 million.

These payments provide State Transit with financial support which is not available to private operators. The BCA submission to the Review also highlighted that these payments provide a secondary benefit to State Transit through induced patronage - the increase in passengers generated by lower fares and more generous concessions. While the extent of induced patronage benefit is unclear, the real issues are equity for users, clear and accountable payments for Government, and sustainable and consistent funding arrangements for all operators.

The average costs for State Transit to provide a given level of service are substantially above that of private bus operators. The Parry Inquiry Interim Report has identified an efficiency gap in the order of $30 million per annum between Sydney Buses’ costs and efficient private operator costs, with much of this difference resulting from:

- higher service standards (such as service frequency, operating hours and bus quality);
- costs associated with the longer trip times over comparable distances, resulting from operating in more congested conditions;
- costs associated with carrying high passenger volumes; and
- labour practices (award conditions and less use of casuals).
Financial viability
The financial viability of bus operators is of significant concern to the Government and industry. It is clearly in the community’s interest to have a sustainable, viable bus industry that is able to consistently maintain bus services at agreed standards.

A preliminary Financial Viability Study of private metropolitan commercial operators was undertaken by the Ministry of Transport in early 2003, involving 17 operators representing 21 entities. This study aimed to provide an initial identification of bus operations that may not be sustainable in the short to medium term and an early indication of possible reasons for inadequate financial viability.

The study defined a financially viable bus operator as one that consistently earns an “acceptable” annual rate of return on assets, meets minimum levels of liquidity, solvency and equity, and has an “acceptable” level of debt. On this basis, the study found that:

- the NSW private metropolitan bus industry is an efficient operation, with lower average unit operating costs (per bus per hour and per vehicle kilometre) than interstate private operators and the six remaining public operators in Australia;
- 52% (11 out of 21 entities) are financially viable in the longer term;
- 19% (4 entities) are likely to face significant financial viability problems; and
- there was a wide range of financial viability outcomes among the private metropolitan operators studied.

The key points from analysis of the study’s findings are:

- even with efficient operating costs, available revenue may be inadequate for some operators to remain financially viable; and
- the large variances in operator profitability are an almost inevitable consequence of subsidising operations through school travel payments and by applying such a rigid MSL system across contract areas that vary in size, and that are characterised by a wide range of travel patterns and market profiles.

Such variable results in an overall efficient industry sector further highlight the need to consider:

- alternatives to SSTS as the prime means of subsiding bus services, in
favour of more transparent funding arrangements that target any service subsidy funding to areas of need;

■ whether the MSL system should be replaced with service planning guidelines with the Government overseeing their implementation through the planning system;

■ the extent to which redistributing existing funds on a more equitable basis might address the industry's financial viability concerns; and

■ providing incentives for operators to grow markets other than free school travel.

Incentives
Low private operator unit costs are partly a result of the current funding model, which provides incentives for operators to keep costs down rather than develop services. While private operators will always tend to strive to keep costs down, there needs to be a more balanced approach that encourages them to grow patronage, particularly the full fare market. Patronage figures reported in Section 4.1 show that the attractiveness of private operator services to passengers is not being sustained. This reinforces the need to consider a funding mechanism that retains lean operating costs as far as possible, while providing the proper incentives to develop services and grow patronage.

By placing the SSTS at the centre of the funding model, the operational, revenue and planning focus of the private bus industry is primarily on school travel. The best financial outcome for an operator is where, within their contract area, a large number of SSTS passes are on issue and MSL requirements are low. Not surprisingly in these circumstances, some operators are very active in encouraging school students to apply for bus passes.

In addition, the current funding system does not properly recognise the risks borne by operators when they do attempt to grow their market. When a new passenger catches an existing service, the marginal cost of carrying the person is low. However, when that person catches a new or additional service, the cost of is very high and must be defrayed across a number of people travelling on that service or on other services.

When the costs of new services are reliant on the farebox alone, it can be difficult for the operator to make a return on service improvements. It takes time to develop patronage on new services, as people do not change their travel habits immediately. With some operators already experiencing financial
viability concerns, the considerable financial risk involved in increasing services can be a major deterrent to initiatives in service planning. Smaller operators with less capacity to cross-subsidise loss making services are likely to be even more risk adverse. As a result, bus services have become less responsive to demographic change and modified travel patterns.

**Government risk**

The high proportion of revenue to operators coming from Government payments contradicts the widespread view that Government has limited risk in regard to bus transport.

The risks associated with metropolitan bus services that the Government bears arise primarily from patronage changes and contractual arrangements.

This is because the Government has a major financial exposure to increases in the number of concession passengers carried and the number of SSTS passes on issue. Fare increases, which are independently set by IPART, impact on the value of concession and SSTS payments. The Government has limited control over such increases – the risk is only manageable in regard to broad fare and concession policy, not at the service delivery/operational level.

Additionally, Government may be exposed to financial and other risks from its relatively weak position under the commercial contracts. These give operators the right to unilaterally cancel contracts and do not provide Government with any ability to access the fleet or depots to ensure continued service provision.

In summary, the current funding arrangements:

- Embed transport subsidies within SSTS payments, resulting in:
  - uncertainties on what services Government is actually purchasing;
  - limited opportunity to target subsidy payments to meet community needs;
  - few incentives for operators to grow services apart from school travel;
  - serious concerns over the financial viability of some operators in an otherwise efficient industry; and
  - a focus on costs, not networks or service outcomes.
Do not equitably distribute funding between State Transit and the private operators, resulting in:
- different service standards across the metropolitan area; and
- reduced pressure on State Transit to move to efficient cost levels.

In short, current funding arrangements do not support Government policies to increase public transport use, provide equitable access to community services, or ensure transparency, accountability and value for money in public funding. They also do not encourage the development of a sustainable and responsive bus industry.

4.8 Potential funding redistribution

The total funding available to the bus industry compromises operator revenue (fares and charter payments) and Government payments (SSTS, concession reimbursements and CSO payments to State Transit). The Terms of Reference require that this pool of funds deliver the service improvements outlined in Section 4.1 and also ensure the financial viability of the bus industry.

The mechanisms for doing this, which require exploration, include:
- the redirection of the CSO paid to State Transit;
- the retention of the savings resulting from integrated network planning; and
- the redistribution of funding within the private bus sector, largely through payment of SSTS on “actuals”.

INDEC Consulting has undertaken further analysis of the data from the Financial Viability Study to estimate the overall funding required to ensure that the bus industry in Sydney (not including the Central Coast, Newcastle and Wollongong) achieves an acceptable financial return.

After excluding Sydney Buses and one large private operator from the sample (both of which produced abnormal results), the remaining Sydney private operators achieved, on average, returns below the financial viability target. Based on 2001/02 revenue, it is estimated that achievement of the financial viability target, extrapolated across the Sydney metropolitan area, would require an additional $9.8 million or 4.86% more than current revenue from fares, SSTS payments, concession reimbursements and charter.

This analysis is indicative only, but shows that a relatively moderate outlay is required to maintain the viability of existing operators in Sydney, provided that
profit levels can be “normalised” or “smoothed”. On this basis, financial viability within the current industry structure could more than likely be achieved from within existing funding to the bus industry. Adjustments such as the phased removal of State Transit’s Pricing CSO by aligning fares are estimated to achieve this.

There are some important points to note in relation to this analysis:

■ It is premised on funding bus services at existing levels. This suggests a further outlay would be required to implement improved service levels on the strategic network. However, an increase in service levels may be able to be achieved through the efficiencies and increased patronage generated through integrated planning and bigger contract regions which reflect real travel patterns.

■ Funding requirements may tend to increase if mode share decline is not arrested.

■ “Smoothing” profits might appear to be an ideal in regard to minimising Government subsidy to the industry. It is, however, difficult to achieve and relies on a robust funding (and contracting) model that can respond to the inevitable variations in patronage, travel patterns and operating environments that exist across a region as large as the metropolitan area. Perfect equalisation of profits is also not desirable, as it is likely to reduce operator incentive, which is critical to ensuring effective service delivery. However, the large variation in profit levels presently in the metropolitan area highlights the need for a more equitable funding model that enables better targeting of Government’s contribution.

■ Competitive tendering is likely to be a means of at least removing “super profits” over time.

Funding models – options & issues
In general there are two basic models used for funding bus services around the world. Both models are based on the need for government support of bus services as fares paid may not cover the full costs of service delivery:

■ Under a gross cost funding model, the Government pays the total cost of providing the service (operators’ costs plus an agreed profit margin) and retains the fare revenue collected from passengers. The Government generally takes the patronage risk and bears the cost of concession or free travel as non-returned fare revenue.

■ Under a net cost model, the operator retains fare revenue. The Government reimburses the operator for any concession fare revenue
foregone (generally the difference between full fare and the concession fare or a portion of that difference) and pays an agreed additional amount to operators, if required, for the supply of services specified in the contract that may or may not be viable.

The critical differences between these two models are the extent to which each party bears: the risk of changes in patronage and the risk of fare evasion or non-collection of fares. Under the gross cost model the Government primarily bears both risks and under the net cost model the operator primarily bears both risks.

Variations to the gross cost and net cost funding models which shift elements of risk and reward between the parties are outlined in Table 4.2.

Some of the variations described in this table seek to reallocate the degree of risk borne by the Government and/or operator under a typical gross cost (Model A) or net cost (Model C). For example, a gross cost plus incentive model (Model B) seeks to shift a proportion of patronage risk from the Government to the operator.

A key issue in considering funding models is the importance of the relationship between planning, incentive and risk. This was highlighted in a number of submissions to the Review. For example, State Transit states in relation to funding models:

> [I]t is axiomatic that the service designer should bear the patronage risk. If it is accepted that Government specifies services, then the Government must bear the risk. However, it can be expected that any such risk will be balanced by pressure on operators to make the lowest possible bid (assuming competitive tendering procurement of operators).

In its submission, the BCA states:

> ... it is imperative to retain a suitable element of incentive, flexibility, risk and reward.

As patronage is determined, to a large extent, by the service network operated, it is considered unreasonable that the party that does not have planning control should also bear considerable financial risk. However, as noted above, this is precisely the situation for the Government particularly in regard to private metropolitan operators.
4. Bus services in metropolitan areas

Table 4.2: Funding models

<table>
<thead>
<tr>
<th>Model</th>
<th>Description</th>
<th>Financial Risk on Patronage</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Gross (Fixed) Cost</td>
<td>Operator paid fixed sum based on gross cost, fare revenue returned to government</td>
<td>Government</td>
<td>Melbourne (ex pvt), Darwin, NSW (non-commercial), Queensland (from 2004).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>London, Stockholm, Helsinki, most USA.</td>
</tr>
<tr>
<td>B. Gross Cost + Incentive</td>
<td>Operator paid fixed sum (as bid), with incremental payments relating to patronage and/ or other measures of service quality/ delivery. Fare revenue returned to government.</td>
<td>Shared</td>
<td>Adelaide, Perth (incremental payments primarily based on patronage).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Copenhagen, Oslo (incremental payments based on patronage and/ or service quality).</td>
</tr>
<tr>
<td>C. Net Cost</td>
<td>Operator paid fixed sum (as bid) and retains fare revenue.</td>
<td>Operator</td>
<td>New Zealand (most contracts).</td>
</tr>
<tr>
<td>D. Net Cost + 'Economic' Incentives</td>
<td>As per C: Net Cost, but additional patronage-based payments based on the economic benefits of additional patronage.</td>
<td>Shared</td>
<td>Norway (Oslo, Bergen) – modified version under trial.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>New Zealand – applied to allocation of funding to regional government, not yet to operator funding.</td>
</tr>
<tr>
<td>E. 'Commercial’ Fare</td>
<td>All operator payments directly related to passengers carried based on some payment scale. Payment scale may be as charged to passengers, or may differ. Fares paid by passengers may be paid to government or retained in which case the operator would receive an adjusted payment.</td>
<td>Shared</td>
<td>NSW (commercial) – based on standard fare scale.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Melbourne (Nat Express) – based on payment scale.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>UK (ex London) – farebox plus concession reimbursement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Hong Kong – farebox only.</td>
</tr>
</tbody>
</table>
In the same way, there is no point in providing incentives for attracting passengers to a party that does not have a substantial degree of planning responsibility, which is one of the major means of influencing patronage. These relationships are important factors in assessing funding models.

**Revenue allocation & reducing fare evasion**

Other critical elements in assessing funding models are the complexities of administration in allocating revenue under Smartcard ticketing arrangements and reducing the incidence of fare evasion by ensuring that fares are collected.

Other public transport systems interstate and overseas tend to favour gross cost funding models when implementing Smartcard ticketing systems. In these cases, where ticketing for multi-modal travel has generally involved consistent fare scales across different modes, a gross cost model avoids complex revenue sharing arrangements that would result from having multiple operators collecting, retaining and sharing fare revenue.

However, the NSW Smartcard ticketing model is moving towards simplified fares within modes, rather than across all modes, and is aiming to replicate the convenience, for passengers and operators, of multi-mode travelpass tickets with “travel bonuses”. This approach avoids the need for complex revenue sharing arrangements and could be supported by either a gross cost or net cost funding model. As a result, ticketing arrangements need not, and should not, drive the decision on whether to implement a gross or net cost funding model.

To ensure that passengers make an adequate contribution to the cost of bus services, operators need to be given incentives to ensure that passengers pay the correct fare. While the tag on-tag off nature of Smartcard technology will greatly assist in reducing fare evasion and over-riding, driver performance will also be important. The net cost model has advantages over the gross cost model because the operator retains fare revenue, giving the operator incentive to ensure that drivers monitor the fare payment.

### 4.9 Deciding on a funding model

State Transit’s submission to the Review suggested the adoption of a gross cost funding model (Model A in the above Table), with the Government undertaking all the planning of services and specifying service requirements on the basis of individual routes.
4. Bus services in metropolitan areas

The BCA suggested three possible models: a “Three-Tier” model, a “Statewide Fare” model and a “Farebox” model.

The BCA submission outlined the Three-Tier model as a gross cost plus incentive model, consisting of:

- first tier – a fixed payment for provision of a minimum level of service;
- second tier – a variable incentive payment related to performance against key performance indicators; and
- third tier – a patronage incentive payment.

This proposal is a further variation of Model B (gross cost plus incentive), including a performance-related payment as part of the variable payment. The performance related payment is an alternative to a penalty regime for poor performance as raised discussed in Section 4.2 on Contracting.

The Statewide Fare Model proposed by the BCA involves implementing a statewide uniform (adult) fare scale instead of the current multiple fare scales. This is essentially the “Commercial” Fare Model (Model E). Revenue for operators would still be underpinned by SSTS payments, which would be paid on actual travel but with payment for SSTS boardings at a uniform (adult) fare.

The third alternative proposed by the BCA – the “Farebox” model – is a further variation of the Model E. Rather than a uniform fare scale, the operator would receive a payment based on the number of passengers carried at a fare scale applicable to the operating conditions, patronage potential, risk and economics of operating in the contract area. In other words, the payment per passenger could vary from contract area to contract area. The fare paid by the passenger may be different and would be set by Government.

The BCA’s three models all involve the operator being largely responsible for service planning. The operator consequently bears significant financial risk for patronage movements and receives incentives to build patronage. In rejecting the gross cost model (Model A) where planning and financial risk are placed with Government, the BCA states:

The industry does not favour the plain vanilla Gross Cost model because it does not present sufficient incentive for improvements.

The Review welcomes the BCA’s desire for operators to be given appropriate incentives to improve services, and agrees that it is important to give
4. Bus services in metropolitan areas

patronage incentives to operators as the mechanism to improve services.

The Review also does not favour a gross cost model without some incentive because:

- the current proposals for metropolitan Smartcard ticketing do not require a gross cost model; and
- its benefits in managing financial costs can be achieved through the proposal in Section 4.1 to provide Government with strategic planning control.

In determining an appropriate model, therefore, the Review has given further consideration to the BCA’s “Commercial Fare” and “Statewide Fare” models. These approaches are not favoured, however, as they reduce the Government’s capacity to manage funding and costs, because they link Government payments solely to patronage. This exposes the Government to increased costs arising from fare rises and patronage increases.

The Review has also considered, but does not favour, the net cost plus economic incentive approach (Model D). This approach would include a payment to operators for the environmental and social benefits derived from attracting people to use buses. The capacity of Government to pay for these externality benefits depends on the community costs of other forms of travel (primarily private car use) being paid by users. While the Parry Inquiry has suggested options for raising this revenue in its Interim Report, the Review is not in a position to recommend it without this revenue stream being guaranteed.

It is therefore suggested that a net cost model be adopted where:

- SSTS is paid on actuals;
- the operator retains fare revenue;
- the Government reimburses operators for concession travel either on the basis of travel undertaken (at an agreed rate) or on the basis of an agreed total price; and
- the Government makes a fixed subsidy payment (where necessary) to ensure provision of agreed service levels (a CSO payment).

Under this proposal, if the operator carries more passengers than expected, their revenue will exceed budget. If fewer passengers ride on the operator’s services, then fare revenue will be under budget. This provides the incentive component to pursue patronage growth.
4. Bus services in metropolitan areas

As noted in Section 4.1, establishing integrated networks within larger contract regions will have a positive affect on patronage, fare revenue and service costs. This reduces the Government’s risk in regard to patronage, as it makes it possible to reverse patronage decline through more attractive services.

The Government still risks increased payments if patronage increases due to the concessions provided to certain travellers. However, the Government can manage this risk through both the planning process and concession fare policy.

The CSO component of the proposed funding model (for relevant contract areas) allows for the redistribution of existing subsidy payments that are presently embedded in SSTS funding arrangements. This, along with the efficiencies from revised planning arrangements and altered contract arrangements, will assist in addressing the financial viability concerns for efficient metropolitan operators.

The CSO approach also provides for the Government to choose to subsidise improved services in existing areas or new “greenfields” services in developing areas.

The Review seeks comment on the preferred funding model.

Equitable treatment of private & public operators
Uniform fare and concession arrangements for all metropolitan bus services provide the means to, over time, redirect the Pricing CSO payment made to State Transit. The Parry Inquiry Interim Report makes a number of proposals to equalise State Transit and private bus fare structures and fare levels. The Review supports the Parry Inquiry Interim Report option to introduce fare uniformity between private bus operators and State Transit. A more detailed discussion of fares and concession is provided in Chapter 6.

As already indicated, the service level CSO payment to State Transit should also be redirected.
4.10 Suggested solutions: metropolitan funding

The Review proposes and seeks comment on the following preferred options in relation to key issues raised in the report:

12. Modify the current “net cost” funding model, where operators retain the fare revenue, to incorporate:

■ payment of school student transport on actual travel only using Smartcard technology;
■ reimbursement of concession travel at an agreed rate or fixed sum; and
■ payment of transparent service subsidies for agreed outcomes at efficient costs, in those areas where it is determined (either on the basis of efficient costs benchmarking or competitive tendering) that fare and other revenue will not be sufficient to enable service requirements to be met.

13. Over time, align subsidy payments to State Transit and private operators as fare levels are equalised, to be part of an industry-wide subsidy payment as outlined in suggested solution 12.
5 Bus Services in Rural & Regional NSW

5.1 Introduction

Rural & regional communities & the role of public transport
Some 27% of the State’s population – more than 1.7 million people – live in rural, regional, and remote NSW, an area spanning some 800,000 square kilometres. Of these, about a quarter live in rural areas, while the remainder live in more than 470 villages, towns and regional centres.

The regionalisation of many key government services (such as hospitals and related health services), and the rationalisation of core private sector services (such as the closure of bank branches) have meant that many country people have become increasingly geographically isolated. People who live in country NSW consistently place the availability of affordable passenger transport services as the key factor impacting on their ability to access essential services and to participate in the community. This is especially the case for people who are considered to be “transport disadvantaged” – a group largely made up of people who are either not in the workforce or are on low incomes, and whose geographic isolation is compounded by the fact that they either do not own, do not have access to, or cannot drive a car.

Despite the important role public transport plays in connecting communities, the delivery of public transport services can be economically marginal in areas characterised by low population densities and vast distances.

The challenge is to ensure that people living in country NSW have reasonable access to affordable and sustainable transport services that meet their diverse needs – and to improve service viability by attracting new users.

The NSW Government’s policy for service delivery in country NSW
In its December 2000 policy statement, Staying in Town: A New Focus for Government Services in Country NSW, the NSW Government recognised that the ways in which government services have been delivered in country NSW have not always reflected the needs of local communities.

Because each town is different, and there is no single approach that will work
5. Bus services in rural & regional NSW

in every community, Staying in Town committed government agencies to tailoring service delivery so that services are more responsive to local needs.

As transport is rarely demanded as an end in itself, but is the key to ensuring that other ends are met, the improved delivery of transport services is integral to the improved delivery of services more generally in country NSW. For this reason, one of the ways in which the Government indicated that it would deliver on its commitments in Staying in Town is through the development of transport plans, particularly to address disadvantage in areas where there is little public transport between towns, limiting people’s access to services.

5.2 Current arrangements for public passenger transport service delivery in country NSW

With the exception of the Government-owned CountryLink rail services, the way in which the NSW Government delivers public passenger transport services in country NSW is through contracting and funding arrangements with private transport operators. These include both for-profit and not-for-profit organisations – such as privately owned bus companies, taxi operators, community transport operators and other community organisations.

The current approach to the delivery of public transport services in rural and regional NSW has not, however, kept pace with the Government’s vision for co-ordinated service delivery focussed on local needs.

The fragmented approach to service planning & funding
The delivery of bus and other passenger transport services in rural and regional NSW has been significantly hampered by a fragmented approach to service planning and funding.

Services are planned by transport mode, within funding program boundaries, by various different agencies according to the identified needs of their given target groups, and often in isolation from each other. As a result, there is presently no strategic consideration of:

- the full extent of the need for transport services;
- the extent to which the existing services meet needs; and
- the extent to which existing services may be reconfigured to better meet needs.
As one submission to the Review put it:

Planning at present tends to take place in terms of separate transport modes and rarely, if ever, considers multiple modes or includes subsidies, funding or concessions as part of the overall rubric. ... What is needed is a new way of planning the operation of transport services that emphasises the generic needs of passengers rather than the concentration on the mode of transport to be provided. (Transport Planning and Management submission)

It is difficult to quantify the level of public funding that currently goes into subsidising (directly or indirectly) transport services in rural and regional NSW.

In the transport portfolio alone, in 2003/04 the NSW Government will spend some $566 million on transport services for country communities.

Other NSW Government agencies, also make significant dollar contributions to the delivery of transport services to country communities. For example, the Department of Education and Training (DET) spends more than $9 million annually in rural and regional NSW transporting eligible students with disabilities to and from school. Similarly, NSW Health spends $7.5 million on transport and related services through its Isolated Patients Travel and Accommodation Scheme, and $2.5 million on its Transport for Health program. An estimated $8 million also comes out of individual Area Health Service budgets for the provision of health related transport services in rural and regional NSW.

Other federal, state and local government agencies also fund programs that, directly or indirectly, subsidise transport services in country NSW. The NSW Attorney-General’s Department’s Safer Communities Development Fund, for example, allocates funding to crime prevention projects such as Street Beat programs that provide transport for young people at risk of offending. Many religious groups, charities, and other community-based organisations (like sporting groups), as well as businesses such as nursing homes and clubs, also provide transport services to various groups in their communities.

This problem was widely acknowledged by stakeholders in their submissions to, and consultations with, the Review:

There is considerable scope to improve the planning, funding and administration of separate transport programs, particularly in rural areas, so that each program complements or adds value to the others.
5. Bus services in rural & regional NSW

Existing planning and funding arrangements often lead to “silos” of less efficient service delivery and/or duplicated coverage of certain transport routes alongside service gaps in other areas. (Consultation with NSW Health, 28 September 2003)

There is an urgent need for a single planning process for transport service delivery within each region or locality. (Consultation with NCOS, 6 August 2003)

To achieve the desirable transport outcomes at a reasonable cost, resource efficiency is required. At present there appears to be a growing number of special schemes related to constituencies seen as transport disadvantaged. The administration of these schemes is widespread and although there has been some attempt to better co-ordinate, a lot more can be done to ensure resource efficiency. (BCA submission)

Unmet demand for services & under-utilised transport resources
Despite the considerable resources that the NSW Government invests in the system, research indicates there are high levels of unmet demand for transport services. As an example, the Government’s Action Plan for Health’s Rural Health Implementation Co-ordination Group estimated an existing unmet demand of up to 250,000 trips per year for non-emergency health related transport services. With the ageing population and the declining availability of carers, the Group anticipates a 16-20% growth in demand for health related transport services in the 5 years to 2006.

These concerns were reflected by a number of stakeholders in their consultations with, and submissions to, the Review, including:
- key NSW Government agencies (including DoCS, DADHC, and the Premier's Department);
- local Councils and their public transport working parties (including Wagga Wagga, Dubbo, Lismore, Ballina and Shoalhaven); and
- peak stakeholder organisations (such as NCOS, the Community Transport Organisation and the Youth Action & Policy Association).

Each of these organisations estimated significant (and growing) levels of unmet demand among transport disadvantaged groups for transport to a range of essential services, including health, higher education, shops, and recreation and sporting facilities.
5. Bus services in rural & regional NSW

Case study: Transport for choice

In the Dubbo area, Dubbo Community Transport currently provides regular bus services, presumably considered commercially unviable, between Dubbo and outlying communities. The services are:

- weekly between Dubbo and Narromine, and Dubbo and Wellington (via Wongarbon and Guerie);
- fortnightly between Dubbo, Trangie and Gilgandra, and Dubbo, Elong Elong and Ballimore; and
- monthly between Dubbo and Orange.

An accredited transport service provider, Dubbo Community Transport charges a nominal fee for the service, based on distance. (Fares range from $5 for the return trip to Wongarbon and $15 return to Orange.)

While they may not ever be commercially viable, the need for this kind of service is clear. According to the service provider, shortly after they commenced the service out to one village, one resident told him that she saved the entire cost of her $9 return fare in the difference in a single purchase at Franklins in Dubbo – a packet of teabags.

As one stakeholder told the Review: “People who live in isolated communities are paying a motza for basic items because they have no choice. And they are generally the ones who can least afford it”.

The result of the fragmented planning and fragmented funding of transport services is inefficient resource allocation, with significant amounts of public funding tied up in capital (vehicle) resources, many of which are seriously under-utilised.

Research has shown that there is rarely, if ever, a shortage of transport vehicles. Rather, the problems are primarily legal and contractual. These include:

- the legislative regime and regulation by mode;
- the Minimum Service Level (MSL) policy and service requirements; and
- the terms and conditions of contracts and/or funding agreements.
The legislative regime & regulation by mode

The emphasis in the Passenger Transport Act 1990 is on regulation by transport mode – that is, regular route (bus) services and taxi services. Where resources are limited however, innovative, tailored solutions to local problems are often needed. These may require a blurring of the traditional regulatory boundaries between modes.

As an example, during the Review’s consultations in Lismore, it heard that Council’s Public Transport Advisory Panel wanted to trial a service using a mix of buses and maxi taxis to cater for the different demand levels at different times of the day. They could not, however, get the service off the ground because of restrictions in the legislation: “The Act won’t allow us to timetable a taxi”.

At the same time that it places barriers in the way of the development of innovative service solutions, the legislation prescribes service models that appear to be out of step with the needs of country communities.

Recent research suggests that the mass transit solutions that work in high density urban areas – like fixed route, fixed stop bus services – may not be as appropriate for rural and regional communities.

This is in part because in urban areas, the market for mass transit services is driven by commuters and others for whom time is the most important commodity – people who will chose services that minimise trip times. In country NSW, however, as the Parry Inquiry Interim Report noted, community rather than commuter needs tend to drive the demand for public transport services. As an example, Australian Bureau of Statistics (ABS) data from the 2001 census showed that 75% of Dubbo’s workforce travels to work by car or other privately owned motor vehicle, while only 0.3% catch a bus.

It is also because traditional modes of public transport service delivery are not meeting community needs particularly well. While the experience in NSW, other states and overseas is that there is a growing market for public transport in country areas – currently expressed as an unmet demand for transport services – this market is primarily comprised of people who are transport disadvantaged. This section of the community tends to be time rich but cash poor, so when choosing a transport service, they are more likely to be concerned with convenience (that is, getting as close to a door-to-door service as possible) and price, rather than with trip times.

It has been suggested that more demand responsive services – like hail and ride, dial and ride, and route deviation on demand bus services, as well as
share hire taxi services - may be appropriate models to meet the needs of this group. However, with its rigid focus on traditional modes of service delivery, the Passenger Transport Act 1990 does not create an environment that facilitates the provision of these types of services. Instead, as one stakeholder put it: “The Act is about regulating the bus and taxi industries, not about providing passenger transport services that respond to community needs” (Stakeholder, Lismore consultations).

The Minimum Service Level policy & service requirements

This problem is exacerbated by the inflexibility of the MSL requirements in commercial bus contracts which are prescribed by the Act:

Bus services are not delivered in response to community demand or need but on the basis of a rigid formula, based on population statistics, that defines minimum service levels that take no account of the community’s mobility aspirations or transport disadvantage. There appears to be little planning activity based around what potential passengers might want and pay for ...

MSLs do not allow for the development of flexible, marketable bus services. They do not preclude them but at the same time, once the MSLs have been met, few bus companies are willing to offer additional services at their own financial risk. (Transport Planning and Management submission)

The limitations of the MSL policy have also been recognised by the bus industry. In its submission, the BCA argues that “flexibility for the local operator to propose and negotiate a sensible level of demand-responsive service as opposed to compliance with a black letter proscriptive [sic] formula will produce the better outcome”.

Not only is the legislative and contracting regime with its inflexible service requirements not in the public interest, but it is not in the long-term best interests of the industry either. The only exclusive rights that it gives commercial service contract holders is the right to run regular, timetabled, route services in a given region or along specified routes. The current regime, therefore, shackles the industry in country NSW to a mode of service delivery that does not reflect the needs of most of its clients.

Put another way, with the exception of those services that are primarily dedicated to transporting school students to and from school, traditional route bus operators in rural and regional NSW have the exclusive rights to sell services that, it would appear, very few people want to buy.
Case Study: The needs of the new public transport marketplace in country NSW

When in Dubbo, the Review heard that older people who did not have serious mobility problems (and so were not priority clients for HACC funded services) would catch a regular bus service into town in order to do their grocery shopping. However, they needed to arrange for the community transport service operator to provide transport home.

This is because having done their shopping, they were unable to manage the walk home from the bus stop with their shopping bags. They needed a door-to-door service, but could not afford a taxi.

As well as helping to explain the burgeoning demand for community transport, this suggests that the mode-based service categories prescribed in the legislation, and reflected in the service standards entrenched in the contracting regime, are no longer an appropriate mechanism for regulating public transport service delivery, at least in country communities.

The terms & conditions of contracts &/or funding agreements
The terms and conditions of contracts and/or funding level agreements may place a further obstacle in the way of developing services that will meet the needs of rural and regional communities.

Contracts and/or funding agreements with service providers may not provide for – or may even prohibit – the use of vehicles for purposes other than the purpose for which the vehicle is funded.

As a case in point, the 1,829 vehicles that comprise the existing school bus fleet are fully funded by the NSW Government through the School Student Transport Scheme (SSTS), but under current arrangements they are generally used only in the mornings and the afternoons.

Stakeholders have argued that a better return is required for the taxpayer dollars currently invested in the system:

   In some communities, like the some of the smaller villages outside of Lismore, the school bus is the only form of transport. The Government pays for the bus through the student travel scheme, but we can’t get access to it, which means that some of these people, especially in communities with large indigenous populations, end up being totally
isolated. (Stakeholder, Lismore consultations)

It is surprising that this large transfer of taxpayer funds [more than $230 million in rural and regional NSW] is not being used to purchase a much more extensive and appropriate range of community transport services. (Parry Inquiry Interim Report)

In its submission to the Review, the BCA suggested that “idle non-commercial buses may be able to be used in providing distant communities with some transport access to larger towns and services” and certainly, recent projects have demonstrated how these buses can be better used for the benefit of the community.

Case study: Improving services through better use of the bus fleet

As part of the Ministry of Transport’s 2001/02 Western NSW demonstration trials, a partnership of stakeholders pooled subsidies to establish bus services between Broken Hill and the outlying communities of Menindee and Wilcannia. The service was planned to cater for the health transport needs of local residents. Using a local bus in between school runs, and employing local Aboriginal drivers, these services ran daily between the two communities and the regional centre, providing:

- a significantly higher level of non-emergency health transport at a considerably lower unit cost than was previously available; as well as
- an important link to Broken Hill for other members of the community, who are able to fill vacant seats for a nominal charge.

Similarly, the Macquarie Area Health Service (MAHS) recently negotiated a service for clients of Dubbo’s Lourdes Hospital’s stroke respite daycare program. The service used buses contracted to the DET to transport school students with disabilities. Because these buses are fully funded by the DET, the MAHS was able to negotiate the provision of the service at a nominal cost – less than it would have cost the hospital to buy and maintain its own bus, and employ a driver.

These case studies are good examples of what can be achieved, but the problem is that the outcomes rely on the contractor making their vehicles available for additional services and/or at a reasonable price. When an operator’s revenue needs are fully met by the funding they receive to provide school bus services, there is little incentive for them to develop further...
business opportunities or release the vehicle for use by others to meet community needs. This was highlighted in the evaluation of the Western NSW trials, which found variable attitudes and business capacities in the for-profit transport providers.

These problems are not limited to arrangements with for-profit transport providers. The evaluation of the Western NSW trials also noted that, as well as constraints in funding arrangements, there may be boundary protection issues, with organisations restricting access to their vehicles.

As an example, the evaluation report cites one stakeholder in the Broken Hill area:

“Make better use of existing buses? People who say that haven't worked in these communities. No one is willing to give up their bus even for a day.”

There is a clear need for the NSW Government to have greater control over the use of resources for which the Government has paid, to ensure value for the public investment in public transport for rural and regional communities.

Other barriers to the better utilisation of vehicle resources
As well as the legal and contractual obstacles to the better use of existing vehicles, the Western NSW trials highlighted the importance of ensuring that the community had access to up-to-date information about available services.

During the Review’s consultations with regional communities, it also became clear that making idle school buses available was only part of the answer to the problem. The need to recruit and train drivers was highlighted by a number of stakeholders.

Funding & financial viability: bus services in rural & regional NSW
As well as the constraints on the efficient use of capital resources that limit value for public money, it appears that the model for funding bus operators in country NSW also has significant flaws.

The funding model for commercial contract services in the country is the same as that which applies to commercial contract services in metropolitan areas (see Section 4.3). That is, commercial contract operators derive their revenue from the farebox (including concession reimbursements and SSTs
payments). The only difference is that the assumed pass usage rate for purposes of determining SSTS payments is 79% of the passes on issue.

Non-commercial contract services are fully funded through the SSTS. The Ministry of Transport pays the operator a fixed amount for providing the service, based on the size of the bus, driver hours, the distance travelled, and the number of school days per year. Non-commercial operators may also carry fare-paying passengers if they have spare capacity.

Initial analysis of the financial viability of both commercial and non-commercial contract service providers operating outside the metropolitan area suggests that they may be over-remunerated.

As a sector, non-metropolitan commercial contract operators are achieving financial returns well over the average returns currently being achieved by metropolitan operators. This suggests that this sector of the industry is currently financially viable (if not over-compensated) at current funding levels, which may be attributed to the fact that MSLs in regional NSW are lower, requiring lower levels of cross subsidisation between profitable SSTS services and unprofitable routes. It further suggests that the Ministry of Transport’s recent decision not to pass on an increase in the rural fare scale (which is now 20% higher than the country town fare scale) will not cause the majority of non-metropolitan commercial operators to become financially unviable.

Non-commercial contract operators, as a sector, are currently achieving financial returns that are significantly in excess of the averages for commercial service providers in both country and metropolitan NSW.

This may be because:

- the current rate of return on capital is overly generous at an average of about 14% - especially given the relatively low risk nature of the “gross cost” funding model for non-commercial contract holders;
- the funding model does not take into account economies of scale where a single operator may have more than one contract. Of the 922 non-commercial operators, 547 are single contract (one bus) operators, 75 have 5 or more contracts, and 21 have 10 or more contracts. The current funding model is heavily skewed in favour of those operators with multiple contracts; and
- the “required revenue” (or gross cost) model for non-commercial services does not take into account income from other sources - such
as fare paying passengers and charter or other work undertaken outside the school bus run.

In its submission to the Review, the BCA also raised concerns about the way in which the current non-commercial funding model is linked to the type of vehicle required to deliver the service (rather than the vehicle that is actually used). There are four categories of payments based on seating capacity, and if student numbers vary during the life of the contract, the funding model allows the operator’s payments to be varied accordingly. In other words, if the operator has purchased a category 4 vehicle (which seats between 42 and 57), and student numbers drop so that a category 3 vehicle (which seats between 26 to 41) is sufficient to provide the service, the operator will be paid at the lower rate.

While the variation in student numbers needs to be sustained over a reasonable period (about 2 years) before the Ministry of Transport will act to change the payment category, operators have claimed that it is a significant risk.

The procurement of bus service in rural & regional NSW

In its submission, the BCA opposes the introduction of competitive tendering for services “contracted to operators that were not created by a competitive bid/selection process initially.”

This is, however, an argument for testing the market.

As the Parry Inquiry Interim Report states: “The amount paid by the Ministry of Transport to metropolitan and rural private operators solely for the [SSTS] appears well above what might be expected from a more competitive bidding process.” Given that the case for restrictions on competition being in the public interest has not yet been proven, current arrangements potentially breach competition policy requirements.

5.3 A new approach to delivering public transport in country NSW

The current approach to planning and funding bus and other public passenger transport services in rural and regional NSW has lead to a situation in which considerable amounts of public funding, across a number of Government agencies, is being invested in the system, but because:

- service models do not match needs, and
resources are being poorly utilised, people in need can’t necessarily get a transport service.

It is clear that country NSW needs a new approach.

The Review proposes reforming transport service delivery in country NSW premised on the introduction of Integrated Regional Transport Plans - across transport modes - that make the best use of all available vehicle and funding resources in order to provide services that meet local needs.

Building on the achievements of the Western NSW trials, this new approach provides a mechanism to bring service planning, development, funding and contracting together on a regional basis, to:

- encourage strong stakeholder involvement in identifying the region’s transport needs, as well as developing strategies to match these needs;
- encourage the co-ordination and integration of all transport services in the region to deliver a responsive, safe and affordable passenger transport network;
- provide for the efficient and effective use of resources to meet the broader needs of the whole community; and
- support the establishment of more viable transport services.

Identifying local needs

Identifying the needs of local communities is the necessary starting point for planning effective public transport services in country communities. An approach that engages closely with target communities (including service users) has proved to be successful in NSW and other jurisdictions.

The establishment of Transport Working Groups in the communities that participated in the Western NSW trials was crucial to the project’s success. Similarly, in developing a transport plan for its Murray Mallee region, the South Australia’s Passenger Transport Board (PTB) found that extensive community consultation both:

- helped the project team to gain an understanding of where users needed to travel and for what purpose (and so to design appropriate services); and
- helped to ensure that the community was aware of, and would use, the services that were then provided.
In submissions to the Review, and during the Review’s consultations, stakeholders indicated broad support for a model that involved affected groups in the process of identifying needs, and helping to develop services to meet those needs. In its submission, for example, the BCA wrote:

Because of the diverse nature of individual population groupings in the rural and regional area, the challenges there are most likely to be met in our view by the development of a series of regional committees with regional representatives of Government, local communities and the local bus operator, co-ordinated by the Ministry of Transport.

As a first step in a new approach to delivering improved public transport services in rural and regional NSW, the Review proposes the establishment of local level consultative mechanisms (Transport Working Groups) within catchment areas - transport regions - with representation from government agencies, local government, local transport operators and community organisations, to identify and prioritise the need for transport services.

The Review suggests that these transport regions follow the boundaries of the local planning areas used across the human service agencies (such as NSW Health and DADHC).

Making better use of resources through a whole-of-government approach to service planning, funding & delivery

The Parry Inquiry Interim Report indicated that various programs and trials have provided sufficient evidence that regional community transport services can be improved through better co-ordination.

This was reflected in submissions to, and consultations with, the Review’s stakeholders, with key groups stressing the need for a properly co-ordinated, whole-of-government approach to planning, funding and delivering passenger transport services in country NSW:

It is essential that any new model of transport coordination has a cross agency, whole of government approach ... While there is merit in the [Transport for Health] model, it is again reflective of the failure of government to take a strong, cross agency approach to transport needs. In the absence of an effective whole of government approach, it is likely that there will be more initiatives from individual government agencies, leading to further fragmentation and inefficiencies ...
Transport co-ordination processes need to operate across human services agencies rather than within individual agencies. The leadership process should be invested in one key Department, preferably the Ministry of Transport or the Premier's Department. (NCOSS submission)

A whole of government approach will be necessary to produce an effective public transport plan. (BCA submission)

A whole of government approach and comprehensive mapping of needs is required to address the whole of transport needs effectively and with equity (both in the community and between departments and agencies). (Shoalhaven Public Transport Working Party submission)

The development of Integrated Regional Transport Plans that respond to the identified needs of service users has the ability to achieve this outcome, and better deliver on the NSW Government’s commitments in Staying in Town.

Having identified, at a local level, who needs to travel where, when, and why, it is possible to “package” those needs, and so plan for (and deliver) the more efficient and effective delivery of services.

As well as providing services that meet a number of otherwise disparate needs, and so achieving greater resource efficiencies, the Integrated Regional Transport Planning model also makes better use of available funding resources. Rather than fully funding stand-alone services, local councils, state government service providers, and government funded community organisations share the costs of services identified under, and purchased through, the Integrated Regional Transport Planning process, according to the extent to which the service is used by their target populations.

During its consultations with NSW Health, the Review was informed that the services that were established between Broken Hill and Menindee and Wilcannia during the Western NSW trials demonstrated that pooling subsidies from a range of programs to provide a single service has wide ranging benefits for the whole community. The proposed Integrated Regional Transport Planning process builds on this approach, as a mechanism to formalise this “freeing up” of resources and deliver better, more cost effective services.
Case study: Aggregating travel demand to make better use of resources

Noting regular volumes of cars or small buses providing health related transport along key routes from outlying communities (like Warialda) to regional centres (like Tamworth), the New England Area Health Service developed the concept of strategic health transport corridors.

As well as more efficiently meeting the needs of health clients, it was felt that establishing a regular timetabled bus service along these strategic corridors would also help to meet the needs of people who had other reasons for travelling to a given centre, stimulating the mainstream public transport market.

Using this approach, a number of government and community stakeholders are currently looking into modifying the timetable for the CountryLink coach service that operates, week days, between Walgett and Dubbo. The aim is to provide for a four-hour stopover in Dubbo to allow people to use a mainstream public transport service to get to their medical and other appointments. This would also allow community transport service providers in Walgett and other outlying communities to redirect their resources to meet other needs. (Community transport providers in these areas report that, because their resources are tied up transporting clients to Dubbo, they are often unable to provide local services to meet other needs in their areas.)

There are a number of ways in which this can be achieved.

In some submissions to the Review, stakeholders suggested that to overcome the fragmentation in the existing approach to funding rural and regional transport services, and to enable funding agencies to buy more services (obtaining better value for their money), all subsidies should be pooled and managed by a single regional agency.

A variation on this approach, and one with wider support, is that of the “virtual pooling” of funding resources. Under this concept, individual funding agencies retain control over their budgets, but “purchase” services for their target groups by committing funds to the establishment of given services through the Integrated Regional Transport Plan process. For example, an agency might buy a certain number of seats on a planned scheduled bus service, or buy kilometres in a wheelchair accessible taxi service. This allows
agencies to ensure that the needs of specific target groups continue to be met, as well as helping to establish viable services that meet the needs of whole communities.

Either approach requires the establishment of an Integrated Regional Transport Budget. For this to work, it will clearly need support at senior levels of government, and be formalised in agreements between agencies.

**Employing regionally-based transport development officers**

The evaluation of the 2001/02 Western NSW trials highlighted the critical importance of having a person with local knowledge and transport expertise “on the ground” in order to bring stakeholders together, better co-ordinate existing services and develop new and innovative transport services.

The majority of the Review’s stakeholders also saw an urgent need for a network of transport development workers in rural and regional NSW, with responsibility for driving consultation and service planning at local levels, and brokering service improvements.

The Review suggests that the Ministry of Transport employ regionally-based officers – transport development officers – to manage the process of developing and implementing local level Integrated Regional Transport Plans.

Working through the local Transport Working Groups, the Ministry of Transport’s regional transport development officers would have responsibility for:

- identifying, analysing and prioritising needs;
- developing a package of services designed to meet those needs (an Integrated Regional Transport Plan);
- negotiating the procurement of those services;
- overseeing the implementation of planned services; and
- developing incremental services, in response to emerging and changing needs.

The Ministry’s regionally based officers would also be responsible for closely working with contracted transport service providers (including community transport operators) and designated officers in the NSW Government human service agencies - such as the Transport Co-ordinators that NSW Health has recently employed in each of the 10 rural and regional Area Health Services - to co-ordinate the provision of demand responsive services, purchased as a package of kilometres through the Integrated Regional Transport Planning process.
Case study: A new approach to service planning, funding & delivery

While in Wagga, the Review was told that the DET, through its Special Needs Transport Service program, funded a wheelchair accessible taxi to transport a child with physical and intellectual disabilities to and from school at a cost of more than $1,000 a month.

The local bus operator – with the support of the family - said that they would be able to transport the child in a mainstream school bus for the cost of purchasing and installing an appropriate seat with the necessary restraints (estimated at about $1,000). It is understood, however, that the DET program guidelines did not permit the purchase of capital equipment.

A whole-of-government planned approach to funding and delivering services – where all stakeholders are involved in identifying needs and developing innovative solutions – should help to deliver better and more cost effective services by allowing the Government to stretch limited resources to provide a service to a greater number of people. In this case, it would also help to meet the objectives of policies that aim to ensure that people with disabilities can access mainstream services.

A new regulatory framework

Because it is capable of being finetuned to the needs of each community, rather than a “one size fits all” approach which might unnecessarily limit (rather than facilitate) flexibility and extension of service provision, the proposed Integrated Regional Transport Planning approach has broad support from stakeholders.

This includes the private bus industry, which supports bus plans that:

- Reflect travel patterns.
- Are jointly developed between Government, community stakeholders and the local operators, who know their area best.
- Take into consideration services provided by community transport operators.
- Reflect an appropriate funding mechanism.
- Co-ordinate resources in regional areas. (BCA submission)

Buses will, undoubtedly, continue to play an important role in the delivery of public passenger transport services in country NSW - they are relatively
cheap to purchase, operate, and maintain, and they have the ability to be flexible and responsive to changing needs.

However an approach to service planning that puts the needs of users first – that determines what services are required, and then works out how best to provide them – inevitably crosses traditional service delivery modes.

The Parry Inquiry Interim Report suggests that the Government consider implementing more flexible private bus contracts that facilitate the provision of packages of services that better meet community transport needs, rather than provide for only limited school student transport. Taking this idea one step further, the Review proposes that the NSW Government consider implementing a more flexible legislative regime, with a focus on the delivery of required service outcomes rather than on modes of service delivery.

One possible approach would be to create a model for rural and regional NSW that would allow one or more appropriately accredited transport service providers to be contracted to operate the mix of planned services required by their communities, using whatever vehicle is the most appropriate. New, more uniform accreditation standards, and appropriate vehicle and driver standards, would also apply to ensure public safety and service viability would apply to all operators irrespective of mode.

The development of a new regulatory model would take into account the recommendations of the 2002 Review of the Regulatory Framework for Community and Courtesy Transport Services in NSW, which proposed a more uniform approach to accreditation across different types of service providers.

While the Review’s terms of reference require it to consider how to make better use of resources in rural and regional communities, the Review notes that proposals which would result in the effective deregulation of the country taxi industry are beyond its scope. To this end, while the Review:

- envisages that taxi-type services would play a role in the delivery of an Integrated Regional Transport Plan; and
- taxi operators could be contracted to provide those services;

it proposes that the right to stand a vehicle for hire on a road or road related area be preserved for taxi license holders.

Delivering better value for money
Procurement
In terms of procuring services, the Government’s clear obligation is to deliver value for money to the community.
Competitive tendering is one option for getting a better value for money outcome, helping to ensure that the Government is not paying above market rates for services and, potentially, helping to achieve better economies of scale through rationalising existing service overlaps. As the BCA notes in its submission, “better service planning and integration between commercial/non-commercial contracts could reduce costs or fund new services”.

While a new approach to procuring transport services in country NSW is clearly necessary, it should, however, be flexible, based on the method that delivers the expected best outcome. The test should be what is the public interest. Competitive tendering may be the best approach where there is the likelihood of reasonable competition, but direct negotiation may be considered more appropriate in smaller communities where there may be only one existing service provider and little likelihood of others being interested.

In calling for tenders or undertaking negotiations for a package of planned services, it is proposed that all appropriately accredited service providers (including for-profit and not-for-profit organisations) should be eligible to take part. Decisions with respect to the award of contracts would be made in accordance with a range of principles, so that the successful contractor (or contractors) will be the accredited provider/s that offer the best value for money. This, obviously, includes the ability to deliver core services safely, and to meet (as appropriate) the special needs of people with disabilities and high-need health transport clients.

This approach would not preclude, and in fact would encourage, groups of operators to put forward joint proposals for the delivery of a package of services. Neither would this approach preclude a given operator from nominating specific services with a package of services.

A strong principle underpinning the Integrated Regional Transport Planning approach is that existing public transport service operators who have been contracted to provide a package of services – in whole or in part – should be given first right of refusal to provide any incremental services at a rate clearly identified in the contract. As the BCA notes in its submission:

At present there are transport services which are under utilised, but decisions are still made to add new services without consulting the local operator first. This is an important consideration as there could be an existing operator who is able to provide the service at a lesser rate.

While the overriding concern is the provision of needed transport services, these more flexible arrangements also aim to build more viable and efficient
Contracting
The flexibilities in the proposed new approach to accrediting service providers and procuring services should be reflected in a new contracting model.

The fact that the legislation limits the Government to entering into two contract types for regular route passenger services, and then prescribes much of the content of these contracts, may unnecessarily hamper the development of better – and better value for money – service outcomes.

As it stands, the concept of a commercial and a non-commercial contract may be an artificial distinction for services in country communities, especially given that:

- the majority of commercial contract operators rely heavily on revenues derived from SSTS payments and concession reimbursements, with the number of passengers paying full fare generally comprising a very small percentage of total passengers; and
- non-commercial contract operators may derive income from their fareboxes, as well as from other commercial activities.

Under the Integrated Regional Transport Planning process, an accredited transport service provider may be contracted to provide a mix of regular route and demand responsive services, carrying a mix of passengers including full fare paying commuters, persons travelling on concessions and health and other community transport clients, whose “seats” are purchased by the Government through the “virtual pooling” of various agency resources.

This suggests the need for new contract models that maximise flexibility, so that as the needs of the community change, the Government may:

- restructure the provision of services within the life of the contract; and
- nominate incremental services at a rate fixed in the contract.

These more flexible arrangements will require the development of service standards that are appropriate for the mix of service models likely to be developed for a given community. Using a centre like Dubbo as an example, an appropriate service mix might involve:

- traditional route services in the AM and PM peaks, that are fast, frequent and direct, with the aim of attracting commuters to the service;
dial-a-bus and/or “route deviation on demand” services in off peak periods; and
charter services for various groups in the evenings, on weekends and during school holidays.

Performance standards for traditional regular route bus services in rural and regional communities should be the same as those proposed in Section 4.2 for metropolitan services.

For demand responsive services, establishing appropriate service standards and performance measures requires the resolution of some complex questions. For example, recent research has found that in areas with low passenger demand densities, flexible service strategies may provide trip times that are comparable with conventional fixed route, fixed stop services. Trip times increase rapidly, however, with increasing passenger demand. This is because of the extra distances the bus is required to travel to pick up and set down passengers on a “route deviation on demand” or similar type of service. Because differences in passenger numbers on any given service will greatly influence trip times, service standards for demand responsive services will be need to balance meaningful performance measures against the requirement for flexibility.

The Review, therefore, seeks comments on appropriate performance standards for demand responsive service strategies, and mechanisms for monitoring compliance with those standards.

Finally, as with the proposed arrangements for contracting in the metropolitan area, it is proposed that any new contracting model cover issues like:

- the term of the contract (which would ideally be for 5 years);
- new funding and planning arrangements;
- appropriate provisions for ensuring the provision of patronage data to better inform the planning process;
- consistent fares and concessions;
- appropriate mechanisms for dispute resolution, for dealing with various breaches of the contract, and for enabling the Ministry of Transport to reassign the contract should an operator be in serious breach of the contract, cease to be accredited, or cease providing contracted services; and
- appropriate requirements with respect to the dissemination of information about services.
The Review believes that it is unacceptable that community access to a publicly funded vehicle is solely at the operator’s discretion and on terms decided by the operator. This is compounded by the fact that a substantial part of the State’s bus fleet lies idle between school runs and there is little community awareness that these buses are a public asset.

To address this, the Review recommends that contracts involving Government funded vehicles should stipulate that, when the vehicle is not required for contracted services, it must be made available to specified community groups at a benchmarked efficient operating cost.

Funding
Section 4.2 deals with the various options for a funding model for metropolitan commercial contract services.

Under the proposed Integrated Regional Transport Planning approach, the distinction between commercial and non-commercial services is no longer relevant. In its place, it is proposed that consideration be given to introducing an integrated funding model tailored to local circumstances.

The Review proposes a funding model that is based on a mix of:

- farebox revenues;
- SSTS payments (paid on actual usage) and concession reimbursements (paid at an agreed rate or fixed sum); and
- a level of subsidy from the pool of available Government funding (including funding from the various human services agencies, the funding that currently goes into buying services under the SSTS, and savings from efficiency gains such as economies of scale).

The level of Government subsidy would depend on the potential demand for services. In areas where the demand for services is high, the farebox would account for a higher proportion of total revenues. In areas where the demand will not be as great, and farebox revenues commensurately lower, the level of Government subsidy will need to be proportionally higher.

As noted in Section 5.2, however, part of the reason that conventional public transport services are poorly patronised is that service delivery models do not match the needs of potential service users. Because the basic premise behind the Integrated Regional Transport Planning approach is that it will deliver needed services, it seems likely that it will induce demand. Over time, as patronage levels will grow, farebox revenues will increase.
Also, it was South Australia’s experience that, as an unexpected consequence of the implementation of its Murray Mallee transport plan, charter revenues significantly increased. This was because the contracted operators became better known in the community, and the community became more aware of the availability of the services. There is significant scope for work of this kind to increase in rural and regional communities. In particular, there is a potential to increase the market for transport services among organisations that currently own and maintain vehicles for providing courtesy transport. Organisations like nursing homes, sporting groups, or clubs should be able to buy a lot trips for the cost of buying and maintaining their own vehicle and employing a driver. As existing courtesy transport vehicles need replacing, there will be opportunities to further develop this market.

There is a need, then, for the funding model to ensure that operators are not over-remunerated (as would seem to currently be the case); that services are provided at efficient costs; and to protect the Government from any risk associated with increases in concession reimbursements as patronage levels increase.

Most importantly, there is a need for a model that pools available transport funding to create an Integrated Regional Transport Budget.

5.4 Transitioning to new arrangements

The Integrated Regional Transport Planning process may take a “blank slate” approach, or, more practicably, an incremental approach, transitioning to new arrangements.

As part of these transitional arrangements, it is envisaged that the regionally-based officers of the Ministry of Transport will be employed, and Transport Working Groups will be established, to identify service gaps and develop appropriate service solutions. While contracts and funding agreements with existing service providers are on foot, it is proposed that those providers be offered a first right of refusal for the provision of services required to fill identified gaps. Where more than one existing service provider is interested in providing the service, an Expression of Interest process would be used.

In line with the BCA’s suggestion, the Ministry’s regionally based officers may also be able to negotiate variations in the local commercial operators’ MSLs to provide a range of more flexible services in the interim.
5.5 Exploring the concept: the Dubbo case study

To help develop a planning/contracting/funding model that will give the NSW Government the flexibility it needs to be able to:

- identify local transport needs;
- procure services that meet those needs; and
- ensure ongoing development of services to meet changes in needs;

the Review is undertaking a case study based on Dubbo and some of its surrounding areas – Gilgandra to the north, Narromine to the west, and south through Geurie to Wellington – using information about local needs identified during the Dubbo trials and from the Review’s Dubbo consultations.

Dubbo Case Study:

Initial findings are as follows:

- Community, rather than commuter, needs drive the demand for public passenger transport services in Dubbo, as in most rural and regional communities.
- Frequent and direct services in the morning and afternoon peaks may make bus services more attractive to Dubbo’s commuters.
- There is a high level of demand for services among people who are transport disadvantaged, which Dubbo Community Transport cannot meet.
- A new model for mainstream public transport service delivery is required to fill in the service gaps.
- As well as better meeting local needs, more responsive mainstream public transport service models should also help to free up resources to enable community transport service providers to deliver additional services to higher needs clients.
- There appear to be sufficient resources – vehicular and funding – in the system to provide reasonable levels of service. There is, however, a need to change the way in which resources are deployed, so that public dollars are used to buy services rather than purchase additional infrastructure where existing infrastructure is available.
- While there is some scope for rationalisation of non-commercial contract services, initial analysis suggests that the distances travelled are such that opportunities may be more limited than had originally been thought. More work needs to be done on this.
- Savings should, however, be able to be derived from the better use of assets and from economies of scale, possibly achieved through the rationalisation of number of contracts/contract holders.
5.6 Suggested Solutions: rural & regional NSW

The Review proposes and seeks comment on the following preferred options in relation to key issues raised in the Report:

14. Introduce Integrated Regional Transport Planning as a vehicle for a whole-of-government approach to planning, contracting and funding transport services in rural and regional areas.

15. Establish Transport Working Groups in identified transport regions - aligned with the planning areas used by NSW Government human service agencies to involve stakeholders in identifying and developing strategies to meet the region’s transport needs. These groups would bring together state and local government agencies, service providers, community organisations and representatives of service users.

16. Employ, in the Passenger Services Division of the Ministry of Transport, regionally based Transport Development Officers with responsibility for co-ordinating, in consultation with the Transport Working Groups:
   - the development plans that identify needs and the package of services required;
   - procurement of services; and
   - ongoing contract management and performance monitoring.

17. Implement a new regulatory model, with a focus on service delivery outcomes rather than different service types, and a more uniform approach to accreditation across service providers to promote innovative service solutions.

18. Implement flexible arrangements for procuring the identified “package” of services required for a particular area. Local service providers should be encouraged to work co-operatively and submit collaborative proposals for meeting identified service needs. Competitive tendering could be an option where collaborative efforts are not possible, and/or there is a likelihood of reasonable competition.

19. Assess service provision proposals on the basis of:
   - maximising available resources and minimising duplication of effort;
   - effectively meeting identified community need;
20. Implement a more flexible contracting regime, based on services to be provided rather than a specific region or route and incorporating the following:

- a 5-year term;
- new planning and funding arrangements;
- arrangements in relation to SSTS, fares, ticketing and concessions
- measurable service standards and specifications for the mix of required services;
- appropriate reporting requirements to enable better monitoring of performance and assist with service planning; and
- mechanisms for dealing with dispute resolution, complaints, breaches of the contract, and reassignment of the contract in certain circumstances.

Contracts with service providers that involve use of Government funded vehicles would also include availability requirements and charge out rates to specified community groups (based on benchmarked efficient marginal operating costs).

21. Obtain cross agency support for establishing Integrated Regional Transport Budgets through pooling existing funds from SSTS payments, concession reimbursements, community transport funding, and other NSW Government agencies’ rural transport programs.

22. As part of the new contractual arrangements, implement a funding model that:

- is appropriate, encourages service providers to collect and retain fare revenue;
- enables specific services to be purchased on a per kilometre basis;
- reimburses any SSTS or concession travel provided on the basis of actual travel and/or at an agreed (efficient cost) rate;
- enables the provision of targeted subsidies (from the Integrated Regional Transport Budget) where the above funding streams will not be sufficient to enable the provision of services identified through the planning process; and
enables any savings from the pool of funding to be directed towards increased service provision and/or the purchase of additional services.

23. Recognising the success of the Western NSW Transport Trials, develop a proposal for an Integrated Regional Transport Planning model (as outlined above) for NSW, incorporating Transport Working Groups, Transport Development Officers, new contractual arrangements and an Integrated Regional Transport Budget.
6 Statewide issues

This Chapter looks at a number of issues that are of statewide significance and are critically important in considering how to improve bus services in NSW – fares, ticketing and concessions, SSTS, and governance arrangements.

6.1 Fares, ticketing & concessions

Fare structures and levels
As outlined in Ministry of Transport’s submission to the Parry Inquiry, fares policy needs to balance encouraging the use of public transport with ensuring that passengers make an appropriate contribution towards the cost of providing services.

In the bus industry, with a large Government operator and a multitude of large and small private operators, achieving an appropriate and equitable balance is challenging. Nevertheless, the Ministry believes that bus fares should address several simple principles:

- fares should provide equitable access to the bus system;
- fares should be set at the same level for similar services;
- some limited discounting of fares should be provided for frequent travellers;
- common ticketing such as Smartcard should be on all metropolitan buses;
- the same concessions should be available on all bus services; and
- fares and ticketing systems should be convenient and simple to use.

State Transit’s fares and ticket products are set by the Independent Pricing and Regulatory Tribunal (IPART). Private bus fares are set by the Director-General of the Ministry of Transport. Since 2001, IPART has also made recommendations to the Director-General in relation to private bus fares. As a result of the current arrangements, numerous fare scales apply across NSW.
Fare levels are lower in metropolitan areas than in rural and regional areas. Within metropolitan areas, there are disparities between State Transit and private operator fares. In total, 7 major fare scales apply, as shown in Figure 6.1.

Figure 6.1: Fare Scales

Based on an analysis of fares charged across the system, the following comparisons can be made:

- State Transit (Sydney Buses) fares – the lowest fares;
- Metropolitan private bus fares – on average, 24% higher than State Transit fares;
- Transitway fares – equivalent to metropolitan private bus fares;
- Nightride fares – equivalent to metropolitan private bus fares;
- Urban Fringe private bus fares – on average, 50% higher than State Transit fares;
- Country Town private bus fares – on average, 50% higher than State Transit fares; and
- Rural fares – on average, close to 90% higher than State Transit fares

The Pricing CSO payment enables State Transit to charge lower fares and offer more generous discounts on its multi-ride and Travelpass tickets to meet the Government’s environmental and social objectives. Where private
operators do offer discounts on multi-ride tickets, the products are still priced much higher than State Transit Traveltens and Travelpasses. For example:

- an infrequent, cash-paying passenger travelling 5 sections pays $2.70 on State Transit buses and $3.30 on a private bus; and
- a frequent commuter taking 10 trips over 25 sections to Sydney CBD pays $4.20 per trip when using State Transit’s Travelten from Palm Beach, and $6.60 per trip when using Westbus’ weekly from the Hills District.

Private operators are not even obliged, under the current commercial contract, to offer weekly or multi-ride products, and if an operator decides to withdraw a discount, they can effectively increase the fare by up to 25%, as long as they remain below or at the maximum regulated fare level. This scenario is real, with one operator increasing its periodical fares by 25% after the 2003/04 fare review.

The fare differences are made even more stark when service quality is taken into account. It is generally accepted that State Transit provides a higher standard of service than private bus operators. If passengers are willing to pay higher fares for improved service quality, then State Transit fares should, if anything, be higher than metropolitan private bus fares.

A further matter is cost recovery. IPART’s 2003/04 determination of State Transit fares indicates that State Transit’s cost recovery has been decreasing. The continuation of lower fares than private operators and heavily discounted ticket products will not lead to sustainable improvements in State Transit’s cost recovery.

Under the Energy Grants Credit Scheme, bus operators receive Commonwealth payments for using diesel or alternatives such as natural gas on services running either within or into metropolitan areas. Bus operators not receiving payments under this scheme are permitted to charge higher fares (2%) for metropolitan and some urban fringe routes. These operators are effectively being “rewarded” for using less environmentally friendly or efficient fuels, while passengers are bearing the cost.

Disparities extend to regional areas, where passengers can be charged two separate fare scales. A Country Town fare scale applies within regional centres and larger country towns and a Rural fare scale applies for longer “village to village” or “village to country town” journeys. The Rural fare scale is currently 20% higher than the Country Town fare scale and was, until
31 August 2003, 25% higher. From a passenger’s perspective, the reasons for paying this significantly higher premium are difficult to justify on the available evidence.

For instance, a nine section (about 14 kilometres) single adult journey from Coffs Harbour’s Park Beach Shopping Plaza to Sawtell costs $5.50 on the Country Town fare scale. The same distance trip from the same shopping centre to Moonee Beach costs $6.90 on the Rural fare scale. The $1.40 difference in these fares reflects the inequity in the current arrangements.

This anomaly has a flow-on effect on SSTS payments. For example, for every secondary student carried nine sections on the Country Town fare scale, the operator receives $1,041.66 per annum. For every secondary student carried nine sections on the Rural fare scale, the operator receives $1,317.96 per annum. That is, despite possible service similarities, one operator might receive an approximate $300 annual premium from the taxpayer. This taxpayer premium increases with increasing distances travelled.

Concessions
The Government obliges bus operators through the contract regime to offer transport concessions to support social policy objectives.

State Transit and private bus operators are required to offer concessions to a specified range of passengers at half fare, and some are provided with free travel. As with its lower fare levels, State Transit is funded to offer further concessions, including the heavily discounted Pensioner Excursion Ticket (PET).

Both State Transit and private bus operators submit data regarding travel undertaken by passengers who are eligible for concessions. The Ministry of Transport uses this data as the basis for reimbursing bus operators. In future, the smart card system will generate, for the first time, accurate and transparent travel data that will replace the need to rely on current operator submissions.

Ticketing
Bus operator ticketing systems generally do not integrate either with other bus operators or other modes of transport. The exception is State Transit, which integrates with both CityRail and State Transit ferries with its Travelpasses, Pensioner Excursion Tickets and tourist products.
6. Statewide issues

A Smartcard ticketing system is being developed to cover all bus, rail and ferry services within the CityRail operating area. The implementation of a system on such an extensive basis presents considerable challenges and will require a measured and methodical implementation approach.

Even though the smart card system is now under development, bus operators are not obliged under their contracts to offer and honour a common ticketing system.

Smartcard ticketing will also assist in making services more reliable and efficient, particularly in peak periods. The need to discourage cash payments was a recurring feature of submissions with comments such as:

- Force or encourage people to pre-buy weekly or multi-use tickets instead of clogging the service when they buy tickets with cash on the bus itself. (#962)
- Introduce “no change given” policy during peak hours. (#840)

6.2 A proposed new approach

Equitable access
Where the Government purchases bus services from operators and regulates fares, it should ensure passengers are treated equitably. This requires consistency, at least within metropolitan areas and non-metropolitan areas, and better balancing of fare levels and taxpayer contributions.

The split responsibilities for determination of fare structures, levels and ticketing products should be eliminated. IPART should have responsibility for the determination of these issues for Government and private bus services. Further, the determination should be made on the basis of a medium term price path to provide operators with a degree of certainty over cost recovery. The period of this price path projection should be for 5 years (for consistency with the contracting period), with annual reviews of real costs. This is consistent with IPART’s other private-sector regulatory responsibilities, such as AGL gas charges.

In the metropolitan area, a single fare scale should apply for regular route services. The fare scale should be simple and readily understood, and should also seek to contribute a sustainable portion of the cost of providing bus services.

The Review believes that the Transitway fare scale represents a reasonable “merge” of State Transit and metropolitan private bus fares.
The most obvious impact of using this fare scale across metropolitan areas would be an increase in State Transit fares from their current levels. It may also be necessary to lower Urban Fringe fares for some operators to the metropolitan private bus fare scale. There may be reductions in operator revenues in these areas and this issue would need to be addressed.

To resolve the anomaly between Country Town and Rural bus fare scales, the review proposes a single “regional” fare scale. Most journeys are village to town or town to town so it may be logical for the first sections of the single scale to be based on the Country Town fare scale, and further sections at a higher rate to reflect the longer trip lengths and subsequent higher journey costs.

Within these proposals, the use of higher fare scales for operators who are not qualifying for the Energy Credits Grants Scheme should be abolished. This scale undermines the effort to encourage the use of environmentally friendly fuels.

As NightRide fare scales reflect private bus fares but are grouped into CityRail fare bands as they replace late night rail services, it is not proposed to suggest any changes to these.

Frequent Users
The Review believes that frequent users of public transport should be rewarded with some “loyalty” discounts, similar to many other reward schemes. These discounts already exist in public transport through the use of TravelTen tickets, but their application and the discounts offered require review.

State Transit offers TravelTens and Travelpasses at heavily discounted prices compared with single fares. While a reasonable discount could be 10-15% of the single fare, State Transit offers discounts of up to 45% on TravelTens. Purchasers of Travelpasses can receive even greater discounts, plus the benefit of multi-modal travel.

While frequency of use should be rewarded, the discounts are excessive and do not reflect the cost structures of providing high capacity peak services. The public funding underpinning these discounts is not targeted, with many of the service users who benefit most living in areas with higher average incomes than those in areas served by private buses.

The Review therefore recommends a consistent level of discount across all bus operators, and proposes that frequent users should receive a discount
6. Statewide issues

compared with single fares, and that all operators should be compelled by contract to offer these discounts.

Concessions
Inequitable concessions availability on State Transit compared to private bus operators and the lack of targeting of public funding through concessions are issues that need to be addressed.

The offering of concession travel should be mandated in operator contracts. The funding to operators associated with carrying these passengers at concession rates should be consistent and transparent. The funding should also reflect the fact that concession travel actually induces an increased level of demand for services, as some people who are eligible for concessions may not travel at all if the concession was not available. For the operator, a 50% fare for a seat that may otherwise be empty should be preferred to no fare at all.

The targeting of concessions should reflect social policy by supporting those in need of financial assistance. The Parry Inquiry Interim Report raised the option of not allowing Seniors Card holders access to the Pensioner Excursion Ticket. The assumption here is that many Seniors Card holders do not need to be supported to the same extent as pensioners for access to concession travel. This Review agrees with this approach, and believes these resources could be better used to provide concessions to the low-income groups who do not currently receive this concession. Nevertheless, the Review believes that Seniors Card holders should continue to receive half fare travel on all bus services.

The Review also supports the Parry Inquiry Interim Report option to increase the PET fare to $2.50. At this rate, the ticket still provides exceptional value and enables it to be extended to areas served by private buses. The Review also supports the concept of restricting the use of this ticket in the morning peak, and believes it should not be available before 9:00am to reflect the capital and operating costs of providing peak period services. This will also reduce the incidence of buses being delayed in peak periods by people paying cash fares.

The Review proposes to extend the bus PET fare to the entire greater metropolitan area.
In summary, all bus operators should offer:

- Half fare concessions to children 4-15 years old, full time secondary and tertiary students, apprentices and trainees, Jobseekers, and Seniors Card holders.
- Free travel concessions (beyond SSTS) on buses should be reviewed to ensure any offered are appropriately targeted; and
- In metropolitan areas, Pensioner Excursion Tickets to Pensioners and War Widow/ers at $2.50, with use restricted until after 9:00am weekdays, with half fare concessions available before 9:00am weekdays.

**Ticketing**

As with fares, the same ticketing system should apply across bus services to make travel easy. The ticketing system would be supported by the simplified fares arrangements outlined above, with a Smartcard providing the multimodal convenience of the current Travelpass and eventually making this type of product obsolete.

To facilitate the take up of the Smartcard, and to reflect the higher costs associated with maintaining current ticketing equipment and use of cash, a fare premium may need to be placed on fares that are not purchased using Smartcards. These approaches are generally consistent with the options outlined in the Parry Inquiry Interim Report.

A considerable secondary benefit from the Smartcard will be the availability of quality travel data. This data is critical to ensure the Government is purchasing services efficiently and providing the community with value for taxpayer funds. The importance of this opportunity should not be underestimated as it is fundamental to achieving reform across a range of areas including the SSTS, concessions payments, contractual and funding reform, strategic planning and some performance monitoring.

To ensure ticketing consistency and access to data across all bus operators, the Review believes that contracts should mandate both participation in the smart card system and the provision of data to Government so that operators can be funded based on passengers’ actual travel.
6. Statewide issues

6.3 Suggested solutions: fares, ticketing & concessions

The Review proposes and seeks comment on the following preferred options in relation to key issues raised in the Report:

24. Adopt a consistent fare scale, as determined by IPART, across all metropolitan bus services.

25. Apply a single fare scale to regional NSW. This may be higher than the metropolitan fare scale if there is evidence to support higher costs relative to passenger numbers for regional areas. Transition arrangements to balance impacts on passengers and operator revenue will need to apply.

26. Under new contractual arrangements, require operators to offer a frequency of use discount, possibly in the form of a Travelten or equivalent “travel bonus” scheme.

27. Apply a consistent suite of targeted concessions, based on those available on State Transit buses, across NSW, with the bus Pensioner Excursion Ticket expanded to the greater metropolitan area.

28. Implement the proposal from the Parry Inquiry Interim Report to increase the Pensioner Excursion Ticket to $2.50 and to target its availability to Pensioners and War Widow/ers. The ticket should not be available before 9:00am weekdays, when half-fare concessions should apply.

29. Introduce the proposed Smartcard system with a very simple set of fares and a limited number of products only.

30. Oblige operators under their contracts to be involved in the Smartcard ticketing system to ensure its full benefits are realised.

6.4 School Student Transport Scheme (SSTS)

Chapter 4 highlighted the central place of the SSTS in the current funding model and identified the need to pay operators on the basis of actual pass usage to improve the transparency, accountability and value for money.

While eligibility criteria for the SSTS is beyond the terms of reference of the Review, this section provides commentary on a number of reform options included in the Parry Inquiry’s Interim Report and identifies a number of other reform options to improve the sustainability of the SSTS.
The options in the Parry Inquiry Interim Report are:

- capping the level of subsidy available for each student;
- capping the total budget for SSTS (which would require policies such as means testing to be introduced to ensure costs were contained); and
- introducing an annual application fee for passes (indexed at the inflation rate) and set at $30 a year or $7.50 a term, with exemptions for low-income households.

**Cap the level of subsidy**
Under this option, eligible students would be funded to a certain amount of travel, so those travelling longer distances would contribute to the cost of travel beyond that limit. This would need to be structured so students in rural and regional areas who have no choice but to travel long distances would not be disadvantaged.

Modelling undertaken on this option indicates that if the cap for free travel was set at a nominal 8 sections (about 10 kilometres) then:

- 85% of SSTS beneficiaries would still receive free travel;
- the maximum subsidy paid by Government per eligible student would be approximately $800 per year; and
- savings would be in the order of $88 million per year.

This option raises some administrative and logistical issues, at least in the short term until Smartcards are in use. Students travelling longer distances would need to hold an SSTS pass and a half fare concession pass, or pay fares. Drivers would need to verify (both) passes and/or collect fares which could delay boarding times.

**Cap and index the total SSTS budget**
This option relies on SSTS policy changes to contain cost by restricting the number of beneficiaries and preventing growth. Policy changes could include introducing means testing (as flagged by the Parry Inquiry Interim Report), limiting travel to the nearest appropriate school or changing the distance criteria to make it more stringent.

These policy changes could be problematic. As well as the administrative complexities associated with a means test (such as determining indicators of financial hardship), it may raise privacy issues in obtaining sensitive information about a family’s circumstances.
Limiting travel to the nearest appropriate school (which had been a requirement of the Scheme until the early 1970s) would be a major policy change. It would also be at odds with the Government’s “school of choice” policy, which allows parents to choose the educational environment that best suits their child’s needs.

Extending the walking distance to school criteria would have the immediate effect of reducing the number of beneficiaries but it could also serve as an incentive for parents to send their children to schools located further away.

With any of these measures, if numbers of beneficiaries began to rise over time, the eligibility criteria would need to be made more stringent to bring costs down. This constant “changing the goal posts” would be difficult to administer and could be expected to meet strong community resistance.

Introduce a co-payment
This option would involve SSTS beneficiaries making a contribution to the cost of their travel. The Parry Inquiry Interim Report proposed a flat rate of $30 ($7.50 per term).

The Review supports this proposal and suggests the need for mechanisms to ensure that genuine hardship is properly acknowledged by using established criteria, such as Centrelink assessments, to provide a proper “safety net”.

Additionally, any savings generated from applying a co-payment would need to be put back into the public transport system to ensure better service provision.

Giving schools control of transport budgets
The 2002 PAC Inquiry into SSTS suggested allocating the SSTS budget and responsibility for purchasing services to the Department of Education and Training or to individual schools. Under the proposal, services could be purchased either through the Ministry or directly from providers. The Inquiry noted that this is a model used in a number of overseas jurisdictions.

The rationale is that schools would have more control over transport decisions and would be more accountable for the transport implications of education decisions. The PAC also suggested that incentives could be developed for schools to save on transport costs, with schools being provided with an overall transport budget and retaining any remaining funds after determining transport needs and procuring services. Policies on how transport subsidies would be used and how transport would be provided
would therefore be determined by parents and staff, rather than by Government.

This model has the advantages of devolving decision making to those directly affected and of more closely aligning education decisions with transport decisions. The PAC argued that it would also result in stronger demand signals, which would more effectively drive the price and quality of school transport.

However its success would rely on the ability of schools to identify transport need, negotiate with providers on appropriate services and manage the service contract. Some schools will be better placed to undertake these tasks effectively, which could lead to inequitable outcomes for students. It is also likely that schools will object to additional responsibilities that are not teaching related, without additional resources.

The proposal would also establish another contracting system, separate from that administered by the Ministry of Transport for regular route services. Given that significant cost efficiencies can be achieved when school student transport is integrated with the rest of the network, this could be an inefficient way of purchasing services.

It is also possible that parents are happy with the existing system and would object to any transfer of responsibility to schools. A research project underway within the Ministry of Transport should provide information on this issue in coming months.

Notwithstanding these issues, this option should be given further consideration, in discussion with relevant education bodies.

The need for schools to be involved in SSTS administration

Under current arrangements, schools play a central role in the administration of the SSTS. This role is not set out in any formal agreement between schools/education bodies and the Ministry of Transport, although an SSTS manual for schools was developed and distributed in 2002.

The role of schools includes distribution of application forms, accuracy checking and initial eligibility assessment, before forwarding to the transport provider. They also distribute passes once supplied and are required to let operators know, on a monthly basis, when student eligibility changes occur such as change of address or school.

This last point is particularly important to ensure payments are not made for
students who are not, or should not be, travelling on their service. This regular information sharing by schools and operators is critical to reducing the incidence of overpayment. An audit of the SSTS by the NSW Auditor General’s Office undertaken in 2002 identified that the incidence of overpayment for 2001 was $1.6 million.

To assist with information sharing, the Ministry of Transport has established an SSTS website for schools and commercial contract operators. In providing information on student changes, many schools have to deal with a considerable number of operators. The purpose of the website is to provide a simple means for schools to report changes, by providing details of all students, by school and by operator, issued with a pass. The website allows schools to log changes once (on a monthly basis). This updated information can then be accessed and downloaded by operators for the purposes of updating their records and making accurate claims for SSTS payments.

The website sends reminders to schools to ensure they log their monthly returns and to operators to ensure they retrieve reports on changed student details. It removes the need for manual and paper-based reporting by schools to a range of operators.

The Ministry is not able to compel either operators or schools to use the website and has relied on the DET and the BCA representatives on the SSTS working party (set up to facilitate improved communication and co-operation between SSTS stakeholders) to encourage take-up. So far, results are promising with 48% of schools in commercial contract areas and 74% of commercial operators registered as website users, since it commenced in February 2003. Although it is early days, indications are that use of the website may have reduced the number of “double” passes (where a new pass is obtained but the old pass not discontinued). This requires further analysis.

The introduction of Smartcard technology and paying SSTS on actuals will mean that complicated payment systems that rely on the exchange of information between schools and operators will not be required. However, in the interim, the website is an important tool for improving value for money and accuracy in SSTS payments.

There is a need to formalise the involvement of schools in the administration of the SSTS, by developing a Memorandum of Understanding between the Ministry of Transport and education bodies, starting with the DET.
Accessing student data
With the introduction of Smartcard technology, and consistent with the PAC recommendations, it is intended to move to a centralised automated system for assessing SSTS eligibility and issuing passes. This would be greatly assisted by on-line access to relevant education databases to confirm student enrolment, home address and other details in processing applications. To date, discussions in relation to this kind of data access have not progressed far because of privacy and other concerns. It would be useful if any Memorandum of Understanding, as suggested above, could also facilitate progress on this matter and develop appropriate controls and protocols to address these concerns.

6.5 Suggested solutions: SSTS administration

The Review proposes and seeks comment on the following preferred options in relation to key issues raised in the Report:

31. Implement the Parry Inquiry Interim Report’s option of introducing a $30 annual co-payment for SSTS, with “safety net” exemptions for those families who cannot afford to pay.

32. Give further consideration to the Public Accounts Committee’s Inquiry into the SSTS proposal to give schools direct control of transport budgets and responsibility for purchasing services.

33. Develop a Memorandum of Understanding between education bodies and the Ministry of Transport to progress key SSTS administrative tasks that are essential to the effective running of the Scheme.

6.6 Governance arrangements

Deficiencies in current administrative arrangements
As well as responsibilities for providing strategic policy advice to the Minister for Transport Services, the Ministry of Transport is also the body primarily responsible for contracting, funding and regulating the provision of bus services under the Passenger Transport Act 1990 in NSW.

This is done through a variety of contracts and agreements – commercial and non-commercial contracts, Transitway and Nightride contracts, CSO agreements with State Transit – involving different divisions and units within the Ministry. Government requirements for signage and centralised
information provision to the public are the subject of separate agreements. On top of this, the planned introduction of Smartcard will mean further agreements are needed.

Not surprisingly, the number of contracts, agreements and relationships between operators and the Ministry of Transport has led to fragmentation, duplication and complexity. It has exacerbated problems of inequity and inconsistency across the system. It has also made it difficult for the Ministry to systematically monitor funding and performance appropriately.

A key issue is whether a Ministry, with primary responsibility for strategic policy advice, is best placed to undertake the contracting and regulation of buses and other public transport services.

Regardless of where these functions sit, it is timely to consider how administrative arrangements could be better organised at the same time that contracting and regulatory arrangements are under review.

The proposed changes to network planning and service development as outlined in Chapter 4 will require the acquisition, at a central level, of additional specialised planning skills. A new approach to co-ordinating the provision of public and community transport, as put forward in Chapter 5, would benefit from an organisational structure that promotes a stronger regional focus. Further, the introduction of Smartcard technology, scheduled for 2005, will enable the collection of extensive patronage and service data, all of which will require collation, analysis and linkage to payment processes. This suggests that a new approach is required.

Other models
Since the mid 1990s, various jurisdictions around Australia have moved away from models that combine service delivery/purchasing and regulatory functions with the role of strategic policy advice. At the same time, a more centralised approach to planning and service development has been implemented.

Western Australia - Transperth
With the creation of the Western Australian Public Transport Authority in July 2003, Transperth has been established as the division within this entity responsible for the contracting and purchasing of train, bus, and ferry services, as well as call centre and information provision services. In respect of bus services, Transperth undertakes network planning and service development, contracting (which includes contracts for regional
bus and school services), fleet management (with buses and most depots being government owned), and marketing and information provision functions. An integrated web-based information management system manages and supports all aspects of Transperth’s business, including route, signage and fleet management, service performance, and complaints/customer feedback.

Queensland – Translink

The introduction of integrated ticketing in 2004 and other changes to bus contracting in the South-East Queensland region, has seen the establishment of Translink as a division of Queensland Transport. Its role will involve: network design and planning; contract design, negotiation and management (for rail, bus and ferry); service policy and standards; ticketing (including implementation/management of integrated ticketing) and fares determination; data management and analysis; and marketing and brand management

6.7 A proposed governance model

This Review suggests that the ideal arrangement would be to establish a separate Passenger Transport Authority, as has happened in Western Australia, with responsibility for contracting, planning and funding passenger services, including buses. The key functions of the Authority would include:

- defining the passenger services network, planning service development and delivery in consultation with operators, overseeing/negotiating service changes, and ensuring co-ordination of service providers;
- working with the RTA to ensure a strategic approach to the implementation of bus priority measures on the passenger services network;
- contracting passenger service providers – including community transport, regulated (government and private) bus and ferry services and passenger rail services – with a view to consolidating, as much as possible, all requirements into the one agreement;
- having a strong regional presence and undertaking a regional co-ordination role across other government agencies, in respect of community transport funding and service provision;
- budgeting for service delivery and managing payments to service providers;
6. Statewide issues

- contracts monitoring and reporting on performance;
- acting as Principal for the Integrated Ticketing and Integrated Transport Information Service contracts;
- identifying and advocating to the Ministry and DIPNR for non service based network improvements (eg: infrastructure requirements); and
- performing other current Ministry functions such as regulating the taxi and hire car industries, accrediting operators and authorising drivers.

Under this arrangement, the Ministry’s role would become one of providing independent policy advice to the Minister, co-ordinating the broader transport portfolio and undertaking forward planning.

As an interim measure, this Review supports the option currently being pursued by the Ministry of Transport which will see the above functions located in a new Passenger Services Division of the Ministry. While this option will not deliver the complete separation of policy and service delivery functions, it will consolidate relevant functions into one Division and a smooth transition to the establishment of a separate Authority at a later date.

State Transit structures may need to be reorganised to reflect these new arrangements.

Alternative asset management
The Review believes that there would be merit in considering alternative asset management structures, such as asset and infrastructure trust, to separate operation of services from the ownership of assets.

The potential benefits of this approach are that it:

- enables the contract period to be driven by network planning and service development priorities, rather than the return on capital outlay;
- allows for the effective management of student fluctuations in country areas and the need to reduce/increase vehicle size during the life of the contract;
- enables a smooth handover of assets at end of a contract or in event of operator failure or non-performance of contract; and
- addresses competition policy concerns by removing a substantial barrier to entering the industry.

There is a complex range of financial and taxation issues which would need to be analysed in progressing this concept.
6.8 Suggested solutions: statewide governance arrangements

34. In the long term, establish a NSW Passenger Transport Authority with responsibilities for planning (in co-operation with providers), contracting, funding and monitoring passenger services, including buses, and for regional co-ordination in relation to community transport.

35. In the interim, establish a Passenger Services Division within the Ministry of Transport to undertake the above functions.

36. Further consider alternative asset management arrangements that would separate asset ownership from service operators.

6.9 Transition arrangements & legislative change

The proposals from the Review outlined in this report are far reaching. Consequently some aspects may not be able to be implemented immediately. A transition period to allow for migration from present arrangements to a new planning, funding and contracting regime will be required. Implementation of some of the proposals will also require change to the Passenger Transport Act 1990.

Feedback on the proposals in this Interim Report will contribute to the development of the Final Report, which will address transitional and legislative issues.
Appendix 1: Terms of Reference

Review of Bus Services in NSW

An effective public transport system must be a viable alternative to the car and provide people with attractive transport choices.

Improving public and community transport options, particularly in rural and regional NSW, is critical to ensuring people can effectively access employment as well as education, health and other services.

In the metropolitan area, buses do not form an integrated network. In rural areas, communities must find opportunities to use existing resources such as school buses to provide a better mix of local transport options.

That’s why Michael Costa has appointed former Premier and Transport Minister the Hon Barrie Unsworth to undertake the first comprehensive review of services since buses replaced the tram network.

The Unsworth Review has been tasked to consider:

■ The opportunity provided by integrated ticketing to establish a consistent statewide fare regime.
■ The potential benefits of a network of strategic bus regions across the Greater Sydney metropolitan area which integrate with rail services and other travel patterns;
■ Improving the structure of the network to respond to changes in the future capacity of rail, and the future development of the metropolitan area;
■ Improved Bus Priority measures, Transitways and other options that may impact on services and suggested desirable service standards;
■ Improved use of resources in rural and regional communities to ensure more flexible solutions to local transport needs.
■ Funding, contractual and regulatory arrangements and any legislative changes required to implement these improvements; and
■ The best mix of recommendations to achieve improvements in a cost neutral manner.

The Review will take into account the findings of the Public Transport Funding Inquiry being undertaken by Dr Tom Parry and will provide an interim report to the Minister in November 2003 and a final report in February 2004.
Appendix 2: Organisations consulted

Action for Public Transport
AW & MC Hunter, Coolah
Baptist Community Services (Wagga Wagga)
Beaumont’s Mullumbimby
Blanch’s Bus Service, Ballina
Brisbane Transport
Bus and Coach Association of NSW
Buslines Group
Charles Sturt University
Clarence Community Transport
Combined Pensioners’ and Superannuants’ Association
Community Connections
Community Transport Organisation
Commuter Council
Council of Social Services of NSW
Council on the Ageing NSW
Department of Ageing Disability and Health Care
Department of Community Services
Department of Infrastructure Planning and Natural Resources
Department of Juvenile Justice
Department of State & Regional Development
Dions Buses, Wollongong
Disability Advocacy Network
Disability and Aged Information Service Inc
Disability Council of NSW
Dubbo Chamber of Commerce & Industry
Dubbo City Council – Lord Mayor Clr Greg Matthews and Council Officers
Dubbo Coaches
Dubbo Community Services & Information Centre
Dubbo Radio Cabs
Environment Protection Authority
Fearnes Coaches, Wagga
Forest Coach Lines, Terrey Hills
Fremantle Central Area Transit
Gordon Centre, Dubbo
Appendix 2: Organisations consulted

Housing NSW  
Hunter Business Chamber  
Illawarra Business Chamber  
Junee Buses  
Kirklands Coaches, Lismore  
Kyogle Busco  
Lismore City Council – Lord Mayor Clr Merv King and Council Officers  
Lismore Taxis  
Lismore Unlimited  
Local Government and Shires Association  
Macquarie Area Health Service  
National Roads & Motorists’ Association  
Newcastle City Council – Lord Mayor, Clr John Tate and Council Officers  
Newcastle Trades Hall Council  
Northcott Centre  
Northern Rivers Community Transport  
Northern Rivers Public Transport Development Project  
NSW Health  
NSW Police  
NSW Taxi Council  
NSW Treasury  
Ogden Coaches, Wellington  
Parramatta City Council – Lord Mayor Clr Paul Garrard and Council Officers  
Parry Inquiry  
Perth Central Area Transit  
Police Citizens Youth Club  
Premier’s Department  
Rail Bus and Tram Union  
RG Allen & Co, Coolamon  
Roads and Traffic Authority  
Senior Citizens Management  
Serco Call Centre  
Southern Coast Transit (Perth)  
Southern Cross University  
State Rail Authority  
Surfside Buslines  
Swan Transit (Perth)  
Sydney City Council – Lord Mayor Clr Lucy Turnbull  
TAFE NSW  
The Cabinet Office  
Tolland Aboriginal Corporation
Appendix 2: Organisations consulted

Total Environment Centre
Transitways
Translink (Queensland)
Transperth
Transport Workers’ Union
Wagga City Council – Lord Mayor Clr Kevin Wales and Council Officers
Wagga Taxis
Wagga Wagga Chamber of Commerce & Industry
Warren Centre
Western Australia Department of Planning and Infrastructure
Western Sydney Community Forum
Western Sydney Regional Organisation of Councils
Wollongong City Council – Lord Mayor Clr Alex Darling
Youth Action and Policy Association
Appendix 3: Submissions received from organisations

2011 Residents Association
Action for Public Transport NSW
ARPA Over 50s Association Ltd
Australian Citizens Committee for Civil Concerns
Ballina Shire Council
Barr, David MP
Bay & Basin Community Resources Inc
Birrong Branch, ALP
Bishop Austrans Pty Ltd
Blacktown City Council
Blacktown City Community Services Network
Blue Mountains Integrated Transport Forum
Bus & Coach Association
Busways
Camden Council
Campbelltown City Council
Campbelltown and District Commuters Association
Central Coast Community Environment Network
CityBus Direct
Combined Pensioners’ and Superannuants’ Assoc of NSW Inc
Combined Pensioners’ and Superannuants’ Association of NSW, Bathurst Branch
Commuter Council Member
Coolah School Bus Advisory Group
Council of Social Service of New South Wales
Council on the Ageing (NSW) Inc
Crowther’s Buslink
Disability Council of NSW
Dubbo Students’ Association of CSU Inc
East Forster Progress and Preservation Association
Eurobodalla Shire - Action Plan Access Committee (APAC)
Far West Area Health Service
Forster-Tuncurry District Senior Citizens Assoc
George, Jenny MP
Appendix 3: Submissions received from organisations

Great Lakes Council
Harris Park Transport Company Pty Ltd
Health Promotion Unit, Central Sydney Area Health Service
Hunter Transit Authority
Hunter Transport Consulting Pty Ltd
International Association of Public Transport
Kincoppal–Rose Bay, School of the Sacred Heart
Kurrajong Hills Bus Safety Committee
Lake Macquarie City Council
Law Society of NSW
Lower Hunter Public Transport Liaison Group
Macarthur Greens
Manly Warringah Young Labor Association
Maryland/ Fletcher Progress Association (Inc)
Matraville Sports High School
Moore, Clover MP
Mosman Council
Mt Druitt Priority Regional Communities Project
Mt Druitt Community Solutions and Crime Prevention Project Team
National Roads & Motorists’ Association
NCOSS
Newcastle & Hunter Business Chamber
Newcastle City Council
Newcastle Community Transport
Nori, Sandra MP
North Arm Cove Residents’ Association
Northern Rivers Social Development Council
NSW Environment Protection Authority
NSW Ministerial Advisory Committee on Ageing
NSW Parents’ Council Inc
NSW Retired Teachers’ Association
Older Womens’ Network (Newcastle) Inc
Peninsula Public Transport Coalition
Penrith City Council
Pittwater Council
Randwick Labor Club
Carool Public School P & C
Resident’s Committee of Adelene Retirement Village, Wyoming
Rankin Springs community
RPA Hospital
RTBU Bus & Tram Division
Appendix 3: Submissions received from organisations

South Sydney Council
State Transit Authority of NSW
Strathfield Council
The City of Newcastle
The Vaucluse Progress Association
The Warren Centre
Transit Planners
Transit Systems Australia
Transport Planning and Management
TripFinder
Wards River District Progress Association Inc
Willmot Residents Action Group
Woollahra Municipal Council
WSROC
Wyong Shire Council
Youth Action & Policy Association
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCA</td>
<td>Bus and Coach Association</td>
</tr>
<tr>
<td>CSO</td>
<td>Community Service Obligation</td>
</tr>
<tr>
<td>DADHC</td>
<td>Department of Ageing, Disability and Home Care</td>
</tr>
<tr>
<td>DoCS</td>
<td>Department of Community Services</td>
</tr>
<tr>
<td>DET</td>
<td>Department of Education and Training</td>
</tr>
<tr>
<td>DIPNR</td>
<td>Department of Infrastructure, Planning and Natural Resources</td>
</tr>
<tr>
<td>EPA</td>
<td>Environment Protection Authority</td>
</tr>
<tr>
<td>IPART</td>
<td>Independent Pricing and Regulatory Tribunal</td>
</tr>
<tr>
<td>LPT</td>
<td>Liverpool-Parramatta Transitway</td>
</tr>
<tr>
<td>MSL</td>
<td>Minimum Service Levels</td>
</tr>
<tr>
<td>NCOSS</td>
<td>NSW Council of Social Services</td>
</tr>
<tr>
<td>NRMA</td>
<td>National Roads and Motorists’ Association</td>
</tr>
<tr>
<td>PAC</td>
<td>Public Accounts Committee</td>
</tr>
<tr>
<td>PAR</td>
<td>Performance Assessment Regime</td>
</tr>
<tr>
<td>PET</td>
<td>Pensioner Excursion Ticket</td>
</tr>
<tr>
<td>RTA</td>
<td>Roads and Traffic Authority</td>
</tr>
<tr>
<td>RTBU</td>
<td>Rail Tram and Bus Union</td>
</tr>
<tr>
<td>SSTS</td>
<td>School Student Transport Scheme</td>
</tr>
<tr>
<td>TTSS</td>
<td>Taxi Transport Subsidy Scheme</td>
</tr>
<tr>
<td>TWU</td>
<td>Transport Workers’ Union</td>
</tr>
</tbody>
</table>