



FACT SHEET

CAPABILITY: Keolis as a bus operator and the future of the Australian bus market



**Keolis Downer is a
Leading Australian Bus
Operator**

The State of Play

**Buses are the
Backbone of
Multimodality**

**The Role of
Competition**

This fact sheet describes the Australian bus market and raises some questions about possible future directions in a mode that represents more than 20 billion passenger kilometres per year.

Keolis is one of the world's largest and most successful bus, coach and bus rapid transit operators providing services in eight countries with a fleet of more than 25,300 vehicles. In addition to the more traditional route services in cities and towns it also plays a key role in the tourism economies of such iconic destinations such as Las Vegas, Paris, Copenhagen and Quebec.

Although present in Australia since 2009, it was not until May 2015 that Keolis Downer entered the Australian bus market. The purchase of Australian Transit Enterprises (ATE), one of Australia's leading bus operators with established operations in South Australia, Western Australia and Queensland, has provided deep knowledge of the Australian industry and a platform for further growth. Founded in 1974, as a family business, ATE grew to over 1,600 employees and 930 buses operating on 91 long-term regular route services and numerous school bus and commercial services. It is spread across 22 locations.

In Australia, the management of the route and school services varies between jurisdictions. In Victoria, for example there is one franchise more akin to the train and tram contracts with the rest of the urban bus operators working under contract to the State generally using their own vehicles and depots. In Sydney the city has 15 bus regions, 11 operated by franchised private operators and four by the State-owned State Transit Authority. In Brisbane there are contracts with several private operators but the biggest operator is Brisbane Transport which is owned by the Brisbane City Council. In Perth all services are operated by franchised operators as is the case in Adelaide and Darwin. In Canberra and Hobart, bus services are provided by government owned entities.

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The bus market is clearly not uniform in Australia nor around the world. The best outcomes for customers and the taxpayers tend to come when the contractual arrangements are clear, the role of the operator and the regulator are well described and, in the case of private operators, the contractual incentives drive good behaviour and passenger outcomes.

Keolis Downer is proudly modally agnostic and customer centric. We know buses are the glue that binds major transport systems offering the flexible and adaptive option to allow the network to adjust to incidents and growth. In order to meet the requirement for a dynamic network, serving the needs of customers, a highly capable bus network is fundamental and provides the feeder services into the spine of a city's transport system.

Keolis Downer has identified the opportunity for the introduction of multimodal public transport contracts to Australia. These contracts, particularly where they sit alongside the introduction of new transport modes, provide an opportunity to rethink existing networks and deliver new customer outcomes. Similar re-imagining of our international networks has delivered strong growth in patronage, for instance up to 40 percent in Bordeaux since 2009 and 30 percent in Dijon since 2012.

Keolis Downer supports a competitive market for transport service delivery. Where appropriate structures are in place, competition supports a greater focus on value for money and customer outcomes. A deeper role for private operators in supporting the design of networks and services will foster innovation and new ideas. Ownership structure is just one aspect of policy making. Our view is that if a market is open to competition, we will be keen to participate and put forward our credentials.



Moving from Lowest Cost to Value for Money

In considering a move to further franchising, it is worth noting that at present some public agencies are performing the roles of operator, regulator, network strategist, contract manager and procurer. Inevitably this will lead to conflicts and it may be that a franchise arrangement could move some of these tasks into the private sector, as is routinely the case in France and other countries. This will require a degree of trust and will only work with an experienced and suitably qualified private sector partner.

Based on our experience here and elsewhere, and consistent with research done by LEK for the Tourism and Transport Forum (TTF)¹, there are some important pre-conditions to help ensure franchising delivers a positive outcome:

1. Having a clear strategy for transport delivery and the political will to follow through
2. Having realistic expectations
3. Being well prepared
4. Choosing the most appropriate franchise structure
5. Creating contestability
6. Getting the contract right
7. Balancing financial and other objectives
8. Having the right people and skills to manage the relationship effectively
9. Being flexible and willing to adapt to change
10. Bringing the community along.

Keolis Downer is committed to competition and to delivering value-for-money. The potential savings offered by contestability in the Australia market have ranged from 20 to 50 percent of operating costs. However, in mature markets, the rule of diminishing returns indicates that substantial savings to government on the costs required to deliver major services can only be delivered through substantive changes to the service offer or the service standards.

In these markets public transport authorities will need to take a multi-faceted view of value, moving beyond a singular view of financial efficiency to consider customer service outcomes on an equal pegging. Keolis Downer seeks a partnership with public transport authorities to refine the contracting model in order to deliver a shared vision for the involvement of private operators. Keolis Downer has identified a deeper model for contract that sees the private operator take a greater responsibility for growing public transport patronage, while at the same time being provided the opportunity to further tailor services through network design, marketing and product definition. This model has been used in some Australian jurisdictions and is the basis for contracting in some international markets.

¹Public Transport, Private Operators, TTF, July 2012.



Angers - France



Bordeaux - France



Hornibrook - Queensland



Path Transit - WA



Southlink - SA



Sverige - Sweden



Paris - France



BRT - Las Vegas USA



Aerolis - France

Contact details: