

Review of **ACTION**
Efficiency Audit

Report

261

Joint Committee of
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 261

REVIEW OF THE AUDITOR-GENERAL'S EFFICIENCY
AUDIT OF THE DEPARTMENT OF TERRITORIES -
ACT INTERNAL OMNIBUS NETWORK (ACTION)

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DUTIES OF THE COMMITTEE

Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

PREFACE

Substantial subsidies from governments may be required where public transport is used as an instrument of social policy. The payment of a subsidy is often viewed as a sign of inefficiency in the operation of a transport service. However, this is not necessarily correct.

This report outlines the findings of the Committee's review of the Auditor-General's efficiency audit of Canberra's bus service, ACTION. The Auditor-General's report was tabled in Parliament on 26 November 1985.

The efficiency audit examined ACTION's management policies and operating standards and sought to evaluate the extent to which they were observed. The audit also examined ways ACTION management was able to assess the efficiency and economy of its bus operations.

The Committee notes that while the Auditor-General found ACTION to be providing services that are reliable, comfortable and generally of a high standard, there are significant problems which prevent ACTION maximising efficiency. The Committee believes that ACTION's lack of suitable information systems and its administrative location within the Department of Territories are fundamental to many of its problems. ACTION does not appear to have full control and responsibility for its operations.


While the Committee believes that ACTION should be given greater independence it is firmly of the view that ACTION should remain accountable to the Minister for Territories, the Parliament and the community it serves. Substantial improvements should be made to ACTION's planning, driver shift arrangements, bus acquisitions and the provision of school bus services.

While the implementation of the recommendations of this report will assist ACTION in overcoming many of its problems the joint study currently being conducted by the National Capital Development Commission and the Department of Territories should also provide ACTION with much needed information on which to base its future operations.

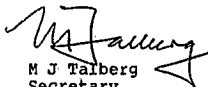
The problems identified by the Auditor-General in the operation of ACTION and the necessity for further recommendations in this report confirm the importance of such audits and their review by this Committee and the House of Representatives Standing Committee on Expenditure which shares the responsibility to review efficiency audits.

The Committee is grateful to the officers of the Department of Territories, and in particular those within ACTION for their co-operation provided throughout the inquiry.

For and on behalf of the Committee,



Senator G Georges
Chairman



M J Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
Canberra
24 November 1986

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SUMMARY OF RECOMMENDATIONS

The Committee's recommendations are listed below and cross-referenced to their location within the text.

ACT Transport Policy

Subsequent to the Department of Territories/NCDC Joint Study a paper be prepared forthwith on ACTION's policies, objectives and standards. This paper should then become the basis of a ministerial policy statement (Paragraph 2.7).

Strategic Planning

Upon the completion of the Joint Study ACTION promptly proceed to develop a corporate plan for ACTION giving due consideration to the ten year plan developed by the Joint Study (Paragraph 2.51).

ACTION continue to develop, fully document and review short term plans (Paragraph 2.52).

ACTION establish and regularly maintain a register of short term plans (Paragraph 2.52).

Performance Standards

ACTION institute a regular review of existing operational standards (Paragraph 2.35).

Additional operational standards implemented subsequent to the Joint Department of Territories/NCDC Public Transport Study be reviewed on a regular basis and at least every 3 years (Paragraph 2.35).

An annual report of ACTION be published with information necessary to satisfy guidelines for annual reports (Paragraph 2.41).

ACTION's full operating and cost data, and in particular the cost of individual services, be disseminated as widely as possible (Paragraph 2.41).

The proposed Financial Management Information System be implemented as soon as possible (Paragraph 2.41).

Management Information Systems

An ACTION ADP strategic plan be developed as soon as possible and no later than 30 June 1987 and that this plan set out:

- achievable objectives for the implementation and operation of information systems;
- projected methods of attaining such objectives (Paragraph 2.79).

ACTION present a statement of achievements in implementing and operating information systems against stated objectives in its annual report (Paragraph 2.79).

ACTION Independence

Steps be taken to form ACTION into a ministerially accountable authority to serve the public transport needs of Canberra (Paragraph 2.106).

Fare Structure and Collection

ACTION record in its annual report progress towards incorporating the full cost of ACTION services in recommendations for fare variations (Paragraph 3.19).

ACTION continue to closely monitor fares and, where appropriate, act decisively to modify the fare structure (Paragraph 3.22).

ACTION use the media to keep the public informed of the fare structure and changes to it (Paragraph 3.22).

Upon completion of the Joint Department of Territories/NCDC Public Transport Study ACTION proceed to a full and detailed investigation of available automated ticketing systems with a view to the early implementation of an automated ticketing system (Paragraph 3.22).

Subsidy from the ACT Schools Authority

The ACT Schools Authority, in conjunction with the Catholic Education Office, the Education Branch of the Department of Territories and the appropriate transport policy branch of the Department, develop a strategy and seek expressions of interest from any interested body, including ACTION, to tender for the provision of school bus services for schools covered by the Authority's stated policy (Paragraph 3.48).

Shift Arrangements

Upon completion of the Joint Department of Territories/NCDC Public Transport Study ACTION conduct a detailed evaluation of split shifts and part-time drivers in consultation with the Transport Workers' Union (Paragraph 4.20).

Resource Scheduling

ACTION ensure standards exist for the documentation of all procedures and practices and that such standards are adhered to for all existing documentation and future documentation of procedures and practices (Paragraph 4.38).

ACTION management fully evaluate all operating activity options, including detailed costings of manpower scheduling to ensure sound management decision making (Paragraph 4.41).

Acquisitions Policy

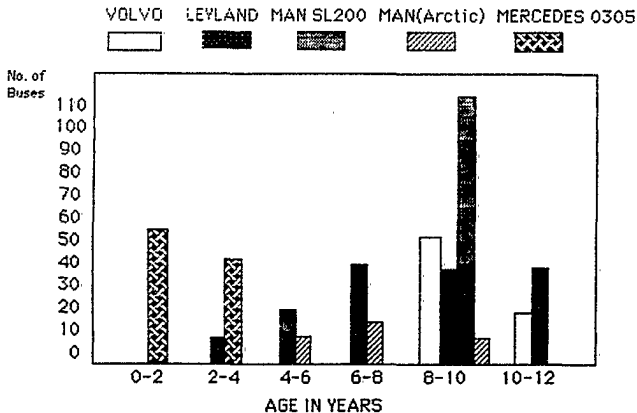
ACTION develop a methodology for estimating the economic life of its bus fleet and then proceed to estimate the expected bus life of the various types of bus in the ACTION fleet (Paragraph 4.71).

ACTION formulate a bus acquisitions policy and that such a policy be reviewed annually (Paragraph 4.71).

1.5 ACTION employs over 860 personnel including bus drivers, workshop employees, cleaners and fuellers, supervisors, administrators and managers. One hundred and fifty-four managerial, professional and clerical staff are employed under the Public Service Act and 706 are exempt from the Public Service ACT. Staff exempt from the Public Service Act include drivers, mechanics and cleaners. A high level of union membership exists within both groups.

1.6 The existing bus service is based on a line-haul and feeder concept to meet the current design characteristics of Canberra which exists as a series of separate towns each with its own town centre, viz Belconnen, Canberra City and Woden. A fourth town centre, Tuggeranong is under construction. Local bus services (feeders) provide a basic transport service between suburbs and the nearest town centre while express bus services provide a line-haul service via the most direct routes between the town centres. During the peak periods express services are also provided between the Woden and Belconnen town centres and other major employment areas which include Campbell Park, Russell, Parkes and Barton.

Figure 1.1 Age of ACTION bus fleet as at June 1986



Source: Minutes of Evidence, p 141.

1.7 Express services normally operate every fifteen minutes but increase to every six to seven minutes during the morning and afternoon peak demand periods. Similarly, local bus services are provided every half hour and increase to every fifteen minutes during peak periods. The local bus services operate hourly on evenings and weekends. In general, residents have to walk less than 400 meters to the nearest bus stop.¹

1.8 The population of Canberra is approximately 262,000 and is distributed between the followings areas:²

	<u>Population</u> (approx.)
Belconnen	84,500
Canberra central	63,500
Woden/Weston Creek	61,000
Tuggeranong	52,500
Other	500
<hr/>	
TOTAL	262,000

1.9 The population is expected to grow to 291,500 by 1991³ and projections are that this increased population will be principally located in south Tuggeranong. However, the main employment growth area is likely to be Canberra City (Civic) which may account for well over half the additional 14,500 jobs occurring up to 1991.

1.10 ACTION therefore faces a period of greatly increasing demand for passengers to be moved long distances from south Tuggeranong to a more congested Civic.

Overview of the Efficiency Audit

1.11 In conducting the efficiency audit of ACTION the Auditor-General was concerned to see what management policies and operating standards existed and the degree to which they were observed and adequate for performance assessment purposes. This encompassed reviewing how well ACTION's management was able to satisfy itself of the efficiency and economy of bus operations. The ability of ACTION'S information bases to produce accurate, timely and useful data was also evaluated.

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1. Scott and Furphy Engineers Pty Ltd et al., Joint Canberra Public Transport Study: Report No.1 - Information and Issues Paper, September 1986, p 5.
 2. Ibid.
 3. Ibid, p 10.

1.12 The Auditor-General stated in his Report that:

The setting and application of standards and the utilisation of performance monitoring systems should be the core management activities in any purposive organisation. However they are especially important in publicly owned deficit funded organisations such as ACTION.⁶

1.13 The audit found that ACTION's services were reliable, comfortable and generally of a high standard, however, systems of financial and management control could be improved.

1.14 The Department of Territories advised the Auditor-General that it believed ACTION's performance in recent years compared well with other public transport operators in relation to patronage, employees and the level of subsidy. The Department supplied details to support such claims. However, the Auditor-General could not find any systematic approach to the collection of data comparing ACTION's performance with other operators. Successive annual reports and other departmental information sources were compared to assess performance. Despite evidence of a positive trend the Auditor-General was concerned at variations between the Department's different sources of data.

1.15 The need for an adequate management information system was clearly identified by the Auditor-General to permit the satisfactory monitoring of ACTION's performance. The need for data was found in various areas including patronage, bus maintenance and acquisitions.

1.16 The audit also examined ACTION's strategic planning, levels of service, tariffs and methods of fleet operation.

Overview of the Committee's Inquiry

1.17 The review of the Auditor-General's efficiency audit Report of ACTION was referred by the Committee to its Sectional Committee B, chaired by Senator J O W Watson, for detailed examination and report. In conducting its inquiry the Committee sought written submissions from the Department of Territories and other interested bodies. A public hearing was held on 22 July 1986. A list of submissions received and witnesses appearing before the Committee are set out in Appendix B.

1.18 To gain a broader understanding of the matters under consideration the Committee undertook inspections of ACTION and a comparable public transport service. In particular, the Committee inspected the equipment and facilities of ACTION on 25 June 1986 and the equipment and facilities of the Metropolitan (Perth) Passenger Transport Trust, (since renamed Transperth) on 12 and 13 August 1986.

6. Auditor-General, Reports of the Auditor-General on Efficiency Audits, AGPS, Canberra 1985, p 64.

1.19 The Committee has been particularly aware that many of the Department's responses to the Auditor-General's recommendations centre around two major activities:

- a major study of ACTION sponsored jointly by the Department of Territories and the National Capital Development Commission (NCDC); and
- the proposed implementation of a Departmental Financial Management Information System (FMIS).

1.20 The Joint Department of Territories/NCDC Public Transport Study (Joint Study) commenced in June 1986 and is being conducted by a team of consultants under the direction of Scott and Furphy Engineers Pty Ltd. It is expected the Joint Study will address many issues highlighted by the Auditor-General and include a ten year plan for ACTION. The Department anticipates the Joint Study will provide essential background information and data for future public transport strategies and policies.

1.21 The Committee's recommendations reflect remedial action taken or proposed by the Department of Territories.

CHAPTER 2

POLICY, OBJECTIVES AND STANDARDS

- . ACT Transport Policy
- . Performance Standards
- . Strategic Planning
- . Management Information Systems
- . ACTION Independence

ACT Transport Policy

2.1 Section 3 of the Motor Omnibus Services Ordinance 1955 provides that the Minister for Territories may establish, maintain and conduct motor omnibus services in the ACT. The most recent statement of ACT transport policy was agreed to by the then Department of the Capital Territory and the National Capital Development Commission (NCDC) in July 1974. In summary, it provided for the Department to:

- . develop transport facilities which best serve the complex pattern of activities necessary to the well-being of the community;
- . encourage the development and use of a high quality public transport system;
- . provide for freight and essential private car movements at minimum cost to the community, and with minimum impact on the social and physical environment;
- . promote public safety and amenity and the conservation of resources; and
- . ensure public understanding of, and support for, the transport policies developed.

2.2 This statement also outlined the general objectives of ACTION to:

- . provide mobility to socially disadvantaged people;

- . provide an attractive alternative to private transport for the journey to work or school;
- . provide back-up to private transport; and
- . allow other policies to operate better, for example town planning and free choice of schools.

Audit Findings

2.3 Audit believed that the Minister for Territories should endorse ACTION's major policies, objectives and standards. The Department of Territories informed Audit that ministerial endorsement had been given but was unable to produce evidence of it. Audit suggested that because it was ten years since any previous ministerial endorsement it would be appropriate to prepare a paper updating ACTION's main policies, objectives and standards and submit it for ministerial approval. The Department agreed.

Audit Recommendation

2.4 Audit recommended that:

the Department should seek ministerial endorsement of ACTION's major policies, objectives and standards.

Department Response to Audit and the Committee

2.5 The Department of Territories advised Audit that a paper would be prepared for the Minister's advice and endorsement. However in a submission to the Committee the Department noted that since the Audit Report the Minister had asked for a review of ACTION's policies and objectives in conjunction with the NCDC and that this review would proceed in parallel with the Joint Study of ACTION.¹ The Department stated that² following the Joint Study it would be appropriate to submit a more detailed and up to date policy document to the Minister. This would probably be in 1987.

Committee Conclusion and Recommendation

2.6 The Committee agrees with Audit as to the need for ministerial endorsement of ACTION's policies, objectives and standards and notes the Minister's action in requesting a review of policies. The Committee believes prompt ministerial endorsement of ACTION's policies is particularly necessary given

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1. See Chapter 1. The duration of the Study is expected to be June 1986 to February 1987.
 2. Joint Committee of Public Accounts, Review of Auditor-General's Efficiency Audit of the Department of Territories - ACT Internal Omnibus Network (ACTION), Minutes of Evidence, p 55.

Canberra's expected population changes and consequent demand for public transport. The Committee therefore concludes that ACTION should clearly establish its policies and objectives.

2.7 The Committee recommends that:

subsequent to the Department of Territories/NCDC Joint Study a paper be prepared forthwith on ACTION's policies, objectives and standards. This paper should then become the basis of a ministerial policy statement.

Performance Standards

2.8 Regular performance assessment and reporting against corporate and operational aims is desirable for sound management and the achievement of public accountability. To achieve this an organisation must identify some common indicators by which its performance can be measured against that of similar organisations.

Audit Findings

2.9 Audit found ACTION had not adequately demonstrated that it made useful comparisons with other transport authorities. It had neither determined nor monitored a number of basic financial and operational performance indicators.

2.10 Audit noted that a 1967 consultant's study of Canberra public transport had recommended the introduction of certain operational standards including:

- . timetable adherence;
- . bus loadings;
- . introduction of new services;
- . staff productivity; and
- . point to point travel time for bus journeys compared to cars.

2.11 ACTION advised Audit that informal undocumented practices were followed in respect of timetable adherence and bus loadings and that there could be difficulties in introducing standards for new services and point to point travel time because of external planning and resource constraints.

2.12 ACTION acknowledged that for some years there had been no comprehensive reviews of standards and achievement to provide feedback on operational performance. Audit's view was that such reviews were essential to improving cost effectiveness and reporting on ACTION's performance.

2.13 Audit identified the need for both senior management of the Department and the public to be better informed about the costs associated with ACTION's operations. In particular, Audit referred to the costs of peak, off-peak, area buses, school and weekend services. It was suggested that the publication of cost and performance data would assist in the communication to ACTION of informed views about the service and thereby facilitate management decision making.

2.14 Audit found there was also a need for public opinion to be canvassed more widely. The last survey of public opinion on community attitudes to public transport had been in 1967. It was Audit's view that the process of community consultation is essential to ensuring a more effective transport service.

Audit Recommendations

2.15 To achieve improved financial and performance monitoring, and to keep management and the public better informed of ACTION's operations, Audit recommended that:

ACTION should determine and monitor financial and operational performance indicators and select some of these indicators for comparison with performance in similar organisations;

in the interests of better operations control, monitoring and management decision making, standards should be formally introduced in a number of functions and activities specified by Audit and performance against such standards should be reviewed regularly;

an overall review of standards and achievements, with a survey of community assessment of the bus service, should be given high priority;

the full costs of the ACTION service should be calculated and published in annual reports and surveys (of the kind mentioned in the previous recommendation), together with cost details associated with off-peak, area buses, and school and weekend services; and

public attitudes and public transport requirements should be more widely canvassed.

Department Response to Audit and the Committee

2.16 The Department of Territories advised Audit that consideration would be given to additional performance indicators in conjunction with an upgrade of the Department's computer facility and the introduction of a Financial Management Information System (FMIS).

2.17 The Department suggested that data in the 1984 Commonwealth Grants Commission Report indicated ACTION was more cost-effective than public transport in Sydney and Melbourne. Audit disagreed with this assessment and noted that the Grants Commission itself warned that its assessments should be considered with caution¹. Audit considered that lower level data which compared key aspects of like operations with allowances for unique features would be more appropriate.

2.18 The Department stated that in conjunction with the Australian and New Zealand City Transport Conference (ANZCTC) it provided comparative indicators of performance. Examples of this comparative data were supplied to Audit and the Committee². Both Audit and the Department acknowledged there were problems in using such data because of inherent differences between transport operators. Audit was critical of some of the data and noted calculation errors.

2.19 When later questioned by the Committee³, the Department stated that its performance assessment was based on three areas:

- . ANZCTC data;
- . historical comparison of ACTION data; and
- . reports of the Commonwealth Grants Commission.

2.20 In evidence before the Committee the Department stated that the operational standards recommended by Audit were gradually being introduced. In fact ACTION had been the first transport operator in Australia to introduce such a set of standards. However there were still problems in introducing some standards and it was hoped the Joint Study might provide some assistance. Some standards were currently under review and others would be reviewed in line with the recommendations of the Joint Study. The Department admitted that in the past operational standards had been reviewed infrequently and in an ad hoc fashion. It now intended to introduce and maintain a regular review of operational standards in the light of performance.

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3. Commonwealth Grants Commission, Second Report 1986 on Financing the Australian Capital Territory, AGPS, Canberra, 1986, p 77.
 4. Minutes of Evidence, op cit, pp 7-8, 15-17.
 5. Ibid., pp 72-3, 299 - 305.

2.21 In response to Audit's recommendation the Department advised that the Joint Study would review standards and achievements, and survey community assessment of the bus service. The Committee is aware that these activities are occurring presently and that some results of the Joint Study have already been released.⁴

2.22 The Department advised Audit that its 1984-85 Annual Report would provide increased information on ACTION but that a more detailed breakdown of ACTION costs would be considered in conjunction with the implementation of the Department's proposed FMIS. The best ACTION could hope for in the interim was the use of some micro-computer based software as the operation of the FMIS on the Department's new Burroughs' mainframe computer was a long way off.

2.23 The Committee was advised that ACTION had a strong desire to conduct a great deal more analysis of operations and to publicise the findings. For example, a condensed version of the annual report could be published in the local press. ACTION believed people needed to know the costs of operating routes and in particular the costs of opening up new routes.

2.24 In response to Audit's recommendation for a more positive canvassing of public attitudes and public transport requirements the Department of Territories referred to the Joint Study and the fact that it would provide for some attitudinal survey assesement.

2.25 In its submission to the Committee the Department stated that the role of the ACTION Liaison Committee needed to be recognised in the public consultative process. Also ACTION representatives had for many years regularly attended community meetings to gauge public opinion of the bus service, answer questions and receive suggestions. ACTION representatives now attend individual progress association meetings in all areas and the Development Manager meets informally every two months with a local users group.

2.26 ACTION management was willing to conduct user surveys but restricted by lack of funds. Apart from measures mentioned above there was a tendency to rely on complaint levels. Passengers who knew the system were always willing to inform ACTION of where it was falling down.

Committee Conclusions and Recommendations

2.27 The Committee agrees that ACTION must regularly assess its performance against established standards. It is apparent that ACTION could benefit from such activities and simultaneously be made more accountable for its operations.

6. Scott and Furphy Engineers Pty Ltd, et al., Joint Canberra Public Transport Study : Report No. 1 - Information and Issues Paper, September 1986.

2.28 The Committee notes there are problems associated with ACTION's three methods of assessing performance, ie comparison of data produced by other city transport operators, comparison of historical ACTION data and reports of the Commonwealth Grants Commission. For example, the comparison of other city operators data via ANZCTC returns is hindered by the fact that different operators serve a variety of populations by various modes of transport.

2.29 Regardless of such difficulties and the inaccuracies noted by Audit, the Committee believes the use of such comparative data should continue. ACTION is no doubt aware of inherent problems with the data and can allow for them in making comparisons. While the exchange of data is presently occurring on an annual basis the Committee concludes that there is potential benefit in a more frequent exchange of data. Also useful comparative data may be obtained from overseas operators with similar fleets and operating environments.

2.30 While it is clear that historical data provides a good means of assessing trends in performance, the Committee is unconvinced of the merits of the Reports of the Commonwealth Grants Commission in this regard. The Commission's Reports do not provide ACTION with detailed performance information but measures of budgetary impact. The computation of these measures involves numerous approximations. Furthermore the Committee notes that the Commission itself warns that its assessments should be considered with caution⁷.

2.31 The Committee believes that sound management practice should ensure that historical and comparative data are used as a means of assessing ACTION's performance. This should include the frequent exchange of data with Australian and relevant overseas city transport operators.

2.32 Despite the fact that ACTION was the first public transport operator to introduce a set of operational standards the Committee finds it unsatisfactory that standards recommended in 1967 are still in the process of being introduced.

2.33 The Committee accepts that some standards have inherent problems and understands that such problems might be resolved by the work of the Joint Study. For the present it is important that steps be undertaken to review on a regular basis existing standards and later those additional standards resulting from the Joint Study. Standards are of little value if reviewed infrequently and are more likely to be inappropriate to altered circumstances.

2.34 The Committee concludes that ACTION should regularly assess performance and that, where appropriate, new performance standards should be formulated, implemented and adhered to.

7. Commonwealth Grants Commission, op cit., p 77.

2.35 The Committee therefore recommends that:

ACTION institute a regular review of existing operational standards; and

additional operational standards implemented subsequent to the Joint Department of Territories/NCDC Public Transport Study be reviewed on a regular basis and at least every 3 years.

2.36 The Committee is satisfied that ACTION is concerned to better publicise costs and operations. However, it is apparent that budgetary constraints have prevented the wide publication of such information. While the production of an annual report for ACTION in 1985 is to be commended there remains much scope for improvement.

2.37 ACTION's annual report should be more than an extract of the relevant section of the Department of Territories' annual report.

2.38 The Committee agrees with Audit that the publication of service costs could give senior management and the public a better understanding of ACTION's operations. From the public viewpoint cost information could be widely distributed via newspapers or at bus stops.

2.39 It was a matter of some concern to the Committee that provision of a detailed costing of ACTION was dependent on the implementation of the Department's FMIS. It became apparent to the Committee that ACTION's information systems needs were not given a high priority by the Department.

2.40 The Committee concludes that ACTION is aware of the benefits to be achieved by better informing both senior management and the public of its operations and costs. However, budgetary constraints and a low priority for information systems within the Department prevent such publicity.

2.41 The Committee therefore recommends that:

an annual report of ACTION be published with information necessary to satisfy guidelines for annual reports;

ACTION's full operating and cost data, and in particular the cost of individual services, be disseminated as widely as possible;

the proposed Financial Management Information System be implemented as soon as possible.

2.42 The Committee's 262nd Report, Guidelines for Annual Reports, details information to be included in annual reports.

2.43 The Committee understands that the Joint Study will provide ACTION with detailed information on the Canberra community's needs and its views of ACTION. The need to regularly canvass the community's views will continue.

Strategic Planning

Audit Findings

2.44 Audit found that ACTION had neither short nor long term documented plans for ACTION although specific factors were considered as required, eg the location and impact of carparks. It was suggested that planning was desirable to:

- . achieve a co-ordinated approach to operations;
- . improve public accountability; and
- . develop sound and defensible resource estimates.

Furthermore, planning could help ACTION avoid making rushed decisions in response to externally determined events.

2.45 Audit found that ACTION's operations were influenced by a number of factors including the planning parameters of the National Capital Development Commission (NCDC) which employs transport planners and consultants to assess Canberra's overall transport and traffic needs. Planning data prepared by NCDC was used by ACTION for management and operational planning.

Audit Recommendations

2.46 Audit endorsed the exchange of planning data between the NCDC and ACTION seeing that it could avoid duplication of planning effort and recommended that:

ACTION should develop specific short and long term plans for the bus service, with cost projections.

Department Response to Audit and the Committee

2.47 The Department of Territories informed Audit that it strongly supported the need for short and long term planning to be developed in conjunction with the NCDC. The Department later advised the Committee that the Joint Study would develop a ten year plan for ACTION.

2.48 The Committee found that neither the Department nor ACTION had corporate plans, however, moves were underway to develop a departmental corporate plan. The Department advised that the ACTION Manual of Policy Objectives and Standards went some way to indicating the role and direction of ACTION. The recommendations of the Joint Study would form the basis of a strategic plan for ACTION. ACTION had also been contributing to the development of the Department's plan and the ACTION plan was expected to be a lower level element of it.

2.49 At the public hearing of 22 July 1986 the Department advised the Committee that the planning area of ACTION had been very active in short term plans. The Department's view was that Audit had not given ACTION much credit for short term plans because they were not consolidated at one easily located source. The Department submitted that there were a number of individual plans associated with almost every aspect of Canberra's development and impact on ACTION.

Committee's Conclusions and Recommendations

2.50 The Committee agrees with Audit that ACTION should have well developed and up to date short and long term plans. The need for such plans always exists. In the light of predictions of Canberra's population growth such planning is imperative.

2.51 The Committee notes that the Joint Study has identified the need for ACTION to have a corporate plan and that the Joint Study will provide ACTION with a ten year plan. In relation to this the Committee recommends that:

upon the completion of the Joint Study ACTION promptly proceed to develop a corporate plan for ACTION giving due consideration to the ten year plan developed by the Joint Study.

2.52 With regard to the need for ACTION to have short term plans the Committee recommends that:

ACTION continue to develop, fully document and review short term plans; and

ACTION establish and regularly maintain a register of short term plans.

Management Information Systems

Audit Findings

2.53 Audit found that ACTION's information base was not an effective tool for management decision-making and noted deficiencies in the accuracy and adequacy of data. For example, Audit found a high degree of error in drivers' patronage counts and route descriptions.

2.54 Also delays of up to four years had occurred in the preparation and submission for audit of ACTION's financial statements. ACTION therefore had no proper opportunity to analyse the statements when considering adjustments in operational and financial arrangements. Audit found there were substantial delays in reports from ACTION's Management and Financial Analysis (MAFIA) system and questioned whether these reports were being fully utilised.

2.55 Audit noted ACTION was participating in the Department's FMIS Working Group reviewing the Department's management information system requirements.

Audit Recommendations

2.56 With regard to the problems identified in ACTION's information base Audit prepared a list of additional key data and measures which it believed would improve performance monitoring, evaluation and decision making.

2.57 The specified data included:

- Financial performance data such as:
 - . bus repair and maintenance cost data;
 - . total cost of the ACTION service, including costs of computer services and accommodation provided to ACTION;
 - . average cost per bus-kilometre and per bus-hour;
 - . cost per employee;
 - . operating costs, maintenance costs and administrative costs as a proportion of total cost;
 - . fuel costs per bus-kilometre, passenger-kilometre and per bus-hour of running;
 - . average cost per passenger-kilometre;
 - . crew cost per passenger-kilometre;
 - . route costs and revenue;
 - . revenue per bus-kilometre, bus-hour, and passenger-kilometre;
 - . fare evasion.

- Operational performance data:
 - . total kilometres per bus over a given period;
 - . total operational hours per bus;
 - . total bus-kilometres per driver;
 - . total operational bus-hours per driver.

2.58 Audit recommended that:

the management information system used by ACTION needs augmentation to include selections from a range of data specified by Audit.

2.59 In the light of problems identified with ACTION's financial statements and MAFIA reports Audit recommended that:

deficiencies such as inaccurate data and delays in production of reports should be attended to using improved data collection and retrieval methods.

Department Response to Audit and the Committee

2.60 The Department advised Audit and the Committee that this matter would be considered when ACTION upgraded its information system through the introduction of the Department's FMIS. Remedial action was being taken to improve data collection and retrieval methods, reporting and data accuracy.

2.61 Additional data collection and analysis would be conducted after completion of the Joint Study.

2.62 The Committee sought further information from the Department in relation to two matters that were of concern - the delays associated with financial statements and the provision of enhanced information systems to ACTION.

2.63 The Committee was fully aware that the Department had experienced problems with the preparation of financial statements for ACTION for some time. The Auditor-General's 1980 Report and subsequent reports had highlighted what appeared to be an ongoing problem with the financial statements of the ACT Transport Trust Account. Also the Committee in its 241st Report expressed its concern about reporting delays.

2.64 Audit advised⁸ the Committee that as at 30 June 1986 the status of financial statements of the ACT Transport Trust Account outstanding was:

- . 1981-82: submitted to Audit in final form in May 1986;
- . 1982-83: submitted to Audit in final form but returned to the Department for correction; and
- . 1983-84 and 1984-85: not formally submitted in final form.

2.65 The Department suggested⁹ to the Committee that the situation regarding financial statements had improved quite significantly since the efficiency audit. This improvement had been achieved through ACTION conducting a certain amount of automation independently of the Department. 1984-85 statements were with the Department's Internal Audit Section prior to their being forwarded to Audit. It was hoped to have 1985-86 statements with Internal Audit by November 1986.

2.66 The Committee notes the apparent improvement but reminds the Department that timeliness is vital to ensure financial information is worthwhile. While the financial statements for 1981-82 and 1982-83 have been finalised they are of dubious value for management purposes.

2.67 Part of the reason for these delays had been a lack of computerised information systems. The Committee therefore sought further information on what steps had been taken towards computerising ACTION's information systems. The Committee was given an account of what can only charitably be called protracted processes.

2.68 The Committee found that criticisms of the ACT Transport Trust Account by the Auditor-General in his 1979-80 Report had led the Department to set up a management team in 1981 to review the Trust Account's operations, document procedures and correct system defects. The review was to be complemented by an external study conducted by a consultant. In April 1983 Peat Marwick Mitchell Services (Peat Marwick) was selected as the consultant.

2.69 Peat Marwick identified ACTION's information needs and in June 1984 recommended that the Department meet these needs through the development of appropriate software (using a software development aid known as LINC) with processing to be undertaken on an existing departmental mainframe computer. The second-best option recommended by Peat Marwick was to purchase modified application packages for processing on a new mini-computer.

8. PAC File 1986/16 Part A 1/1.

9. Minutes of Evidence, op cit., p 65.

2.70 A departmental steering committee followed the advice of the Department's Systems Branch and rejected the first option as impractical. The LINC software would have required major modifications to adapt it to departmental needs. Departmental priorities, lack of computer capacity and insufficient resources meant that immediate attention to ACTION's needs in line with the first recommendation was not practical. Accordingly, the steering committee recommended the second option be pursued.

2.71 Peat Marwick's Report led to a growing awareness of deficiencies in financial management and control systems across the whole Department. A decision was made that departmental financial needs should be addressed through the acquisition of suitable software packages with processing to be undertaken on new departmental hardware. The Department decided to replace its mainframe computer facility in 1984 because it was operating at full capacity and had reached the end of its economic life. Peat Marwick's second recommendation was considered inappropriate because of the need to upgrade departmental facilities as a whole. Further development of specific improvements for ACTION proceeded using micro-computers as a 'short term' arrangement.

2.72 The Department advised the Committee that most of the information systems identified by Peat Marwick are being introduced in ACTION by current micro-computer based systems. The implementation of the Department's FMIS is expected to be a longer term solution to ACTION's information systems needs.

2.73 More recently the Department advised that:

- . the Department's new mainframe (Burroughs) computers are operational and existing departmental systems have been transferred to this equipment;
- . ACTION's information needs continue to be met largely through manual processes with some specific computer support using either mainframe computers or micro-computers;
- . the implementation of the FMIS in a basic form is planned to occur by late 1987. Further refinement of the system for areas such as ACTION will then follow although priorities for this work are yet to be finalised;
- . the Department does not have a current ADP strategic plan, however, it is working towards such a plan;

. ACTION does not have an ADP strategic plan. Its information systems needs are generally considered within the Department's ADP strategy. The Department acknowledges that a more detailed and specific ADP strategy is needed for ACTION and has taken some initial steps to achieve this.

2.74 The Committee noted these recent developments and was concerned that the efficient operation and accountability of ACTION had been hampered by the Department in its attempts to acquire appropriate departmental information systems. It is now two years since Peat Marwick identified ACTION's information systems needs and yet ACTION continues to rely predominantly on manual systems which are causing processing backlogs.

Committee Conclusions and Recommendations

2.75 The Committee notes that the Department of Territories is now making progress towards the development and implementation of information systems both for the Department as a whole and more particularly ACTION. However, it is regrettable that such progress has taken a long time to achieve.

2.76 It is apparent that many of the problems which ACTION faces can be attributed to deficiencies in both the quality of ACTION's information base and information systems. The Committee views the service provided by ACTION to be of high priority and therefore is concerned that ACTION continues to rely on slow and error prone manual systems.

2.77 If ACTION is to be a responsive and efficient bus service it must have access to reliable and up to date information.

2.78 The Committee believes that proper and thorough planning are a necessary basis for effective administration.

2.79 In relation to the development of information systems within ACTION the Committee recommends that :

an ACTION ADP strategic plan be developed as soon as possible and no later than 30 June 1987 and that this plan set out:

- achievable objectives for the implementation and operation of information systems;
- projected methods of attaining such objectives; and

ACTION present a statement of achievements in implementing and operating information systems against stated objectives in its annual report.

ACTION Independence

2.80 The Committee's review led it to consider the degree of independence available to ACTION and the extent to which this affected the efficiency and accountability of ACTION's operations.

2.81 The Committee noted the present administrative arrangements governing ACTION, ie ACTION is operated by the Public Transit Branch of the Department of Territories and, as Figure 2.1 shows, is one of many branches within the Department. (Refer also to Appendix A for an organisational chart of ACTION)

2.82 In its submission to the Committee the Department stated:

... although ACTION is fairly self contained in terms of its management, marketing and accounting function it relies on the Department for specialist support services in areas such as personnel, industrial relations, computer equipment and systems, contract arrangements and legal matters. Further, ACTION is subject to the full range of departmental and government controls and competes for funds, staff and their resources in the normal departmental Budget context.¹

2.83 The Committee noted from both the Department's submission and evidence given at the public hearing of 22 July 1986 that ACTION was dependent to varying degrees for services provided by the Department. It was clear that while ACTION operated with some freedom it did not have control over all its activities.

2.84 The Department's provision of information systems to ACTION was a case in point and demonstrated to the Committee the problems of ACTION's dependency on the Department. Instead of ACTION being able to identify needs, establish objectives and quickly follow them through it was subject to departmental reviews and restrictions which seemed only to delay final decisions and the achievement of objectives.

2.85 The Committee was concerned at the repeated examples of ACTION's high priority objectives being delayed while departmental reviews established Department-wide priorities. Not only were such reviews quite lengthy but also ACTION's initiatives were often given low priority within the departmental context. This was reflected in low and nil funds being made available for some activities. The Committee noted patronage surveys and marketing as examples of activities not effectively pursued because of lack of funds.²

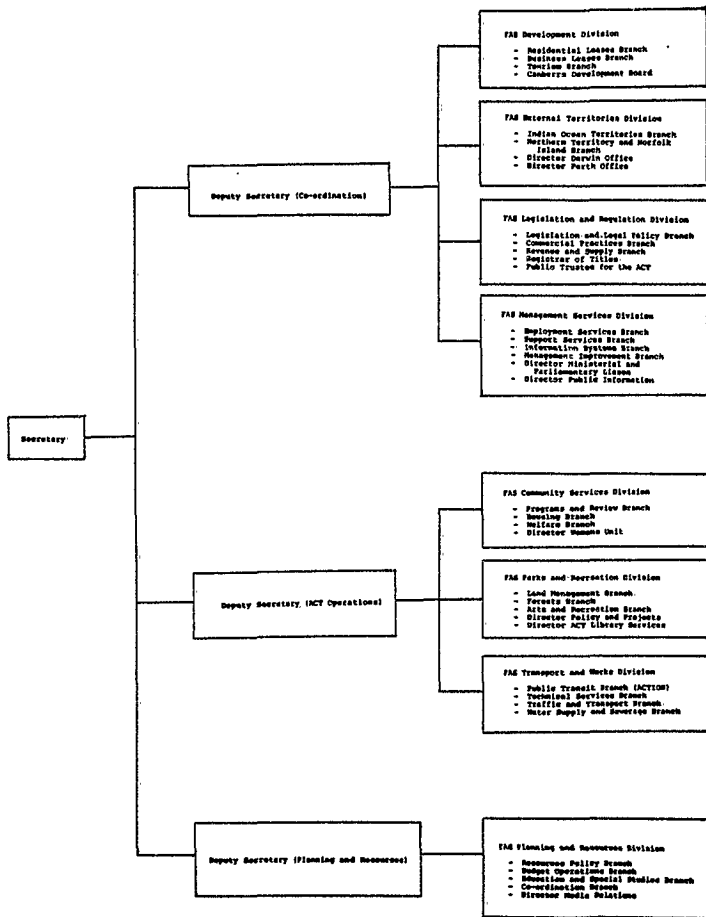
10. Minutes of Evidence, op cit., p 4.

11. Ibid., pp 76, 337.

Figure 2.1

Department of Territories - Organisation Chart

as at November 1986



2.86 Furthermore it was unfortunate that such lack of funds prevented improvements in efficiency and revenue. For example the Committee was advised that increased advertising could lead to better use of spare capacity during off-peak periods.

2.87 The Committee was concerned about the problems associated with ACTION's operation and its location within the Department. The Committee consequently considered the advantages that might result from ACTION existing as an independent body and in particular the merits of ACTION becoming a ministerially accountable authority.

2.88 The Committee noted that most comparable Australian city transport operators were structured as independent bodies. As such they were able to take full control and responsibility for their activities. They were able to formulate objectives and goals and carry them through.

2.89 The Committee observed that these other operators were able to attract a wide range of applicants for their management positions. This was attributable not only to their size and independence but also their ability to offer attractive remuneration.

2.90 A more independently structured ACTION would be able to draw high quality management from both the public and private sectors. The Committee noted that while ACTION remained a part of the Department its management was comprised solely of Australian Public Service officers. This led to a situation where some officers tended to pursue careers outside of ACTION, in the Department and in the Public Service as a whole.

2.91 The Committee believed that this staffing situation did not encourage officers to develop a commitment to ACTION and furthermore there was a feeling of remoteness between ACTION management and operational staff, who are not employed under the Public Service Act.

2.92 The Committee acknowledged that an independent ACTION would receive a subsidy while it remained an instrument of Government policy. However, the Committee believed independence would contribute to more efficient and effective financial management, the benefits of which were likely to be seen in the longer term. In the short term ACTION's costs would rise as it became fully responsible for its own personnel, industrial relations and other administrative activities.

2.93 Furthermore the Committee noted that under ACTION's current financial arrangements it was not required to pay interest on capital or payroll tax. Most comparable transport operators pay such charges and it was anticipated an independent ACTION would be similarly responsible for these costs.

2.94 The Committee was firmly of the opinion that the creation of ACTION as an independent body should not be a windfall to the Department of Territories. In particular, the transfer of administrative activities to an independent ACTION would entail funds previously allocated to the Department for these activities being allocated to ACTION. The Department should not receive funds for services it no longer provides.

2.95 A major concern of the Committee was ACTION's accountability. While the Committee sought to improve ACTION's efficiency it also intended that ACTION should remain fully accountable for its operations. In the present departmental context ACTION is accountable to the Minister for Territories and the Parliament although the operation of the ACT Transport Trust Account provides ACTION with greater independence than other departmental branches.

2.96 The ACT Transport Trust Account, established under Section 62A of the Audit Act 1901, provides a working account for financing ACTION. The Account had apparently been operated satisfactorily with the exception of ACTION's failure to meet the requirement of timely presentation of financial statements.

2.97 This failure to report satisfactorily was a matter of some concern to both Audit and the Committee because it meant ACTION had not been subject to the accountability normally expected of a public sector body.

2.98 The Committee was confident that an independent ACTION established according to the Government's proposed Guidelines for Statutory Authorities¹² could attain a satisfactory degree of accountability. In particular, the Committee believed that this would be achieved through:

- . ACTION producing an annual report to Parliament which would detail activities and show financial statements;
- . ACTION being fully ministerially accountable; and
- . ACTION having a governing board which would have a wide representation of business and Community groups.

12. Statutory Authorities and Government Business Enterprises: A Policy Discussion Paper Concerning the Efficiency and Accountability of Commonwealth Statutory Authorities and Government Business Enterprises, AGPS, Canberra, June 1986, p 4.

2.99 In considering ACTION's independence the Committee noted comments made in the Joint Study's first report :

The idea that ACTION should become a statutory authority of some type has been raised previously. Commonly, the perceived need for greater freedom from Public Service operating procedures and constraints is a major motive.¹³

2.100 The Committee also sought comment from the Department regarding ACTION becoming a separate transport authority. The Department advised that the issue had been raised from time to time and noted what it perceived to be the advantages of such a move:

The move to a statutory authority would allow ACTION to operate more independently and separately from the Department, although in view of the subsidy it would be unlikely to be granted independence from the Department of Finance and Public Service Board involvement ... The main advantage would be that ACTION would have full responsibility for its own expenditures and operations. In view of the subsidy and the requirement for capital expenditure it would still have to seek budget funding but could be more directly accountable and have more direct influence over priorities for facilities and services.¹⁴

2.101 The Committee was somewhat reluctant to accept that ACTION should become a statutory authority in order to improve efficiency. However, it believed that ACTION should operate with greater independence and that independence would become increasingly necessary as Canberra's population continued to grow.

2.102 The granting of greater independence to ACTION was not to be at the cost of accountability. In particular, any new organisational structure should be fully accountable to the Minister for Territories, the community which it serves and the Parliament.

Committee Conclusions and Recommendation

2.103 The Committee concludes that ACTION has not been able to operate with maximum efficiency because it is confined within a large and diverse Commonwealth department.

2.104 The administrative arrangements governing ACTION have not encouraged its managers to stay a long time. Further, the division of management activities between ACTION and the Department leads to problems in establishing priorities and obtaining appropriate funding.

13. Scott & Furphy Engineers Pty Ltd, op cit., p 30.

14. Minutes of Evidence, op cit., p 336.

2.105 The Committee concludes that the formation of ACTION into a ministerially accountable authority would provide a means whereby ACTION could have appropriate control and responsibility for its operations and thereby achieve greater efficiency.

2.106 Additionally, ACTION would then exist on a more equal footing with other independent bodies providing services to the ACT, eg the ACT Electricity Authority, the ACT Health Authority and the ACT Milk Authority. It is with the objective of improving the efficiency of ACTION that the Committee recommends:

steps be taken to form ACTION into a ministerially accountable authority to serve the public transport needs of Canberra.

2.107 In making this recommendation the Committee believes the operation of ACTION as a ministerially accountable authority should not lessen its accountability. Rather it should be enhanced through ACTION continuing to be fully accountable, producing annual reports and through the establishment of a governing board.

2.108 In establishing ACTION as a ministerially accountable authority steps should be taken to recruit senior management from a wide field of applicants, with emphasis being given to applicants who have qualifications and proven experience in the operation of public transport services.

2.109 The Committee does not envisage the existing Public Transit Branch simply becoming the new authority.

2.110 In recommending the formation of a ministerially accountable authority the Committee is primarily concerned that ACTION have the necessary independence to permit it to control and take responsibility for all its operations.

2.111 The Committee acknowledges that ACTION will continue to need some financial assistance but believes that independence, in so far as it leads to greater efficiency, could eventually minimise this need.

2.112 In the short term, however, ACTION's costs should rise as it becomes responsible for administration and other presently hidden costs such as payroll tax and interest on capital. The inevitable increased expenditure on ACTION will be offset in the longer term through increased efficiency.

2.113 The Committee reiterates that the transfer of management activities from the Department of Territories to the new Authority should be accompanied by appropriate changes to funding arrangements. In particular, the Department should cease to received funds for those activities it previously performed on ACTION's behalf. Such funds should be diverted to the Authority.

CHAPTER 3

FARE STRUCTURES

- . Fare Structure and Collection
- . Subsidy from the ACT Schools Authority

Fare Structure and Collection

3.1 ACTION's operating funds are derived from several sources. They include cash and prepaid ticket fares, Commonwealth Government reimbursements for school bus services and welfare concessions, and a Commonwealth Government subsidy. Table 3.1 shows a breakdown of ACTION revenue for the years 1982-83 to 1984-85.

Table 3.1 ACTION Revenue 1982-83 to 1984-85

Revenue	1982-83		1983-84		1984-85 ¹	
	\$'000	(%)	\$'000	(%)	\$'000	(%)
Fares revenue						
- cash fares	1 880	(7.8)	1 995	(7.6)	2 430	(8.9)
- tickets	3 594	(15.0)	4 350	(16.6)	4 320	(15.9)
Reimbursement						
- school bus services	3 686	(15.4)	4 262	(16.2)	4 825	(17.8)
- welfare concessions	712	(2.9)	791	(3.0)	893	(3.3)
Other revenue	446	(1.8)	509	(2.0)	552	(2.0)
Government subsidy	13 541	(57.1)	14 314	(54.6)	14 140	(52.0)
Total	23 859	(100)	26 221	(100)	27 120	(100)

Note : 1 Provisional figures only.

Source : Department of Territories, Annual Report 1984-85, AGPS, Canberra, 1985, p 86.

Audit Findings

3.2 Audit examined the method used by ACTION to determine fares and found that the full costs of ACTION were not being considered when preparing fare recommendations for ministerial approval. In particular, Audit observed that ACTION is not charged interest on funds provided for capital equipment and that ACTION's office accommodation and use of computer facilities are not taken into account when determining the shortfall in revenue.

3.3 Audit noted that the existing fare structure incorporated sixteen fare types and suggested that the number of fare types be reduced and greater emphasis be placed on the use of prepaid fares. Such moves would assist drivers in collecting fares thereby enhancing operational efficiency and could assist in reducing fare evasion. Audit believed that the simplification of fare types should occur unless ACTION was able to automate the ticketing process in the near future.

Audit Recommendations

3.4 Audit recommended that:

the full cost of the ACTION service should be taken into account when recommendations for variations in fares are being prepared; and

the existing fare structure should be simplified and more emphasis should be given to use of prepaid fares.

Departmental Response to Audit and the Committee

3.5 The Department advised Audit that in recommending the structure and level of fares to the Minister it took into account financial, operational, marketing and equity considerations. In particular, the Department sought to:

- . achieve a recovery rate (of fares to operating expenditure) nominated by the Government;
- . discourage cash fares to facilitate fast boarding and the one man-one bus operation;
- . establish a fare structure that was easy to comprehend and met the needs of passengers; and
- . acknowledge and accommodate the Government policy of granting fare concessions to certain groups in the community.

3.6 The Department acknowledged to Audit that the presentation of full costs of the bus service was desirable in preparing recommendations on fares. However, ACTION encountered difficulties in determining all of its costs and revenues within the limits of the departmental finance system.

3.7 The Department added that indications of additional overhead costs and revenue items would be included in future fare variation proposals.

3.8 In its submission to the Committee the Department stated that it agreed with Audit's recommendation to account for the full cost of ACTION and would examine the procedures required to achieve this as an integral part of the Financial Management Information System (FMIS) and future examinations of fare structures.

3.9 With regard to simplifying the existing fare structure and making use of prepaid fares the Department expressed reservations but noted that greater emphasis was being given to prepaid fares.

3.10 The Department noted in its submission to the Committee that:

Canberra's fare structure is already one of the simplest of all city transport authorities and has by far the highest level of pre-paid fares [70%]. ACTION has 16 alternative fare types compared with Melbourne and Perth which have over 100 fare types. The Canberra structure is considered to be as simple as is possible given the complexities within the constraints of Government policy of public transport service pricing and associated ticketing. Whether the relatively small number of fare types is in the public interest or desirable from ACTION's point of view is in fact open to question and is currently being examined.¹

3.11 ACTION's existing fare structure is a flat rate structure which was introduced in 1976. The structure had been adopted to reflect the design of Canberra with its system of town centres and interchanges. Passengers paid a cash fare or made use of a prepaid ticketing system which offered some discount on the cash fare. The system was attractive to the long-haul passenger but unattractive to those travelling a short distance. The Department advised the Committee that while a fare system based on the town centre interchange had been appropriate, growth in Canberra's metropolitan area since 1976 had made it desirable to reassess the system. The Joint Study would advise ACTION on this matter.

1. Minutes of Evidence, op cit., p 11.

3.12 The Department told the Committee at the public hearing of 22 July 1986 that cash fares and prepaid tickets allowed passengers to board buses very quickly. However, passengers then travelled without proof of payment and it was consequently difficult to monitor fare evasion. Additionally the actual method of collecting cash and tickets was difficult for drivers to monitor. For example passengers could easily pay for one section and then travel two.

3.13 It was estimated fare evasion could be around two to three percent of revenue, that is \$200,000 to \$250,000, but could be as high as ten percent. An ACTION driver estimated fare evasion was in the order of \$750,000 per year.

3.14 The Committee noted with interest ACTION's announcement on 21 August 1986² that the usage of its main form of prepaid ticket, the 'Farego' ticket, would be reduced on express bus routes. The decision was based on the results of a study which had shown misuse of more than four percent of Farego tickets on express bus routes.

3.15 The Committee questioned the Department on ways of countering the evasion problem. Tickets could be issued for cash fares but this would slow bus boarding time. Similarly prepaid tickets could be inspected more closely by drivers but this too would add to boarding time.

3.16 The Committee sought the Department's views on Audit's suggestion for introducing an automated ticketing system such as that used by Transperth and soon to be used by the Urban Transit Authority of NSW. The Department advised that it had considered such systems and that the introduction of some form of automated ticketing/fares collection system was likely to be necessary to combat fare evasion and to provide the flexibility to cope with the increasing size and complexity of the bus service. The Department had not performed a detailed costing for an automated ticketing system but estimated, on the basis of a system being introduced in Adelaide, that the capital cost would be in excess of \$4 million.

3.17 During its inspection of 12 August 1986 the Committee observed the ticket cancelling machines installed on buses operated by Transperth and noted that they facilitated quick boarding, reduced fare evasion and provided an easy means of capturing passenger data. Such machines are now being introduced by major transport operators throughout Australia.

Conclusions and Recommendations

3.18 The Committee agrees with Audit's view that the full cost of ACTION should be taken into account when recommendations for fare variations are being made. While the Department has also indicated its agreement and intention to 'examine the implications and procedures' the Committee wishes to ensure that the Department takes appropriate steps as soon as possible.

2. Canberra Times, 22 August 1986.

3.19 The Committee therefore recommends that:

ACTION record in its annual report progress towards incorporating the full cost of ACTION services in recommendations for fare variations.

3.20 ACTION's fare structure and collection methods are matters of concern to the Committee and it believes the suitability of existing systems needs to be reviewed in the light of changing demands and evidence of abuse. The Committee is not convinced that simplification of the fare structure is appropriate but concludes that the public needs to be more actively informed of the structure.

3.21 The Committee concludes that ACTION is fully aware of the existing problems and is endeavouring to improve them. Cognisant of ACTION's desire to maintain high passenger boarding speed the Committee believes there is merit in pursuing the implementation of an automated ticketing system.

3.22 The Committee recommends that:

ACTION continue to closely monitor fares and, where appropriate, act decisively to modify the fare structure;

ACTION use the media to keep the public informed of the fare structure and changes to it; and

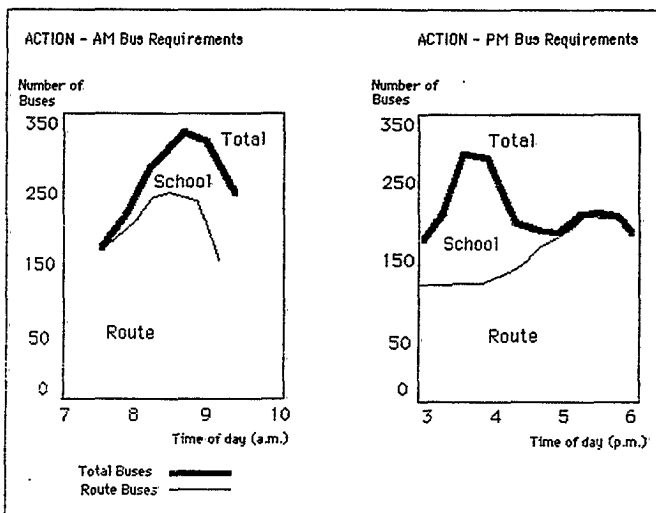
Upon completion of the Joint Department of Territories/NCDC Public Transport Study ACTION proceed to a full and detailed investigation of available automated ticketing systems with a view to the early implementation of an automated ticketing system.

Subsidy from the ACT Schools Authority

3.23 By agreement with the ACT Schools Authority ACTION provides special school bus services in addition to its normal route services for the transport of school children to and from schools. During the afternoon peak it is estimated³ about 110 school buses are required in addition to the 200 needed to operate regular route services. Figure 3.1 illustrates this extra demand for buses.

3. Scott & Furphy Engineers Pty Ltd, op cit., p 17.

Figure 3.1 Fleet requirements during morning and afternoon peaks



Source: Scott & Furphy Engineers Pty Ltd, et al., Joint Canberra Public Transport Study Report No.1 - Information and issues paper, September 1986, p. 18(a).

3.24 ACTION covers the cost of providing school bus services. The ACT Schools Authority pays the shortfall between the cost to ACTION of running school bus services and concessional fares received from students. In 1984-85 \$4.8 million was reimbursed to ACTION for school bus services.

3.25 ACTION is the main supplier of school bus services in the ACT. However, private contractors are used to provide rural services and to meet needs which cannot otherwise be met. In 1986 fifteen services requested by the Schools Authority could not be met by ACTION.

Audit Findings

3.26 Audit noted two matters of concern connected with the school bus service that might adversely affect ACTION's budget. First, the ACT Schools Authority proposed to change its catchment areas for school transport to government schools with the result that it may not subsidize bus travel from outside redefined areas. Audit saw the implication being that ACTION's operating deficit would increase because of reduced Schools Authority payments.

3.27 Second, Audit believed ACTION was incorrectly charging the Schools Authority for:

- . 'dead running' time, ie that time spent travelling from a bus depot to the start of a run and returning from the end of a run to a depot; and
- . school holidays when school bus services were not running.

3.28 Audit was concerned that removal of these elements from the cost recovery formula used by ACTION and the Schools Authority could have a significant effect on ACTION's budget. The possible implications were that ACTION's direct government subsidy would have to increase unless economies could be found or revenues increased.

Audit Recommendation

3.29 Audit recommended that:

In view of the possible reduction in costs recovered from the ACT Schools Authority ACTION should undertake studies directed towards achieving economies and/or improving efficiency.

Departmental Response to Audit and the Committee

3.30 With regard to changing catchment areas ACTION considered that it would not face any significant financial difficulty. Any reduction in the demand for school buses could be used to provide normal route services and in particular to meet increased demand associated with reduced parking in Civic.

3.31 In response to Audit's specific recommendation ACTION stated that it was conscious of the need to achieve economies and improve efficiency. Furthermore a study to examine the charging formula was being undertaken. In its submission to the Committee the Department advised that at the request of the Schools Authority an examination of the charging formula was being conducted. Participating in the examination were ACTION, the Authority and the Department of Finance.

3.32 The Committee noted these responses and sought further information on the charging formula and the use of private operators.

3.33 The charging formula was found to be a complicated formula which effectively seeks to cover the cost to ACTION of providing school bus services. It identifies the required driver and vehicle resources for shifts which are:

- . exclusively for school runs;
- . school shifts within urban runs; and
- . shifts within urban runs which are predominantly urban runs.

3.34 At the public hearing of 22 July 1986 the Committee questioned the Department as to whether the formula involved a charge for dead running and school holidays. The Department replied that the formula did include a charge for dead running. It was identified as a separate charge and so drew attention. However, the new formula would incorporate it as a direct charge. The view of the Department was that dead running was a legitimate charge and it pointed out that a private contractor would include the charge.

3.35 In response to questioning on school holidays the Department reiterated that the formula was based on charging for twelve months as that was the cost to ACTION. The cost would be the same whether ACTION charged in monthly instalments or in daily instalments.

3.36 Opinions on the use of private bus operators were sought from the Schools Authority and the Department of Territories.

3.37 It was found that some private contractors provide school services. The Department had co-operated with the Schools Authority in rationalising some services where private enterprise had been operating buses from rural areas over the same routes operated by ACTION in the outer metropolitan area. Private contractors were operating services to:

- . Hall;
- . Majura Lane;
- . Pialligo;
- . Malkara and Woden Special Schools;
- . Harman - Symonstown;
- . Cotter;
- . Naas;
- . Tidbinbilla, and
- . Williamsdale.

3.38 Also private contractors had been used where ACTION had been unable to meet demand, for example the suburb of Gilmore.

3.39 At the public hearing of 22 July 1986 ACTION advised the Committee that it had been asked to consider subcontracting the school bus service. A witness commented that:

... it has some attraction for the accountants because they would say that if we contract out this sort of business we will be able to do it more cheaply.⁴

3.40 However, ACTION also had reservations as to how much cheaper private operators would be.

3.41 The overall view was that the demands of the peak periods for school services would make it difficult for a private operator to provide all school bus requirements. The Department reiterated that the operation of school buses was a specific issue for consideration by the Joint Study.

3.42 The Committee noted the Department's views. While the Committee did not seek private operators' views on these issues it became aware that private operators would welcome an opportunity to provide these services. It was not clear to the Committee whether the Schools Authority or ACTION had fully investigated the viability of the use of the private sector and where the responsibility for the management of the school bus service might lie in the event that other operators became involved.

3.43 The Schools Authority was generally satisfied with the school bus service provided by ACTION and noted that in some instances it had been necessary to use private contractors.⁵ The Authority had considered using private contractors but after discussions with ACTION found the proposal not viable.

3.44 The Schools Authority advised the Committee that only one third of school services provided to the Authority were for government schools with the majority being for non-government schools. However, many services catered for schools in both categories.⁶

Committee Conclusions and Recommendations

3.45 The Committee notes that the charging problems identified by Audit have been considered by ACTION and are currently under examination. The Committee understands that a new formula is being developed and will soon be in use.

4. Minutes of Evidence, op cit., p 111.

5. PAC File 1986/16, Part A/1.

6. Ibid.

3.46 The Committee concludes there is scope for some private operators. Existing privately operated services demonstrate this. Furthermore, the Committee is aware of successful privately operated school services elsewhere.

3.47 The Committee notes that ACTION has reservations concerning the wide use of private operators but believes there to be merit in further examining the matter, particularly when such operators may be able to provide a similar service more cheaply and when ACTION is facing a period of increasing demand for its normal route services.

3.48 While the Committee is aware the Joint Study is investigating a wide range of issues in relation to school bus travel it believes steps should be taken to assess the interest of existing private operators and recommends that:

the ACT Schools Authority, in conjunction with the Catholic Education Office, the Education Branch of the Department of Territories and the appropriate transport policy branch of the Department, develop a strategy and seek expressions of interest from any interested body, including ACTION, to tender for the provision of school bus services for schools covered by the Authority's stated policy.

CHAPTER 4
FLEET OPERATIONS

- . Shift Arrangements
- . Resource Scheduling
- . Bus Acquisitions and Policy

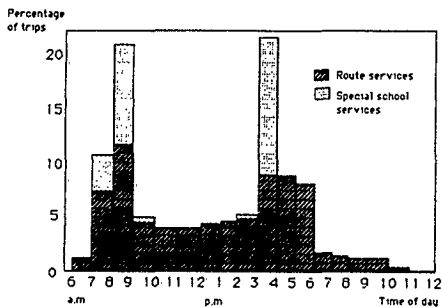
Shift Arrangements

4.1 ACTION bus drivers work under an award whereby they may be allocated only single unbroken shifts and be paid a minimum payment for an eight hour day.

Audit Findings

4.2 Audit considered there may be inefficiencies resulting from the drivers' current industrial agreement and noted that included in a driver's notional eight hour shift was at least five minutes lay-over (rest period) at the end of each run or fifteen minutes if on a continuous run for more than forty-five minutes. However, during the basic eight hour shift there was considerable unproductive time because of changes from peak to off-peak running. Figure 4.1 shows the hourly variations in demand for weekday bus services.

Figure 4.1 Distribution of passenger trips - weekday, by time of day.



Source: Department of Territories, Annual Report 1984-85, AGPS, Canberra 1985, p. 91

4.3 Audit found that productive route running was 44% of total staff hours and unproductive time (after allowing for fuelling, special bus hire and lay over times was 34% of total staff hours. Table 4.1 provides a breakdown of total staff hours as calculated by Audit.

Table 4.1 Analysis of total driver staff hours for 1983-84 and 1984-85

	1983-84 staff hours ¹	(%)	1984-85 (est) staff hours ¹	(%)
Productive route running time -				
Urban running	358 613	(39.6)	367 329	(39.3)
School running	36 448	(4.0)	38 454	(4.1)
	<u>395 061</u>	<u>(43.6)</u>	<u>405 783</u>	<u>(43.4)</u>
Other duties associated with productive route running time -				
fuelling	32 106	(3.6)	32 910	(3.5)
special bus hire	12 928	(1.5)	13 875	(1.5)
	<u>45 034</u>	<u>(5.1)</u>	<u>46 785</u>	<u>(5.0)</u>
Non-productive time -				
Dead running ²	182 260	(20.1)	171 229	(18.3)
Lay-over ³	155 645	(17.2)	155 604	(16.6)
Depot duties ⁴	126 722	(14.0)	155 632	(16.7)
	<u>464 627</u>	<u>(51.3)</u>	<u>482 465</u>	<u>(51.6)</u>
TOTAL	<u>904 722</u>	<u>(100.0)</u>	<u>935 033</u>	<u>(100.0)</u>

Notes: 1 Total hours calculated from weekly totals in ACTION Management and Financial Information Analysis system.

2 Dead running is bus running time where no passengers are picked up or set down

3 Lay-over is a driver rest period at the end of each bus run.

4 Depot duties are non-specific activities.

Source: Reports of the Auditor-General on efficiency audits, AGPS, Canberra, 1985, p 84.

4.4 Audit suggested there were two alternatives to using single unbroken shifts. They were:

- split shifts - employing drivers to work two single shifts to cover peak periods with a substantial break in between; and
- part-time drivers to work shifts covering one peak period.

4.5 At the time of the efficiency audit ACTION had briefly addressed the issue of split shifts and believed such an arrangement would be more expensive. Audit noted the option of part-time drivers did not appear to have been addressed and that there was potentially strong resistance from the drivers' union, the Transport Workers Union (TWU) on both issues.

4.6 On efficiency grounds Audit believed ACTION should thoroughly investigate possible options because without performing necessary calculations the Department could not present a case to the union. Audit therefore recommended that:

the Department should fully investigate and document the case for and against the introduction of split shifts and part-time drivers.

Departmental Response to Audit and the Committee

4.7 The issue of shift arrangements was not considered to be of high priority by the Department and it advised Audit that its 1985-86 internal audit program included a project to look at the personnel system, shift rosters and training.

4.8 In its submission to the Committee the Department stated it did not consider the potential benefits of split shifts warranted major study. Preliminary investigations of split shifts including a comparison with the State Transport Authority (Adelaide) did not indicate there would be significant savings. The issue of part-time drivers would be examined when the Public Service Board had resolved aspects of hiring permanent part-time staff in the clerical and administrative area. Further, the Joint Study would report on these issues.

4.9 While aware of the TWU's alleged resistance the Committee was concerned to know details of the Department's brief investigation of split shifts and why the Department had not conducted a thorough investigation of split shifts and part-time drivers.

4.10 The Department reiterated at the public hearing of 22 July 1986 that split shifts was a sensitive issue and it simply did not have the flexibility of most other Australian public transport operators where drivers come under the Australian Tramways and Motor Omnibus Employees Association. However, if the TWU were willing, it might be possible to work out a two-tiered system using both single shifts and split shifts.

4.11 The investigation conducted by the Department had revealed¹ that, because of differences in awards' spread of hours the cost to ACTION using single shifts was slightly lower than for interstate operators. However, split shifts could provide benefits as ACTION expanded, particularly as there would be increases in peak demand trips to and from Civic.

4.12 The Department noted:

With the current shift operation these runs could be covered by a 5 day shift operating to an 11 hour span (11 paid hours). Under split shift operation the same shifts would also work an 11 hour span but would be broken in the middle of the day when not required. These drivers would be paid for 9 hours work, but with an extended break and presumably an increased allowance due to the inconvenience.²

4.13 The Department later supplied the Committee with details of an exercise which compared the wage cost of operating a group of shifts under the existing system and under split shifts. The exercise showed a possible saving of 17% on the existing wage bill for the group of shifts considered. The Department added that the savings of a split shift arrangement would largely be negated by the loss of special hire capacity. But special hire services were not being used to capacity and a planned more aggressive marketing approach could raise revenue to cover the estimated shortfall.

4.14 With regard to part-time drivers the Committee was aware that the Public Service Board had reached agreements with the Administrative and Clerical Officers' Association and the Professional Officers' Association on permanent part-time employment and therefore questioned the Department as to what steps it would take to consider the possible savings from employing part-time drivers. The Department responded that it would look at the issue and added the Joint Study was also considering it.

4.15 Advice was received from the Public Service Board that there was nothing to stop the Department talking to the TWU but there was no obligation on the TWU to negotiate.

1. Minutes of Evidence, op cit., p 125.

2. Ibid., p 318.

4.16 The Committee also sought details of how many ACTION drivers were women. The Department informed the Committee that while ACTION had had women drivers there were none at the moment. It was not that women were prohibited but that very few applied. Two to three percent of applicants were women. The Committee believed some more women might be attracted to part-time work.

Committee Conclusions and Recommendations

4.17 The Committee agrees with Audit that in the interest of achieving greater efficiency in ACTION's operations a thorough examination should be made of alternative shift arrangements. The Joint Study may provide necessary information for such an examination.

4.18 The Committee notes the Department's comments that the issue of shift arrangements is sensitive and regrets that the TWU did not respond to two invitations to comment on evidence given by the Department.

4.19 The Committee is persuaded by its inspection of Transperth and other comparative information that the use of split shifts and part-time drivers can lead to substantial reductions in public transport running costs.

4.20 Given predictions of increased demand for peak services and the continuing requirement to improve ACTION's efficiency the Committee recommends that:

upon completion of the Joint Department of Territories/NCDC Public Transport Study, ACTION conduct a detailed evaluation of split shifts and part-time drivers in consultation with the Transport Workers' Union.

Resource Scheduling

Audit Findings

4.21 Audit readily acknowledged that the process of updating and rewriting shifts for optimum scheduling was complex. The manual scheduling methods used by ACTION were found to be difficult to use and hence limited the ability of operations staff to respond quickly to service changes and to amend shifts. While a major rewrite was to commence in April 1985 Audit noted the last major rewrite had been in 1979 and subsequently many new routes had been introduced. Audit was aware that ACTION intended to develop a computerised information base which would assist in the shift rewrite but recognised that a higher priority was attached to financial and performance data.

4.22 Audit criticised ACTION's documentation relating to scheduling standards and procedures describing the documentation as only 'brief notes'³. While any administrative process should be documented and made known it was particularly necessary in this case because of the complexity of the process.

4.23 Also Audit questioned ACTION's one man-one bus scheduling arrangement and believed it led to inefficient scheduling.

Audit Recommendation

4.24 Audit saw that there was a need for much improvement in ACTION's resource scheduling activities and recommended that:

computer assisted means of resource scheduling should be introduced and procedures associated with scheduling should be documented and made known.

Departmental Response to Audit and the Committee

4.25 The Department advised Audit that an earlier attempt to implement a computer assisted scheduling system had been unsuccessful because of operational constraints. Further consideration would be given to computer assisted scheduling according to Departmental ADP priorities after the Department had increased its computer capacity. Also guidelines were being prepared for current processes.

4.26 In its submission to the Committee the Department noted the previous attempt at computer assisted scheduling had been suspended in 1979. The Committee was later advised that the attempt had failed for a number of reasons. In particular the system had been:

- . too large and cumbersome;
- . highly complex, statistical and difficult to learn; and
- . run on the Department of Health's computers. This had meant there were sharing difficulties and, because of the system's size, high computing charges.

Apart from the cost involved the system was so complex it was quicker to use the manual process.

3. Report of the Auditor-General on Efficiency Audits, op cit., p 77.

4.27 More recent attempts to implement computer assisted scheduling relied on recent developments in the area of scheduling. The Department stated:

The more effective task is to break the whole job up into small components and not attempt to use the computer to do all the work.⁴

4.28 The Department further stated that a shift recording system had been developed using micro-computer equipment and implementation of the system was imminent.

4.29 The Committee viewed computer assisted scheduling during its inspection of Transperth and was impressed with its apparent efficiency.

4.30 The Committee was concerned to know what action had been taken to document and make known existing scheduling procedures. At the public hearing of 22 July 1986 the Department advised the Committee that a scheduling manual did exist and subsequent to the public hearing a copy of 'the manual' was forwarded to the Committee.⁵ In the Committee's view the manual was difficult to follow and as such could not be assessed as to its adequacy.

4.31 The Department responded to Audit's doubts about the efficiency of one man-one bus scheduling by stating it made drivers more conscious of vehicle appearance and maintenance and also that it improved driver work satisfaction. The concept had been abandoned in 1977 and re-introduced in 1979 following staff representations. Further, there were no extra costs in operating such a system.

4.32 The Committee sought from the Department details of the costs involved in one man-one bus scheduling. While no cost data was supplied the Department advised that the system was widely used in the private sector and therefore:

... one could assume that if the private sector considered it appropriate then it must be cost effective.⁶

4.33 The Department was unable to demonstrate with suitable data that the system was cost effective but believed the term 'one man-one bus' may have been misunderstood and acknowledged it was misleading. The explanation provided was that:

The system basically provides for allocation of a bus to a specified shift or portion of a shift ... This means that a driver may operate a number of

4. Minutes of Evidence, op cit., p 131.

5. Ibid., pp 131, 157 - 185.

6. Ibid., p 134.

buses during his day's work and that a bus is not reserved exclusively for the one person at all times. However, whilst several drivers may drive one bus in the course of a day's duties (or one driver may drive several buses) the same group of drivers will be allocated the same group of buses.⁷

4.34 A submission by the Department provided the following example:

Bus 670 may be allocated to driver A for Shift 1 starting at 6.00 am. In the early afternoon driver B comes on duty to take up Shift 2 to operate the rest of the day and night. Driver B takes over Bus 670 from driver A. That arrangement continues for the whole of week 1. In week 2, driver B takes the morning Shift 1 and hands Bus 670 over to driver A for the afternoon/evening Shift 2. When either of these drivers are away on holidays, or sick, a relief driver has Bus 670 on the same shift as the permanent driver. In week 3, the drivers revert to the week 1 roster.⁸

4.35 The Department stated that there were no additional costs incurred in allocating buses to the same shifts. It was administratively convenient. The Department believed the costs could even be less than a random allocation each day as the base allocation remained fixed from day to day. However, the one man-one bus system required some extra administrative attention when opening a new depot because the bus parking pattern had to ensure each driver had reasonable access to his vehicle.

Committee Conclusions and Recommendations

4.36 The Committee notes that the process of scheduling is complex and that the manual system used by ACTION has been difficult to operate quickly and efficiently.

4.37 It concerns the Committee that scheduling documentation was not readily understandable. Such documentation should be both informative and easy to comprehend. The Committee is also concerned that this is not the only instance of inadequate or missing documentation cited by Audit. The Committee believes the documentation of procedures and practices, and particularly those involving the use of computers, to be a necessary control to ensure continuity, efficiency and effectiveness of operations.

7. Minutes of Evidence, op cit., p 321.

8. Ibid., p 155.

4.38 The Committee recommends that:

ACTION ensure standards exist for the documentation of all procedures and practices and that such standards are adhered to for all existing documentation and future documentation of procedures and practices.

4.39 The Committee notes that one man-one bus scheduling was reintroduced following staff representation and that it has reputedly improved employee satisfaction.

4.40 The Committee is unable to conclude on the basis of evidence provided by the Department whether the one man-one bus scheduling arrangement is cost-effective. The Department suggested that the system was less costly than the random allocation of drivers to buses but did not supply data to support this.

4.41 The Committee recommends that:

ACTION management fully evaluate all operating activity options, including detailed costings of manpower scheduling to ensure sound management decision making.

Acquisitions Policy

Audit Findings

4.42 Audit was critical of ACTION for not having a bus acquisitions policy and expressed doubts that one could be developed in the short term because of a lack of data on :

- . the economic life span of buses;
- . bus downtime;
- . bus maintenance costs; and
- . alternative types of transport.

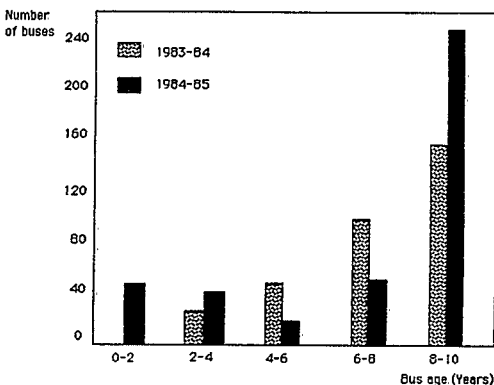
4.43 ACTION's 'working appraisal' of bus life expectancy suggested ten to twelve years as appropriate for minimising maintenance costs. Audit was concerned about this because it believed there had been no comprehensive study of the matter by ACTION and it was aware that a comparable transport operator, the Metropolitan Transport Trust (Perth), planned a twenty year life for its buses.

4.44 Audit also cited the Urban Transit Authority of NSW which replaced its heavy duty buses after twelve years and still maintained buses more than twenty years old. Audit saw that Canberra had more favourable road and traffic conditions than Sydney and concluded ACTION's buses might have a life expectancy greater than Sydney's buses. Audit was strongly of the opinion that ACTION should have a soundly based assessment of the economic life of its buses which included the comparative costs of rebuilding buses versus selling them to buy new vehicles. In Audit's view ACTION had had ample time to do this.

4.45 The fact that ACTION was depreciating its buses over fifteen years was perplexing to Audit. Such a depreciation allowance would normally relate to the expected service life of buses, however, ACTION's apparent expected bus working life was ten to twelve years.

4.46 Audit observed there had been substantial variation in the size of the ACTION fleet to allow for bus downtime. For example, in December 1984 there was a 25% reserve margin of buses. Audit noted that ACTION chose 15%, but apparently had no firm basis for doing so. ACTION had stated that 15% was comparable with other large operators and that the ratio was high because of the distorted age profile of the bus fleet. Figure 4.2 shows the age profile of ACTION buses for 1983-84 and 1984-85.

Figure 4.2 Age of ACTION bus fleet 1983-84 to 1984-85



Source: Department of Territories, Annual Report 1984-85, AGPS, Canberra, 1985, p 89.

4.47 However, Audit believed there to be a prima facie case for ACTION having a reserve of less than 15% because large operators in Perth and Sydney with older fleets were able to operate with a 15% reserve. Audit noted that the value of such reserves was substantial and that capital outlays therefore should not be made before required.

4.48 Of concern to Audit was ACTION's inadequate maintenance cost data. The lack of specific data meant that ACTION could not closely compare the costs of replacing and refurbishing buses. Audit added that it was also impossible for ACTION to evaluate the performance of current buses when deciding on acquiring replacements and additional buses.

4.49 Audit noted that the current ACTION fleet comprised standard and articulated buses and suggested there was a role for smaller vehicles in the fleet, in particular for low demand off-peak routes. Audit therefore believed ACTION should have evaluation papers considering such options and stated that all avenues that might lead to improved efficiency should be thoroughly examined.

Audit Recommendations

4.50 Having discovered ACTION had no basis for its bus acquisitions policy and deficiencies in maintenance cost data Audit recommended that :

ACTION should establish the economic life span for different makes of bus under Canberra conditions and use this data in developing acquisitions and refurbishment policies and funding proposals;

arrangements should be made to collect detailed data on the costs associated with the repair and maintenance of buses in order to analyse the performance of different makes and models for use in acquisition decisions; and

the low levels of patronage on off-peak services suggest ACTION should develop options for reducing costs in this area.

Departmental Response to Audit and the Committee

4.51 In summary the Department's response to Audit on the issues raised and recommendations made was that :

other city transport operators had fleets with some buses over twenty years old because of funding constraints and not because the buses had very long economic lives. ACTION had bought buses which were built with an expected life of ten years;

- part of the excess size of the ACTION fleet had resulted from the high demand for public transport during the Athletics World Cup in October 1985 and anticipated demand in general;
- ACTION was now attempting to establish the economic life of buses for acquisition and refurbishment policies and funding proposals in the light of other operators' experience;
- the collection of extra data would occur where practical in conjunction with the implementation of the Department's Financial Management Information System (FMIS); and
- the option of using mini-buses for low patronage off-peak services would be given continued attention.

4.52 In its submission to the Committee the Department advised that the establishment of the economic life of buses was dependent on the implementation of the FMIS. The Department then cited a paper prepared by the United States Mass Transit Administration's Technical Council to the effect that twelve years was the useful life of a bus.

4.53 It was apparent to the Committee that ACTION faced a problem with its workshops because they were geared to buses with a ten year life. Resource constraints meant bus life was extended to fifteen years and consequently there was a need to extend workshop facilities.

4.54 The Committee believed an appropriate bus acquisitions policy would result in the ACTION fleet comprising fewer brands of bus and ideally no more than two. The present ACTION fleet has five brands of bus. The acquisition of fewer brands could promote better deals with suppliers through limited competition and would help to minimise maintenance, training and parts costs.

4.55 With regard to actual acquisition practices the Department stated :

ACTION must comply with government purchasing guidelines and, there is limited scope to select buses which meet technical requirements on other than price, although consideration is given to the 'whole of life' costs, whenever possible.⁹

9. Minutes of Evidence, op cit., p 14.

4.56 The Committee was concerned at the apparent lack of an acquisition policy. The Department advised that ACTION had no acquisition policy. While it had previously had a policy (or more accurately a replacement target) to replace buses after ten to twelve years, financial constraints had meant the policy could not be implemented. The replacement policy/target was based on overseas operators' experience. ACTION's expectations of bus life were also based on the estimates of manufacturers. The current practice was to replace buses in the light of growing demands and the Department's ability to negotiate funding.

4.57 The Department advised that in the light of a need for additional school services, increased city area employment and accelerated urban growth for 1986-87 funding had been sought for 56 new buses. However, a deterioration in the exchange rate meant only 45 would be acquired. While ACTION believed a service life of ten years to be the most economic for these buses the Department of Finance required a fifteen year life.

4.58 The Committee noted the methods used by ACTION in estimating bus life and sought details as to whether there were operating costs to which ACTION buses were particularly prone.

4.59 The Department advised that there were major differences between ACTION's maintenance costs and those of other capital city operators and noted that:

Canberra suffers a huge maintenance cost in relation to braking systems because of the very high speeds we operate relative to other cities. We have had major problems with bus differentials because of all of our roundabouts and high-speed corners - no other city in the world has had those problems.¹⁰

4.60 The Committee had some doubts as to the extent these costs should be significantly higher than those of other capital city operators. However, it accepted that there may be variations between operators.

4.61 On the Department's own admission it was necessary to be 'very careful about obtaining data from other operators about the relative costs of different buses'¹¹. The Committee noted this view conflicted with the Department's previous statement that bus replacement policy was based on that of comparable Australian and overseas operators.

10. Minutes of Evidence, op cit., p 137.

11. Ibid.

4.62 The Committee also noted that while the effective use of maintenance cost data is dependent on the FMIS, detailed records are kept in ACTION workshops on labour hours, materials used and work carried out on individual vehicles. The Department commented that :

Current data processing facilities do not permit routine extraction of individual vehicle costs, however manual extraction is practised for specific investigations.¹²

4.63 The Department advised the Committee that the requirement for ACTION to maintain buses longer was having repercussions on workshop facilities. The workshops had been oriented towards maintaining predominantly English style buses on the basis of their estimated ten year life. However, there had been a shift in the ACTION fleet over the last ten years to German buses with an estimated life of ten to twelve years. The Department advised that more than 61% of ACTION's buses were greater than nine years old. It was apparent to the Committee that there was a need to expand workshops and their staff unless the funding situation for new buses changed dramatically. The Committee noted that during its inspection of ACTION on 25 June 1986 it was advised by ACTION officers that despite what the officers saw as good working conditions there was great difficulty in hiring sufficient numbers of qualified experienced mechanics.

4.64 The Committee also sought information from the Department on ACTION's reserve of buses. The Department advised that ACTION aimed for a nominal reserve of 15% which included an allowance for emergencies and for buses undergoing maintenance and repair and a margin for varying requirements such as special hire. The last 10 years had seen the reserve range from 12 to 22% with the peak of 22% resulting from the retention of old buses to meet the anticipated requirements of the 1985 World Cup Athletics and increased school services in 1986. The current actual reserve is 19%.

4.65 On the matter of low patronage levels on off-peak services the Department advised the Committee that the Joint Study would consider this. However, ACTION had studied the suggestion of using mini-buses and believed it to be uneconomical because Canberra's requirements were more effectively provided by standard buses and articulated buses. Mini-buses would require additional capital outlays and were not efficient for ACTION's peak commuter operations.

Committee Conclusions and Recommendations

4.66 The Committee is of the view that the ACTION fleet should have no more than two brands of bus. Fewer brands could facilitate the interchangeability of spare parts and lead to reduced costs for training, workshop equipment and facilities. Furthermore, fewer brands may promote better deals with suppliers.

12. Minutes of Evidence, op cit., p 326.

4.67 The Committee is most concerned that ACTION has no bus acquisitions policy and finds it unsatisfactory that no attempts have been made to maintain or develop such a policy because of budgetary constraints. The Committee agrees with Audit that :

a well defined and supported bus acquisitions policy is essential to the pursuit of a program which achieves, at the least financial cost, a safe, reliable fleet at a level appropriate to the operating requirements.¹³

4.68 The Committee is similarly concerned at the approach taken by ACTION in assessing the economic life of its buses. It is alarming that ACTION should have stated it bases such estimates on comparable operators while at the same time it believes it has unique maintenance costs. The Committee is firmly of the view that an appropriate system of estimating the economic life of a bus should be developed. Soundly based estimates can only assist ACTION in its funding requests not only for new buses but also for maintenance and repairs.

4.69 The Committee acknowledges that a fundamental problem in this area is the quality and accessibility of bus maintenance data and reiterates that top priority must be given to the introduction of the Department's FMIS to begin to improve this situation.

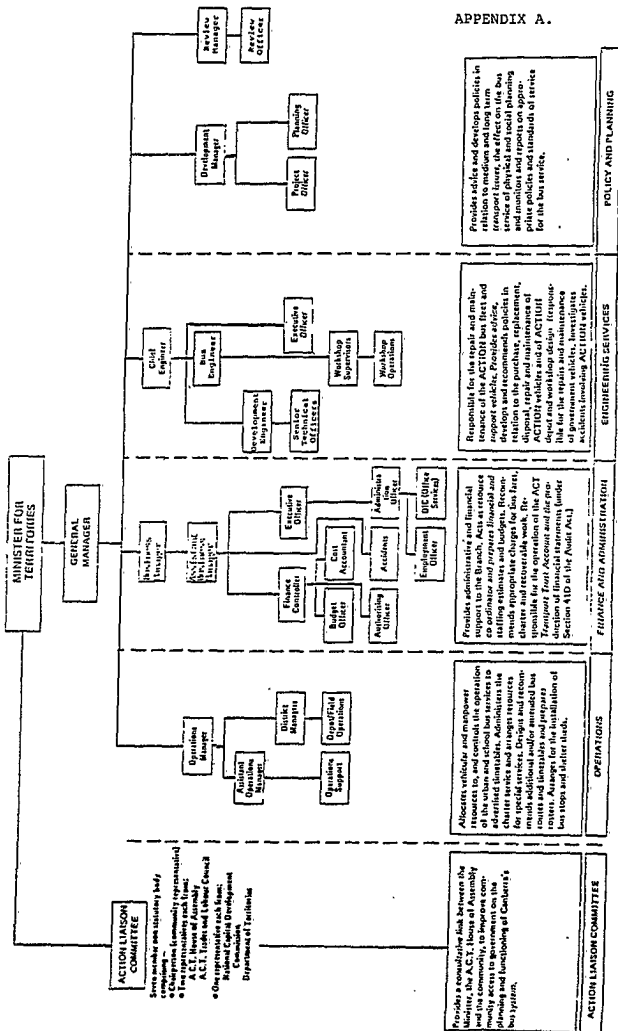
4.70 The Committee notes that the Joint Study is to report on the issue of low patronage off-peak services. The Committee further notes that ACTION regards the use of mini-buses to be uneconomic. However, the Committee believes Audit to be correct in suggesting ACTION should continue to develop options for off-peak services.

4.71 In order to improve ACTION's planning and funding applications the Committee recommends that:

ACTION develop a methodology for estimating the economic life of its bus fleet and then proceed to estimate the expected bus life of the various types of bus in the ACTION fleet; and

ACTION formulate a bus acquisitions policy and that such a policy be reviewed annually.

13. Report of the Auditor-General on Efficiency Audits, op cit., p 79.



CONDUCT OF THE INQUIRY

The Inquiry

The Auditor-General's Report on the Efficiency Audit of ACTION was examined by one of the Committee's sectional committees, Sub-Committee B, chaired by Senator J O W Watson.

As a first step in the inquiry a submission was sought from the Department of Territories on 21 March 1986. Subsequent to receipt of this submission (20 May 1986) the Committee conducted an inspection of ACTION's facilities and equipment on 25 June 1986. The Member for Fraser, Mr J Langmore, MP was able to accompany Committee Members on this inspection.

A public hearing was held in Canberra on 22 July 1986 at which witnesses from the Department were questioned in relation to the efficiency audit. Local parliamentarians, Mr J Langmore, MP and Senator M Reid joined the Committee for this hearing.

Members of relevant unions and interested community groups were invited to attend this hearing and, if they wished, to provide written submissions on the evidence given by the Department of Territories.

Witnesses

The following witnesses from the Department of Territories appeared before the Committee:

Mr J S Brigg,	General Manager, ACTION, and Assistant Secretary, Public Transit Branch;
Mr H L Brunoro,	Director, Financial Applications, Information Services Branch;
Mr I G Cooper,	Development Manager, ACTION;
Mr B G Dockrill,	First Assistant Secretary Transport and Works Division;
Mr A J Eggins,	Acting Business Manager, ACTION;
Mr R G Payne,	Acting Chief Engineer, ACTION;

Mr V Smorhun, Business Manager, ACTION; and
Mr J T Walters, Transport Workers Union
Delegate, ACTION, Department
of Territories, Canberra,
Australian Capital Territory.

Observers

Australian Audit Office Mr A Michin
Mr I Luck
Department of Finance Mr S Mayes
Public Service Board Ms M Henderson

Submissions

Department of Territories :

19 May 1986 -

This submission has been incorporated in the transcript of evidence. Other documents incorporated the public hearing included:

- . Bus fleet age in years 1985/86, 22 July 1986; and
- . ACTION patronage/revenue 1984/85, 22 July 1986.

15 October 1986 - Supplementary submission.

Australian Audit Office:

Letter from the Acting Assistant Auditor-General, Mr A S Minchin to the Secretary, Joint Committee of Public Accounts dated 1 July 1986.

Department of Territories/National Capital Development Commission

Brief No. E47/86 for the Joint Study of Public Transport.

Subsequent to the public hearing submissions were received from:

- . ACT Schools Authority, 15 October 1986;
- . Action for Public Transport (ACT),
3 September 1986;
- . Australian Audit Office, 1 July 1986;
- . Australian Audit Office, 18 August 1986;
- . Australian Audit Office, 14 October 1986; and
- . Commonwealth Foremen's Association of Australia,
2 September 1986.

Inspection

To gain a broader understanding of the issues facing ACTION the Committee conducted an inspection of the Metropolitan Transport Trust, Perth on 12 and 13 August 1986. (The Trust has since been renamed Transperth.)

During the inspection the Committee held discussions with officers of the Trust and the Western Australian Department of Transport.