

Insights from Australia / NZ

Bus franchising masterclass

8 June 2017

DRAFT



Orientation

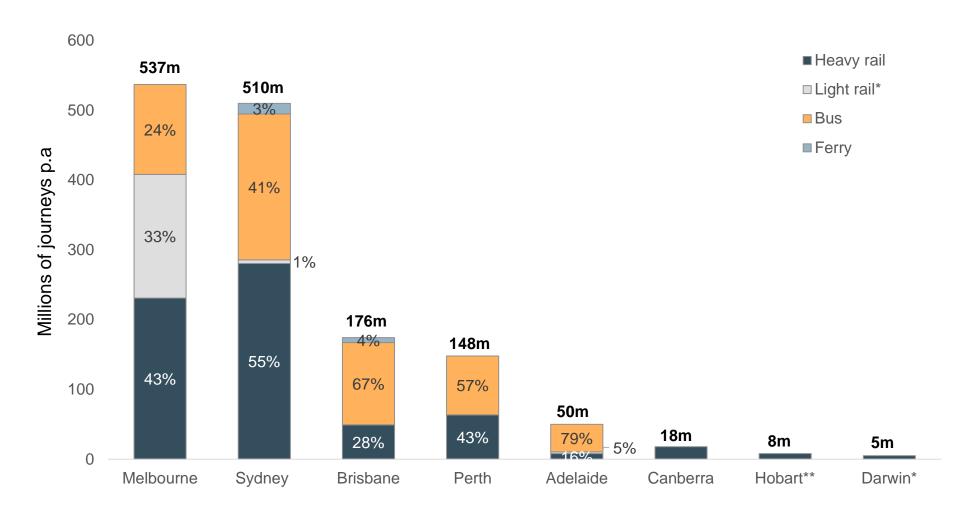






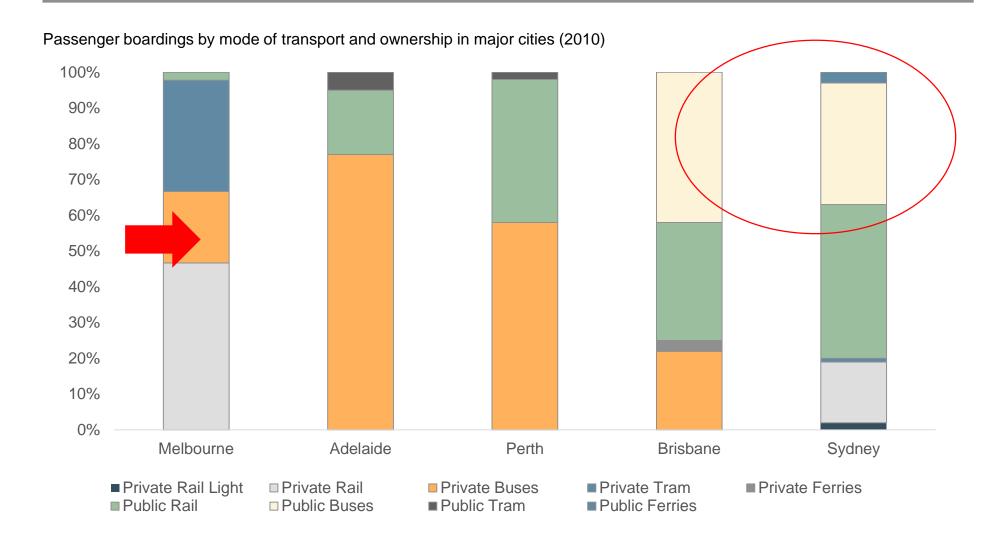


Agenda



Source: Company and government annual reports and websites

Public v private buses

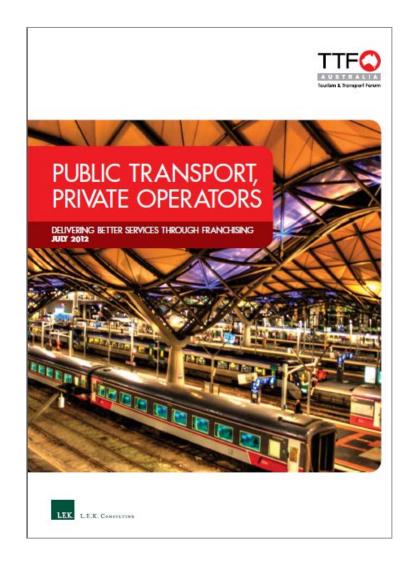


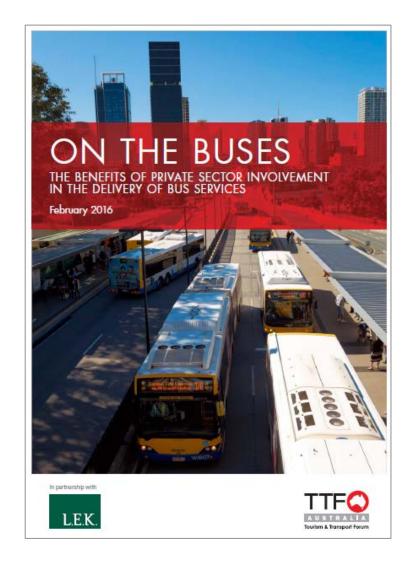






Reference materials







Best practices

Term



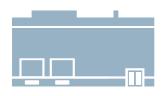
Scale



Scope



Depots



Fleet



Tendering



Performance regime



Risk allocation



Payment mechanism



Operator concentration



Tender evaluation





Most interesting transitions





Sydney 2004 - Critical ingredients



Financial distress



Strong leadership



Broken funding model



"Carrot and stick"



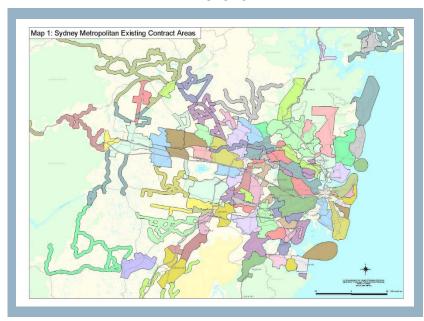
Public report (ex-Premier)



 Collaboration / negotiated agreements

Sydney - 2004

Before



After



Sydney - 2012/13

The good news

- 11 private contracts tendered
 - First time subject to true competition
- 4 new contracts awarded
- \$45m pa saving over 10 years
- New customer performance regime

The bad news

- Only one new entrant
 - Three other contracts all went to operators in adjacent areas
- Depots a significant barrier to effective competition



Exports we are not that proud of







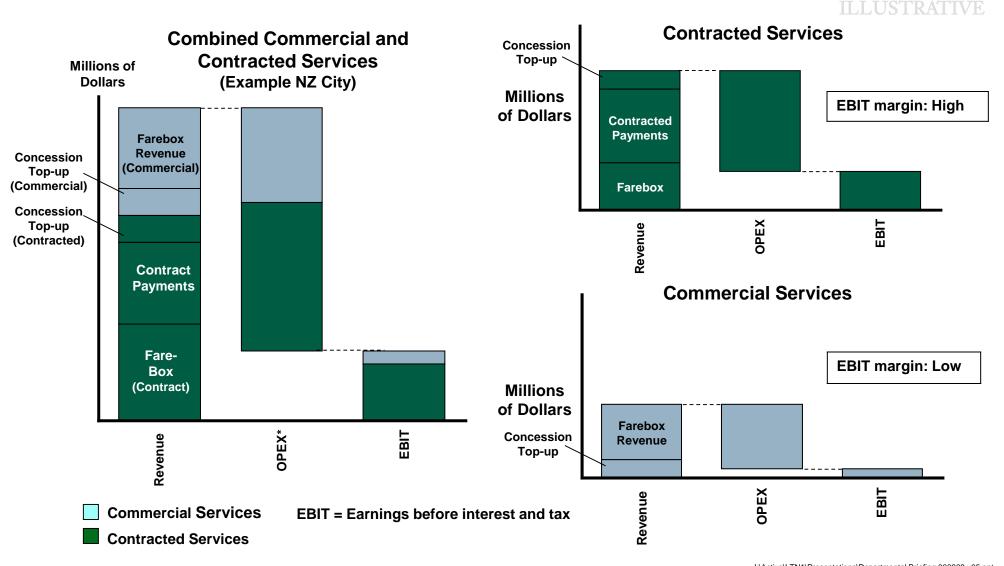
NZ: From an effectiveness perspective, the model appeared to have several major shortcomings, but some good features

- Positive features appear to be:
 - operators that are strongly motivated to grow patronage
 - operators have some degree of freedom to implement changes and service innovation without a long / difficult evaluation process by public authorities
- Shortcomings include:
 - creation of a poor environment for implementing service changes and collaborative service planning
 - significant constraints on the ability of public authorities to implement integrated fares and ticketing
 - insufficient transparency of service quality factors (which have a material influence on patronage)
 - incidents of abrupt service suspension, through withdrawal of commercial services
 - disincentives for authorities to increase fares or service levels, due to revenue risk residing with operators

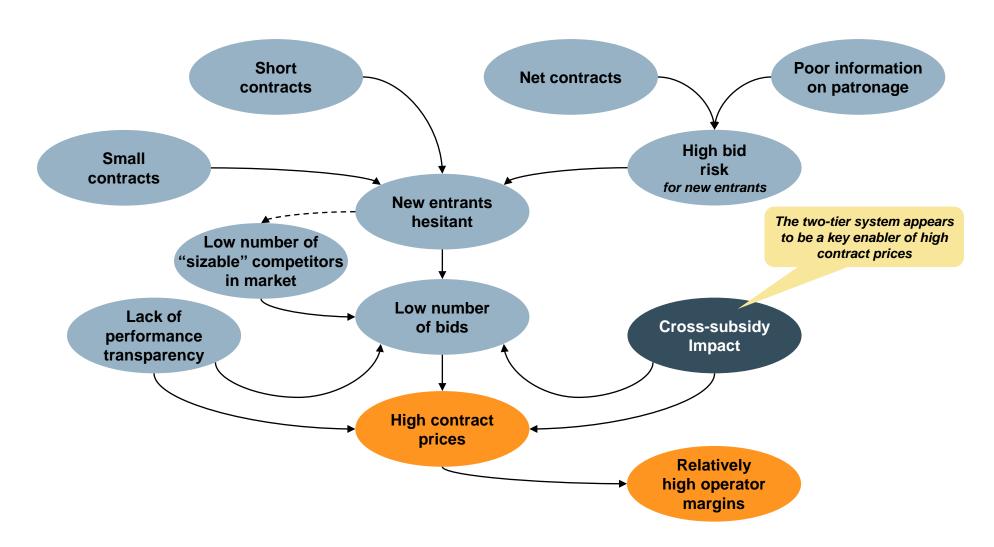
There is a marked lack of consensus between Regional Councils and Operators about these shortcomings



Analysis revealed a substantial cross-subsidy with low profits on commercial services and higher returns on contracted services



NZ: Both legislation and procurement procedures required substantial change



NZ: PTOM implementation (2006-2015)



November 2010

Office of the Minister of Transport

Chair

Cabinet Economic Growth and Infrastructure Committee

PUBLIC TRANSPORT—IMPROVING VALUE FOR MONEY FROM URBAN¹ BUS AND FERRY SERVICES

Proposal

 The purpose of this paper is to inform you of policy work being undertaken to increase use of urban bus and ferry services with less reliance on subsidies.

Executive summary

- 2. Over the past 10 years government (central and local) spending on public transport has increased significantly. The growth in government spending has not led to a commensurate increase in public transport patronage. In addition, within the bus and ferry sector, there has been a noticeable deterioration in the relationship between some bus and ferry operators and regional councils when good working relationships are critical to providing an attractive and cost effective service. These trends make me concerned that the government is not receiving value for money from its spending on public transport.
- 3. I have already taken steps to increase value for money from public transport expenditure. I effectively capped funding for public transport services in the 2009 Government Policy Statement on Land Transport Funding (GPS). In September 2009 Cabinet agreed to a new operating model for the delivery of metro rail services which, when fully implemented, should generate better value for money from metro rail.
- 4. In relation to urban bus and ferry services, a range of initiatives are being progressed to improve value for money. Collectively, these initiatives will contribute to more attractive and cost effective services that will result in increased patronage with less reliance on subsidies. Development of the Public Transport Operating Model (PTOM) and a sector-wide action plan to improve the effectiveness of public transport are the two key initiatives discussed in this paper.
- 5. The PTOM project is focused on developing a robust operating environment for the delivery of urban bus and ferry services. Central to the development of the PTOM is designing efficient public transport networks and rebuilding relationships between regional councils and operators to provide the basis for genuine partnership. A proposed PTOM has been developed in collaboration with Auckland Regional Transport Authority (ARTA)⁷, Greater Wellington Regional Council (GWRC), Environment Canterbury (ECAN), the Bus and Coach Association, including bus and ferry operator representatives, the New Zealand Transport Agency (NZTA) and the Ministry of Transport.

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¹ The reference to 'urban' bus and ferry services is to distinguish services provided within a cityiregion and covered in the region's Regional Public Transport Plan and other bus services that are provided on a fully commercial basis between cities and/or for tourism purposes.

As of 1 November ARTA was replaced by the new Auckland Transport Agency.

Chess board





Your L.E.K. team

Option A

Simon BarrettPartner, Sydney



Areas of expertise
Surface transport
Rail and bus franchising

Education

BSc (Hons) Melbourne

PhD Cambridge



John Goddard Partner, London



Areas of expertise Public transport Franchising

Education
Imperial College
Massachusetts Institute
of Technology

in John Goddard

Monica Ryu Partner, Sydney



Areas of expertise
Public transport
Franchising

Education
MA Harvard



Andrew Allum Partner, London



Areas of expertise Public transport Franchising

Education
Imperial College
University of Oxford

in Andrew Allum

Jonathan Metcalfe
Senior Advisor, Melbourne
(Formerly CEO Transdev Aust/NZ)



Areas of expertise
Public transport
Franchising





Jonathan Simmons
Partner, London



Areas of expertise Public transport Bus operations

Education
Queens College, Cambridge
Harvard Business School

in Jonathan Simmons