

Private Gain, Public Pain

Why the **Privatisation** of Newcastle's Bus
Network Has Been a **Failed Experiment**





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Acknowledgement of country

This report was written on the lands of the Darug and the Eora Nations.
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Executive Summary

The Hunter region is one of the fastest growing in the nation.¹ Over the next 15 years, it is expected that the Hunter region will grow by approximately a quarter. By 2041, the population of the region is expected to be 950,000, an increase of 185,000.² To meet this expected increase in population, it is estimated that the region needs 101,800 additional dwellings by 2041.³

This growth requires long-term, strategic planning for infrastructure and transport to prevent growing pains. In turn, this requires a long-term vision for the structure of the Hunter's public transport network.

The Hunter region is largely reliant on bus services for the provision of public transport. Currently, the region's bus network, which includes services in metropolitan Newcastle, is run by a private operator under contract with the NSW Government. The reliance on a for profit private provider to manage this growing region's primary public transport asset is the subject of this report.

This report examines the efficacy of the current arrangement in Newcastle and the Hunter in advance of the contract's scheduled expiration in 2027. It finds that, under private ownership, service quality has deteriorated, rather than improved; that conditions and safety for the bus network's workforce has waned; and that, ultimately, the current ownership structure of the Hunter's bus network isn't fit-for-purpose, placing constraints on the region's growth and economic prosperity.

The contract for the provision of bus services in the Hunter region is set to expire in 2027. This is an opportunity to bring the network into public hands, and use the flexibility it gives the government to take full control of the design and implementation of a public transport network that is tailor-made for the growing region it is designed to serve.



Key Findings

1

The NSW Hunter region is one of the fastest growing in the nation.

In the next 15 years, the population is expected to increase by nearly a quarter, or **185,000 people**.

2

There is going to be a major expansion of housing in the region.

There will need to be **101,800 homes built by 2041** in the Hunter region.

3

Achieving this without growing pains requires major, strategic long-term planning.

The NSW government will need to ensure that the appropriate infrastructure and services are in place for these new developments.

4

This includes public transport. The population in new housing developments will need to be serviced by high-quality, effective, and frequent public transport services to minimise growing pains.

5

Public transport that supports growth needs to consider broad policy goals, and not be constrained by short-term, one-dimensional profit motives.

It is argued that the profit-motive of private operators generates efficiencies. However, these efficiencies are often gained at the expense of long-term, strategic thinking, as well as reduced services and worsened pay and conditions for workers, with negative impacts on broader policy goals of government.

6

The NSW Government lacks capability in managing contracts with bus operators.

Governments regularly struggle to effectively manage large, complex contracts with public transport operators. This acts as a major handbrake on government's ability to respond quickly to new developments and ensure that broader policy goals of the government are integrated into that service provision.

7

Government needs maximum flexibility to deliver a future-focused bus network.

In order to provide a system that looks to the long-term and establishes itself as attractive to a much larger Hunter region population, government should provide itself with the maximum possible flexibility for policy responses by reintegrating the Hunter's bus network back into the public service.

Recommendations

RECOMMENDATION 1

The NSW Government should require control of the Newcastle Bus Network when the existing contract expires in 2027

The NSW Government should take control of the network once the current contract for the bus network in Newcastle has expired. As this report demonstrates, the experiment with private ownership has led to a degradation of service quality, which isn't tenable given the forecast population growth in Newcastle. The conclusion of the existing contract in 2027 presents an opportunity to bring the ownership and operation of the Newcastle bus network back into public hands. In doing so, the government will be in a position to provide greater oversight and design of the Newcastle public transport network. This will allow the prioritisation of service delivery over private profit when planning for the future of Newcastle's public transport system.

RECOMMENDATION 2

Control of the Newcastle Bus Network should fall to TfNSW

TfNSW already operates as a major player in the management of public transport networks. Their experience in managing core aspects of the public transport network means they are well-placed to take over the management of the network. Consolidation of administrative support services into one organisation may assist in reducing the cost of public transport operation.





Part One:
**A healthy bus
system is essential
to a healthy public
transport system**



Bus services play a vital role in passenger transport across NSW. In terms of passenger movements (including dedicated school services), buses account for nearly half of all passenger trips. Across NSW during financial year 2021-22, the historical patronage across train, bus, ferry, light rail and metro was over 361 million, with buses accounting for approximately 44 per cent of this figure at patronage levels of over 157 million.⁴

Access to public transport is vital to modern, urbanised communities. It has far reaching economic, social and environmental implications for individuals and society. Recent Australian research has found that the societal benefits of investing in increasing the frequency and reach of local bus services in underserved areas can deliver greater public benefit than investments in large scale road and rail infrastructure projects.⁵

In this context it is vitally important that communities are provided with appropriately tailored and delivered public transport services, supported by critical public transport infrastructure investment, adequate route planning and service delivery.



A HISTORY OF BUS PRIVATISATION IN NSW

Since the 1950s, bus services in most regions of metropolitan and outer metropolitan Sydney have been provided under contracted arrangements by private bus operators, with the State Transit Authority providing services in a small number of key regions.

In 2003, the NSW Government commissioned former Premier Barry Unsworth to conduct a review of bus services in NSW. The Unsworth Review recommended a rationalisation of Sydney's metropolitan bus contract regions. Amalgamating and rationalising the existing 87 contract regions down to 15 across Greater Sydney, Central Coast, Newcastle and Wollongong, with these regions to be operated with government oversight.

Following the Unsworth review, the total number of contract regions was progressively reduced, although bus services in four regions were still provided by the State Transit Authority.

In 2015, the NSW Liberal Government announced its intention to tender for an integrated service delivery contract to operate Newcastle's bus and ferry network and to take on operations of the Newcastle light rail, at the time under development.

In 2017, following the completion of the tender process, the operation of light rail, bus and ferry services in Newcastle moved from the State Transit Authority to private operator Keolis Downer Hunter (KDH). The remaining State Transit Authority operated regions in Greater Sydney were gradually transitioned to private operation between 2018 and 2023.

When the then Minister for Transport outlined the NSW Government's intention to franchise these bus regions, he said it would improve services, provide jobs and be better for the environment with a move to zero emission buses.

However, the privatisation of Sydney's metropolitan and outer metropolitan networks has proved to have been a fraught exercise, resulting in commuter disruptions, slipping service standards, overworked staff and unsafe working conditions.

This report will examine the impacts of privatisation on the provision of bus services in the Newcastle region. It will set out the deficiencies in service provision that have beset the network since privatisation, outline how a lack of transparency in contracting processes undermines public confidence in services and examine how slipping service standards and underinvestment in the network and workforce have led to deteriorating conditions for bus drivers. The end of the 10-year private contract, in 2027, presents an opportunity for the NSW Government to reconsider the privatisation approach and this paper makes prioritised and actionable recommendations to support a transition to an approach the public can have confidence in.



Part Two:
**The Promises and
Realities of NSW's Bus
Network Privatisation**



WHAT IS PROMISED

Governments and transport economists often tout the benefits of privatisation leading to efficiencies and innovative approaches to service delivery.⁶ Innovation may be a hallmark of privatisation but often at the cost of reliable, trusted approaches to service delivery and at the expense of low paid workers delivering essential community services.

Transport for NSW's (TfNSW) rationale for the ongoing privatisation encourage it to leverage experience from private industry while maintaining controls to ensure quality outcomes for commuters. TfNSW is also on record highlighting cost savings as a major benefit, citing the savings from the transfer of Sydney's remaining 3 service contracts from the State Transit Authority to private operators as \$375 million cumulatively.⁷

Much is made of the transfer of public assets and service delivery into the hands of private operators. When defending the approach, TfNSW has consistently highlighted that the model is a 'franchising' model where the Government retains full ownership of assets and control - via contractual KPIs and performance regimes - of service delivery. Some of the additional benefits of this approach, according to TfNSW, include the fact that operators of the service may not alter the timetable, remove bus stops or change routes. Under this franchising model, TfNSW is ultimately responsible for network design and any changes that may occur in response to changing demand. Fares and fare collection systems, including Opal and contactless payment systems, are operated by TfNSW and the NSW Government retains the revenue from the operation of the bus services.⁸

THE REALITIES

Privatisation leads to job losses and slipping service standards

Despite arguments mounted to the contrary, respected economist Saul Eslake has noted that privatisation typically does result in job losses.⁹ Even with built-in 'job guarantees' for sale agreements, efficiency gains are often found through service cuts.

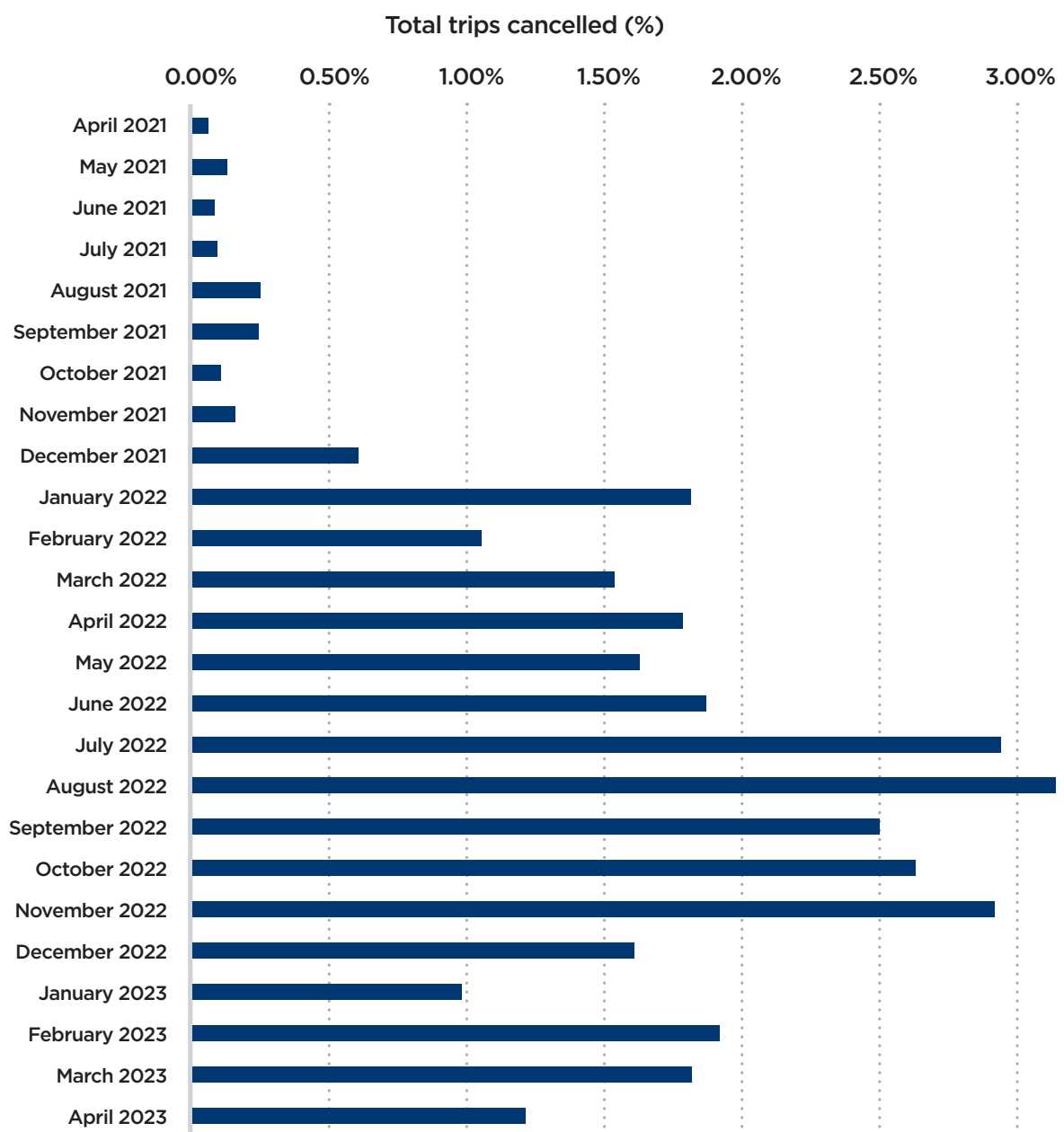
Eslake, citing previous research^{10,11}, says that gains made from service cuts have been largely offset by increases in sales and marketing staff and widening gaps between executives and lower-paid employees. Privatisation is typically associated with job losses and worsened working conditions. Efficiency gains often come from service cuts rather than true productivity improvements—and are frequently offset by increased administrative and marketing costs.

In other jurisdictions across the world there is evidence that privatisation has reduced pay and conditions. The United Kingdom provides a clear and comparable example regarding the impacts on bus drivers with a much longer study period in which to view the impacts of privatisation following the deregulation and sale of government owned assets and service providers throughout the 1980s¹².

The House of Commons Transport Committee has raised concerns about safety, recruitment, and retention of bus drivers, pointing to long hours and poor pay. Bus companies have used "fire and rehire" tactics to worsen drivers' terms and conditions. Municipally owned companies generally paid better, reinvested profits locally, offered better conditions and service, and had lower driver turnover. In London's franchised system, private companies submitting competitive bids have raced to the bottom. One former driver described how, after privatisation, working conditions got harder, with pressure to work within impossibly tight margins.¹³

Likewise, in the NSW context, driver turnover is impacting service delivery. In June 2023, 1 month after its establishment, the NSW Bus Industry Taskforce noted that “after only three weeks of investigation, including two formal Taskforce meetings, meetings with some Sydney bus operators, and briefings from key areas in Transport for NSW (TfNSW), it is already apparent that there are acute and significant issues around bus service cancellations in some parts of Sydney and the Hunter region”¹⁴ Figure 1 demonstrates the poor service reliability across the Greater Sydney bus network.

FIGURE 1 BUS SERVICE CANCELLATIONS ACROSS GREATER SYDNEY (APR 21 - APR 23)



Source: NSW Bus Industry Taskforce¹⁵



The poor service standards have been acknowledged by TfNSW who have stated:

“Transport for NSW is aware of an industry-wide issue of bus driver shortages. Transport for NSW has attempted to mitigate any risks of staffing shortfall by requesting tenderers to propose strategies and approaches to overcome the issue of bus operator resourcing. Transport for NSW is also working closely with operators, to provide support where possible, due to operational challenges arising from bus driver shortages. All areas are still being provided services even with the disrupted network coverage and service frequency. Transport for NSW acknowledges that customers may have needed to use alternative services as a result and apologises to those communities who have experienced ongoing disruption.”¹⁶

This is also reflected in TfNSW data regarding the overall performance of service operators in the Outer Metropolitan Region, with Newcastle Transport ranked 8th out of 9 service providers in May 2025. This ranking takes into account the relative performance for service on time running, cancelled and incomplete trips, customer complaints, driver vacancies and asset maintenance.¹⁷

Privatisation Leads to Poorer, Often Unsafe Working Conditions for Drivers

The privatisation of Newcastle's bus service is resulting in poorer and often unsafe working conditions for drivers, who are essential for effective service delivery. Bus drivers are being undervalued, and this is impacting driver retention.

Research commissioned by the Transport Workers Union (TWU) in 2019 uncovered stark findings about widespread concerns held by drivers industry wide. Where researchers sought the view of the bus drivers about what was the primary reason behind safety concerns for the industry, the predominant response attributed concerns to the privatisation of the bus industry in New South Wales, as well as the competitive tendering process.

The report found that 67 per cent of respondents believed that unachievable timetables and inadequately resourced routes are putting drivers under pressure to drive unsafely, whereas 74 per cent of drivers believed that a lack of buses or drivers servicing routes placed pressure on drivers to drive unsafely.¹⁸

The report found that drivers felt pressure from company management to take various actions to meet unrealistic timetables and servicing requirements, including but not limited to skipping breaks (39 per cent), omitting pre-inspection of vehicles (26 per cent), drive quickly to make up time (25 per cent) and break the law (19 per cent).¹⁹

Drivers also reported that they don't think they are receiving adequate breaks and almost all respondents think this is putting them and their passengers at risk. They also attribute a litany of health issues to inadequate breaks.

The vast majority of respondents also advised that they face verbal abuse very often, with two thirds having felt physically threatened in the past year. Three quarters of respondents in the research directly linked this to government tendering approaches leading companies on a race to the bottom, resulting in increased pressure to meet unreasonable expectations.

Drivers with over 5 years' experience were significantly more likely to agree. Similarly, almost three quarters of drivers (73 per cent) believe that competitive tendering compromises passenger safety. Again, drivers with over 5 years' experience and drivers who feel threatened at work were significantly more likely to agree. Most respondents (88 per cent) reported that they believed that the pressure they faced was as a result of the contractual pressures flowing down to individual drivers. When asked to comment on issues that the competitive tendering has caused in relation to safety, comments included:

*"Maintaining the buses has dropped off. Never know if the bus is going to last a shift. Air conditioning not reliable. Doors opening when they like or not closing at all."*²⁰

*"Keeping old buses in operation that perform so poorly stresses drivers out unnecessarily causing high levels of fatigue and affects attitudes and emotional stability."*²¹

Issues first identified in 2019 are not being adequately addressed

These issues, prevalent in 2019, have clearly created flow on effects to service reliability driver workforce retention over the following 5 years. An additional impact on safety and conditions for bus drivers in Newcastle is the arrangements for fare compliance.

Some private operators have arrangements where they are able to designate staff members to be authorised by TfNSW under the *Passenger Transport Act 1990* to have the same powers as an Authorised Officer.

A clause in the integrated service contract for Newcastle obliges KDH to maximise fare compliance and there are related KPIs requiring at least 95 per cent of inspected passengers to be travelling with a valid ticket.²² As reported by the Bus Industry Taskforce, Authorised Officers in Newcastle are not full time positions, rather other members of staff (mostly bus drivers) perform these duties part time.

It is clear that this arrangement is not producing optimum results from a fare compliance perspective. Newcastle is an area where fare non-compliance has been increasing. As of May 2024, the last survey produced by TfNSW, the Newcastle bus contract has the fourth lowest compliance rate of the Outer Metropolitan contract zones which, as a result of its relative size, results in over 40 per cent of revenue loss for the entire Outer Metropolitan Regions.²³

By contrast, the arrangement apparently works effectively on the light rail in Sydney, where Transdev has full time employees who are dedicated to perform fare compliance duties only. These staff attend the same training that is conducted by the Sydney Trains Fare Compliance Unit and obtain authorisation after the successful completion of that training.²⁴



Additionally, it is clear this compliance model that relies on drivers places additional pressures on drivers to ensure compliance during driving shifts. This approach places drivers who are often not adequately trained at conflict management at the frontline of fare compliance. As a result, drivers are being subjected to threats and abuse²⁵ and one instance has seen a driver threatened with a machete.²⁶

The pressures this is placing on drivers are reflected in submissions to the Parliamentary Inquiry into the Privatisation of Bus Services, with one submission noting:

“Any passengers that we do carry no longer pay a fare, I'm reluctant for my safety to actually request anyone to pay. Employees are harassed daily to work extra hours as they can't keep enough workers to do the work they have introduced. In my 21 years driving for Newcastle buses I have never seen so many people start the job then leave soon afterwards.”²⁷

Privatisation leads to a lack of transparency

Another implication associated with the privatisation of essential service delivery is that some elements of the contract—particularly penalties for poor service and overall contract costs—become less transparent under the guise of commercial-in-confidence considerations.

This erodes public trust in the operator as well as trust in TfNSW to appropriately manage the contractual arrangements that the public has no oversight of.

A particular point of contention regarding public transport privatisations has been the resulting route and service changes. This report has highlighted that TfNSW have noted that one of the benefits of the franchising model is that TfNSW retains control and oversight over route changes.

However, this is contradictory to other advice provided in the NSW Government response to the 2022 Parliamentary Inquiry into Bus Privatisations. In this response TfNSW noted:

“In Newcastle, the operator is responsible for planning routes and timetables. Planning of the network is the responsibility of the operator.”

TfNSW does go on to note that:

“Network changes are endorsed by TfNSW planning. TfNSW do not plan nor approve the timetables for Newcastle Transport. Service reduction or rationalisation cannot be implemented without TfNSW approval.”²⁸

This may seem like a rational approach, but this misses the complexities of long-term service contracting that result in the creation of service monopolies.

Under this contracting model, KDH is incentivised to minimise costs as much as possible, and is free to do so in an uncompetitive environment as the sole contractor over a ten-year period. Beyond financial penalties associated with missing KPIs, which are not publicly known due to commercial sensitivities, TfNSW has very little scope to improve service availability over the course of the contract. The Newcastle Integrated Service Contract includes clauses related to TfNSW requested service changes, but clause 23(d) also makes reference to payments associated with TfNSW service variations.²⁹ The detail of these payments are also redacted due to commercial sensitivities.

This contractual clause seemingly leaves very little scope for TfNSW to respond to changing demographics and preferences from public transport users in a cost effective, transparent way. This lack of transparency in contractual arrangements is a key issue for the NSW Government to address. It is not in the public interest to have the payment terms associated with any service changes unavailable to the general public.

Publicly available information indicates the cost of the contract has increased significantly over the contract term to date. The Newcastle Herald reported in 2018 an initial jump in contract price from \$450 million to \$534 million, over the first two years of the contract.

The Herald at the time said that

“The revised \$534 million contract value, which is 18 per cent higher than the original figure, represents an annual indexation rate of just over two per cent if it has been calculated over the full 10-year life of the deal.”

The latest available information on the NSW Government's contract register has the total contract valued at \$606 million, a roughly 35 per cent increase on the original contract price. Due to contractual redactions, it is unclear as to the reasons for the increase.

Incident coordination and accountability is also an operational transparency issue. During major disruptions and emergencies, clear leadership structures and rapid coordination across operators, control centres, and the system authority are critical. NSW's emergency management arrangements explicitly contemplate TfNSW's role in coordinating transport support during emergencies.³⁰ Fragmented delivery models can add coordination complexity during disruptions, increasing the risk of delayed service recovery and inconsistent passenger communications. This issue was highlighted in recent incident reviews that identified inadequate internal and passenger communication as contributing to confusion and delay.³¹

Part Three:
**Case Studies of the
Re-Nationalisation
of Critical Public
Transport Assets**



Renationalisation of the UK railway network

The imminent end of the **Newcastle Integrated Services Contract** presents a clear opportunity for the NSW Government to evaluate its bus contracting approach to ensure services are delivering value and transparency for NSW.

There are a number of examples to draw on when considering the path forward. The Labour Government in the UK for example is pursuing a renationalisation agenda of the country's railway network that may provide some lessons.

The push to renationalise the UK's railways stems from growing concerns over the fragmented and inefficient system that emerged following privatisation in the mid-1990s. The split between infrastructure, rolling stock, and multiple private operators with short-term franchises has been criticised for undermining long-term investment, innovation, and cohesive planning.³²

Public sentiment in the UK strongly favours renationalisation, with surveys consistently showing majority support for bringing services back into public ownership.³³ The UK Government has since established Great British Railways to progressively renationalise Britain's rail services.³⁴ This strong public sentiment towards public ownership of public transport networks is shared in Australia, with polling by Essential Research showing that just 29 per cent of survey participants agree that privately operated buses in Sydney are more reliable than a publicly operated system.³⁵

A Gradual, Contract-Expiry-Based Approach and the Role of Great British Railways

Rather than an abrupt reversion to state control, the current approach favours a gradual transition: as existing private contracts expire—or reach contractual break points—services are transferred to public ownership, thereby minimising expensive compensation payouts.³⁶

This process is underpinned by the Passenger Railway Services (Public Ownership) Act 2024, which enables the government to nationalise franchises when contracts end. South Western Railway was the first service transferred under this framework in May 2025. The long-term vision is to integrate track and train under a single public authority—Great British Railways (GBR)—which is currently

CASE STUDY



operating in “shadow” form and expected to assume full authority following passage of the forthcoming Railways Bill.³⁷

STRATEGIC OBJECTIVES:

Integration, Accountability, and Public Value

Renationalisation is also strategically linked to broader goals around service reliability, public accountability, and alignment with long-term societal needs. GBR is intended as a unified “directing mind” to reduce fragmentation, simplify fares and ticketing, and enable cohesive planning of services and infrastructure from a passenger-first perspective.³⁸

Reuniting infrastructure and operations under public oversight allows profits to be reinvested into the network, in contrast to private operators distributing them to shareholders. Care must be

taken however to appropriately provision the government service operator to ensure public confidence, trust and utilisation of services. Public monopolies may lack the competitive incentive to innovate and operate efficiently. For example, trip punctuality and the proportion of services cancelled are treated differently under bus contract KPIs, meaning there may be incentive to cancel a service rather than run it late if the late service will result in a larger penalty than cancelling. The Audit Office of NSW notes that cancellations are not counted towards punctuality statistics³⁹ Governments should be focussed on delivering better outcomes for public transport users in this context.

Strengthening command clarity, coordination, and passenger communications during disruptions by reducing the amount of coordination required should be an aim of the public transport network in managing crises. This can and should be done through consolidation of effort into TfNSW.

The South Australian Approach

Rationale for Returning to Public Ownership

The South Australian government's recent renationalisation effort is another example the NSW Government could look to emulate. The move to bring Adelaide's trains and trams back into public hands was driven by a commitment to end what the Malinauskas Labor Government considered a failed privatisation under the previous Liberal administration. The privatisation, initiated in 2020 for trams and 2021 for trains, was supposed to deliver cost savings—but key promises didn't materialise. Reporting has highlighted that hidden contract terms had reduced security presence and failed to realise projected annual savings of \$10 million.⁴⁰

The shift also reflects broader public sentiment that essential services—like public transport—are better operated in the public interest rather than as profit-driven ventures. The government emphasised that reinvesting revenue for service improvement rather than extracting profit is a critical benefit of public ownership.⁴¹

APPROACH

A Phased and Smooth Transition

Rather than an abrupt reversion, the government negotiated a progressive handback of rail operations to ensure continuity and avoid major disruption. Under the agreement, operational control including drivers, scheduling, and operations planning returned to state control by 31 January 2025, with tram operations following by 31 July 2025.⁴²

Importantly, the South Australian government avoided paying any early termination fees, valued at almost \$100 million, and transition costs were kept minimal - with around \$15 million allocated annually for trains and \$3 million for trams to cover legal work, recruitment, training, and asset transfers.⁴³

A skilled and fully-staffed workforce was transitioned back to public operation and private operators like Keolis Downer and Torrens Connect will continue handling maintenance until 2035, ensuring operational knowledge and continuity remains intact.⁴⁴

STRATEGIC OBJECTIVES:

Service, Security, and Public Value

With operational control back in government hands, the South Australian government has invested funding to add an additional 31 Passenger Service Assistant (PSA) roles to improve onboard security, especially after 7 pm—a reversal of the previous government's PSA cuts.⁴⁵

Station upgrades have already been completed at multiple locations, with further improvements planned through to 2026 - including new CCTV, emergency phones, and tactile indicators.⁴⁶

The transition signifies a broader public transport strategy that is focused on service delivery and should be emulated in NSW.



CASE STUDY



Two Differing Approaches for the NSW Government to consider - Recommended Approaches & Priorities for Renationalisation of Bus Contracts

Timing and Method of Transition

The UK Government's approach has been deliberately incremental, with passenger franchises being renationalised as contracts expire or fail. This avoids costly compensation payments and spreads the process over years. The new Passenger Railway Services (Public Ownership) Act 2024 formalises this "franchise-by-franchise" transition.

In contrast, the SA Government has pursued a negotiated and time-bound transfer, with a set deadline for trains (January 2025) and trams (July 2025). Rather than waiting for contracts to naturally lapse, the government struck a deal with private operators (Keolis Downer and Torrens Connect) to hand back operations without penalty. Maintenance contracts, however, were left in private hands until 2035 to smooth the transition.

A potential staging of transition in the Hunter region could be:

- **PHASE 1** Confirm non-extension, stand up transition team, develop workforce transfer pathway, establish operational readiness plan and incident-response protocols.
- **PHASE 2** Transfer day-to-day operational control (drivers, rostering, operations control) to the TfNSW-led public operating unit, retain selected specialist services temporarily on contract if needed to protect continuity.
- **PHASE 3** Embed reliability program and performance reporting, progressively integrate remaining functions, commence service uplift aligned to growth corridors and new housing delivery.



Institutional Model

In the UK, a new centralised authority, Great British Railways (GBR) has been established to integrate track, train operations, fares, and planning. As this report has highlighted, the focus is on creating a unified “guiding mind” to replace the fragmented franchise system. GBR is intended to be a permanent institution overseeing a fully public system.

Rather than creating a new body, SA returned operations directly to the Department for Infrastructure and Transport (DIT). The goal is not structural reinvention but restoring state operational control quickly and affordably.

A practical NSW model does not require creating a new authority from scratch. TfNSW already functions as the system authority for the bus network, so the key design choice is the operating model. The most direct pathway is a TfNSW-led operating unit within the Transport cluster to run Newcastle/Hunter bus operations, supported by TfNSW's existing back office systems.

Financial Strategy

The UK government's strategy is financially cautious - avoiding lump-sum buyouts and instead allowing time for transition. The rationale is to save on compensation costs while steadily consolidating the system.

The SA government negotiated an immediate but low-cost transfer, avoiding the potential for almost \$100million in contract termination fees. Instead, it has

allocated modest ongoing annual funds to cover transition and new staffing, aiming for the change to be budget-neutral or even savings-positive in the medium term.

NSW is well-placed to transition from private operator back into public hands given TfNSW already operates as an authority on the bus network, approving timetables, routes, stops and frequency.⁴⁷ There is also scope for the consolidation of administrative support services into one organisation, rather than across multiple private providers, to assist in reducing the cost of public transport operation.

A TfNSW-led public operating model also creates a credible pathway to cost neutrality for the transition (and potential savings) relative to the current contract model, because it reduces duplicated overheads and transaction costs that arise when multiple entities maintain similar corporate functions. This would involve leveraging TfNSW/NSW Government shared services, like HR, payroll, finance, procurement and ICT, rather than recreating equivalent capabilities within a private operator. Savings are not guaranteed or automatic, but depend on a carefully implemented transition and effective management of the new system. Table 1 highlights the opportunities for efficiency gains.

TABLE 1 OPPORTUNITIES FOR EFFICIENCY GAINS UNDER A PUBLIC PROVIDER

COST / EFFICIENCY LEVER	CURRENT MODEL-PRIVATE OPERATOR UNDER CONTRACT	TFNSW-LED PUBLIC OPERATING UNIT: DIFFERENCE + SAVINGS OPPORTUNITY
Back-office functions (HR, payroll, finance, procurement, ICT)	Operator maintains its own corporate functions (even if partially centralised within its group) alongside TfNSW oversight.	Leverage existing Transport cluster systems/ functions rather than duplicating.
Contract management / transaction costs	Significant contract administration: KPI management, variations, disputes, renegotiations, performance abatements/bonuses.	Some performance management remains, but fewer commercial interfaces.
Profit margin	Operator margin embedded in contract pricing.	Margin removed from the operating cost base. Value can be redirected to service uplift.
Service change agility	Service changes require contract mechanisms and can be slowed by negotiation and incentive misalignment.	Direct operational control supports faster timetable/route adjustments aligned to growth and policy objectives.
Mobilisation / transition costs	Lower day-to-day government operating burden, but periodic retendering and transition costs recur at contract renewal.	Up-front mobilisation/integration costs but avoids repeated retendering costs.
Workforce continuity	Workforce sits with operator. Transition at contract end can create IR and retention risk.	Staff transfer pathway can preserve continuity.
Maintenance model	Typically bundled or contracted within operator model.	Can remain contracted initially (risk-managed), then reviewed for in-house vs contracted based on performance and cost.
Incident response / operational control	Multiple organisational boundaries during disruptions (authority-operator-subcontractors), which can complicate coordination.	Fewer interfaces; clearer operational accountability; easier alignment with TfNSW network-wide incident coordination structures.
Data transparency and accountability	Data visibility and reporting mediated through contract performance framework.	Potential for more direct, system-owned performance reporting and faster diagnostic loops (depends on governance).



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