

**THE PARLIAMENTARY STANDING COMMITTEE ON PUBLIC ACCOUNTS  
MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON  
13 NOVEMBER 2002.**

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**DEPARTMENTAL BRIEFING ON SCHOOL BUS SERVICES**

**Mr BOB RUTHERFORD, Mr BERNARD CARLINGTON, Mr BERT ELSON AND  
Mr DAVID ENRIGHT**, WERE CALLED, MADE THE STATUTORY DECLARATION  
AND WERE EXAMINED.

**CHAIR** (Mr Fletcher) - Gentlemen just by way of opening, the committee has discussed in general terms the provision of transport services for students attending schools. We are generally aware that there have been a number of reports done in relation to inquiries and reports done in relation to these issues at various stages in the past. We are generally aware that the cost of providing the service to students has escalated quite dramatically over the last decade and perhaps continues to escalate. But the focus of our concern at this time is in the standards area. We are concerned that the fleet appears to be getting older. There are demands for seat belts and increased safety and things of that nature and it has been suggested that we, as a group, ought to inquire into the operation. Our first step always when there is a suggestion that we ought to inquire is to call in officers to brief the group about the need for that, the pluses and minuses of such an action and the potential for any real outcomes as a result of taking that action. With that background I would ask Bob to lead off in relation to the matter?

**Mr RUTHERFORD** - Obviously, the department takes extremely seriously the safety standards on school buses. Essentially, our position comes down to the following. We believe that the procedures we have in place ensure the ongoing safety of school buses. We assert that the school bus system is very safe and indeed is by far the safest way of getting children to school - much safer than travelling by private car. We are of course aware of concerns about standards and the aging of the school bus fleet. Essentially we see these not as questions of safety but rather as questions of amenity and the evidence suggests that as an intervention seat belts on school buses would rank extremely low in terms of measures that we would be putting forward. The experts are here to essentially give you more detail on those positions which help fill out of course the reports that you alluded to, Chairman.

**CHAIR** - Perhaps we could explore the safety aspect somewhat further and look at whether there are actions that can be taken or benchmarks that rank us with other fleets with regard to safety performance and amenity performance - measurements that say we are as good as, better than or worse than other fleets in other jurisdictions?

**Mr RUTHERFORD** - I think perhaps Bernard could lead off - if that is the correct order; you can chip in if I pick the wrong person. We have cross-agency representation so it is

sometimes a little tricky to know who has which area. But perhaps if Bernard gave you something on the overall safety picture and its relativities, then perhaps we can take up some of the more technical issues with Bert. On policy matters I would call on David to provide some illumination.

**Mr CARLINGTON** - Chairman, I suppose on the issue of amenity standard which is one of the issues that has been raised, they are highly variable across most Australian jurisdictions. From an operational perspective I have reasonably frequent contact with my colleagues in other States. The standards tend to vary from jurisdiction to jurisdiction, largely in response to their own local conditions. For example, in South Australia and Western Australia they are moving towards greater introduction or air conditioning in their school bus fleets simply because of the extremes of temperatures that can be encountered in those locations. They also tend to have situations where the students riding on those buses for very much longer distances than are normally involved in Tasmania, so there is perhaps a higher premium placed on the amenity standards which many of these things relate to.

In terms of the general statistics, the information that comes back to me through the road safety area through the traffic accident reports suggests that, as you gentlemen would certainly be aware, Tasmania's school bus safety record has been extremely good. We've been very fortunate in that there has never been a fatality associated with travel on a school bus. There are some very real concerns about safety on and around school buses. The primary risk areas continue to be immediately before the children board a bus or immediately after they've gotten off the bus. These are concerns that the industry has addressed the department over many years, such as the behaviour of other drivers around school bus areas and behaviour of traffic in general. In trying to address those particular concerns and very real risk exposures, there have been things like the flashing lights on the school buses, the warning signs advising drivers that they need to slow to 40 km in the vicinity of the school bus, the campaigns that the road safety officers launch in school areas trying to focus their efforts if you like, on those primary risk exposures where accidents do occur.

The most common type of accident that occurs involving a school child is normally in the afternoon on the way home from school - they've been in class all day, they've got a fair bit of pent up energy, they get off the bus and there's often an occasion where they are running across the street either to a friend or perhaps a parent's car and that's really when they are significantly exposed. There have been a number of accidents in those situations across all jurisdictions. It is a common circumstance throughout all jurisdictions that kids running across the street tends to be the cause of the highest frequency of accidents. Most of the efforts in most jurisdictions have been affected towards that sort of exposure.

There have been a whole range of programs that have been trialed elsewhere and trialed here: improved signage around the school zones, the education programs that are launched, the flashing lights that started pretty much in the southern jurisdictions and have spread now to most jurisdictions are all directed at those primary risk areas. It is the case - and I think that we certainly acknowledge this from an operational perspective - that at the start of every school year, there are issues of standees on school buses. There have been some concerns expressed that, at the start of school year some school buses are loaded beyond their operational carrying capacities. That was a concern

that came up this year and the commission took steps to ensure that if ever there was an instance where an operator became aware that the number of students actually exceeded the design capacity of the vehicle, they were given a series of phone numbers, they could alert the transport inspectors who work in the vehicle operations branch immediately and the bus would immediately be inspected by a transport inspector. If there was a problem, we made provision for additional buses to be provided immediately - that is, the next day, the next service run. In fact, this year there were no instances where that action had to be taken so that we are very pleased that no vehicles are actually operating beyond their design capacities in terms of that safety. They did in many instances have standees. Again, particularly from an amenity perspective, the commission's view is that we should have sufficient capacity in place so that all the students who regularly depend on the bus to get to and from school should be able to be seated. There will be instances where there does not happen so if, for whatever reason, on a particular day a lot of children who do not normally use the bus turn up, there may be standees. It has also been the policy that whilst students who live within three kilometres of the school do not have an entitlement to ride on the school bus, they are perfectly free to do so if there is room on the bus. Quite often operators will carry kids over fairly short distances and in many instances that does involve standees. But there are generally no instances of which we are aware where we have kids standing over long distances. That is a concern, particularly where those distances might involve highway speeds.

**CHAIR** - Thank you. It appears as though we are now going to go from Bernard on amenities and vehicle operational safety to Bert, who will talk about standards and inspections on the road and the maintenance of standards. Policy matters will be addressed by David. That is probably the best way of addressing the issues. If any member of the committee has questions of Bernard with regard amenities and safety, now is the time to ask them.

**Mr STURGES** - Well, Chairman, I did have but I think we will go through the process; perhaps my questions maybe answered once we hear the presentations. I will just make note of what I picked up during the other presentations.

**CHAIR** - Bernard, the school bus operator would say, 'They pay us a pittance and of course we cannot keep the buses up to standard or maintain the standard we would like to'. Is there a process for determining remuneration and is that broadly consistent with the process or the basis that applies in other jurisdictions?

**Mr CARLINGTON** - The payment formulas vary significantly from jurisdiction to jurisdiction. In a lot of instances that may be because of the operating characteristics. So in some jurisdictions where we have very long bus runs the weighting that is given to the per kilometre rates, the capital components and the like do have an impact. In a number of jurisdictions the buses may be owned by government departments which changes the circumstances depending on the frequency with which services may go out to tender. Circumstances change and in some jurisdictions where they have policies of requiring newer buses or imposing age limits for a range of reasons, again that changes the payment formula.

We have within Tasmania an agreed rate, if you like, for service variations and that developed out of some work that was done by a consultancy, Travis Morgan and Company. They did an assessment of what were the average operating costs across a

sample of operators that participated in the survey and from the sample that they worked with they then derived a formula that suggested what the average costs might be. We have adopted that formula in terms of variations so that if we put on an extension to a service or we provide an additional vehicle or move things around, when we vary the contracts, those are the formulas that are applied and I think there is a view that it is probably not unreasonable. The industry would certainly like to see a higher rate for those things but it is very difficult when dealing with the averages to decide whether in fact that should always be the case. There would be some people who, on the average application of their service, will do very nicely and others who will be struggling but that has been the process that has been evolved in preference to going out to tender.

Now, the issue - and I suppose the burden that the industry and the department carry - is that the vast majority of these services were originally won through a tendering process. At the time that the services were tendered for it was an earlier year. The standards were different; there were no requirements in terms of vehicle replacement; operators were not given any specifics for how long they would be allowed to use a particular vehicle; the tenders simply came in and were accepted. Normally the lowest tender was accepted and many of these contracts are more than 20 or 25 years old. They may have changed hands several times in the intervening period and the cost structure that may have been perfectly acceptable to the original tenderer may now be out of line with what the person who is now running the business is having to go through. Because they were originally tendered it is very difficult to change those rates without disadvantaging other tenderers who missed out, and it is very difficult, in the absence of going back and testing the marketing process, to assess what is fair and reasonable. In some instances - and these are very few - an operator has said: 'Look, this is simply not a viable rate for me' and turns in the contract and we then have to go to tender and retest the market. But in the absence of that sort of process, it is very difficult to make judgments as to whether a service is remunerative for any individual operator in the light of all their circumstances. So it is certainly the case that, as a whole, the industry believes that the rates are too low but it is very difficult to decide in which particular case that might apply.

**Mr HIDDING** - I wanted to ask a question now so that Mr Elson can address it in his response. Speaking of the average cost of the service: if you were to accept the standard that if a bus appears safe it is safe, and that a 20-year-old bus is safe and so therefore a 30 year old bus is safe and a 40-years-old bus is safe, if it appears safe, then of course the cost of service is going to be low. Both of you have you have said: 'No, the buses are safe' and so therefore we are talking about amenity now. I want to challenge that. I may come to your way of thinking but at this point I would like to hear from Mr Elson why it is felt - or is it felt? - that a braking system on a bus that is, say, 10 years old is no better than on a bus that is a 1973 MAN former Metro bus from 30 years ago, of which there are plenty about. The braking system on those buses - whether they are air brakes, the size of the drums, the gear box system, for instance - where there are the old crash gear boxes where you cannot get it into a gear to hold the old girl back as she is going down a hill - whether it is fitted with exhaust brakes or not; whether the wheel-bearing structures, because of age, are more susceptible to wheels flying off. You might look at me but I am aware of one a couple of years ago now where a bunch of kids watched the wheel coming past the bus and wondered what it came off. It came off their bus.

**Mr WILKINSON** - It was trying to catch it.

**Mr HIDDING** - Yes, that is right. So it is all very well to declare the buses safe, but we are talking about relativities here. How safe, compared to a bus that is of a later vintage? You simply make the statement that there have been no deaths, therefore it is safer than being in a private motor car. Statistically, that may well be so. You could say that you are safer in a jumbo jet than being on a school bus as well.

**CHAIR** - Perhaps we could have a response to that.

**Mr HIDDING** - Yes. So it is a question of those standards.

**Mr RUTHERFORD** - Before Mr Elson replies, Chairman, I would just like to put the response in context because we will be going to David to talk about the specific issue of the aging of the bus fleet, which we see as an issue but we see it - as you correctly said Mr Hidding - as an amenity. That is what I have asserted and that is clearly what we believe. But I would like to, if you like, foreshadow that this response will be followed by something about the aging issue.

**Mr ELSON** - I guess I should put this in context, notwithstanding what Bernard was saying about specific variances between States for amenity. Certainly we have requirements for heaters that they do not have in Darwin and Darwin has requirements for air-conditioners that we do not have. But the general standards that apply to buses are consistent throughout Australia. They are two-fold. Any vehicle must meet the relevant Australian design rules at the time it is presented to the market - and that applies to all vehicles in Australia. Then, underpinning that, are the vehicle standards regulations which are now consistent throughout Australia. All States have picked up the National Vehicle Standards Regulations. Certainly the Vehicle Standards Regulations cover all the basic things like safety features - height of steps, width of aisles, the amount of headroom, those sorts of things. The Australian Design Rules are the basic requirements for the safety features of the vehicle when it is presented to the market. The thing to remember, of course, is that Australian Design Rules are added to, improved upon and updated from time to time, but the one principle that has always applied in design rules is that they do not apply retrospectively. They apply at the time the vehicle is presented to the market, so clearly there are Australian Design Rules that a new bus must comply with but that a bus that was built and initially sold 10 years ago has not complied with. In terms of our monitoring the roadworthiness and the safety of buses, as you are probably aware, all buses are required to be inspected twice a year in Tasmania, and that is the opportunity for our transport inspectors to keep a very close eye on the level of maintenance and the general condition of the buses.

I think it is probably worth just adding now there has been a significant enhancement to that system over the past two years since the introduction of accreditation in June 2000. The intent of accreditation is putting a lot more emphasis on the operator to have the systems in place, and there is a whole range of systems that I guess to a certain extent we envisaged that every operator did, and we were surprised, and at times horrified, to find they did not have those systems in place. These are simple things like incident reports, a system whereby, as you say, if a wheel falls off and someone does something about it. That is an extreme case, but we found there were cases where a driver said, 'Yeah, I told the boss that the steering wheel was getting loose and, no, he hasn't done anything about it for two months'. Under accreditation those reports have to be done, they have to be audited. If we found a problem with the steering wheel and the driver said nothing had

been done, we'd check the records, that the incident report had been done on time, and the accreditation of that operator would be seriously reviewed and they would be under an audit. So we are finding that the new accreditation scheme is really putting the emphasis back on the operators to make sure they have good systems in place, that their drivers do check the vehicle every day, which a surprising number of drivers never did. They just went out in the morning, got on the bus and off they drove with 40 kids on board. Now they are actually having to do a full check-list every morning, sign that they have done that check-list, and those check-lists have to be kept in case an audit is called for, and the general level of systems in place has improved enormously.

One of the problems we have in relation to the age of vehicles is the sheer variety of vehicle types and sizes as well. One of the issues we come across whenever we are looking at the whole issue of vehicle age is how you compare a Mercedes Benz that is built like a tank with a very strong chassis and actually has a working life well into the 30 years with perhaps a much smaller Heino or something like that. The problem you end up with at the end of the day is in setting a set age limit for buses. You are imposing an age limit that may well be under the optimum age for some buses and over the optimum age for other buses, which is why we tend to do much more a performance approach and say these are the standards, these are the check-lists, these are the things that the vehicle has to pass at inspection. In terms of wear on the frame - that includes internal rust on the frame of the bodywork - the inspectors are certainly keeping a close eye on that. When they feel there are signs of rust emerging, a vehicle at any age, typically 18 years through to 25 years, can be required to have a full frame inspection whereby it is determined whether the vehicle is repairable and can stay in service or whether it has reached the end of its life. So there is a whole range of mechanisms in place to monitor the ongoing condition of the vehicle.

**Mr STURGES** - If I may, Mr Elson, just coming back to this inspection process, you say that the inspections are done twice a year. I would not mind just getting a bit more detail as to what is inspected, where and by whom. And also if I could just pick up on that last point that you raise there about rust being evident in the vehicle and also taking into account the relativity of a Mercedes versus a different bus. I would suggest also that, and obviously I am presuming that you take this into account, the topography, the type of road over which buses travel must also be taken into account with regard to the metal fatigue. So do you have anything in place to check metal fatigue on these aging buses? Not just look for apparent rust, and who does that, what qualifications they have and what process is in place?

**Mr ELSON** - Certainly. I guess getting back to the inspections. The inspections are conducted twice a year. They are conducted by our transport inspectors and it is worth noting that, while a range of other inspections have been outsourced, at this stage we can still inspect all school buses with our inspectors, all of whom are qualified mechanics. That is one of the requirements before they are hired as a transport inspector. Until a few years ago there were many cases where inspections were conducted at operators' premises, which in some cases with some of the rural bus operators were out the back of the barn at the farm or something like that. We've instituted a process in recent years whereby we have set minimum standards for the location of the inspection. In many cases, where a group of operators can come up with a suitable facility, we will go to that facility and all the operators bring their buses there. So, for example, in the Huon we are conducting inspections in, as I recollect, an apple shed and it has an inspection pit and it

has facilities there. Operators bring their buses there so that we are inspecting the buses under good conditions with either a proper hoist or a ramp or something like that so that we can get underneath.

The other important enhancements are that some years ago we purchased three mobile vehicle-testing units. They are used for a minimum of one of the two inspections a year, so we don't necessarily do both inspections for that but at least one of the inspections each year is done with the mobile testing unit which has a roller brake-tester on it. So it tests the brakes of the vehicle and in testing the brakes it is looking for minute variances between one side or the other so you can pick if there is some wear or a slight leakage on the brake drum, something like that. The other component of the mobile testing unit is what is called 'the shaker' and that's basically a hydraulic arm that comes up and shifts the suspension around. If you have ever seen that in operation it is spectacular to see it because if there is anything loose it starts rattling at that point in time. We have had -

**Mr WILKINSON** - Better not step on it ourselves then.

**Mr ELSON** - some fantastic feedback from operators. I remember soon after we introduced it. One operator rang me up and said, 'Look, I have had a rattle in the front of this bus for the past eight months and I have not been able to work out where it was. The local garage has looked and everybody has looked, yet 30 second on that shaker and we found where the rattle was. It was a bearing that had gone somewhere and it immediately showed it up. So over recent years we believe that we have enhanced the inspection process to a fairly high level and we have a standard check list that the inspectors use that they go through and procedures for any defects that are found that have to be repaired.

One final point, there was a practice amongst some operators in the past that their maintenance would consist of sending the bus along for its inspection and waiting to see what defects were found and then doing something about it. Under accreditation that will lead to a very big black cross on their accreditation if we consistently find defects at inspection. The message to operators is that to remain an accredited operator we expect your vehicles to be presented to us in good condition. One of the consequences we are finding over the last two years is that the level of defects being presented to us in buses is dropping enormously as the accreditation takes effect.

**Mr STURGES** - Excuse me, Chairman, there was one part that you may have mentioned it but I didn't pick up. I don't know if it is a significant issue. I have no expertise in this area but I am aware of the metal-fatigue issue. Is that taken into account other than just looking for rust? On a bus that might have 500 million kilometres I presume if they are 30 years old there would be -

**Mr ELSON** - There is no regular procedure. We do not require operators to take certain parts out and have them metal-tested on a regular basis. It is only going to be based on either something that shows up during use of the shaker plate or any sign of excessive wear that shows up during the inspection. If the inspector finds, for example, more wear occurring on one tyre than on the other tyre, they will start digging a bit deeper and saying, 'Right, why is that happening?' If they have any concerns about any component clearly we have the power to say that we would like further investigation. Situations arise where we say, 'We don't exactly know what the problem is but we believe there is a

problem there and this bus won't be passed until we get an engineer's report on some aspect of it.'

That can apply to the bodywork as well, in that we can say there is no evident rust but there may be signs of wear or movement or something; therefore, based on that either we want the engineer's report or we want to see the panels taken off so that we can have a further investigation. We certainly do not wait until the rust is flaking off in big pieces before we ask for an investigation.

**Mr STURGES** - I really was not suggesting that. I am aware that vehicles can have mechanical components replaced but the general body and the chassis can fatigue over a lengthy period of time.

**Mr ELSON** - I guess in answer to that the best I can say is that I have very experienced transport inspectors who have been doing inspections of buses for a long time and know what to look for.

**Mr RATTRAY** - Bernard would remember because he was very much involved when we had a big debate on school buses some few years ago and we had a lot of representations from bus owners through the system here. At that time it was pretty much agreed, I think, that the age of buses should come down. We should have a more modern fleet of buses. Since that time, which I believe would be somewhere about 1995 or 1996, have we improved the age of buses? I know Rene was very concerned about it when he mentioned it here a week or two ago. Have we, in that time, improved the age of the buses overall or have we still not actually managed it?

**Mr CARLINGTON** - The short answer is 'no, we have not improved the age profile of the fleet'. Since that time I believe that the rate of aging of the fleet has probably slowed. At the time there was significant concern expressed by the industry that the process of reviews that had been undertaken, firstly by the Department of Education and more recently by the Transport Commission, had created a great deal of uncertainty in the industry and that was discouraging investment. So it was a combination of factors that people believed were causing the reduction in investment and it was both the uncertainty and the rates, if you like, and the combination of those two factors. What has happened since then is that, while the rates have not changed other than through indexation, I think the level of uncertainty has probably been significantly reduced so that the processes that were in place before, the reviews and how things were managed has changed to an extent that I do not think operators are facing the same uncertainty in that respect.

They are still looking forward to changes that will improve their remuneration but I think that, as a result, there has been perhaps an acceleration in the purchase of buses but because of the rates that are available to them they are not as new as we would like. So we are seeing a greater turnover of vehicles but they are older than we would like. So we still have, in common with South Australia and Queensland, a very old fleet in terms of what we would like. Certainly the rate at which it was aging in the early 1990s was of great concern and that has slowed down.

**Mr WILKINSON** - How do our inspections compare with other States? That is the first question. The second is, are there any common defects that have arisen over the last couple of years as a result of the tests, which seem to be more stringent?

**Mr ELSON** - The nature of the inspections is fairly consistent when we compare notes with our colleagues interstate. Not all inspections are done by transport inspectors. Victoria, for example, has privatised its bus inspection and they have inspections carried out by private bus inspectors linked with the Victorian Bus Association. But there is a fair bit of exchange of information between the different states and our aim is generally to pick up on trends that are happening in other states, to learn of incidents that are occurring. As with all vehicles, if an incident occurs along the line of a catastrophic failure of an axle or something like that, we circulate information of that nature to all state authorities to be on the lookout for similar incidents. So there is a fair bit of consistency between states and a high level of exchange of information.

**Mr WILKINSON** - What about the commonality - if there is any - in relation to defects that you might have found over the last couple of years? In other words, the buses did not come under the stringent notice, it seems, that they have had to come under over the last couple of years. There were obviously defects, whether that be loose wheels, loose axles, rust or whatever it might be. They would have remedied those, I would imagine - I think it was 1997 or 1998 when that legislation came in; is there any common defect now that continues to arise as a result of the inspections on the buses?

**Mr ELSON** - The short answer is 'no'. My observation and the feedback that I get from the inspectors is that the majority of items are relatively small items. They are simple things like cracked rear-view mirrors and emergency exits that have started leaking and had sealant used on them - we have to be careful that we ensure that they can still be used as an emergency exit - and things like that. Major mechanical faults are very rare. Probably the biggest issue - and this goes back at least 10 years - was the dual-circuit brakes. That was an issue that arose from a couple of accidents that arose due to brake failure. A decision was made retrospectively to require every single bus to have dual-circuit brakes, and that is generally something that has been picked up by all the states. But that is probably the last major campaign to introduce an added safety feature, other than -

**Mr HIDDING** - We do not have that here, is that what you are saying?

**Mr ELSON** - We do have that here, yes. We did that. That was a fairly rare example of something that, at that time, was not required in the Australian Design Rules but was deemed so important that it was made a requirement and over a period of time all buses were made to be fitted with dual-circuit brakes.

**Mr WILKINSON** - If you had a wish list and the Government said it could be accommodated; what would be on your wish list?

**Mr ELSON** - In terms of?

**Mr WILKINSON** - In terms of the school-bus system and making it better.

**Mr ELSON** - School-bus safety? If I stick my head out here am I going to have it chopped off?

**CHAIR** - No.

**Mr HIDDING** - Not by us, you are not. You might later.

*Laughter.*

**Mr RUTHERFORD** - Not if he sticks to the facts - that is what we are here to give you.

**Mr HIDDING** - I have seen the Rutherford axe in operation.

**Mr ELSON** - My biggest concern - and it really goes back to this report, is something that we have been pushing for some time. This was a report on voluntary modification of existing buses. In guidelines set up about five years ago for improvement of existing buses, one of the strong recommendations that comes up in this report is seat padding. We still have a large number of buses that have exposed rails. They are unlikely to be fatal in an accident but in the sort of accidents that buses do have if they have to stop in hurry - a dog goes on the road and a driver puts his brakes on - that is where you get bruises on the face or a cut nose or something like that. Those are not major accidents but they are the sort of accidents that can be reduced with improved seat padding. I have actively been encouraging operators to improve the padding on seats on those buses that do not have padding. The feedback that I get from the operators is that it is not just a matter of going out and buying some cheap foam. To do it according to the standard in here, you have to buy a kit for a whole bus which is the foam surrounds for the metal seat tops and things like that. But that's the one area they would like some extra money to get the seat padding improved. All I am in a position of doing and saying it's a voluntary recommendation here. It is not in the Australian design rule. It is not in the vehicle standards. I can't enforce it. But it is probably the area in which I would most like to see improvement in bus safety.

**Mr WILKINSON** - So that would be the only area that you would like to improve if you had this wish list?

**Mr ELSON** - It's extreme to say that is the only area but in terms of what, in my opinion, would be the greatest enhancement to the safety to the majority of buses in the school bus fleet, it would be the most practical enhancement that could be made.

**Mr HIDDING** - I will not pursue that. As all 10-year-old buses have padded things, it would be better if all the buses were no older than 10 years, for instance. You were offered a magic wand there but I don't think you took it. If a bus operator presents him or herself with a 1965 model Bedford that has had the dual circuit brake fitted and it is in good order and looks all right, then that vehicle is tested on the basis of the Australian design rules of when that vehicle was manufactured.

**Mr ELSON** - Yes. A bus that shows up from interstate has to undergo a compliance test first of all. So the first thing we look for is the manufacturer's plate, the Australian compliance plate, on the vehicle which shows the date and confirms that it at that time complied with the Australian design rules. We will do a double check to make sure it has not be modified so it no longer complies with the design rules. Having confirmed it complies with the design rules it is basically eligible to be registered here in Tasmania.

**Mr HIDDING** - In spite of the fact that it has crash box and its brake systems are small and therefore overheat more? Otherwise surely the newer buses would not have all these things fitted. How old can a vehicle be?

**Mr ELSON** - There is no limit on the age of a bus.

**Mr HIDDING** - What is the oldest one in the fleet? I think I know where it is.

**Mr ELSON** - There are some in the thirties.

**Mr RUTHERFORD** - I think it is very important to re-emphasise what I said at the start - that age is an issue and it was acknowledged earlier in that report. Perhaps you ought to hear from David because we have an interest in the age of buses. However, I do want to emphasise we do not see it as a primary safety issue. The remarks Bert made need to be taken in the context of Bernard's earlier remarks that on-bus safety is a very minor part today of the overall safety of the system. The traditional concern of what happens to the children when they cut loose after school off the bus, remains our biggest concern.

**Mr HIDDING** - But that is not what is up for debate.

**Mr RUTHERFORD** - I think hearing from David is an important part of this.

**Mr CARLINGTON** - Mr Chairman, can I just add briefly to that? I suppose if I was given the same magic wand, my concern is that amenity standards are important because it is often the behaviour of the kids on the bus that may distract the driver and in fact with the majority of these accidents often human error is involved rather than mechanical failure. The more comfortable, the happier, the shorter the travel that the kids have to put up with, the better behaved they are, the better standards of behaviour we have, then possibly the safer the buses are. So the human element in it is very important from an operational perspective and the sorts of complaints that I hear from parents and from operators about the risks and what is happening on the buses in most instances is what we might be able to do to improve those amenity standards. The quality of service that is provided and delivered to the consumer might also go a long way to improving outcomes eventually.

**CHAIR** - David, before you speak I just might give a preamble in that it seems to me that there have been any number of reports of the past that have suggested more efficient ways or rationalised ways of getting kids to school or getting kids to certain schools, therefore either reducing the cost to the State on that service or allowing for a better amenity, if you like, a better use of the dollar. So the policy issues are vitally important when it comes to the age of the fleet. One government tried to substantially change school bus operations or payments or systems and didn't do well with it and it seems to me that since then perhaps other governments have been a little bit weary of going down that path of radical change. I am making life a little bit more difficult for you with regard to the policy statements that you are about to make, I suppose, but I wonder where we are going with school bus policy.

**Mr ENRIGHT** - The positions that I am outlining are just positions that haven't been adopted as policy as such that they are basis of the strategy that we will be putting forward as recommendations.

We did an analysis of the different categories of buses and I think that it is pertinent information that buses are categorised according to their size: small, medium, large and extra large. If you take, say, large buses and there are about 195 in that group, the average age is over 25 - that is the average age. Extra large, and there are about 124 of those, the average is 24. Small buses, the average age is 14.5 and there are a 105 of those and medium-sized buses, there are 55 of those and the average age is 21. That situation seems to have occurred over a course of years, as a result of a lack of requirement that operators bring in a bus of a particular age to provide the service under contract.

The extreme position that you could take is to say, 'Right, we'll have new buses in at \$200 000 each, multiplied by 400'. That is the extreme position. We think that that would be hard to push forward and think there are reasonable interim positions. The sort of position that we would like to recommend is that there be entry and exit ages for different categories of buses. So we are proposing that for the small buses for example, the age at entry might be 0 or it might be up to five, and the buses would have an economic age which would see them exit at 15.

**Mr WILKINSON** - Could you have something in there which said that a person could make application for that bus to be used over and above the 15 years, provided certain requirements were kept?

**Mr ENRIGHT** -Yes, our sort of thinking is that there should not be a requirement that a small bus is pulled out of service at 15 years. It is purely a decision of the operator as to whether they wish to continue to have that in service.

**CHAIR** - David, we are running out of time. I'd like to promote a little debate in relation to that matter which I think is generic to all the classes. But isn't the small businessman going to say, 'To run this service I need a bottom-line profit. These are my known expenses, therefore I can invest this amount of capital to get that amount of return'. If the return does not change, they are not going to be able to invest the sort of money that perhaps you would envisage in your policy.

**Mr RUTHERFORD** - Can I make a comment on that before you reply, David? There are two issues that are bound up there: there is the level of funding at a point of time and then there is the incentivisation in how that changes with time over replacement. One of the deficiencies of the averaging model that is used in Travis Morgan is that it doesn't provide any business incentive to replace the bus. That's not necessarily an issue of the level of funding, it's the fact that the business owner has no driver. We have to take those two issues and see them as separate because one of the difficulties, as I am sure anyone involved in this area appreciates, we have always had the difficulty of getting a market test of what the true cost of provision is and then separately the issue, once you've got your contract, how you incentivise it to maintain the quality of outcomes you seek. I think David needs to talk to that.

**Mr ENRIGHT** - What we are proposing is that an amount to be paid to cover the capital cost of the vehicle assuming there would be a component available to cover the cost of purchasing the vehicle and the interest on that. That would be built into a contract to allow a certain amount to cover that. The operating costs would be covered by a formula

which we are developing to replace the old Travis Morgan rate and we have been working through the industry to pin down all the components that are included in that model to cover all the operating costs.

In terms of the age of the buses, the idea is that there would be an amount included in the contract which reflects an amount which would be reasonable to purchase a secondhand vehicle within the age range we are talking about. There would be, in addition to the operating costs, a component to cover the capital expenditure to purchase the vehicle and the interest that would be required to be paid on the capital expenditure. There would also be an incentive through a profit methodology to encourage people to buy younger buses to increase the capital value that they put into the business.

We are working to develop the figures that underlie those three components in order to make sure that the age of the buses can be reduced over a period of time and that people have an incentive to buy younger buses so that over time the average age of the fleet in each of those categories would come down.

**CHAIR** - So at the moment, just so I get this clearly in my mind, the bus operator purchases a new facility from his bottom-line profit, from the profits he generates, and the more expensive the bus he buys the less the bottom line is. So he has a disincentive to do anything but buy the cheapest bus that is on the market that will do the job and get qualified. The policy probably is to change that, to differentiate between operating returns and cost of replacement of infrastructure return. There will be two separate components of the remuneration package that will identify those and there will be incentive because the younger and more efficient the bus the better the application of the return on operations will be. Most likely that will be the case.

**Mr ENRIGHT** - Yes.

**Mr HIDDING** - I was just trying to draw the strings together. Where are you actually at with those policies you were talking about? What point are you at with the industry?

**Mr ENRIGHT** With the industry we have set down and identified all the components that need to go to cover the operational costs. We have used an independent consultant to survey the industry here and interstate to get some benchmarks on what is an appropriate benchmark for particular items, whether it be tyres or batteries or the cost of replacing and maintaining fire extinguishers. It has gone down to that level of detail. Sometimes we are in full agreement; sometimes the industry's position is a little higher.

**Mr HIDDING** - So you are negotiating with the industry at the moment for new contracts? Is that what you are doing?

**Mr ENRIGHT** - Not so much the new contract but the basis upon which the new contracts, after the reviews, will be paid.

**Mr RUTHERFORD** - Because, members will recall, it is the reviews that trigger the capacity to issue the new contracts. For members information, because I think it is important when you are talking to industry, we refer to this as the Best Cost Model or BCM, so if you are talking to industry that is how they will refer to it and that is what we refer to in this committee.

**CHAIR** - This will be the last question.

**Mr STURGES** - I heard what you said about the contract arrangements and the process by which they are reviewed and I understand the commercial reasons behind that. But are you giving any considerations at all to developing an appeal mechanism for those existing contractors to at least be able to put a case to you regarding increased costs or associated problems with contract that doesn't require them to hand in the contract. As I said, I understand the rationale and I heard what you said, but it just appears to me that the situation seems to be a bit like throwing the baby out with the bathwater.

**Mr CARLINGTON** - The existing contracts, I suppose they're an old contract document - there isn't any real mechanism there. Under what are called interim contracts, which we are processing at the moment, there is arbitration with particular issues but in terms of someone coming forward and saying, 'I am not happy with a particular rate', then, no, there is no mechanism and that applies I suppose to both parties. There is no mechanism for an operator to say, 'I am underpaid and I want more', nor is there a mechanism for the department to say, 'We think you paid too much; we would like to pay you less'. Both parties, I suppose, are locked into the existing contracts.

**Mr STURGES** - Sorry, are these finite contracts?

**Mr CARLINGTON** - The contracts at the moment, and these are the ones that have been in place for a very long time, are essentially open-ended contracts. When signed initially by the Department of Education they had a 30-day cancellation clause in them, but in fact they were always regarded as on-going and many of these contracts have been in place for many years and have traded hands numerous times and are regarded as an entitlement, if you will.

**Mr HIDDING** - Still using, the old saying, 'Bedford bus'.

**Mr CARLINGTON** - Yes.

**CHAIR** - Sorry, could I bring this to a close. The reason why the committee asked for a delegation to discuss this was to try to identify whether there was a role for the public accounts committee to play in an inquiry into general school-bus operations or aspects of school-bus operations, whether we could make a contribution to the debate or whether there was no role for us to play at all.

Just by way of summary, I would like Bob to address that question and see if he can provide us with his position, which may not necessarily be our position at a later time.

**Mr WILKINSON** - Remember, Bob, we are here to help.

**Mr RUTHERFORD** - Thank you, Mr Chairman. I must admit that it came as a bit of a shock to sum up. It feels a little - I mean this is quite seriously - above my station to advise you on this.

What I can say from the perspective of the agency is this. Obviously you can tell from the things that we have been saying that fundamentally we believe the system is safe.

We also believe that we have measures in hand to address the ageing issue, albeit we see it as an amenity issue and we see it as integral with the process laid down in the legislation for the carrying out of the area reviews. My belief is that inquiry by the committee on that issue is an inquiry that would occur in the middle of a process that is being carried out. I hope that Mr Elson has given you some assurance that, while from the outside the system looks as if nothing has changed, an awful lot has changed to give you more surety over safety.

On the second issue - the whole system of funding student transport in Tasmania - I feel that that's an enormous issue that we have touched on peripherally in the discussion today. There are major issues in there that are essentially not so much to do with the history of the debate that you alluded to, Chairman, but are to do with very complex issues of community expectations - issues of needs versus entitlement, issues of horizontal and vertical equity.

The on-going process that we have before us at the moment essentially addresses the issue of technical efficiency. But the point that you made earlier about trying to get a better bang for our buck, the area reviews of course are designed to do that. It would be the view of the agency in what we would be putting forward. But the gains that are involved in that in a technical sense will need to go partly towards the payment formula in the BCM to incentivise younger bosses and a higher level of amenity. With respect to the broader issue, it seems to me that I will be stepping well outside of any brief that I have to advise you on the issue of the whole system of funding school transport. I hope that's of assistance.

**CHAIR** - Can I express our gratitude to your delegation, Dave and Bob, and thank you for your attendance. There will be further deliberation on the matter.

**THE WITNESSES WITHDREW.**