

2024-25 Federal Pre-Budget Submission



January 2024

Bus Industry Confederation

Introduction

The Bus Industry Confederation (BIC) is the national peak body for the Australian Bus and Coach Industry. We represent bus and coach operators, body, chassis and complete bus manufacturers and suppliers, parts and service providers, professional services, and state bus associations on issues of national importance. Our membership is becoming increasingly diverse as key energy and infrastructure partners join as we transition the fleet to low and zero emissions.

The BIC advocates on behalf of our members to Federal, State and Territory Governments and associated bodies, to ensure the safe and efficient carriage of passengers, along with safe and sustainable operations and supply chains that support the industry.

The bus and coach industry is undergoing a major transition on multiple fronts. Over several decades, the operational side of the industry has consolidated with a fundamental shift from generational family-based bus companies in our cities to national and multinational businesses contracted to state governments, especially in metropolitan areas. This change, along with the adoption of zero emissions policies by state governments, has resulted in a rapid shift towards low and zero emissions buses.

Zero emission buses are driving demand for new or expanded skills in the bus industry and this demand will accelerate in coming years. Skills and workforce shortages, however, are already crippling the industry with the most visible results being the cancellation of bus services due to driver shortages. This has flow-on impacts across the Australian economy.

In the last decade, we have seen significant change in the manufacturing sector with the increasing entrance of international manufacturers. Consequently, there has been a decline from 100% Australian manufactured buses to less than 65% Australian manufactured in the period 2017-2020. This decline is continuing and is exacerbated by inflationary and other pressures to the point where Australian manufacturers and suppliers are in crisis.

To stabilise and then grow Australia's sovereign manufacturing ability for buses, BIC recommends that the Australian Government commit funding for the establishment of an Office of National Bus Industry Coordination which will lead the development and implementation of a National Bus Manufacturing Plan and associated National Bus Procurement Roadmap and Manufacturing Strategy. Further, we recommend that the Government commit funding to a National Heavy Vehicle Skills and Workforce Program.

Background

Australian bus manufacturing following the same road as Australian car manufacturing

In October 2017, the last Aussie built car rolled off the production line in Adelaide. Without urgent government intervention, 2027 could be the last year that buses and coaches are manufactured or assembled on Australian soil.

2023 saw two bus manufacturers cease operations in Australia and another two are unlikely to survive the 2023-24 financial year. We now have only 11 bus manufacturing sites left in Australia spread over 6 businesses of which only 5 are Australian owned companies.

The Australian bus market has seen notable change over the past decade from 100% Australian manufactured to less than 65% Australian manufactured in the period 2017-2020. This trend is continuing with 36% of all bus deliveries in 2023 being fully imported vehicles. As a snapshot:

- On average, 1400 buses are delivered per annum.
- The bus manufacture and supply sector in Australia employs more than 10,000 people, typically in rural/regional and outer suburban areas.
- There can be up to 40 manufacturing and parts supply companies (local and international) contributing to the final assembly of a single bus.
- It is estimated that \$5billion is contributed to the Australian economy each year in the manufacture of buses.
- A further \$1.5 billion is contributed to supplies and services to keep buses operational and in service¹.

It is vital if we are to meet demand for zero emission buses that we stabilize the existing industry that consists of a balanced mix of numerous established Australian bus manufacturers and bus importers. Once stabilised and with growth in demand and levelling of the boom-and-bust cycle of state government bus purchases we then have an opportunity to grow Australia's sovereign manufacturing ability of buses.

Buses play a crucial role in the transition to zero emissions

If Australia is to meet its net zero emissions ambitions, improving the relative attractiveness of local bus services as a transport option is one of the quickest, cheapest, and most effective ways to improve the trajectory of emissions from surface transport.

Encouraging mode shift away from private cars to buses and other forms of sustainable transport will reduce emissions in the short term and have additional benefits, including reduced congestion and improved health outcomes from incidental exercise.

In the longer term, as fleets are electrified, emissions reduction will increase along with passenger amenity. This not only aligns with the Government's commitment to net-zero emissions but also sets the stage for a

¹ Bus Industry Confederation (2021) Moving people: Australian Bus and Coach Industry: a snapshot
<https://bic.asn.au/industry-stats/>

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cleaner and more sustainable public transportation system, encouraging greater mode shift away from private passenger vehicles.

Buses deliver social impact

Buses and coaches represent the most important mode of public transport and are the backbone of Australia's public transportation system. They play a pivotal role in connecting communities and facilitating mobility across both urban and regional areas.

The significance of buses cannot be overstated as, every day, far more Australians are transported by bus and coach than other mode of public transport, including rail, even in our largest capital cities.

Buses provide an alternative travel choice to the car for people's daily commute and other travel purposes which, in turn, addresses the challenges of congestion and its economic impacts in our urban and regional centres. Buses provide a vital lifeline for individuals and communities, especially in regional areas where access to essential services may be limited. Buses also promote social inclusion and access to education, healthcare, employment, social and recreational opportunities.

Bus services help boost the connectivity essential for productivity by reducing traffic congestion overall and (where appropriate infrastructure is in place) transporting higher volumes at higher speeds. Additionally, they ensure that economic growth is inclusive by ensuring that accessibility-to-jobs exists for the widest number of people possible, which in turn broadens labour markets for employers and further compounds productivity effects.

Moreover, the economic benefits of a robust bus network are manifold: By reducing congestion and improving accessibility, buses support local businesses ensuring a steady flow of customers and employees. Additionally, by providing an affordable and accessible mode of transportation, buses help reduce household transportation costs, thereby contributing to overall economic stability and prosperity. Buses can provide fast, frequent, and direct public transport services especially in urban and suburban areas not served by heavy and light rail. Unlike rail services, the flexibility of buses means that they better connect shopping and employment precincts, and other vital activity centres within residential areas. With much of the country not serviced by train lines, buses and coaches connect communities across rural and regional areas improving social outcomes.

In addition, buses have the capacity to adapt to shifting population patterns and changing urban landscapes. As cities expand and new developments emerge, buses can quickly adjust their routes and schedules to accommodate evolving transportation demands. This adaptability ensures that public transport remains a relevant and accessible option for residents, promoting sustainable urban development.

In 2022-23, 16 billion passenger kilometres were travelled by bus compared to 13 billion passenger kilometres travelled by train and light rail. While it was an increase of almost 39% on the previous year, there has been a decrease of approximately 22% over the past 10 years. This decline coincides with an increase in private passenger car usage, resulting in an increase in emissions from transport. By 2030, transport is projected to become Australia's largest source of emissions.

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A diverse range of jobs remain vacant impacting employment and productivity

Skills and labour shortages are severely impacting the bus and coach industry. With public transport being an essential service, the nation-wide shortage of bus drivers has the potential to impact other industries and productivity.

In 2023, a reduction in bus services triggered by a shortage of drivers caused extensive disruption to commuters, including school children across the country. It is not just the shortage of drivers that is challenging the industry, there are skills gaps across all areas of bus operation and manufacture. The inevitable result will be further cancellations of bus services and delays in the delivery of low and zero emission buses.

The boom-and-bust history of bus procurement in Australia has acted as a long-term constraint to the sustainable development of skills for the bus industry. The transition to zero emission buses is now driving demand for new or expanded skills and this demand will accelerate in coming years. In an increasingly technologically oriented world, the bus industry faces fierce competition for technical skills, and will need new strategies to attract and retain these skills in an industry still perceived as dirty, heavy, and male dominated. Promoting the industry as a hub for innovative technology, environmental sustainability, and diverse career opportunities can help shift perceptions and attract a broader talent pool.

Investment in training programs, apprenticeships, and collaboration with educational institutions can also play a vital role in nurturing a skilled and adaptable workforce. By creating a more stable and attractive career pathway, the bus and coach industry can position itself as a dynamic and forward-thinking sector, capable of meeting the evolving demands of a modern, sustainable transportation landscape.

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The solution to keep buses and people moving across Australia

In the 2022/23 budget, the Albanese Government committed \$14.2 million to deliver and implement a National Rail Manufacturing Plan. The bus industry seeks the equivalent commitment to maintain bus manufacturing in Australia so we can continue to move Australia's most precious freight – people.

Noting that there are greater similarities between rail and bus, from a procurement perspective, than bus and truck for the bus and coach industry, we are seeking:

The establishment of an *Office of National Bus Industry Coordination*. This office would work closely with state and territory governments, manufacturers, industry peak bodies, unions, and research organisations. It would be tasked with leading a national and coordinated approach to addressing the challenges facing the bus industry from a manufacturing and supply perspective as well as operationally. Supporting the Office of National Bus Industry Coordination would be a national bus supplier advocate.

A key deliverable of the Office would be the development and implementation of a *National Bus Manufacturing Plan* like that produced for the rail sector. A vital first step under the Plan would be to deliver a *National Bus Procurement Roadmap and Manufacturing Strategy*. Key pillars of the plan could include:

1. A nationally coordinated and sustainable approach to bus and coach procurement. This would include a detailed roadmap for the transition to low and zero emission bus fleets and the provision of supporting infrastructure (highlighting additional local manufacturing and supply opportunities). It would clearly identify the timing and scale of procurement by state and territory governments, for fleet replacement and fleet growth, and aim to reduce the current boom and bust cycle of procurement that impacts the sustainability of manufacturers and suppliers.
2. Harmonisation of standards and specifications for the manufacture of buses across Australia. This would ensure that jurisdictions agree on the same type of specifications for components and localise their production where possible. It could generate economies of scale and drive domestic volumes, creating local manufacturing opportunities and making us less reliant on international supply chains or at risk of not having access to components that meet standards in one jurisdiction only.
3. Adoption of a national local content approach with consistency in terminology, including the definition of local and calculation methodologies.
4. Maximisation of opportunities for local manufacturing and assembly and potential export.
5. Improved research, innovation, collaboration, and design particularly as the fleet transitions to low and zero emissions. A *Heavy Vehicle Innovation Council*, supported by the Office of the National Bus Industry Coordinator or similar body, could oversee this work.

We recognise that there are many similarities between the bus and coach industry and the broader heavy vehicle industry, including heavy freight vehicles. Consequently, parts of the above (e.g., pillars 4-5) could be broadened for all heavy road vehicles.

Another key deliverable of the Office – or another agency, such as the National Transport Commission, working in collaboration with partners including industry, unions, the state and territory governments and across the Commonwealth – would be the development and implementation of a *National Heavy Vehicle Skills and Workforce Program*. It would recognise that the industry requires more workers with all kinds of skills, from drivers to cyber security experts, and experts in new technologies. A key component of this will

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be a focus on how we attract, retain, grow, and diversify the driving workforce, including addressing impediments and deterrents.