



BCA SUBMISSION TO PARRY INQUIRY

JUNE 2003

EXECUTIVE SUMMARY

The Bus and Coach Association of NSW (BCANSW) represents the privately owned operators of bus public passenger transport, a vital link in the overall public transport system.

The consistent themes of our submission are the need for a review of public transport at strategic planning level, involving all stakeholders, and our desire and willingness to participate in reform. The overall strategic approach should lead to a system wide agreement for provision of the best public transport system possible throughout NSW.

Competition among modes of passenger transport is currently characterised by significant unpriced externality costs and growth in use of the private motor car is not sustainable, nor consistent with Governments goals. It is also characterised by very large amounts of taxpayer's funds being allocated to rail and government bus services which are disproportionate and inequitable when compared to the needs of the community and the services provided by private bus services. With the high cost, long time frames and lack of flexibility for rail and light rail, much greater resources and priorities are justified for improved bus services.

To ensure public transport is a viable alternative to the increasing use of private motor vehicles, a public transport plan that is part of an overall land use policy framework is required.

The plan should include:

- A new equitable fare and concession policy supported by new road pricing initiatives
- A Sydney bus plan that comprises a network of bus services that compliment existing and future heavy and light rail services
- Incentives to make public transport a more attractive travel choice
- A greater commitment to Bus transport in Rural and Regional NSW
- A partnership between the NSW and Federal Government to fund a number of public transport demonstration projects and to improve taxation policies that encourage use of public transport
- Greater coordination between land use planners, Local Councils and Transport policy

Private bus operators in New South Wales are highly efficient and operate at low unit costs by world standards and offer the best value for money to meet the transport needs of the community with out extensive new infrastructure investments.

There is a possibility that with significant fare increases the government bus operator could recover its cost with reduced government subsidies. Private operators can achieve the same results at considerable savings to the passenger/taxpayer. Fare increases do affect patronage.

The BCA contends that public transport is not just government owned transport and there needs to be a growth in bus services. Private operators with the right contract model offer the best solutions.

The one system of fares/concession should apply to bus passengers regardless if the services are

provided by government or private operators, and if the government chooses to have a different reimbursement policy for each, this needs to be transparent.

A. INTRODUCTION

The NSW Government recognises the importance of providing quality passenger transport to the community at a reasonable cost to those who use the system and to the taxpayer. The Government also recognises the importance of equity in providing affordable transport services to differing groups in the community – regular commuters, students and pensioners.

More than \$1 billion is spent each year in subsidising the operations of the Government operated, rail, bus and ferry system and funding the operation of the School Student Transport Scheme by Government and private transport operators.

The Bus and Coach Association (NSW) (“BCANSW”) recognises the importance of providing quality passenger transport to the community and plays a vital role in its delivery. The NSW bus industry represents approximately 1,600 individual privately owned bus operations who collectively are partnered with Government through 195 commercial contracts and 1,800 non commercial contracts covering the entire state of NSW including Sydney metropolitan, urban fringe and regional and country areas. The Industry collectively runs a fleet of approximately 6,500 vehicles and employs approximately 12,000 drivers.

The Private Bus Industry accommodates 480,000 students every day on services throughout NSW.

The provision of quality public transport, and in particular the provision of high quality bus services, in NSW requires a co-ordinated and co-operative approach from the various stakeholders:

- The NSW Government and its agencies with respect to strategic planning, infrastructure, contract administration, road use charges, regulation and enforcement and multi modal coordination.
- Local Government. With respect to consideration of public transport in land use developments and local road designs, and co-operation with bus operators at the operational level
- BCANSW and its members with respect to quality service provision, resource efficiency, value for money service delivery and responsiveness to customer demand in service planning.
- Employees and their industrial representatives to achieve the above aims in partnership with the BCANSW members.

BCANSW submits that the time is right to have a fresh look at a public transport plan, (and bus transport in particular), involving all the above stakeholders for a quality public transport outcome in the community interest.

BCANSW reiterates its total commitment to play a positive and proactive role in reforming the

present bus contracting system. At present the revenue generated by the services contracted are insufficient to meet the growing costs.

There is a need for a genuinely visionary approach to the public passenger transport for the mid and long term, to increase public transport modal share. The Government should prepare a mid term development plan for bus services in NSW, with participation from BCANSW and the other stakeholders.

- Quality passenger transport means not only safe, clean, efficient and reliable service, is also necessarily embraces service planning and co-ordination, fares and ticketing, levels of service and frequency in line with community expectation and designed to encourage a modal shift.
- The current basis of Minimum Service Levels (MSL) is now in excess of ten years old and should be on the agenda for review.
- The current basis of remuneration is not sustainable for the current levels of service for many efficient operators, particularly in the greater Sydney area.
- Community Service Obligation (CSO) funding from Government is required if it is to guarantee service to the community.

To deliver quality public transport we need a partnership approach to define what quality public transport is and how it should be funded as between the user and the Government with respect to its Community Service Obligations in line with the accessibility goals and equity goals.

The current rate of growth of car use in Sydney, Central Coast, Newcastle and Wollongong cannot be sustained. Despite its lack of transparency to the community, there is no doubt that the externality cost of road infrastructure, congestion, car accidents, pollution and the inefficiency of the private motor vehicle as a means of transporting a large number of people is economically and socially not sustainable.

To ensure bus public transport is a viable alternative, at least at a level to make public transport the preferred choice for urban travel, will require a fresh approach in funding mechanisms to ensure sustainability of the industry that will be charged to deliver the service.

BCANSW is and has been prepared to engage with Government in developing strategic models for bus service planning, contracting regimes and associated service standards and performance monitoring and accountability mechanisms to enhance the actual delivery. These are macro level issues and cannot be effectively dealt with on an ad hoc basis at the tactical or micro level. It requires a strategic approach.

A component of the review and planning process should be a Sydney Bus Plan, considering co-ordination, ticketing and fare equity, bus priority measures, Transitways, cross-regional services, infrastructure including rail/bus interchanges, among other things.

The community has a right to insist on value for money and provision of transport at a reasonable cost. NSW private operators have been shown to be at the most efficient end of the spectrum. Any independent review of which we are aware supports the view that private bus transport in NSW is best practice in terms of input cost efficiency and use of resources. We have no doubt that the independent report commissioned by Government will support this. The issue for sustainability of the private bus industry is a service level/revenue issue.

As part of the Bus Planning Agenda, BCANSW will be looking to develop with Government viable contracting models and mixes of sources of revenue to ensure that the agreed service levels can be provided in a sustainable way into the future.

In recognising the importance of equity and providing affordable transport services to differing groups in the community, it is also relevant to take note of the differences between the publicly owned bus service and that provided by private operators.

There is a much higher proportion of private bus patronage represented by people who do not pay the full fare. 47% of STA passengers pay full adult fare whereas the equivalent figure on the private network is approximately 19%.

Fares on private buses in the Sydney area are already significantly higher than fares on the State Transit Authority (STA) services on a like for like basis. The other funding difference between the private and the Government owned services is that there is no provision in the private model for funding of CSO's or pricing subsidies related to the agreed service levels.

Future funding mechanisms will need to take these differences into account and will require tailoring to fit the needs. The current position of high fares and low Government support for private operators compared to lower fares and higher Government support of the STA is the opposite of what logically follows from the above.

In considering the issue of cost, it is important to recognise the significant market failure particularly related to the existence of unpriced externality costs of private motorcar use. In line with the Government's longer-term vision, there is a need to raise the transparency with respect to these costs as one element of building a public transport culture. The private bus industry has an important contribution to make in equity in providing affordable transport services to the transport disadvantaged as well as regular commuters, students and pensioners. As the currently unpriced external costs of private car usage will not in the short term be recovered from the users, they are paid for by the taxpayer. It is therefore equitable in terms of cost distribution that the taxpayer be called upon to make a contribution to the reduction of those costs by encouraging a shift from private car usage to bus public transport.

B. TERM OF REFERENCE 1

The likely future needs of CityRail and STA Bus and Ferry Operations, with regard to efficient operating and capital costs.

Given the cost structures of the STA it needs far greater resources to provide services than would be required if the services were contracted to private operators. This is not to say STA cannot be efficient but their “efficient costs” will be a lot higher than for public bus transport provided by non-government ownership. As government funds become scarcer and with the right contract system the argument to continue a 2-tier bus service in Sydney/Newcastle will diminish. The one system of fares/concession should apply to bus passengers regardless if the services are provided by government or private operators and if the government chooses to have a different reimbursement policy for each, this needs to be transparent.

BCANSW has a legitimate interest in the findings on this term of reference for a number of reasons.

In the first instance at a strategic level, the private bus industry must be part of any system wide plan to deliver on the vision of modal share increase for public transport. Thus, in overall system wide planning, there needs to be an alignment of goals and outcomes across all modes of transport.

Many bus operators provide substantial “feeder services” to railway stations as one part of the full journey for commuters or students. Private operators plan their timetables wherever possible to coordinate and make a timely connection with the rail service. However, the total passenger experience is impacted by the reality of the coordination and not just the planning. Issues such as the poor on-time running of CityRail services and the late notice deferral of a new timetable reduce customer satisfaction and patronage potential not just for CityRail but for the system as a whole. That is, BCANSW has a legitimate interest in CityRail operating effectively and efficiently as it directly impacts on the potential patronage of BCANSW members. Efficient operating costs should be defined in terms of outcomes as well as benchmark input costs. On a rail network, on-time running is a legitimate Key Performance Indicator.

Determining the likely future (revenue) needs not only for CityRail and STA but for the total system begs the question of the overall system plan in the mid term. Once the strategy and the service needs to meet that strategy are defined, the issues are to ensure that service needs are provided at efficient cost including cost of capital and fair return and that the revenue mix and quantum is sufficient to enable sustainable and viable delivery.

We repeat our willingness to proactively engage in our part in the overall strategy for a system wide agreement for service delivery. The efficient capital and operating costs of the system follow from this definition.

From a system wide point of view there is a reasonable community expectation of equity in service provision, fares and concessions.

The private bus industry is a highly efficient, flexible and responsive industry and in NSW operates at low input unit costs levels by industry standards. BCANSW is confident that the recent commercial viability study of metropolitan bus services and any fairly conducted independent review will show that the metropolitan bus services operate at best practice efficient operating costs. The driver of aggregate cost is the community expectation and the Government's decision as to the actual level service to be provided. From the private bus industry point of view, the issue going forward is not cost efficiency but the quantum and sources of revenue to sustain the services reasonably expected by the community and by Government.

Every part of the public transport system must be prepared to not only operate efficiently but be sufficiently transparent to give the community confidence that they are getting value for money by delivery of a quality service at benchmarked best practice unit costs. For its part, BCANSW is confident that its members do operate at efficient unit costs.

It is also important that efficient operating and capital costs be properly considered in any future developments of public transport. For instance, in selecting a provider for Transitway services, it would have been reasonable for Government to consider the input unit costs. It is a false market and will not produce the most efficient use of resources overall to focus on an estimated revenue where one party (STA) effectively has its revenue shortfall underwritten by Government but the private enterprise bidders face a genuine unfunded commercial risk if they over-estimate revenue.

Efficient resource use and value for money for the taxpayer will flow from a proper consideration of the efficient operating and capital costs of providers as part of the decision making process in relation to future service initiatives.

C. TERM OF REFERENCE 2

Funding options to meet these revenue needs, as well as funding options for any future expansion of the public passenger transport system.

The Government is likely to continue to subsidise public transport although it appears likely to move to obtaining a greater contribution from the passenger and slowly encompass the needs for road/congestion pricing. This being the case there will be increased importance/need for services contracted to private industry.

Growth in travel by public transport is an effective way to reduce the economic, social and environmental costs associated with the excessive use of the private car for commuter and student transport. As previously stated, the likely future revenue needs flow from strategic decisions made in the community interest by Government as to the level of appropriate services to be provided in an efficient and coordinated manner.

BCANSW recognises that the Government is committed to grow the public transport share of passenger journey's and submit that there is a need to further define the parameters of the appropriate service levels after consultations with all stakeholders. Once the basic strategic principles are established, tactical design of the best services and integration of service delivery will involve regional local government and individual bus operators. The private bus operators have specialised local knowledge through established community links and constant consultation and communication.

BCANSW represents private operators who are close to the community and understand the local community needs. They are therefore a significant resource to contribute towards the definition of the appropriate service levels. Further, whatever the level of service, the private bus operator is the best value for money solution to provision.

Once the service levels plan is established, it is for Government to decide how much of the cost of provision is to be met by the traveller and how much by the taxpayer. We further submit that a key parameter in this decision is consideration of the currently unpriced externality costs.

Private operators in NSW have historically accepted full responsibility for both the production risk (costs of services) and the market risk (patronage and therefore revenue) of the services they operate. However, they operate in a regulated market with respect to Minimum Service Levels and fares as well as Government contributions to concession travellers etc. Operators are not able to adjust their service and fares as they would in a fully deregulated market and nor are they in a position individually to affect the demand level on a system wide basis. Whilst operators are flexible and responsive to tailor their services to meet demand they do so within the parameters set by regulation.

Issues such as increasing usage of the private motorcar, coordination of the system wide transport network, decrease in CBD employment levels and the like are not within the control of the private bus operator and it is inappropriate for that portion of the market risk to be borne by the private operator at a level that makes them non-viable. An independent review carried out by

KPMG for BCANSW highlighted that in the Greater Sydney metropolitan route bus service area there are efficient operators who either make no return on their investment or an inadequate return on their investment compared to an appropriate risk weighted benchmark. That is to say, operators' revenue in those cases is insufficient to cover the efficient cost of bus operation to the currently prescribed levels.

If these service levels are to be maintained and grown to meet the Government objectives, then fresh funding options require consideration. In simple terms, the options are increased fares or a new funding mechanism which is non fare based and which flows from community service obligations and social obligations and possibly incorporating incentive components to encourage modal shift and the reduction of the unpriced externality costs.

Within Australia the current metropolitan private bus contracting models range across the spectrum from gross cost fee for service with all fare revenue remitted to Government who bear the full market risk, to the current fare box basis with concession reimbursement and SSTS payments in NSW. Briefly, the current state of Metropolitan Route Service contracts within Australia is as follows:

- **Victoria**

Gross cost fee for service contract between Government and private operator based on benchmarked efficient input cost rates. (The contracts provide for an intention to move to a portion of the remuneration being variable and related to patronage but this stage has not been fully defined nor implemented). There is one contract in Victoria that operates on the basis of a notional commercial fare being paid by the Government to the operator as well as a small fixed component.

- **Western Australia**

A contract between Government and private operators based on gross cost (tendered) plus a patronage related incentive per boarding. As the fleet is publicly owned the contract is an operational and management contract.

- **South Australia**

Also a gross cost plus patronage related incentive on a different formula basis.

- **Queensland**

This is currently in a transitional stage with existing contracts based on the operator receiving fare box revenue plus additional payments related to concession reimbursement, new bus contributions and bus funding interest subsidy. Within the South East Queensland area, encompassing the larger private operators of a metropolitan nature, third generation contracts currently being negotiated will be on a gross cost fee for service basis. With multi-modal integrated ticketing being introduced, fare revenue and market risk will be taken by the Government.

- **New South Wales**

Fare box plus concession reimbursement and SSTS payments for private operators with no service related contribution from Government. In the case of the STA, there are specific contributions for Community Service Obligations and Pricing subsidies.

Current developments internationally, and also the subject of research in Australia by Prof. David Hensher in particular, relate to Performance Based Contracts with operator revenues comprising a multi part tariff. The parts are:

- payment for delivering an agreed Minimum Level of Service;
- an incentive regime that rewards operators for benefits to existing users (considering performance standards, service improvements, etc); and
- an incentive payment related to the reduction in external costs of car use for modal switch.

BCANSW is of the firm view that the future funding model adopted must ensure sustainability of the system in the mid and long term and should be considered as part of a bus transport review.

Other options exist for Government to move some of the externality costs to the users of private motor car transport and use of funds so raised to promote growth in public transport and encourage modal switching. These options include:

- traffic congestion charges,
- increased parking levies (we acknowledge the recent budget initiatives in this regard);
- direct levy on car registrations; and
- toll on vehicles carrying less than a minimum number of passengers in designated areas.

In the short term there is an equity issue with the relative level of fares as between the private operators and the STA. In the case of the STA, the contribution made by passengers towards recovering the full costs of Sydney buses has declined as the growth in fare levels has been reduced in comparative terms with the private operators. There are good equity arguments for the fare and concession basis to be aligned as between the privately owned and publicly owned bus network.

At the same time, there is also a short term issue of the requirement for more funding to ensure the viability of those private operators, who whilst operating at most efficient costs, are not currently viable at the current patronage and fare levels. In simple terms, there is a very good argument for increasing STA fares to align them with the private operator's fares and reducing the taxpayer contribution to STA as the increased fares make the charges more transparent. Concurrently, there is a short-term need for Government contribution to some private services to be increased to ensure the viability and sustainability of the best practice efficient private operations.

Fares and fare structure are an important parameter in bus public transport. As well as

considering fare equity for fare scales and concessions equity across Greater Sydney, the old section based fare structure should also be on the agenda. Together with multi-modal ticketing, fare scale simplification to make the system more attractive to passengers is important. The fare scale and concessions revision needs to precede integrated ticketing and is thus an early agenda item to be addressed by this Inquiry.

SSTS payments, currently formula based, have been the subject of much comment. In principle, BCANSW supports transparency in public transport pricing and supports the policy of moving SSTS payments to be based on actual ridership. However, any such move must be part of an overall agreed funding mix and contract model which itself is part of an overall bus strategy which is aligned with an overall system-wide public transport strategy with mid-term and long-term vision. In rural and regional areas, the carriage of school children is currently the key determinant of the services provided to that particular area. Route services that could not economically stand on their own are often provided as an adjunct to those school services. With the increasing need for transparency and a proposed move of SSTS funding from a capacity base to an actual patronage base, fare scale revision and other funding mechanisms will be required to sustain even the current level of services in many areas, let alone the desirable increase. The reality of life in rural and regional communities is that there are insufficient full fare paying passengers to achieve transport equity in a way that is viable.

D. TERM OF REFERENCE 3

Options for enhancing the optimum use of public passenger transport relative to other transport modes.

The flexibility of bus services relative to rail and light rail, and the lower costs and time frames involved justifies a greater commitment to bus priority measures. Rail is difficult (slow) and expensive to expand.

Private bus transport operators can make their contribution to enhancing the use of public passenger transport by:

- **Service Planning**

Within the context of the Government's overall network plan, the design of the best possible services with maximum efficiency involves the skill of the private bus industry in consultation with the community and local government.

- **Service Standards**

Running clean, safe, reliable buses on time is the aim of every private bus operator.

- **Close to the community**

Being customer responsive and active in community consultation so that local timetable design and network proposals are responsive to community needs.

- **Engaging with Government by making a positive contribution to strategic issues**

The private bus industry fully supports performance based contracts including accountability and compliance/enforcement measures. Our members are proud and confident of the level of service and quality of service they provide. They recognise that part of the long term relationship between them and Government is, on the one hand, security and viability for the industry and, on the other hand, a reasonable expectation that the industry will respond by delivering quality service to standards that it is prepared to be measured on.

While these service standards are very important, any major move to enhance the optimum use of public passenger transport relative to other transport modes is dependent upon Government decision making and funding.

To reduce car dependency in the future requires the best bus public transport services possible and a mix of incentives and disincentives as well as a determined and coordinated approach to changing transport behaviour. A valuable contribution to the debate has been made by the work of the Warren Centre. They have identified that Sydneysiders are willing try new transport options, provided their time and cost constraints are met and that there is community sympathy for policies aiming to reduce traffic congestion. Promoting changes to travel behaviour is seen

as a mixture of consultation, communication and progressive improvements both to infrastructure and information.

Positive incentives to the use of public transport and the encouragement of modal shifting include:

- Increase in service provision and increases in frequency to raise the attractiveness of public transport as a genuine option to the flexibility of the private motor vehicle in more cases.
- Reduce journey times through bus priority lanes and Transitways.
- Coordination of transport modes to make multi-modal journeys more reliable and attractive.
- Improvements in fleet quality including fleet age, air-conditioning, low floor accessible vehicles and so on.
- Ticketing initiatives including integrated multi-modal ticketing.
- A new approach to settling Minimum Service Levels

Disincentives to the use of the private motor car when public transport is reasonably available can include:

- traffic congestion charges,
- increased parking levies (we acknowledge the recent budget initiatives in this regard);
- direct levy on car registrations;
- toll on vehicles carrying less than a minimum number of passengers in designated areas; and
- fuel pricing.

Other significant issues at a system wide level involve items such as coordinating transport planning with land use planning and considering bus operational needs in road design in new developments.

The private bus industry can and is keen to play an important role in assisting to meet the aims. However, if there is to be a genuine effort to change travel behaviour and have a significant impact on modal switching, this must be done in the context of a system wide agreement and plan involving all the significant stakeholders to deliver a coordinated and integrated system wide approach.

We repeat our call for a wide-ranging review to initiate the strategic plan and a system wide agreement and commitment.

E. TERM OF REFERENCE 4

Possible arrangements for incentive mechanisms which better link fares and service standards, including safety.

BCANSW strongly supports an incentive mechanism related to patronage growth and in particular patronage growth due to modal shift from private motor car use.

A pre-requisite to the linking of incentive and penalty mechanisms with service standards in the bus industry is a commitment to definition of those service standards and to compliance monitoring.

BCANSW strongly supports performance based contracts and has been continually proposing that there needs to be a review between Government and the operators to implement an effective Performance Monitoring Regime. BCANSW also support operator accreditation as a key component in ensuring high levels of safety.

The recent demise of the King Bros. Bus Group and the proliferation of unaccredited operators in the tourist and charter industry highlight a need for improvements to the current system of accreditation and monitoring in NSW. Increasingly, some charter services are acting like regular passenger services and there is growth in the number of small charter and tourist operators that are struggling to survive but are lowering the standards and perception of the industry. There is a need to focus on the management of this development.

BCANSW proposes a joint effort between Government and the industry to restructure the present accreditation system. Any such restructure will require a balance of self-regulation and Government audit and compliance enforcement.

The existing contracts between the Department of Transport and the private operators specify that operators are to be audited by the Department of Transport at least twice during their contract period. It appears from feedback received from our members that the audit activities have declined in recent years and are not being carried out with the intended frequency. Further, the desktop audit approach that has been taken can restrict the benefits that should flow from an effective compliance and audit regime.

BCANSW members view audits positively. In part they are positive reinforcement of the high standards that are being maintained by the industry and, to the extent that issues are raised, they provide operators with vital feedback about the operational systems of their operations. BCANSW would welcome participating in a partnership arrangement to restructure the regime and to discuss the nature and frequency of the audits to determine if improvements can be made to current system.

With respect to meeting performance standards, BCANSW has previously submitted to Government a core set of performance data that should be collected from operators and form the basis of an assessment regime. Again, there needs to be a partnership between Government and the operators to establish, dynamically review and update performance measures. In the linking

of performance to incentive and or penalty mechanisms, the logical position should be that any such mechanisms relate to service standards that are controllable by the operator and properly measurable in an agreed way. The details of this mechanism require consultation between Government and the industry.

For instance, on-time running is a normal Key Performance Indicator in any public transport system. However, unlike fixed rail, the extent to which a private bus operator can influence on-time running is quite limited. Whilst the operator should be validly held accountable for having sufficient fleet available, properly maintained and meeting high standards of cleanliness and presentation, on-time running past the initial departure point is largely out of the control of the operator. The operator does not have control of traffic congestion, road network construction or any of the other external impacts on on-time running. We repeat that BCANSW is a strong advocate of effective performance monitoring and enforcement, and in fact view this as part of the arrangement with Government protecting the security of the operators in the long term. That is, the industry undertakes to be accountable for the running of the high quality service and in return expects that its investment in long term assets will give a reasonable expectation, subject to satisfactory performance, of contract renewal.

Possible contract models and those in use in other jurisdictions around Australia have already been discussed. After the establishment of the agreed service standards, the next concern is to ensure that those service standards are delivered to the community at a reasonable cost and that cost includes sufficient to enable ongoing fleet replacement and a fair return to the operator.

BCANSW submits that the private operators are already delivering with an efficient use of resources and at best practice input costs. The issue for Government then is how much of the full cost of service is to be funded directly by the traveller and how much is to be met from the public purse. With STA, if fares have been held down and revenue shortfall is produced then Government funding from other sources fill the gap recognising the Community Service Obligation and other issues. For the private bus industry, there is clearly a need to look at a new funding mechanism with respect to the efficient providers of quality service who are nonetheless non viable / not sustainable with the current revenue levels.

Further, the current basing of SSTS payments on eligibility and capacity measures can be reviewed to be based on actual passenger journeys as long as this is done at the same time a new funding model is introduced. BCANSW has proposed that this be the case for greater transparency and equity. However, presumably the Government will require a certain level of bus capacity still has to be supplied. To the extent that there is any difference between the revenue outcomes it must be recognised that there is an implied cross subsidy from the SSTS revenue to support the total network run by the operator and there will also be a fare scale amendment and/or an alternative funding mechanism required to fill the gap created by any change.

BCANSW strongly supports an incentive mechanism related to patronage growth and in particular patronage growth due to modal shift from private motor car use.

BCANSW has always been a proponent of a strong linkage to patronage in the determination of

the revenue of its operators and continues to maintain this position. However where the revenue sources are insufficient to maintain a sustainable and viable operation, delivering service at the level desired by the community and the Government, a new funding mechanism is required. BCANSW looks forward to working with Government through a review of the bus industry to agree the basis of this mechanism.

F. TERM OF REFERENCE 5

Options for better targeting the funding and delivery of transport services to meet the needs of different groups in the metropolitan and non metropolitan communities including rural community and health transport needs.

Private Bus services are often the only form of public transport in communities outside urban areas. The transport disadvantaged is a growing number of people who require a basic level of transport and can not provide it for themselves. The fleet of privately run bus services offers the greatest potential to meet the needs of regional and rural NSW, but better coordination is needed between the various government agencies for this to occur. Without such coordination we are seeing a proliferation of separate (often parallel) services. These are operated in the nature of a charter service but are really a form of a regular passenger service and hence should be planned as part of main stream bus transports services. This is unless personal transport is justified i.e. Wheelchair Accessible Taxi (WAT).

Increasing community awareness and demand for the provision of services to the transport disadvantaged is necessarily creating increasing pressures for funding requirements. These pressures come from a multitude of sources and solutions are therefore frequently provided in an ad hoc way at a tactical level without the desirable overall strategic planning to ensure the best use of resources and targeting of both the funding and delivery of the services.

As mentioned above, in rural and regional areas, private buses are often the only public transport available and there will be growing, and reasonable, expectation in the community for transport equity and the provision of service to rural and regional areas. We recognise that the rural and regional strategy branch of transport in NSW has been working on the development of a broad rural and regional transport strategy and that demonstration projects have been carried out at certain centres. BCANSW supports those initiatives and the direction of both increasing transport equity and at the same time ensuring that the funding is targeted to ensure efficient resource usage. BCANSW calls for a rejuvenation of effort in this regard.

BCANSW submits that the development of regional and rural transport strategy plan is in need of revitalisation. Pilot programme activity was substantially directed toward community consultation and publicity of the services already available. Funding was also made available for minor infrastructure works such as bus stops and timetable holders. The industry was given an expectation of more substantive activity relating to service planning and delivery. Respectfully, we submit that this process needs to be revitalised to meet the community expectations.

BCANSW supports the Government aims of directly targeting funding and submits that in regional areas the existing bus operator is often best placed to provide incremental service. As there is an existing investment in the capital equipment and capacity during the non school peak periods, service delivery of a route service nature can be incrementally added at the most efficient possible cost. Again, given the available populations and fare levels, these services will require a new funding mechanism as they will be non viable if reliant solely on the fare box. BCANSW is a strong supporter of the community getting best use of the existing capital investment and targeting resources to the most efficient and effective means of delivering a move towards transport equity, that is, the existing private operator.

A necessary corollary of targeting funding to best use is transparency. BCANSW supports a move from a capacity based SSTS payment to a payment based on actual ridership for so called “commercial contracts.” However, to achieve that in practice will require either a rebasing of the fare structure and/or an alternate funding mechanism. Operators do survey transport usage by students and it is clear that capacity utilisation varies even between days of the week with activities such as sports day and so on and it varies quite markedly. As the capacity has to be provided to the peak commitment, the revenue needs of the operator relate to that capacity. For the transparency objective to be pursued fares will have to be restructured and/or an alternate funding mechanism put into place.

Education policy with respect to free school travel for eligible students underpins the non-commercial contract system. The bus system contributes to resource efficiency by broadening the catchment for any one school and thus allowing a better structure for investment in education infrastructure. The Education policy and the Transport policy are linked. BCANSW is prepared to actively engage with Government to ensure efficient resource allocation and develop mechanisms for rationalisation where that is the correct answer. There has been progress on the rationalisation of non-commercial contract services, but the savings are likely to be relatively small, because of the time frames involved and the high capital costs involved. These cannot be “extinguished” without proper transition arrangements or exit strategies.

To achieve the desirable transport outcomes at a reasonable cost, resource efficiency is required. At present there appears a growing number of special schemes related to constituencies seen as transport disadvantage. These include:

- Home and Community Care (HACC)
- Community Transport Program (CTP)
- Area Assistance Scheme (AAS)
- Private Vehicle Conveyance
- Courtesy Buses
- Taxi Transport Subsidy Scheme

The administration of these schemes is spread and although there has been some attempt to better coordinate, a lot more could be done to ensure resource efficiency.

At present the Government’s Accessible Transport Action Plan does not cover services provided by private operators. However private operators are the major provider of public transport both by area and by number of regional centres. BCANSW is keen to work with Government to develop the protocol whereby the ability of the existing local bus operator, with or without funding assistance, to meet the services required by Government is part of the process in deciding how best to achieve an equitable transport outcome. The local bus operator is close to the community, already has consultative links and is well placed to make a contribution to the discussion of the appropriate delivery of the required service. Further it is most probable in many cases that the local bus operator will be the most efficient incremental cost in providing the desired outcome.

These issues relate not only to the NSW community but also to the broader Australian community and are receiving national focus. At a national level, the Bus Industry Confederation of Australia has a defined equity goal that we support. It is “to ensure that a reasonable basic level of mobility is available to all users of public transport, irrespective of personal circumstances”. To achieve this goal requires a definition of a reasonable public transport service levels for communities and provision of funding mechanisms to provide those services.

At a State level, BCANSW is keen to work with Government to establish the equitable levels of service delivery and mechanisms to fund them.