

In this news column I will attempt to answer 2 serious industry questions:

1. Does size really matter?
2. Is it time to agree to a national approach to bus service procurement?

I ask these questions in light of recent announcements or discussions taking place between Industry and government relating to awarding of contracts:

- NSW and specifically Sydney metro contracts tendered and outer metro and regional NOT to be tendered
- VIC tender in Melbourne awarded to Veolia Transdev – what is next?
- Current discussions in QLD about 4G contracts and The Costello Report on the States Economy
- Announcement of the “Evergreen” contracts for WA regional school bus operations
- Removal of services from Transfield and return to Transit Systems Australia.

Each of the above indicates a different approach to the procurement of bus services in different states for different reasons. Most States seem to be leaning to competitive tendering for metropolitan contracts, though SA did also tender regional services recently. Too understand the reasons why is becoming very confusing to say the least. So,

Does Size Matter?

From my experience it is about quality, not size.

State Governments, when it comes to metropolitan areas, seem to have become preoccupied by large operations on the basis of the “economies of scale” large companies can bring. There are different schools of thought on what is big enough and what is too big to deliver these economies but there does seem to be general agreement that these economies provide greater value for money. This may be the case (I don’t think it is as simple as this), but getting a definition of value for money from state regulators is difficult to say the least.

Value for money seems to be driven by Government budgets and the lowest price; not the mobility outcome being sought and who is best to provide it.

I am not saying that large multinational or national companies can’t do the job or that they should not be in the running and compete when the market place is open. What I am saying is that in the competitive tender process the value of companies, who have operated in some areas for many decades and are intrinsically embedded in their community, are a part of the fabric of the community and understand the community; this is not taken into account. Government will argue that community value is accounted and the incumbent has an advantage; I would argue that as there is no monetary value placed on long term community investment (in areas that long term operators have invested), the equation in regard to “value for money” comes down to “lowest price”.

National Contracts

The BIC has in the last 2 years presented a view to all State Governments that:

1. Negotiated Performance Based Contracts (NPBC) provides the best outcome for governments, operators and customers.
2. Competitive Tendering (CT) is a choice for governments but industry believes that this should only be adopted for new initiatives or when the incumbent does not wish to renew. Recent work by Professor David Hensher of the Institute of Transport & Logistics Studies at the University of Sydney will shed new light on the relative value of competitive tendering versus a negotiated performance based contracts scheme which BIC hopes State Governments will fully consider.
3. The BIC with State Associations has developed a National Bus Contracts – Principles and Guidelines for the Procurement of Bus Services Report. BIC believes this report should be the basis of consultation with all States to agree ‘the line in the sand’ for contract negotiations moving forward, rather than re-inventing the wheel every time contracts are up for renewal.

As a high profile bus operator has said to me on several occasions:

....yeah...there might be some minor variable costs for different types of operations, mainly to do with types of roads they operate on – it ain't rocket science to understand how much it costs to run a bus, so I'm not sure why we have to go through the same process over and over....

The reality is he is right, it ain't rocket science and surely State Government's can get themselves together and work with Industry to agree a national approach to the procurement of bus services and contracts. Sure there will be some idiosyncrasies between States and that is fine but as long as the core principles and guidelines are followed, this will streamline the process, save everybody money and lessen the pain for both Government and operators. The only losers will be the consultants who wring there hands every time contract renewal comes around.