INTERNATIONAL PERSPECTIVES - NEW ZEALAND

John Collyns
Executive Director
Bus And Coach Association (NZ) Inc

INTRODUCTION

The Bus and Coach Association represents about 90% of the licensed hire and reward bus and coach operators in New Zealand with about 90% of the commercial large passenger service vehicle fleet. We have about 500 full members who are active in four main sectors :

- registered commercial and contracted urban commuter and social services;
- school bus services in urban and rural areas, along with special needs transport;
- tourist, intercity route and charter work;
- limousine and small passenger service vehicles.

We also have about 160 supplier companies as associate members. These organisations include Mobil Oil, financiers, bus and chassis suppliers, engineers, regional councils, etc.

We welcome this opportunity to provide an overview of public transport competition and ownership from a New Zealand perspective.

WHO'S WHO IN THE SYSTEM

In New Zealand, responsibility for transport planning and funding falls on a variety of organisations. A quick summary of these are :

- Ministry of Transport - responsible for setting transport policy and advice to the Ministers of Transport.
- Ministry of Education - responsible for contracting school transport services, mostly in rural NZ, at a cost of $65 million.
- Land Transport NZ (LTNZ) - responsible for two principal areas - land transport safety policy (people, vehicles and infrastructure) and funding. The 2007-2008 budget for land transport is $2.4 billion, including $262.7 million for public transport services and infrastructure.
- Transit NZ - currently responsible for building and maintaining the state highway system, but will be absorbed into Land Transport and a new agency formed later this year. The objective of the new agency is to ensure the transport strategy is implemented effectively. Transit also maintains and builds bus priority systems on the state highway network.
- Regional Councils (and Auckland Regional Transport Authority) - responsible for public transport planning, marketing (in conjunction with the operators) and part-

funding services (with LTNZ on a 50:50 basis) and, in some cases, funding infrastructure and rail rolling stock.

- City and District Councils - responsible for local roads and some public transport infrastructure such as bus priority systems on their road network, bus stops, shelters, and the like.
- Public transport operators - responsible for delivering public transport services, as well as investing in vehicles, on-board equipment, drivers, operations, some aspects of marketing, depots and related infrastructure.

A "STRATEGIC" APPROACH

In recent years, NZ government policy has been dominated by a "strategic" approach to policy making, and transport is no exception. Major areas affecting public policy have been summarised into strategies, which involve a considerable amount of public consultation and result in broad "vision" documents which then guide policy inputs and outcomes. In some cases, for example the NZ Tourism Strategy, the private sector is a key partner in developing the Strategy in question and assumes some responsibility for its implementation.

In transport, the guiding "vision" document is the NZ Transport Strategy (NZTS). As is usual in such documents, there is a vision, a series of principles, and five objectives. The Government's overall vision for transport is :

> "By 2010 New Zealand will have an affordable, integrated, safe, responsive, and sustainable transport system."

The four principles are:

- Sustainability - to ensure that transport is underpinned by the principles of sustainability and integration, transport policy will need to focus on improving the system in ways that enhance economic, social and environmental well-being, and that promote resilience and flexibility. It will also need to take account of the needs of future generations, and be guided by medium and long term costs and benefits.
- Integration - transport policy will help create an efficient and integrated mix of transport modes. To facilitate integration, co-operation and collaboration between stakeholders will need to be encouraged. Transport policy will also need to ensure the efficient use of existing and new public investment.
- Safety - transport policy will need to ensure high standards of health, safety and personal security for users, workers and operators, complemented by an emphasis on individual and business responsibility.
- Responsiveness - recognises the diverse needs of urban and rural communities. Transport policy will foster people's involvement in its development, foster the Crown's goals for a partnership with Maori, and between central and local government, and between government and the people.

While much of the NZTS looks at freight and assisting the country to be internationally competitive, border and biosecurity management, and ongoing investment in roading, at the heart of the strategy lies public transport. Public transport's role lies particularly in reducing the negative social and environmental impacts of transport - reducing congestion, improving

the environment, improving safety and reducing barriers to mobility. Rail and coastal shipping are included as alternatives to roading, especially for freight movement.

OBJECTIVES FOR THE NZTS

A vision and principles are all very well, but a strategy also needs some practical measures for its implementation. These are provided via five objectives:

- Assisting economic development
- Assisting safety and personal security
- Improving access and mobility
- Protecting and promoting public health, and
- Ensuring environmental sustainability.

Assisting economic development

This objective looks at the way the transport system contributes to economic growth and to the quality of life both regionally and nationally. If achieved, flows of people and goods within regions, around the country and internationally will be improved. The objective notes that regulation and investment will recognise the need for economic development, as well as the costs of inefficient and duplicated transport bring.

The Government intends to promote "state-of-the-art technology and new knowledge about transport systems, integrated land use planning and energy efficiency" 1 rather than merely expecting transport growth to follow economic development. The intention is to minimise transport-related energy consumption as much as to facilitate economic growth.

The objective expects that the costs of different transport modes will be transparent and fair to users.

Public transport, along with alternative modes such as walking and cycling, have a clear role in meeting this objective. In the main centres, the NZTS focus is on the reducing the costs associated with "severe traffic congestion" 2 and which has significant economic, social and environmental impacts. Improving public transport services' reach and frequency, along with walking and cycling, are part of the solution.

There are a range of other initiatives unconnected to public transport to reach the objective.

Assisting safety and personal security

This objective's primary focus is on improving road safety through four linked factors - public education about road rules and safe behaviour, engineering thereby making the transport infrastructure safer, enforcement, and improving transport management systems.

Public transport's role here is important. Not only do passengers on trains and buses travel more safely than they do by car, they also reduce the exposure to risk for other road users by taking cars off the road. Bus and rail operators also have a role in making sure their drivers

[1] NZ Transport Strategy, p. 10
[2] NZ Transport Strategy, p. 13

are safe (though effective training and vehicle design) and local authorities are responsible for safe bus stop design, lighting, and placement.

Improving access and mobility

This objective is interpreted in several ways :

- By investment and infrastructure to improve local networks, communication and travel within and between regions;
- Ensuring transport systems and "affordable and reliable" [3];
- By encouraging the best choice of transport mode through a range of measures including pricing and funding policies;
- By improving access to "appropriate" transport for everyone, including the transport disadvantaged;
- By proving road space for pedestrians and cyclists; and
- By encouraging local solutions to local needs with "national consistency" where necessary.

The Government sees access and mobility as being central to the NZTS. As the NZTS notes, it's about ending isolation for the elderly, supporting the independent movement of children, proving access to medical and other social services, and access to work so that everyone can participate in their community. Services must allow people to "exercise a full range of transport choices." 4

Transport choices can be the private car, public transport, walking, cycling, or transport alternatives such as teleworking and the internet. However, the choice must also be affordable for people, and the Government sees itself as having a role in promoting "healthy and sustainable" transport decisions.

Obviously, public transport is central to achieving this objective. Funding caps were removed in 2001 and a new funding regime ("patronage funding") instituted at that time. It was remarkably successful - too successful, in fact, and the funding system based on a bonus payment for every additional passenger carried was later modified.

Protecting and promoting public health

At first glance, this seems an unusual objective to include in a transport strategy, but the Ministry of Transport's research estimates that almost 400 people aged 30 and over die prematurely each year in NZ from vehicle-based pollution. In addition, the transport system contributes negatively to the nation's health through excessive noise, contaminants (e.g. through road run-off into the environment), accidents and indolence - people choose to drive rather than walk or cycle.

Once again, the NZTS notes that public transport offers "the potential to improve public health through reduced vehicle emissions". Operators also need to ensure their vehicles are as "green" as possible through advanced diesel technology or alternative fuels (biodiesel and hybrids are two options in use).

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[3] NZ Transport Strategy, p. 26
[4] NZ Transport Strategy, p. 27

Ensuring environmental sustainability

The NZTS wants "transport to be more energy efficient and environmentally sustainable". This requires transport policies to be "re-orientated" so that the system reduces negative impacts on land, air, water, communities and ecosystems, as well as make more efficient use of its existing resources and move to renewable resources as fuels.

So far as people movement is concerned, this can be done through effective integrating transport modes, improving public transport and creating opportunities for more walking and cycling journeys. Other goals include reducing the need for travel, improving traffic flow, reducing fuel consumption, and developing more efficient urban forms.

IMPLEMENTING THE NZTS

While the NZTS guides central government policy, it is implemented on the ground through regional transport strategies ("land transport programmes", set out in the Land Transport Management Act 2003 5). The legislation requires organisations with this responsibility to prepare a land transport programme for the next financial year, consult with a variety of stakeholders, and make sure that it reflects the specific objectives set out in the NZTS. 6

The regional strategies can include a regional passenger transport plan. Land Transport NZ is currently reviewing how this process occurs and will issue guidelines to assist regional councils to develop effective plans.

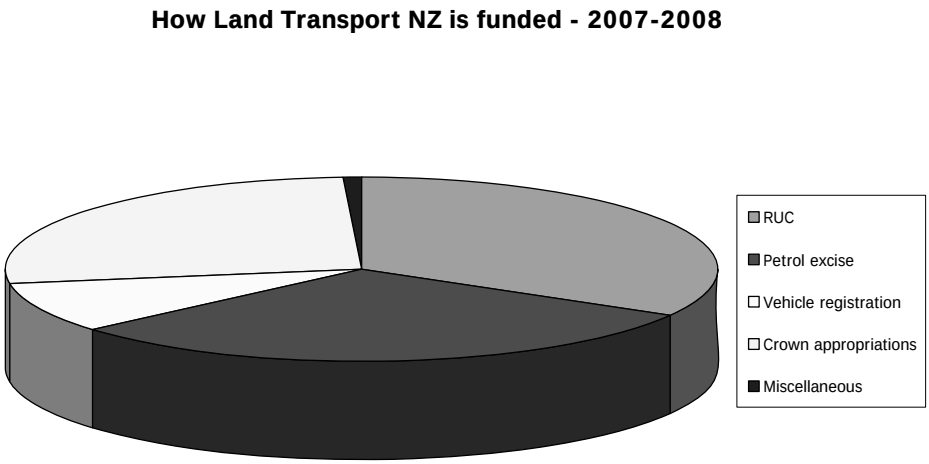
The first step in the implementation of the NZTS is adequate funding. LTNZ, as the government's funding agency, is primarily responsible for making sure the money derived from road users (through petrol excise tax, Road User Charges, motor vehicle registration, various appropriations from general taxation, and miscellaneous income) is applied to transport activities.

Total income for the current year is $2.459 billion. The details are set out in the National Land Transport Programme (NLTP).

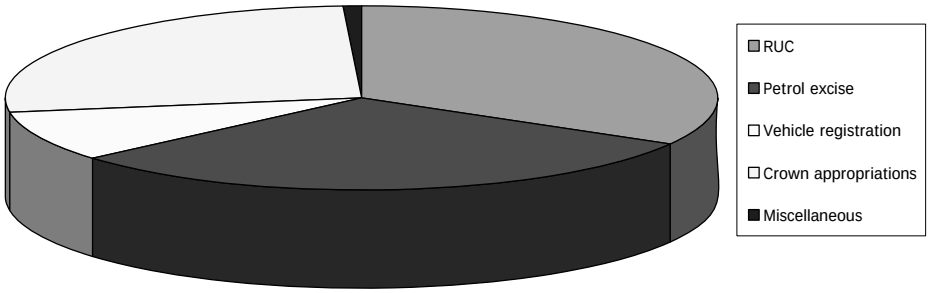
[5] Land Transport Management Act 2003, sections 12-18
[6] Land Transport Management Act 2003, section 12

Graph 1 below illustrates the source of funding for 2007-2008:

Graph 1



How Land Transport NZ is funded - 2007-2008

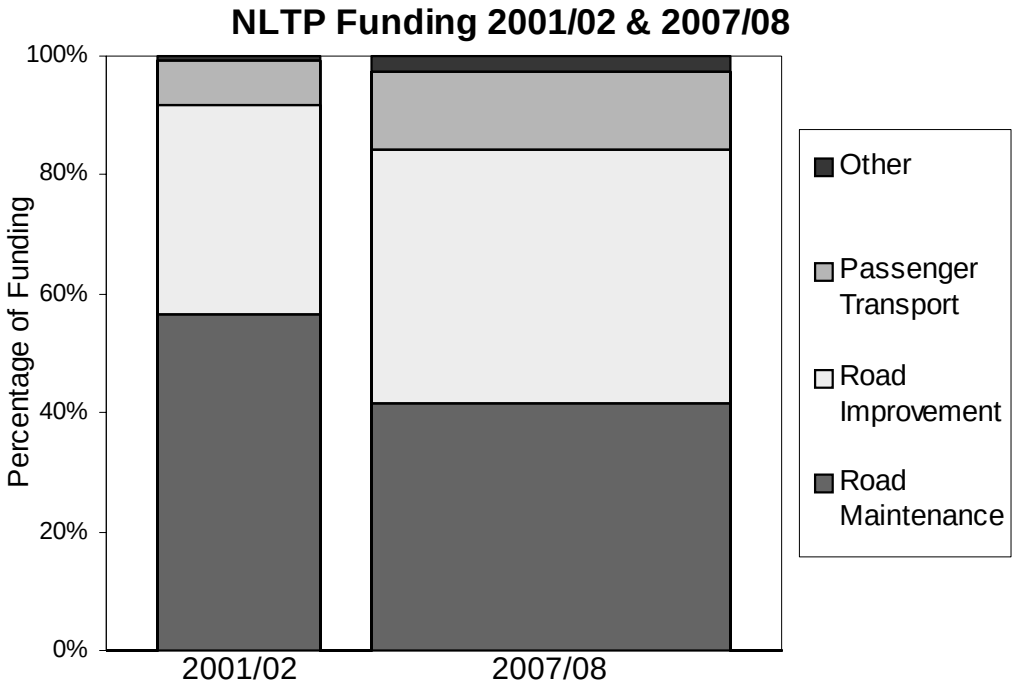


The income for the current year is more than double the allocation for transport in 2001-2002, and graph 2 (below) compares the allocations in this year's NLTP from those six years ago. The width of the columns reflects the amount of funding provided to the NLTP. But the main point to be noted is the distribution between the various transport activities within the columns. The bulk of funding goes to the roading sector - construction and maintenance ($896 million on state highway and local road construction, and $847 on maintenance and renewals for state highways and local roads).

But a growing share of the funding goes to passenger transport and the other activities such as walking and cycling and community activities such as walking school buses. 7

[7] Speech by LTNZ Acting Chair Paul Fitzharris on launching the NLTP, Wellington, June 2007.

Graph 2



It is worth noting that the 2007 Budget introduced the possibility of allowing regional councils to raise revenue through a fuel tax of a maximum of 10 cents per litre + GST to fund regional projects which would not receive funding in other ways or within a desired time frame. Of this money, a maximum of 5 cents can be spent on roading but the primary focus should be investment in public transport 8.

The tax will be administered by LTNZ, collected at a wholesale level, with rebates available for non-road use (e.g. marine) and commercial off-road use. Capital projects include road building and some renewals, public transport termini, integrated ticketing systems, bus shelters and bus priority systems.

Auckland proposes to spend bulk of money it may raise from such a tax on rail electrification, ferry termini, and integrated ticketing.

A "representative body" will propose the projects for a fuel tax to Ministers of Finance and Transport; Ministers would approve the development of the proposal and negotiate a Development Agreement covering the roles of all parties, how projects will be evaluated, the tax rate required, other funding required, the consultation process required, and any other requirements. The tax would be imposed via an Order in Council, with the first probably in 2008.

The MoT is consulting interested parties with a desire to have legislation introduced and passed as soon as possible. The intention is to have the mechanism in place permanently but individual taxes will have a time limit in relation to the specific projects.

[8] Ministry of Transport briefing to BCA Urban Committee, 20 July 2007

THE IMPACT ON PUBLIC TRANSPORT

LTNZ has allocated $157.7 million to public transport community services (e.g. for contracted services to regional councils), and $7.3 million to social services (e.g. Total Mobility disabled persons' taxi subsidy and concession fare schemes). This funding is matched on a 50:50 basis with regional councils. LTNZ has also provided $97.7 million for public transport infrastructure, including $47 million for the Northern Busway in Auckland.

This year's allocation is 16.8% higher than the allocation in 2006-2007, as a result of by cost increases and service expansion, particularly in Auckland. LTNZ expects this trend to continue, and notes [9] that "growth in services has been limited by the availability of funding expected from local authorities."

The industry agrees with this observation. For example, a dramatic growth spurt in patronage driven by increases in petrol and diesel prices in mid 2006 saw bus services (in particular) struggling to cope with the demand, yet requests for funding additional peak services went unheeded because of a "lack of money". We proposed a funding regime which allowed regional councils to "borrow" against future funding expectations from LTNZ to meet unexpected peak demands, but so far this suggestion has been lost inside the system.

The funding increases justified against the NZTS [10]:

- Economic development - the funding improves the speed and reliability of travel times by improving infrastructure and services for all modes of transport. Bus priority systems and increased levels of service also reduce travelling times.
- Access and mobility - the funding "contributes" to increased access and mobility by increasing transport choice. These include walking and cycling and public transport, and targeting the transport disadvantaged through the Total Mobility scheme.
- Public health - funding for community-based activities such as school travel plans, walking school buses, cycleways and public transport promotes public health.
- Environmental sustainability - public transport funding has increased by 17% over the previous year and is projected to grow by a further 20% over the next 10 years. This includes funding for travel behaviour changes and measures to improve pedestrian safety.
- Safety - personal safety at interchanges and associated infrastructure is enhanced through funding for additional lighting and monitoring systems.

Impact on bus operators

The Association has argued that without the bus operators' investment in new and refurbished vehicles, driver training, ticketing equipment and so on, all the best-laid plans of LTNZ and regional councils are worthless - or at least, there would need to be a substantial and risky purchase of vehicles by the public sector.

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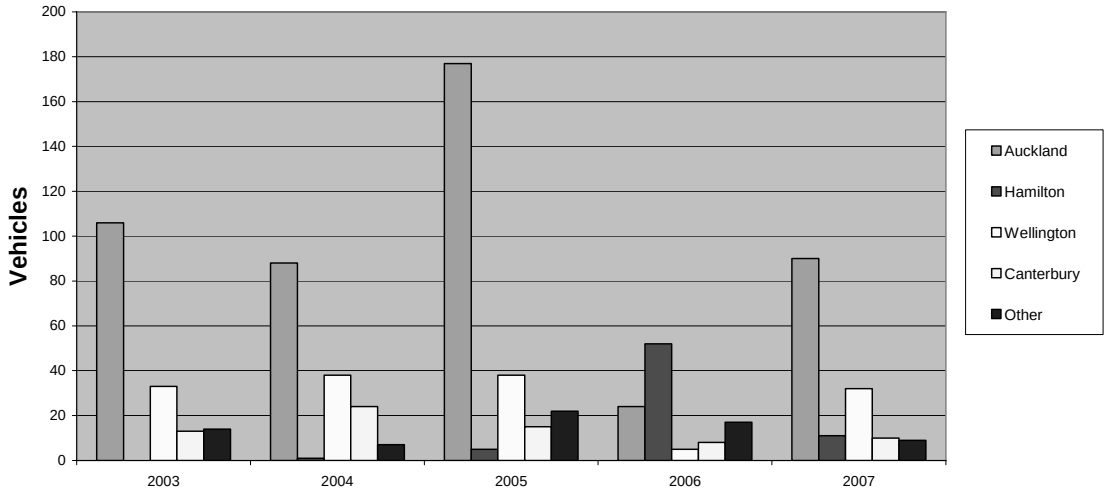
[9] *National Land Transport Programme*, 2007-2008, p.23
[10] 2007-2008 NLTP, p. 28

The following two graphs show bus purchases by number and by investment. 11

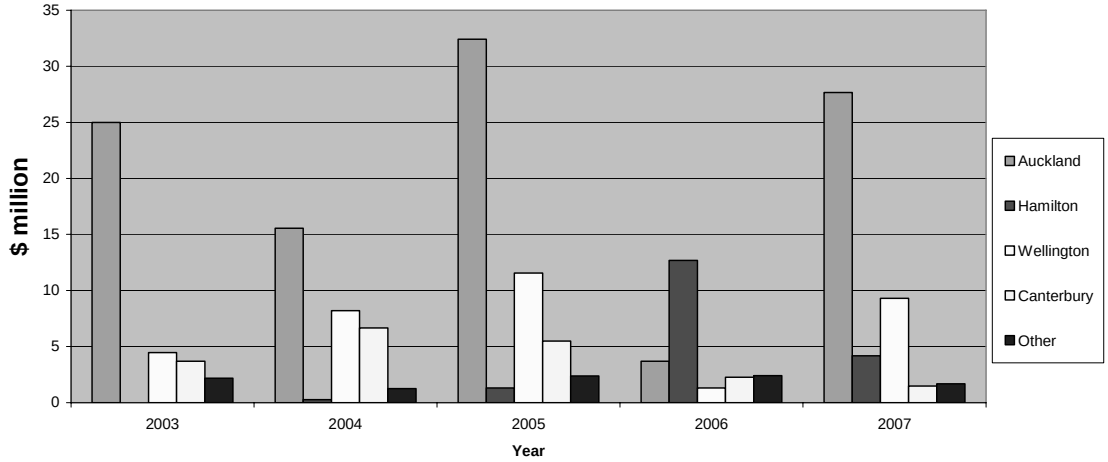
Graph 3

Number of urban buses purchased or reburbished 2003-2007



Graph 4

Bus operators' investment in new and refurbished urban vehicles, 2003-2007



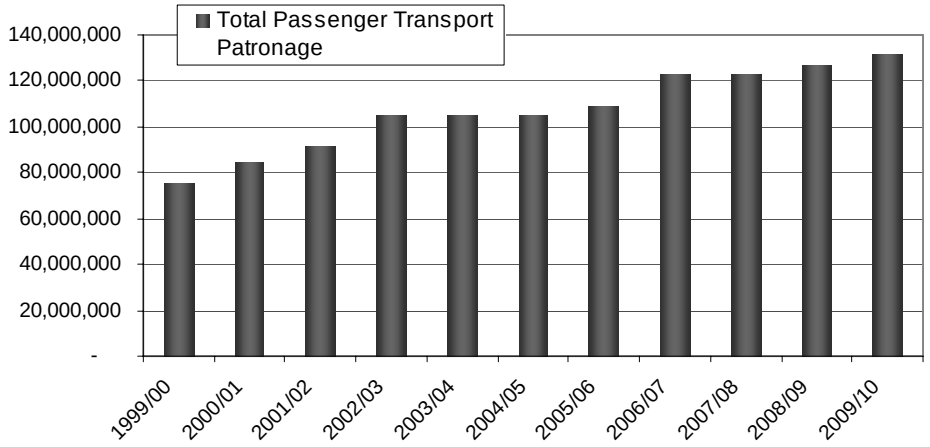
There is a substantial dip in investment in 2006. The reason for this will be discussed later in this paper. Over the five years, bus operators have invested $190 million in 840 new and refurbished vehicles. This is a significant investment for private companies.

[11] BCA survey of urban operator members, January 2007

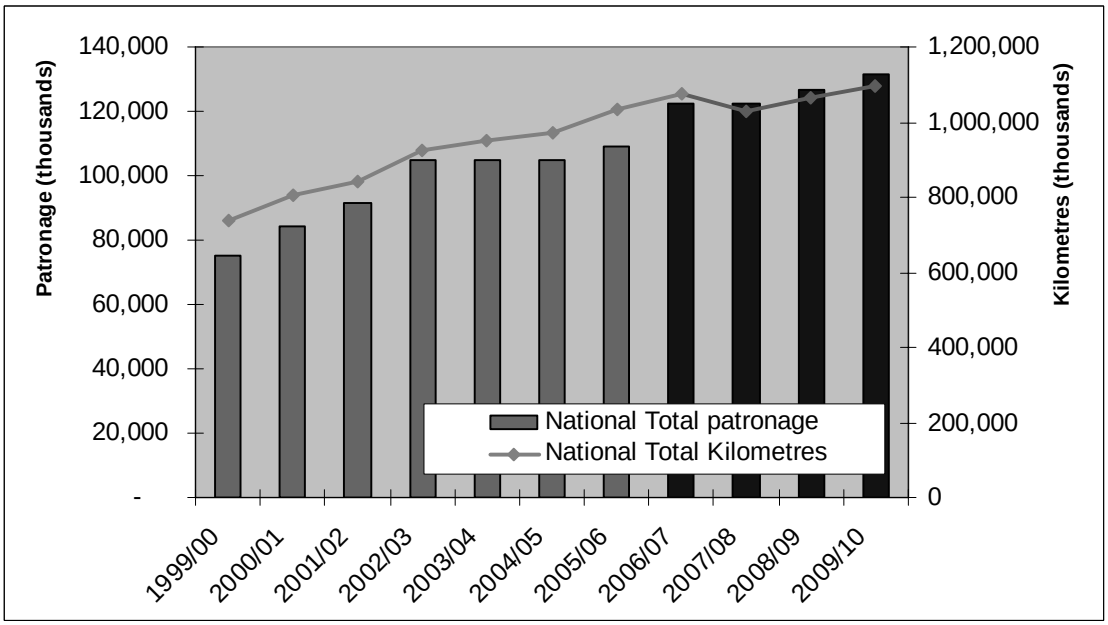
Impacts on passenger numbers [12]

The significant investment of public money in public transport has also brought results. Graph 5 shows patronage growth from 1999/00 to the last full year (2006/07) and projected for the next three years. It shows patronage growth from the start of the current renaissance in 1999 of around 75 million journeys to 125 million in 2006/07 and growing again to 130 million in three year's time. This is a 66% growth, no mean achievement.

Graph 5



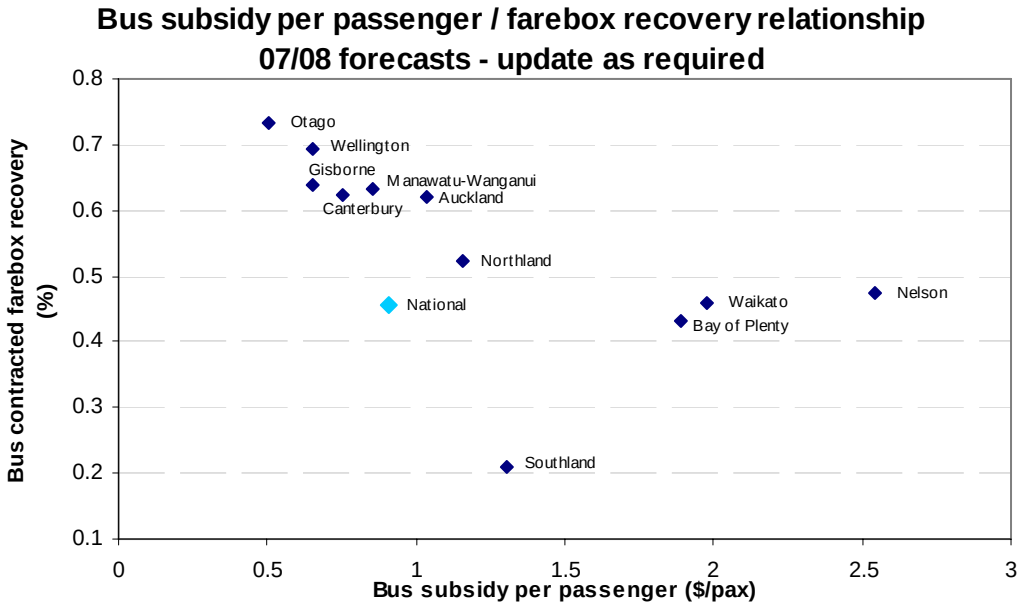
Graph 6



Graph 6 shows the patronage growth in relation to the number of kilometres run, and is a measure of effort to create the additional patronage. It indicates the increase in services run over the 11 year period (the last three years are projected.)

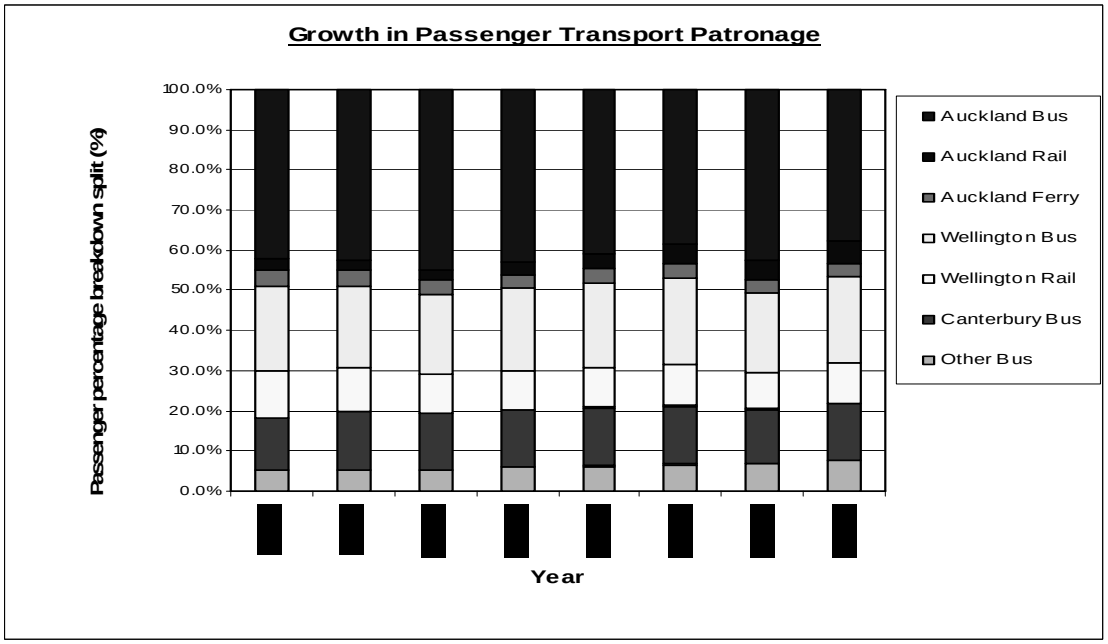
[12] The graphs in this section have been provided by Land Transport NZ at the author's request.

Graph 7



Public investment in providing services is all very well, but the passenger has a crucial role to play in meeting the costs of public transport services. Graph 7 shows the farebox recovery ratio. Otago has traditionally had the highest number of commercial services (see section 6 below for a discussion on commercial v contract services) and as a result has the highest rate of farebox recovery – about 73%. Wellington has the highest rate of commuter travel on public transport services, and this is also reflected in a high rate of farebox recovery.

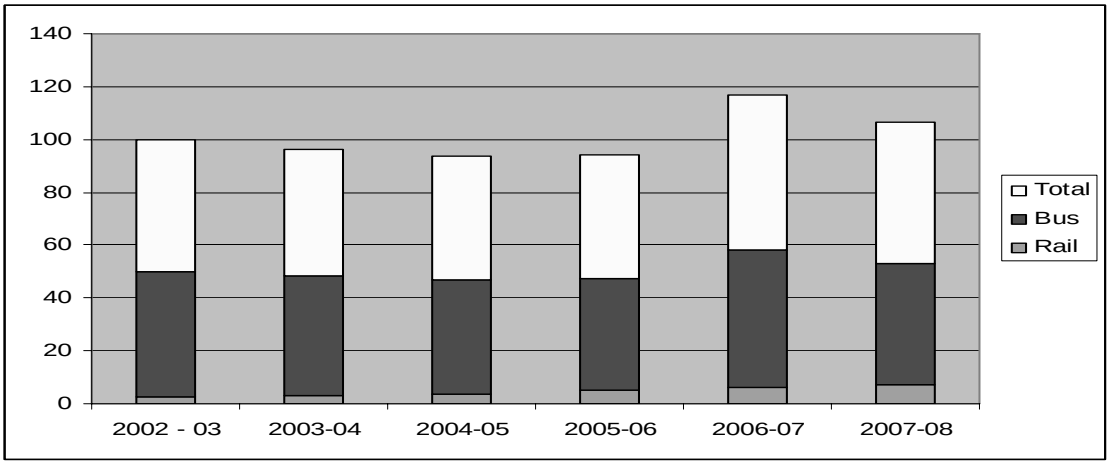
Graph 8



Graph 8 looks at the modal split in the three main centres, and clearly shows the importance of bus travel in each area (as well as in the smaller regional council areas). It shows the rail share in Auckland has doubled its market share at the expense, mostly, of bus travel. It is

arguable whether the substantial investment in rail in Auckland – double-tracking the Western line, refurbished rolling stock, increased service frequency – has grown the public transport market, as Graph 9 indicates.

Graph 9



Rail's patronage has risen from 2.5 million in 2002/03 to a 5.2 million journeys in 2005-06. Bus patronage has fallen from 47.3 million to 42.1 million journeys over the same period, while total public transport journeys on the two modes have moved from 49.8 million to 47.12 million – and, to be fair, are predicted to rise again to 53.2 million journeys in 2007-08.

PUBLIC TRANSPORT PROCUREMENT

Public transport services in New Zealand are either commercial or provided under contract to regional councils. 13 Commercial services receive no contract (or subsidy) payments other than fare concession top-ups where such a system operates, but they neither are they subject to periodic tendering or overt regional council control. They provide an operator with a core business around which other, usually contracted, services can be structured. Because they are not subject to competitive tendering, and therefore the chance that they might be lost to someone who thinks they can provide the service more cheaply, operators are able to structure their investment risk in new vehicles, etc, around them.

Approximately 40% of services in Auckland, for example, are commercial, plus a range of other services such as the Airbus, sightseeing services, and free buses provided by retailers. Services which, in the operator's opinion, cease to be commercial can be de-registered, giving the regional council the option to put them up for tender or cease running them altogether. Since these services are usually an integral part of the regional transport strategy, councils are reluctant to abandon them entirely.

Contract services, on the other hand, are put up for competitive tender by the regional council every few years and operators bid against each other for them. They are usually the core of a regional council's Regional Passenger Transport Plan (RPTP). As a result they are subject to a range of other controls such as the quality of the vehicles provided, fines for poor performance, a requirement for driver training, and so on.

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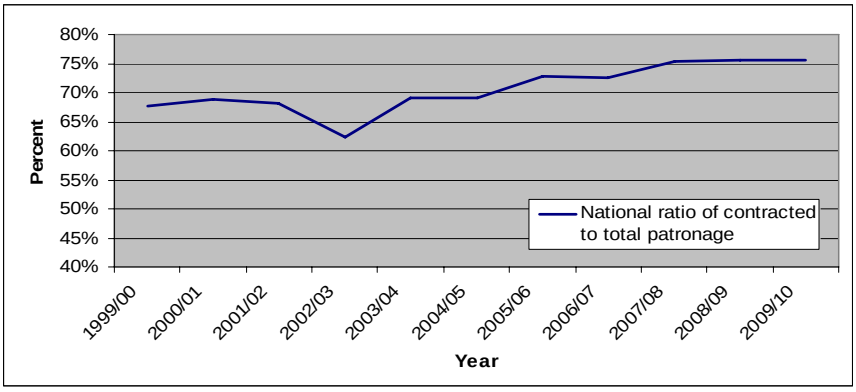
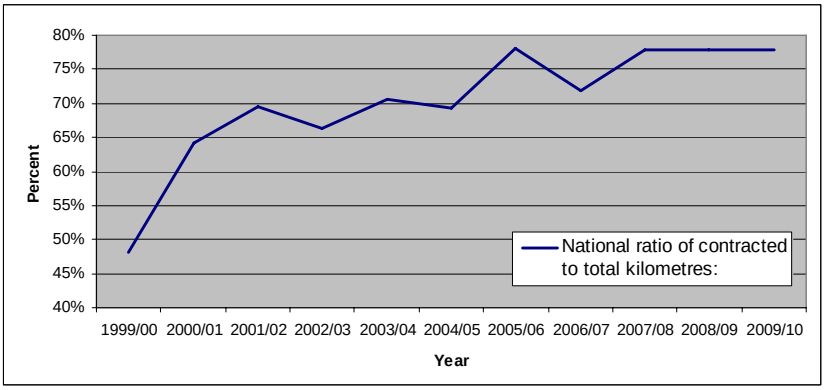
[13] See Transport Services Licensing Act 1989

Graph 10



Graph 11



Graphs 10 and 11 illustrate the ratio of contracted to commercial services both in numbers of people carried and kilometres run.

The TSL Act reviewed

During 2005-6 the provisions of the Transport Services Licensing Act allowing commercial registrations were reviewed by the Ministry of Transport, following a series of criticisms of the regime from regional councils, which might be summarised thus :

- They are unable to plan properly with the presence of commercial services;
- They may not be getting good "value for money";
- They are exposed to unknowable and unreasonable financial risks through service deregistrations;
- They are unable to achieve integration, and in particular, an integrated ticketing system;
- They can't control commercial service quality.

The industry's short response to these criticisms follows.

Influence – Regional councils' influence over commercial services is substantial through their ability to control the concessionary fare scheme (CFS). CFS are not available to non-complying commercial services. There is no evidence to show that operators have used sub-

standard vehicles on commercial services, or that commercial services are inconsistent with the RPTP, nor is there any evidence to show that operators have not made their commercial services integrate with contract ones.

Integration - the question of integrated ticketing, particularly in Auckland, has been a vexed issue for years, yet Wellington, Hamilton and Christchurch have all achieved degrees of integration under the existing regime. The issue is not around public transport procurement, but rather around the management and control of fare revenue, as well as producing a fool-proof and cost-effective system.

The industry has made a realistic proposal on this matter, and we have told both regulatory agencies on numerous occasions that we support the need to integrated ticketing in the Auckland region. However, revenue control is fundamental to operators' businesses, and this must be resolved before an effective system can be put in place.

De-registering commercial services - commercial services are not de-registered without good cause and then only as a matter of last resort. In 2005 Stagecoach (as the company was then known) de-registered a number of commercial services in Auckland. These were the result of passenger transfers to rail, a reduction in the Asian student market, and the operator's inability to recover the additional operating costs readily from the farebox. While the de-registrations were unfortunate (and in fact, took several months to negotiate rather than the statutory 21 days), they should have been foreseeable through effective planning.

It is important to remember that 95% of commercial registrations which were in place in 2004 remain in place today. It is not correct to argue, as RCs do, that they are actually (as opposed to theory) exposed to "unreasonable risk" through deregistrations.

Transparency and "value for money" - at this stage there is little real understanding of what constitutes "value for money" in public transport procurement. Even if we take the most basic measure - the amount of public subsidy per passenger - the NZ system provides substantially better "value for money" than all the Australian systems.

The bus industry's goals from the public transport procurement system can be simply expressed as being able to make investment decisions in a regime which allows them to manage the risk effectively around those decisions. These decisions include capital, but also include employment arrangements, service provision (both commercial and contract combined), operating in a predictable competitive environment, setting prices, and growing their businesses and thereby growing shareholder wealth.

In saying this, we stress that the industry does not expect or want to be shielded from the risks around investment, but expects and wants to be able to make those decisions in a stable regulatory environment and in genuine partnership with Regional Councils, Land Transport NZ and the Ministry of Transport.

The existing regulatory system (i.e. the ability to register commercial services under the Transport Services Licensing Act 1989) allows bus operators to manage the risks around their investment in passenger transport equipment, labour relations, equipment and related input costs. Since 2003 the industry has invested about $190 million in new urban vehicles in partnership with regional councils and Land Transport NZ. This investment has only been possible because operators have a core business which is not subject to competitive tendering by Regional Councils.

However, the uncertainty created by the review caused bus operators to stop ordering vehicles during 2006 (see graphs 3 and 4 above). Once the review was complete and the Minister signalled the shape of the amending legislation were operators prepared to start their investment programme again.

The investment partnership is, in our view, a successful model of a "public-private partnership" between operators in the private sector and regional councils, territorial authorities and central government in the public sector.

On the other hand the public investment in new services, bus priority systems, and marketing the system has allowed operators to grow patronage through improved reliability and frequency. These advances have been possible because the industry has been able to make the investment in a stable regulatory and procurement environment, and has been able to manage the risk around that investment. In the background work to the review the Association produced a paper which looks at risk and where it should lie. [14]

Public transport operating and subsidy statistics of NZ systems, as indicated in our paper on the Association's website (below) show that the existing regime works well, is reliable, meets the objectives of the NZTS (e.g. in vehicle accessibility, emission standards, and so on), encourages innovation and focuses on the passengers' needs.

Providing "value for money" means that the broad range of outputs from the public transport system meets passenger needs, and assists to meet the objectives of the NZTS and RPTPs. The current system allows operators to control costs for which they are responsible, and provide services in addition to commercial services to meet Regional Councils' objectives.

The discussion paper below [15], on the Association's website, considers in detail the criticisms of the current procurement regime and provides straightforward solutions to these issues. We are convinced that a genuine partnership, in which the concerns raised by regional councils are matters for negotiation between equals, is the most practical way forward.

SCHOOL TRANSPORT SERVICES

The Ministry of Education (MoE) is responsible for contracting school transport services mostly in rural New Zealand, from private bus operators. The current system has been in place since 1989, when six-year contracts were awarded following a competitive tendering process.

Today the MoE spends about $65 million on contracted school bus services, carrying approximately 60,000 students daily on 1,590 routes provided by 219 bus operators (about 90% are BCA members). A further 814 routes are provided for technology students in years 7 and 8 travelling between schools for specific courses and finally, approximately 400 routes are provided to direct-resourced schools (i.e. schools which receive a bulk payment from the MoE to arrange their own transport services.) 16

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[14] See BCA website - www.busandcoach.co.nz : Who carries the risk in public transport? The bus industry's view of how risk should be allocated, and a comparison between different regional councils' procurement procedures.

[15] See BCA website - www.busandcoach.co.nz : The system is working - a detailed response to criticisms about the current procurement regime.

[16] *Report of the Contracting and Tendering Review of School Bus Transport*, Ministry of Education, June 2007, p. 9

In addition to the MoE's services, regional councils provide school transport services within their regions. We estimate that approximately 60,000 students are carried daily by these services.

For a number of years the Association, along with other participants in the school transport system, have criticised the MoE for offering contracts to operators with the lowest price regardless of quality. This, we felt, placed the MoE, the students and the operator at an increased risk of an accident because of inadequate maintenance or investment.

The MoE review of school transport services

The MoE has recently completed a review of its school transport services which allowed them to consider:

- Whether safety and quality standards could be improved;
- The ability of the industry to work with government agencies and the community to improve the service; and
- The sustainability of the current contracting regime and its effect on operators and the market.

The Association's members were central in the review process, with six workshops held around the country in late 2006, attended by 150 bus operators.

Earlier this year the Minister of Education announced the MoE's findings and outlined the changes they will be making to the school bus tendering regime.

The key changes are:

- a greater focus on vehicle safety and service quality standards including vehicle emission standards, prior to contracting;
- mechanisms to ensure these quality standards are consistently maintained during the period of the contract;
- compressing the current two-year national tender round into a one-year process, to enable all daily bus routes to be tendered at the same time;
- changing the annual tendering of technology routes to align with the daily bus route tendering process and contract term (these routes are for transporting Years 7 and 8 students to off-site technology tuition);
- extensions to the contract term for good bus operators, and ongoing improvements to bus route design, safety standards and operational rules.

The major changes in the new process

A greater focus on vehicle safety and service quality standards

Bus operators will be required to meet more rigorous vehicle safety and service quality standards prior to contracting, and there will be mechanisms included to ensure the standards are consistently maintained during the life of the contract. In particular, the Ministry will be working with Land Transport NZ and the BCA to include emission standards in vehicle safety checks.

The Association has suggested six key areas in which quality will be measured - vehicle investment, driver training, business security, standards of maintenance, and customer

feedback. The challenge now is to design a transparent system which measures "quality", assesses one tenderer against another, and then provides a price margin to reflect that degree of quality.

In addition, the MoE will be more actively auditing operators' performance during the life of the contract and poor-performing operators are liable to have their contracts terminated.

Separation of the qualification and pricing stages

Bus operators will be required to submit vehicle and business information that meets specific standards in each in order to be invited to tender route prices. A bus operator can be excluded from the process if they fail to meet the qualification standards. Those who qualify will be invited to tender.

All routes will be tendered together

Bus operator contracts ending on 31 December 2007 will be rolled over for one year to make all routes available for tender together. The annual tendering process for technology routes will cease from January 2009, and all technology routes will be made available for tendering with the daily routes.

Contract term will be extendable

Contracts will be for a six-year term, and may be extended to up to 12 years (based on two three-year extensions) for bus operators who consistently maintain vehicle safety and service quality standards.

Parents and schools have been calling for a long time for the safety of buses and the quality of bus services and drivers to be raised. Through applying more stringent standards and ensuring they are maintained, the MoE expects significant improvements in both areas. The standards will be increased during the term of contracts in areas such as vehicle emissions and driver training.

In addition, the MoE is participating in ongoing research into school bus safety, looking at such issues as seatbelts in buses, how to best manage overcrowding and student behaviour.

New investment

Both the MoE and the Association are keen to see more new school buses on the road. The current average age of the NZ school bus fleet is about 16 years (the maximum permitted age is 26 years).

The new tendering regime is expected to reward operators who invest in new vehicles. Longer contract terms will provide bus operators the certainty to invest in new vehicles, and the introduction of emission standards by Land Transport NZ will require some buses to be replaced earlier than their retirement age.

The Association is working on designing a "standard" school bus which hopefully will bring about economies of scale in its production and therefore will be more affordable to the industry as a whole.

Impact on smaller operators

There are a significant number of small bus operators involved in school transport, often in the most remote parts of the country. The MoE is concerned that their businesses remain viable and that ultimately the entire school bus industry is not provided by a small number of large companies. In other words, the MoE is keen to protect competition.

While price is an important factor in accepting tenders, the MoE has included some margins in the evaluation of route prices that will give advantage to incumbent operators and ensure that competition for routes is encouraged and maintained.

Co-ordination with the wider public transport system

The MoE is aware that their school bus service is often the only form of non-private transport in rural New Zealand. School bus operators, on the other hand, have made a significant capital investment in the vehicle but have a difficulty employing drivers to work a few hours a day. Consequently, the MoE has agreed to allow operators to carry other, fare-paying passengers on the school bus, and it does not require much imagination to understand how the school bus could be used for intensively during the day when it's not required for school services.

This brings the school bus system into contact with regional councils' public transport services. Perhaps it is only a matter of time before the two systems are brought more formally together. But that is a story for another day!

CONCLUSIONS

The NZTS is at the heart of New Zealand's transport, and in particular, the public transport policy and funding regime. The vision, principles and five objectives are reflected through strategies in other sectors (e.g. the NZ Tourism Strategy talks about improving engine emissions for coach and rental vehicle travel, amongst other things 17). On occasion the Association has been able to make policy improvements for its members based on the NZTS's principles. For example, we have been able to obtain increases in vehicle dimensions based on improved efficiency which have eluded us before the NZTS was in place.

The clear focus on public transport throughout the NZTS has provided public transport operators with the encouragement to continue to invest in new vehicles and more efficient procedures, as graphs 3 and 4 illustrate. It probably goes without saying that the industry supports the direction of the NZTS, although we may debate the details. The investment, along with the policy and funding focus has grown public transport patronage, and we expect this growth to continue.

The debate in 2005-6 over public transport procurement cast a shadow over the relationships between operators, regional councils and the regulators. However, it was a debate which had to occur, even if for no other reason than to look at what we have achieved and work out how it could be improved. It was important for the Association to be part of that debate, even if it did consume vast quantities of energy and resources which could have been put to more productive use elsewhere in the system.

We await with interest the amending legislation, but also remain unconvinced that it will really do much to improve the existing system.

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[17] *Draft NZ Tourism Strategy*, June 2007, objectives 7.4.7 - 7.4.12, p.44

However, having said that, there is one area we believe should be urgently improved, and that is in the area of operator - regional council - regulator relationships. In our view, the relationship is more based on control rather than a genuine partnership. If public transport services are to grow in New Zealand, this relationship has to improve. Operators have a wealth of knowledge about the services they run and the people they carry. Too often regional councils seem to ignore this experience, and RPTP are produced with limited input form the operators who will be expected to cost the services and then operate them.

If the review produces one singe improvement, we trust it will be in this area. Genuine partnerships are a two-way relationship between equals, and achieving that is our objective in the NZ contracting regime.