



***Submission to:***

***Senate Inquiry into Cooperative, Mutual  
and Member-Owned Firms.***

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***Chris Lowe  
Executive Director  
Bus Association Victoria Inc. (BusVic)***

Bus Association Victoria Inc  
ABN 17 273 025 656  
450 Graham St, Port Melbourne Vic 3207 P.O. Box 125 Port Melbourne Vic 3207 Australia  
Tel: +61 3 9645 3300 Fax: +61 3 9645 4455 [www.busvic.asn.au](http://www.busvic.asn.au)

## TABLE OF CONTENTS

1. Executive Summary.....	3
2. Terms of Reference.....	4
3. Australian Bus and Coach Industry Representative Environment.....	4
4. Bus Association Victoria Inc. (BusVic).....	5
5. Mutual Procurement Benefits.....	6
6. Institutionalisers of Social Capital.....	7
7. Triple Bottom-Line Procurement.....	9
8. Social Enterprises - Providing Total Local Transport in Warrnambool and Beyond.....	14
9. Conclusion.....	16
10. Appendix.....	17
11. References.....	18

## 1. Executive Summary

The Australian bus and coach industry's best interests are represented to all levels of Government by eight, member-based voluntary professional associations who facilitate collective action for Government by using the networks, norms, interactions, trust and reciprocity of its members. These social enterprises aim to generate and reinvest funds necessary to sustain and grow their members' businesses while also providing low prices and improved services to members. This engenders high levels of loyalty and commitment. Such behaviour does not just create economic and social value for members, but sees prosperity shared with other stakeholders—customers, employees, Government and the community; they make profit (or surplus) in the service of their social goals. **These are classic market efficiencies offered through co-operative market strategies producing commercial efficiencies and social benefits.**

This submission discuss several features of the modus operandi and benefits associated with working with member-based voluntary professional associations:

- The multiple procurement benefits associated with working through member-based organisations; how they lower government's (the buyer) transaction costs and assure operators (the seller) of continuance.
- How member-based organisations can institutionalise social capital; this sees member-based SBVPA's play a central role as carriers and promoters of desired government practices, values and organisational principles. **Thus, Governments' would realise substantial progress towards achieving their strategic directions if they increased the extent of partnerships with member-based voluntary professional associations.**
- How member-based organisations enhance a firms propensity to invest in their community, contribute toward community prosperity, but most importantly, **assist Government achieve their objectives in community and regional development.**
- The need to focusing our procurement endeavours for major market transactions on social benefit, not just lowest price. That is, invoke the principle of triple bottom-line assessment whereby all the economic, social and environmental costs and benefits taking into account externalities are assessed. This paper recommends we legislate for the mandatory consideration of social values as part of whole-of-government triple-bottom-line assessment requirements, rather than procuring for lowest price.
- Discusses a trial of a transport social enterprise that has been running in Warrnambool since 2012 which evidences recent trends to devolve some decision making for various government services to the local level and have social enterprises responsible for the service delivery.

## 2. Terms of Reference

In March 2015, the Senate referred the following matters to the Economics Reference Committee for inquiry:

- a. the role, importance, and overall performance of cooperative, mutual and member-owned firms in the Australian economy;
- b. the operations of cooperatives and mutuals in the Australian economy, with particular reference to: economic contribution; current barriers to innovation, growth, and free competition; the impact of current regulations; comparisons between mutual ownership and private sale of publicly held assets and services; and any related matters.

BusVic appreciates being able to submit its views to the Inquiry.

## 3. Australian Bus and Coach Industry Representative Environment

According to the Bus Industry Confederation (BIC) (2014), the Australian bus and coach industry contributes more than four billion dollars to the Australian economy each year and employs more than 50,000 people. It states that bus operators travel a total of 18 billion kilometres per year and undertake approximately 1.5 billion passengers' trips per annum. There are approximately 88,000 buses in Australia.

The states of Victoria, New South Wales, South Australia, Queensland, Tasmania and Western Australia all have state-based voluntary professional associations (SBVPAs) for bus and coach operators. The Queensland SBPVA recently extended its remit to include operators in the Northern Territory. The remit of the SBVPAs is to represent their members' best interests to respective state governments on matters including service contract negotiation, state-based industrial relations, legislative and regulatory compliance, education (mainly through conferences, exhibitions and seminars) public safety, and most associations offer their members products or services, such as purchasing incentives on items such as fuel, insurance and finance. All of the SBVPAs do this to varying extents.

The federal voluntary professional association, the Bus Industry Confederation (BIC), represents the interests of its members to Governments and the community on a range of issues, including technical vehicle and parts-based issues and the broader challenge of meeting the growing passenger transport task and providing Australian commuters with a genuine alternative to the car. The BIC is primarily a research and policy development organisation that commends such policies to local, state and federal governments'. The BIC has an industrial arm, the Australian Public Transport Industrial Association (APTIA), which represents and assists its members in matters relating to the settlement of industrial disputes between members and their employees and promotes and protects the interests of employers within both the publicly and privately owned passenger transport industry.

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Tel: +61 3 9645 3300 Fax: +61 3 9645 4455 [www.busvic.asn.au](http://www.busvic.asn.au)

#### 4. Bus Association Victoria Inc. (BusVic)

BusVic (Bus Association Victoria, Inc.) is a member-owned, voluntary professional association for Victoria's private, accredited bus and coach operators. Member operators offer bus and coach services across the route, mainstream school, special school, long-distance coach and charter and tour sectors throughout Victoria and other parts of Australia. Since 1944, BusVic has represented the best interests of members in a variety of ways, most importantly in respect of their relationship with Government and its Agencies, including contract negotiation and legislative and regulatory compliance.

BusVic extensively and strategically invests in research and development on procurement, and social, economic, environmental, governance and safety factors on behalf of a 'community of interest', a collective of like-minded mainly family businesses that form the Victorian bus and coach industry. BusVic fosters, formulates, performs and evaluates society's policies that are in the furtherance of the public good. Inherent in this relationship is the concept of BusVic acting as an agent of public policy. BusVic facilitates collective action for government by using its networks, norms, interactions, trust and reciprocity of its members. BusVic also promotes State Government policy initiatives and regulatory reform by holding training seminars and information sessions at conferences and events. This ensures bus operators and the bus service network remains evolutionary and up to date with best practice from other national and international public transport networks.

The Bus Association Victoria Inc. (2015) website declares it is owned and controlled by its members and it applies 'co-op' principles and values as part of its *modus operandi*; it is perceived as a co-operative by members and the public alike. Although classified as an incorporated association, its remit is aligned to that of a co-operative. A co-operative is a social enterprise that aims to generate and reinvest profits necessary to sustain or grow the business while also providing low prices and improved services to members, which in turn engenders high levels of loyalty and commitment. Social enterprises trade to create social value, whether it is to serve members better, to generate community benefit, or to trade more ethically.

**Social enterprises share prosperity with all of their stakeholders—members, customers, employees and the community; they make profit (or surplus) in the service of their social goals.**

## 5. Mutual Procurement Benefits

BusVic's unique *modus operandi* sees it deliver benefit to two sets of stakeholders: member operators and government. BusVic has historically acted, and other SBVPA's are looking to act, as a conduit between bus operators and the procuring government authority. The benefit to government in using this method is that they need only engage with one organisation to renew bus-service contracts, rather than engage with every contracted operator or their commercial and legal representatives. This keeps Government transaction costs associated with bus-service procurement under control. The benefit to the operator is that they receive a template bus-service contract whose rights and obligations do not differ to other operators' service contracts. The bus-service contract has also been the subject of discussion and determination by a committee of members within the SBVPA charged with the responsibility of ensuring the contract clauses are fair, practical and have the flexibility to allow ongoing dialogue about current and future issues in the operating environment that have not yet presented themselves.

In this circumstance, BusVic actually has reciprocal obligations. First, as a representative of the operator, the SBVPA can ensure government affords the operator contractual fairness and operating continuance which enables the operator to sustain or improve their community interaction and other non-economic goals of the firm. Second, as an agent of government, the SBVPA can marshal contracted bus operators in order to realise contract compliance and the achievement of public policy outcomes.

BusVic and other SBVPA's all have commercial products and services or entities that add value to member operators' businesses. Most products and services that bus operators need to buy in order to honour their contracted bus-service obligations can be bought through their SBVPA, who have discounted or incentivised arrangements with partner suppliers; arrangements with insurers, fuel and oil suppliers, spare parts and accessories supplies, training providers just to name some. Further, SBVPA's often own entities that facilitate agglomeration to add value to members' pricing and to remain competitive. For example, Road Safety Inspections Pty Ltd is a wholly owned subsidiary of Bus Association Victoria which inspects approximately 75% of the state's buses on an annual basis. These commercial endeavours by the member-based association delivers a return which can then be reinvested into initiatives that raise the level of professional and ethical behaviour of the industry. BAV Finance is another entity wholly owned by BusVic which provides financial brokerage services to its membership. As more than 90% of BusVic's members are small, family businesses, financing their assets through BAV Finance ensures members are not at a disadvantage as they can access lending rates that large firms would otherwise access due to scale economies.

## 6. Institutionalisers of Social Capital

I recently completed a PhD at Monash University which investigated two phenomenon: how bus operators interact with their communities, the value of this interaction; the causal factors underpinning this interaction; and how the extent of social capital linkage between member-based organisations and their members affects the performance of firms involved in major market transactions. It is hoped this will contribute to the global narrative on how member-based associations, as facilitators of social capital linkage might not only sustain bus operators' community interaction, but see governments increase their use of non-profit associations, as agents of government, to achieve public policy outcomes.

My thesis tests the extent of social capital linkage between operators and established a link between membership of a SBVPA and achieving social outcomes. One contributing factor to this link is the fact that BusVic has had a perpetual services agreement with the Government Authority for decades. The depth, breadth and value of that services agreement has typically changed as the state government and its priorities has changed, but the agreement to collaborate remains in place to this day. The Government Authority is party to a service contract with each bus operator and because BusVic is a representative of those operators, the authority and BusVic are agreed it is well placed to assist the bus operators in meeting some or all of their contracted obligations. This sees BusVic advocate the views of bus operators to the authority and communicate issues affecting the entire public transport network or parts of the bus network on behalf of bus operators to Government. The Government Authority and BusVic are obliged to consult with each other, promote the network, assist operators, and work collaboratively on researching, developing and implementing initiatives including but not limited to network accessibility, communications, social issues, safety and security, customer satisfaction, operational and technological improvements, fares and ticketing systems and industry productivity improvements. The overarching objective of the document is to improve the level of professional and ethical behaviour of the industry. There are also reciprocal marketing, planning and human resource services that the parties agree to provide to each other.

BusVic is the only one of seven bus and coach SBVPA's in Australia to have such an agreement with its Government Authority. The agreement requires considerable commitment from both parties involved and frequent engagement on a broad range of issues. This arrangement is evidence of BusVic acting as a conduit to the collective operators and as an agent of government to facilitate collective action. This engenders operator contractual compliance and performance and authority satisfaction with operators. Renewing bus-service contracts with incumbent operators on the basis that they continue to perform is an expectation of most operators who participated in the survey associated with my PhD, and continuance of the bus operation is fundamental to bus operators meeting their economic and non-economic goals.

The agreement between BusVic and the Government Authority is obviously not a partnership that imposes obligations on the parties for the explicit purpose and/or direct benefit of enhancing community prosperity (which was the topic of my PhD), but it could be if the parties so desired. The agreement is a partnership of sorts between industry and state to build social capital and it is suggested that the agreement has an *indirect, external* affect of enhancing a bus operator's propensity to interact

Bus Association Victoria Inc  
ABN 17 273 025 656  
450 Graham St, Port Melbourne Vic 3207 P.O. Box 125 Port Melbourne Vic 3207 Australia  
Tel: +61 3 9645 3300 Fax: +61 3 9645 4455 [www.busvic.asn.au](http://www.busvic.asn.au)

with its community. Although the agreement is not explicitly referenced as a partnership, the contract or agreement between BusVic and the Government Authority is essentially a partnership between industry and state to grow social capital. The agreement rests on co-operation. This could be a contributing factor as to why Victoria has the highest resultant overall social capital linkage rating.

Governments partnering with non-profits is well established in Australia. Bryce (2012) finds contracting with non-profits allows the government to facilitate services to clients in disparate locations and with distinguishable needs. It also allows Government to provide services with less internal staff and at the same time it allows the community to build social capital. The author adds that governments contract with non-profits to emphasise greater trust, lower transaction costs, the higher competence of non-profits and the nonspecific nature of contracts. This is sustained by Eversole and Martin (2005) who state:

*'...policy makers and practitioners are exhorted to ensure that communities are involved and engaged in development processes; to carry out development initiatives in 'partnerships' that bridge private and public sectors; and to pursue decentralised governance, participatory development, civil-society-building, and 'deepened' democracy to encourage greater involvement in decision making. The underlying theme is ... that development should be negotiated rather than imposed' (Eversole and Martin, 2005, p. 1).*

Partnerships in Australia are normally framed to enable the inclusion of a diverse set of stakeholders in structured development processes to directly address inequities in mainly regional and rural communities. Partnerships in this context are a tripartite of sorts that aim to directly bridge public, private and civil sectors and increase community engagement.

In light of BusVic being the only member-based voluntary professional association with an agreement in place with its authority to raise the level of professional and ethical behaviour of the industry, and the fact that in the Survey associated with my thesis shows Victoria rated the highest social capital linkage results, the highest sense of community results, and that Victorian operators were the highest contributors to community interactions on a per-staff-member basis of all states, I suggest these results are not a coincidence. These 'ingredients' recognise a link between social capital and social and economic prosperity. This is an acknowledgement that a successful economy is not simply about physical and financial capital, but social capital.

Further, my thesis hypothesised that there were seven variables that are associated with a bus operator's community interaction: The extent of an operator's interaction with the community was found to vary according to several variables: the size of the firm; the type of bus or coach operator (predominantly route, school or charter); whether the operator was located in a metropolitan centre or in a regional/rural setting; whether the operator resides in the community in which they provide a bus service; whether the operator had a negotiated or tendered service contract with the state government; an operators sense of community; and the extent of social capital linkage between the bus operator and the SBVPA. I then performed a binary logistic regression analysis which establishes the level of dependence between bus operators' community interactions and the seven causal variables. Of the



seven causal variables, two were revealed to be of modest predictors of a bus operators interaction: one of those was the extent of social capital linkage between the operator and their SBVPA. (See Appendix.)

**This reconfirms that the member-based voluntary professional associations enhance a firms propensity to invest in their community and contribute toward community prosperity, but most importantly, assist Government achieve their objectives in community and regional development.**

Further, subsequent to undertaking the formal statistical analysis, I undertook some more qualitative analysis where some other factors that explain why firms interact with their communities and these were all associated with bonding and bridging social capital. Reciprocity of financial reward, family and firm reputation, identity and survival, public safety, passenger etiquette, community expectation, faith and personal values, and being local - these are all associated with either bonding social capital (which encapsulates the values of the close, dense relationships like family) and bridging social capital (which refers to accessing the multiple networks, resources and opportunities outside the closeness of the family unit.)

Such a finding is consistent with Bell and Kilpatrick (2000) whose study examines the contribution small businesses make to regional Tasmania, beyond their economic contribution. The authors detail how the individuals in these businesses are members of their local communities, contributing skills, time and money to many organisations and activities within that community, building social capital that has the potential to foster entrepreneurship. They conclude that effective policy should be influenced by recognition of the positive benefits of self-sustaining towns and communities, and be informed by the 'micro' processes of the productive interactions between people, resulting in social capital formation.

Member-based voluntary professional associations can play a central role as carriers and promoters of desired government practices, values and organisational principles and institutionalise social capital. Governments' often contract with industry professional associations to act as a bridge between industry. Numerous scholars have concluded same (Jarvis, 1987; Parada et al. 2010; Lester and Canella, 2006; Bryce, 2012). Unlike a firm, the non-profit is a public or social asset. Therefore the issues of social accountability, responsibility, and control are inherent in the principal-agent paradigm as applied to the non-profit as an agent of public policy. Non-profits foster, formulate, perform and evaluate society's policies that are in the furtherance of the public good. Inherent in this relationship is the concept of the non-profit acting as an agent of public policy. The industry's social capital is what binds the members of the association, fostering a common trust that induces cooperation and therefore collective action.

**Governments' would realise substantial progress towards achieving their strategic directions if they increased the extent of partnerships with member-based voluntary professional associations.**

## 7. Triple Bottom-Line Procurement

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ABN 17 273 025 656  
450 Graham St, Port Melbourne Vic 3207 P.O. Box 125 Port Melbourne Vic 3207 Australia  
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As part of my PhD, an assessment of each Australian jurisdictions definitions and understandings of 'value-for-money' (VFM) and 'triple bottom-line procurement' (TBL) was undertaken. This revealed several concerning facts:

1. Each state government and the federal government has its own definition of VFM. There is no consistency between the jurisdictions at all.
2. The Federal Government doesn't even formally define VFM – it only discusses 'achieving VFM' and 'considering VFM'.
3. There are different definitions within jurisdictions. For instance the Victorian Auditor General has a completely different definition of VFM from the Victorian Government Procurement Board.
4. Each jurisdiction places different priorities and weightings on the determinants of evaluation.
5. With the exception of Victoria, there is no explicit requirement to consider external or social costs in VFM evaluations. There is no explicit requirement to consider environmental, economic and social costs (which for the purpose of this paper I'll just summarise as 'social costs'.) (Some definitions imply the requirement to consider social costs.)
6. All of the definitions amongst the jurisdictions are finance centric and it's important to point out that financial costs are very different to economic costs.
7. When decisions are made in respect of major market transactions, it's impossible to get all the information relating to the decision making and evaluation process. You have to rely on the word of government. And, government's aren't obligated to adhere to some disclosure regimes. Unfortunately many of these documents are just guidelines. And guidelines are just guidelines. Exercising discretion with disclosure doesn't assist our social endeavours.
8. There appears an absence of whole-of-government in procurement and VFM considerations for major market transactions. In other words, the silo's of government are alive and well.

This confirms there is a broad range of inconsistencies amongst Australian jurisdictions when it comes to the consideration of external social costs when governments' procure. It is vital to recognize that 'value-for-money' is not the same as 'lowest cost'. Instead, it includes cost, service quality and the externality reduction dimensions.

We submit we need to stop focusing our procurement endeavours on lowest price. We need to focus our procurement endeavours for major market transactions on (social) benefit, that is, invoke the principle of triple bottom-line assessment whereby all the economic, social and environmental costs and benefits taking into account externalities are assessed. I offer an extract from my PhD to illustrate why triple-bottom line and externality assessment is required.

In 2014, I surveyed bus operators and asked them a series of questions about how they interact with their communities and how their behaviour might change if their bus-service contract margin was reduced. Figure 1 reveals the results. If we looked at this situation in the normal way, if government decided to give all current school bus contracts another 10 years on the condition that everyone's margin gets a cut, the blue bar is the private saving government would realise. The red bar is the value of the community prosperity externality. This is the externality that isn't typically evaluated as part of VFM assessment methods. The red bar shows the how operators would change the level of their

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community interaction if their contract margin was cut. This is how much less the operator would reinvest in the communities in which they operate a bus service as a result of the contract margin reduction. And then the green bar is the value of the net societal, or social loss that would be incurred. And what this shows is value of the community interactions foregone exceed the value of the private savings realised by government. It's a win/lose/lose situation. Government saves money, but operators go backwards and most importantly, the community goes backwards. This runs directly counter to government initiatives on community and regional development. Many of our rural towns are dying, our cities are full and if we are going to alleviate the issue, we submit we need a greater appreciation for local value. And we do that by taking a whole-of-government, societal level approach to considering VFM, not a lowest price approach.

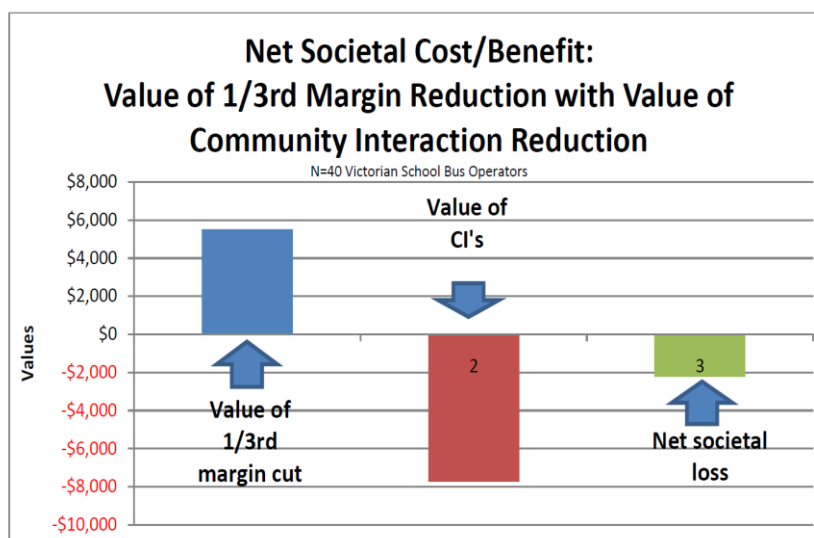


Figure 1: Net societal loss associated with contract margin cut and community interaction reduction

My thesis focuses on one externality - community prosperity, but it is possible to imagine what the social costs would be if we valued externalities such as congestion, or public health. For instance, public transport users get more passive exercise than those who use private transport and it's possible to value the savings the Department of Health would realise in less health system costs if more motorists got out of their car and onto the bus or the tram or the train – or all 3. Public health savings associated with modal shift from private to public transport is an externality that can be valued.

In other words, there seems no point in one arm of government – let's say the Dept of Transport - saving money in one bucket, if it just causes another arm of government – let's say the Dept of Regional Development, or the Dept of Health, new costs in another bucket which have a greater value than the savings. That's why we need to find new and better ways to really have whole of government procurement, and achieve a societal level or what economists call socially efficient VFM outcome, not a lowest price VFM outcome.

We submit that our procurement regimes are not socially efficient and we need to work with government to make them so. We've got to understand how things in the social realm affect the

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economic realm. We are of the view if we want to fix the economy, let's not focus on the finances. Let's focus on the social. I think if we get the social right, the economic bounty will come. This is currently underappreciated as a means of increasing our quality of life.

To realise a societal benefit, a consistent, national legislative framework is needed. Contracting for social values is a way governments might be able to achieve their social objectives. Sometimes understood as 'sustainable procurement', social procurement serves to ensure that government purchasing decisions incorporate consideration of social value and, in doing so, ensure that government purchasing power maximises opportunities to achieve outcomes and benefits for the people and communities they serve.

The consideration of social values as a 'pillar' of procurement is one of the three pillars of the 'triple bottom-line' (economic, social, environmental) theory. The Economist (2009) states:

*'...companies should be preparing three different (and quite separate) bottom-lines. One is the traditional measure of corporate profit—the 'bottom-line' of the profit and loss account. The second is the bottom-line of a company's 'people account'—a measure in some shape or form of how socially responsible an organisation has been throughout its operations. The third is the bottom-line of the company's 'planet' account—a measure of how environmentally responsible it has been. The triple bottom-line (TBL) thus consists of three Ps: profit, people and planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business' (The Economist, 17 November 2009).*

Legislating for *inter alia*, external social values might illustrate how social and economic considerations can be mutually reinforcing. Such a measure would illustrate socially responsive governance mechanisms as governments would be making sure that what is essentially a social service contract takes into account the needs of all the users, therefore the government is being seen to be better meeting the needs of the diverse community it serves. Further, such a measure could ensure more effective public expenditure as the consideration of the social opportunity cost would have been considered.

One way of ensuring that social values are considered as part of government whole-of-government value-for-money analysis methods is to legislate so. Such a measure was introduced in the United Kingdom with the *Localism Act of 2011* and the *Public Services Social Value Act 2012*. These Acts aim to create a new market based competitive philosophy that prices in the social value that this submission discusses. The Acts were based on the premise that if it is public money being spent, it should serve the public, not the private good. This philosophy argues for a new communitarian philosophy and presents an opportunity to create something akin to a 'Public Services Social Value Act' to empower local communities; give municipal councils and neighbourhoods more power to take decisions and shape their own area. The Act obligates tiers of government to consider how the services they commission and procure might improve the economic, social and environmental well-being of the

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local community and fosters a pro-local and pro-social civic service philosophy that might add value to current best value legislation.

**If such a measure were implemented in Australia, we could be fostering the sustainability of Australian family businesses and contributing to the economic viability and social prosperity that comes with local procurement and community interaction.**

It is suggested if externalities remain overlooked as part of transport service procurement regimes, the nature and extent of the social capital, including the level of civic welfare prevalent in many communities, would change for the worse because governments would continue to treat the lowest price as the sole or heavily weighted key determinant for awarding contract rights, further eroding a firm's propensity to interact with their community.

We make two recommendations in this regard:

1. That a national and consistent definition and therefore understanding of VFM be adopted. Such a measure will help the nation immensely. It will see us aim for societal (social) outcomes, not financial performance improvement.
2. That legislation be introduced that sees Governments obligated to consider triple bottom-line imperatives: that is, social, environmental and economic imperatives, and externalities when evaluating major market transactions.

## 8. Social Enterprises - Providing Total Local Transport in Warrnambool and Beyond

ConnectU Warrnambool, a local social enterprise, commenced trialling an integrated transport service in Warrnambool in October 2012. Funded by the bus industry and the local operator, ConnectU coordinates some under-utilised existing capital assets (vehicles) to transport people, using volunteer drivers. Where it is possible, ConnectU facilitates customers to move to the public transport system or builds community connections, such as neighbour lift-giving, to achieve transport sustainability for the customer. **Patronage growth has averaged 17.5% per month since inception in late 2012**, with little advertising, because of a shortage of available vehicles. Increasing vehicle availability will enable strong growth to continue. Previous study in the region has indicated the existence of further underused vehicle capacity, which could be used to provide wider travel opportunities in the region, if the agencies controlling these vehicles were more willing to make them available to ConnectU during down-time. This would be a low cost solution to service enhancement, given the use of volunteer drivers.

Examining ConnectU's current operation, the benefit cost ratio sits at 2.8 (Wines et al. 2014). This estimate is conservative due to the many intangible benefits that have not been included in the assessment. Such benefits include forgone costs to society, such as where a medical condition is prevented, or savings in Newstart payments, as the person has been able to obtain a skill-based education, therefore possibly future employment, due to the ConnectU service. In addition, the benefits to volunteers, such as increased social capital and connection to the community, have not been included in the analysis. Given the growth trend in passengers, costs per trip could be lowered by further expanding the service. If more underused community transport vehicles from the area were made available to ConnectU, service expansion could take place at very low marginal cost. Passenger numbers could probably be doubled, with net costs closer to \$16/boarding. This is likely to be well below the costs of community transport services and is similar to the cost/boarding of local public transport with 6 boardings/hour. If this cost level can be achieved with a primarily volunteer-based service, it confirms the 5-6 boardings/hour as a benchmark minimum for mainstream local public transport service.

ConnectU's pooled, integrated model for total local transport is now being considered by the Victorian Government which sees the model grow to 5 sites for a 2 year trial, consisting of 3 regional settings (continuation in Warrnambool and commencement in Shepparton and Latrobe Valley) and 2 metropolitan fringe, or Interface Council areas (Wyndham and Whittlesea.)

The objectives of the trial are fivefold:

- 1. Understand what is needed to achieve the 20 minute city – density, local jobs, transport services.** Enabling people to access 'most' of the activities they need for a good life will need them to be able to access these within a 20 minute trip time by foot, bicycle or public transport. We also need to plan for communities to support the achievement of this objective in order to increase locally available opportunities and improving access to others.

2. **Establish a Regional Accessibility Committee (RAC) in each LGA.** We need to determine the most effective options for local transport service provision in the context of realising the 20 minute city - integrating modes, giving the locals a say on local network planning (system design) and service delivery methods and understand how any decision making capability or authority of the local RAC might interact with and complement the State Government Authority ultimately responsible for the provision of public transport services in Victoria.
3. **Improve Connectivity.** Improved coordination & connectivity between a range of local transport options (route and school bus services, cycling and walking, community transport, taxis) with intra and interstate transport options such as PTV services and V/Line.
4. **Explore Funding Simplification Opportunities (Funding Disruption).** We need to use this 2 year trial period to intimately understand the existing Federal Government funding mechanisms to ultimately tap into those. We also need to try and identify ways to streamline the various inter-governmental funding mechanisms and importantly, **realise increased productivity (output) from various existing government forms of transport subsidies.**
5. **Give effect to some of the new State Government's Bus Policies.** The State Government's bus plan contemplated several initiatives associated with governance of the network and a 2 year trial of this social enterprise concept in 5 sites will provide valuable learning in respect of how any devolution of decision making authority to the local level for the design and implementation of local transport services might improve the efficiency and effectiveness of the network.

It is suggested the successful completion of this trial will:

- provide empirical evidence to guide policy makers on how to implement policies concerning the relationship between urban density, local employment and local transport;
- successfully establish a governance mechanism (the RAC) that sees local or community input harnessed and given effect so as to realise improved local transport systems and service delivery methods;
- give effect to several of the Victorian State Government's policy objectives;
- realised methods to tap into Federal Government funding for local transport services;
- potentially streamline inter-governmental transport funding mechanisms;
- provide a case study for the assessment of any productivity gains on the existing various forms of government transport subsidies;
- most likely have realised more demand responsive & cost effective local transport services in 5 municipalities, guiding the way for consideration of state-wide adoption;
- provide an empirical basis for possibly contracting recipients of state government transport subsidies, such as bus operators, to undertake other community or social transport tasks in order to increase access to local transport options in outer urban or regional settings which would most likely increase economic activity;
- potentially see Victorian and Australian intellectual property once again leading the way for uptake by other jurisdictions around the world;

Bus Association Victoria Inc  
ABN 17 273 025 656  
450 Graham St, Port Melbourne Vic 3207 P.O. Box 125 Port Melbourne Vic 3207 Australia  
**Tel:** +61 3 9645 3300 **Fax:** +61 3 9645 4455 [www.busvic.asn.au](http://www.busvic.asn.au)

- see valuable research completed that will contribute to the theory and practice associated with determining appropriate governance mechanisms for the effective and efficient implementation of community and public transport systems worldwide.
- increased access to transport and increased patronage will contribute toward improving the social wellbeing and economic activity of each LGA.
- inform or form part of the government's regional network development plan.

This trial is evidence of the global trend to devolve decision making for various government services to the local level and have social enterprises responsible for the entire system.

## 9. Conclusion

This Submission has outlined the role of eight, member-based voluntary professional associations who facilitate collective action for Government by using the networks, norms, interactions, trust and reciprocity of its members. These social enterprises aim to generate and reinvest funds necessary to sustain and grow their members' businesses while also providing low prices and improved services to members. This engenders high levels of loyalty and commitment and does not just create economic and social value for members, but sees prosperity shared with other stakeholders—customers, employees, Government and the community. These are classic market efficiencies offered through co-operative market strategies producing commercial efficiencies and social benefits.

This submission has also presented several features of the modus operandi and benefits associated with working with member-based voluntary professional associations, namely: the multiple procurement benefits associated with working through member-based organisations; how they can institutionalise social capital and help Government realise substantial progress towards achieving their strategic directions if they increased the extent of partnerships with member-based voluntary professional associations; how they enhance a firms propensity to invest in their community and assist Government achieve their objectives in community and regional development.

The need for the state and federal governments to focus their procurement endeavours for major market transactions on social benefit, not just lowest price, is ever present. Invoking the principle of triple bottom-line assessment, whereby all the economic, social and environmental costs and benefits taking into account externalities are assessed as part of value-for-money evaluations will assist our endeavours to contract for social values. This paper recommends we legislate for the mandatory consideration of social values as part of whole-of-government triple-bottom-line assessment requirements, rather than procuring for lowest price.

The Warrnambool ConnectU model was also outlined in this submission, showing how a transport social enterprise evidences recent trends to devolve some decision making for various government services to the local level and have social enterprises responsible for the service delivery.

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## 10. Appendix

Table 1: Summary of Results of Binary Logistic Models

Model	Cases Included	# Cases included in Model	Variables Identified as Predictors in Model	Model's Overall Percentage Accuracy	
A1	All cases where the data is complete, valid and has not been identified as an outlier.	196	q7_Location, q26c_q26d_sum, Constant	60.4 %	
A2			q28g, q26c, Operator_Type, Constant	61.6 %	
B1		189	q7_Location, Constant	57.5 %	
B2			q28g, q7_Location, Constant	62.1 %	
C1		198	q7_Location, Constant	58.8 %	
C2			q28g, Constant	60.0 %	
D1		169	q29, Constant	57.7 %	
D2			q29, Constant	57.7 %	
E1		171	Constant	50.7 %	
E2			Constant	50.7 %	
F1		171	q28_Overall, q29, Constant	60.9 %	
<b>F2</b>			<b>q29, q28c, q28k, Constant</b>	<b>66.7 %</b>	
A1'		Same as for Models A1-F2 above. Additionally, all cases where #Buses ≥ 100 have been excised (9 cases in all).	191	q8_total, q26c_q26d_sum, Operator_Type, Constant	62.8 %
A2'				q8_total, q28g, Operator_Type, Constant	<b>66.0 %</b>
B1'	184		q7_Location, Constant	60.0 %	
B2'			q7_Location, q28g, Constant	63.3 %	
C1'	193		q8_total, Constant	56.1 %	
C2'			q8_total, q28g, Constant	61.1 %	
D1'	166		q29, Constant	57.8 %	
D2'			q29, Constant	57.8 %	
E1'	168		Constant	50.0 %	
E2'			q28b, Constant	58.1 %	
F1'	168		q29, q28_Overall, Constant	61.0 %	
<b>F2'</b>			<b>q29, q28c, Constant</b>	<b>64.0 %</b>	
A1''	Same as for Models A1'-F2' above. Additionally, all cases where q7_Location = 'Metropolitan' have been excised (a further 25 cases; 31 cases in all).		170	Constant	55.2 %
A2''				q28g, q28b, Operator_Type, Constant	65.0 %
B1''		163	Constant	54.0 %	
B2''			q28g, Constant	62.0 %	
C1''		171	q8_total, Constant	55.6 %	
C2''			q28g, q28a, Constant	62.5 %	
D1''		148	Constant	52.8 %	
D2''			Constant	52.8 %	
E1''		149	Constant	50.8 %	
E2''			q28c, Constant	62.9 %	
F1''		149	q29, q28_Overall, q8_total, Constant	65.3 %	
<b>F2''</b>			<b>q28c, q29, q8_total, Constant</b>	<b>66.9 %</b>	

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