Submission to:

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Contents

Executive Summary .................................................................................................................. 3
Bus Sector ............................................................................................................................... 3
Coach Sector .......................................................................................................................... 4
Key Bus Infrastructure Projects To Boost Employment ......................................................... 6
Support Local Bus and Coach Manufacturing Jobs ............................................................... 9
Bike Racks for Buses ............................................................................................................ 10
Conclusion ............................................................................................................................. 11
Executive Summary

The Government’s response to the COVID-19 pandemic for contracted route bus, school bus, special school and V/Line operators has been exemplary. However, the coach tourism sector of the industry has suffered a devastating blow and Government attention is needed post haste to ensure this important sector continues to thrive post the COVID-19 pandemic. BAV believes the Government could offer this sector relief from more Government taxes and charges than it has, and indeed offer it financial assistance to successfully hibernate their business (rather than close). To aid the recovery phase of the COVID-19 pandemic, and boost the State’s productivity, the BAV recommends the Government speedily invest in job generating bus infrastructure, and judiciously invest in local bus manufacturing.

Bus Sector

In response to the COVID-19 pandemic, the Government chose to keep all existing public route bus timetables (span and frequency of service) in metropolitan Melbourne and regional Victoria in place. Although patronage dropped off considerably during February, March, April and May, leaving the timetabled bus services in place was the right decision to take as it meant employment of all the staff could be sustained and people who are dependent upon the public transport network could still travel.

Similarly, although schools closed, the Government chose to keep making contract payments to regional and rural school bus and metropolitan special school bus operators, just less fuel costs. This too removed any need for operators to stand down any employees. This also enabled the diversification of the school bus; some started delivering freight, school work and meals on behalf of schools to isolated families.

Various concessions have also been granted to bus and coach operators which has eased some of the burden associated with a drop in charter and tour (tourism) revenue which many operators have experienced. TSV, for example, decided to not to take a punitive approach if an operator did not or could not get an annual or quarterly inspection done on a vehicle that wasn’t being used to provide a service. CPVV decided to temporarily pause the issuing of driver accreditation annual fee invoices. CPVV also temporarily paused the requirement for accredited drivers to undergo periodical medical assessments.

We commend the Government for taking all of these decisions.

Further, from the beginning of the pandemic right through to now (the recovery phase), the extent of interaction and consultation that the Department of Transport and transport related agencies had with the BAV increased dramatically. BAV representatives were included in various working groups and taskforces, and frequent dialogue between the parties at all levels was and remains constant. We have no doubt Industry and State, working as partners throughout this crisis, is part of the reason why so many good decisions were made on how to proceed on a magnitude of COVID-19 operational matters. This has contributed to the
strong situation the bus sector of the industry and passengers find themselves in. We trust this level of engagement continues.

Coach Sector

The coach sector of the industry however has been decimated by the COVID-19 pandemic. COVID-19 has caused all school charter work, day tours to popular sites like the Phillip Island penguins, airport transfers, inbound tours, cruise ship transfers, sporting tours, arts tours, events, all tourism demand to flatline. As a result, there are many operators who only do tour and charter work (i.e. operators with no government contracts) that have become, or are close to, insolvency and thousands of drivers have been stood down.

Most of the pure tour and charter operator members of BusVic have reported they are now insolvent and their future looks bleak. Extrapolated out to an industry wide basis, approximately 440 of 560 tour and charter coach operators are in this situation.¹

After surveying 400 operators and the main bus/coach manufacturers on 6th April, we have learnt:

1. All coach operators have seen 100% of future bookings cancelled until September;
2. About 1200 of the 1300 odd coaches in the State have been ‘parked up’, meaning they have been placed in storage in the depot, batteries disconnected and ‘mothballed’. The remaining 100 odd are being used for rail replacement work, however this work is shared amongst a handful of large operators.
3. Some operators have already handed back plates to VicRoads for a pro rata refund, and these coaches will need to be re-inspected and re-registered when placed back into operation when the COVID-19 crisis has abated.
4. Conservatively, 15 future orders for coaches have been cancelled by operators and approximately 80 future orders for coaches have been deferred due to the inability of (both Government contracted and non-contracted) operators to fund the repayments and the fees.

The average coach value is about $450,000 including GST. Apart from the cost of the vehicle, such a purchase would normally see operators be liable for:
   a. registration fee - $643;
   b. TAC insurance - high risk area is $2,696 (but lower in low risk areas);
   c. stamp duty - 2.7% of the cost of the vehicle - $12,150)
   d. plates - $38
   e. minor administration fees charged by the inspection firm.

All of these costs at this time are prohibitive because there is no charter revenue forecasted for about 6 months. This is having a detrimental effect on the manufacturers balance sheet as the stock previously earmarked for delivery is no longer scheduled for delivery.

¹ TSV advice 6/4/20: 554 accredited and registered (commercial) operators operating approximately 1300 buses
As much as some coach operators are availing themselves of the State and Federal initiatives to help their businesses hibernate until demand returns, some of these trans-generational family firms will close as they do not meet any of the relevant eligibility criteria. For instance, operators that have both contracted and non-contracted work have not seen a 30% reduction in revenue and are therefore ineligible for the Jobkeeper program. Small operators who don’t pay payroll tax are ineligible for payroll tax refunds.

There are two things the State Government could do to assist operators in these situations.

First, the State Government could introduce a system where the registration on these ‘parked up’ coaches is suspended (not cancelled) for the duration of their ‘parked up’ or non-operational period, then see the suspension lifted when the vehicle goes back into service (which could be 6 months’ time). This will see the operator get the benefit of amortising the registration costs over a longer period as they would pay one full years’ registration fee when the residual pre-non-operational registration period is added to the non-operational period.

Such a system could be virtually identical to the one Transport Safety Victoria (TSV) have put in place for operators who do not need to get annual roadworthy certificates on ‘parked up’ vehicles; a system whereby the operators takes photos of the vehicles odometer at the beginning and end of the non-operation period to prove their non-operation.

Second, to help those operators who’ve got new coaches only in the pipeline, that is any operator who has new coaches not bound for government contract work but have no customers for the foreseeable future, VicRoads could waive registration fees, TAC charges, stamp duty and plate fees payable on new coach (not bus) registrations only during this very challenging period. Inspection firms would be happy to waive minor administration costs associated with registering a coach.

We put these two aforementioned ideas formally to the Minister for Roads in mid-March and to date have received no reply whatsoever. Some members received correspondence from VicRoads outlining some seasonal registration options only.

The State could also suspend road tolls for buses and coaches. This would assist coach tour operators control costs during the slow return of paid passengers and potentially lower ticket prices to entice more people onto day tours.

We hope the Government can favourably consider these measures.

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2 (This could replace and prevent the custom of handing back the plates, receiving a pro rata refund then reinspection and re-registering the bus again in 6 months’ time.)

3 We do not propose this applies to registrations for buses earmarked for government contracted work as operators are funded these costs through the contracts.
Key Bus Infrastructure Projects To Boost Employment

BAV believes the Government should support the following suite of bus infrastructure investment projects in the short to medium term as part of government recovery plans post Covid-19. Public transport is a critical part of recovery and buses, the workhorse of the public transport network, will be a heavily relied upon mobility option. The jobs associated with these projects would see the Government realise a quick return on its investment.

1. **Smart, Sheltered and Accessible bus stops**

Have bus stops sheltered, meet accessible transport standards as per the compliance timeframe the Disability Discrimination Act 2002, and provide “smart’ real time information for passengers at these stops. Such stops would be attractive to advertisers and would see Government recoup some costs of the infrastructure spend.

2. **Integrated PT mode stations**

Projects to improve the amenity, lighting, signage and extent of integration of multiple modes at public transport hubs and stations.

3. **On-Road Priority and Bus Lanes**

Install on-road priority measures like Green B lights at intersections to give buses and coaches a head start ahead of the traffic and bus priority lanes on all major city bus trunk routes for use in peak commute times at a minimum.

4. **Bus Rapid Transit**

In 2018, Infrastructure Australia suggested Bus Rapid Transit (BRT) (or rubber tiled railways) and BRT lite (such as the existing SmartBus network) could be delivered as key major projects in most cities and regional centers to deliver light and heavy rail characteristics in a rubber wheeled mode, where rail services are not currently provided. Further, dedicated right of way service will provide significant benefits across the entire PT and road network for a fraction of the cost of rail.

BRT services are best implemented in Melbourne’s outer and middle suburbs, in particular where rail services are not available, and to assist in managing the growing issue of road network congestion in car dependent areas. The high capacity bus network should not be at the expense of local bus services, rather, should be an addition so that people can rely on a fully integrated and efficient public transport network across all modes. The Government should establish a 3 tiered, integrated bus network to support the improved customer service objectives detailed above:

- Bus Rapid Transit - high capacity routes in Melbourne’s growth corridors to provide rail equivalent service levels with a turn up and go service frequency that are anchored at key activity centres.
• SmartBus - cross town, high frequency, extended operating hours.

• Trunk bus services - high frequency local services that link key activity centres with major transport and residential hubs (i.e. rail connections, university shuttles, services to shopping centres).

BusVic recommend 23 new BRT and SmartBus Services that will deliver a high capacity cross town public transport network linking with activity centres and railway stations. (See next page.)

The Government should:

• Establish a BRT implementation steering group to formulate a scope of works and funding program.

• Allocate planning and development funding for a new BRT network in Melbourne, prioritising the implementation of the following corridors in Melbourne’s growth areas:
  o Frankston to Narre Warren via Cranbourne.
  o South Morang to Latrobe University via RMIT.
  o Werribee to Caroline Springs.
  o Rosebud to Baxter.

• For existing BRT Lite services:
  o Enhance SmartBus services - review network to reflect customer travel patterns and be more efficient in the allocation of resources.
  o Connect with employment clusters and activity centres.
  o Improve connectivity with local bus services (blend of local and commuter networks) to support the Plan Melbourne 20 minute neighbourhood concept.
  o Expand SmartBus for middle and outer Melbourne, in particular cross-town services.
Support Local Bus and Coach Manufacturing Jobs

Metropolitan route service contracts settled with the DOT in 2018 require metropolitan bus operators to work collaboratively with the Industry Capability Network (ICN) to develop Local Jobs First VIIP Local Industry Development Plans (LIDP). The LIDP set out all the components of a bus (e.g., body; chassis) and items of bus operations (labour, tax, etc.) to ensure that the operators meet their contractually binding local content requirements. For buses, the contracts require at least 60% of the contract buses procured under the contract consist of local content. For bus operations, it means at least 86% of the items/activities procured under the contract consist of local content. Country route urban bus operators have the same type of obligations under their present contracts with DOT.

The bus industry is a staunch supporter of these policies and believes that if they are implemented fairly, they will benefit local industry and jobs.

*However*, we are now in a situation where small and medium sized route (metro and country) operators cannot buy a locally built new bus at or below the DOT generated ceiling prices regime provided for under their respective DOT contracts. In essence, these operators do not have the ability or purchasing power to access the prices that some large operators are managing to achieve. The discount large operators receive from manufacturers because of the sheer volume of replacements they order makes most metropolitan bus contractors replacement numbers pale into insignificance. Hence, some operators are slowly choosing to avoid the established five local manufacturers (Volgren and Iveco in Dandenong, Express in Macksville NSW, BusTech in South East Queensland and Custom Denning in Sydney) and have gravitated towards a new entrant, Gemilang, who has established shop in Ballarat.
What’s more, in 2015, NIEIR\(^4\) quantified that the economic benefit for every bus that rolls off the production line in Dandenong keeps nearly five Victorians in jobs. Purchasing buses that are predominantly or entirely imported only just increases any current account deficit.

**Bike Racks for Buses**

Generating jobs in regional areas is key to helping the State return to a viable post COVID-19 economic and social paradigm.

The manufacturing of bike racks which are affixed to the front of route buses commenced in the Latrobe Valley in early 2020 by a social enterprise called Kindred Spirits Enterprises, a foundation which places the long-term unemployed in work. The Government has placed an initial order of 60 bike racks to be fitted to some route buses in Bendigo, Latrobe Valley, South Coast, Castlemaine, Warburton and Healesville – areas that have strong bike cultures and good bicycle infrastructure.

Although Victoria already has a very strong cycling culture, cycling is forecasted to boom as a result of COVID-19. There are another 2500 route buses that could do with a bike rack fitted to them to increase inter-modality and offer cyclists the ability to use the bus for part of their journey. The jobs associated with a state-wide rollout of bike racks over a 4 or 5 year period on all route buses would positively benefit the Latrobe Valley’s economic and social standing and increase customer satisfaction on the network.

Conclusion

Bus Association Victoria submits that Government’s response to the COVID-19 pandemic for contracted route bus, school bus, special school and V/Line operators has been exemplary. Long may the extent of partnership between Industry and State as seen during the COVID-19 era continue.

However, the coach tourism sector of the industry has suffered a devastating blow and Government attention is needed post haste to ensure this important sector returns to a viable and thriving situation post the COVID-19 pandemic. BAV believes the Government could offer this sector relief on more Government taxes and charges and financial assistance to successfully hibernate their business (rather than close).

The State could also quickly activate capital investment in bus infrastructure such as bus lanes, green B jump start lights, more bus shelters, smart bus stops and accessible bus stops and BRT to generate jobs. The State could also boost regional employment and productivity by funding a staged rollout of bikes on buses over the medium term and most importantly, judiciously invest with true local bus manufacturing plants for new buses to increase manufacturing employment and return to economic growth.