

Mr Chris Eccles
Director General
Department of Premier and Cabinet
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

10 February 2012

Dear Mr Eccles

Please find enclosed my report into the circumstances by which transportation under the Assisted School Travel Program was not available to some eligible students on and from the first day of the 2012 school year.

I thank Mr Karl Eaves and the Education Team of the Department of Premier and Cabinet for their comprehensive support throughout the review process.

I also thank the staff of the Department of Education and Communities who gave up time at such a critical period to assist me in my inquiry. I also extend thanks to the parents, carers and transport operators who contacted me over the course of the review.

Yours sincerely

Ken Boston AO

REVIEW INTO ASSISTED SCHOOL TRAVEL REPORT

Purpose

On 31 January 2012, the Director General of the Department of Premier and Cabinet commissioned me to inquire into the circumstances by which transportation under the Assisted School Travel (AST) Program was not available to some eligible students on and from the first day of the 2012 school year (Attachment A). This document is the report on that inquiry. It is based on evidence obtained by examination of the documentation (listed in Attachment B) and by interview (Attachment C).

Methodology

The Inquiry commenced by reviewing background material on the AST Program provided by the Department of Education and Communities (DEC). On the basis of this information, interviews were conducted with those officers responsible for various aspects of the Program. Contemporaneous notes of the interviews were taken and interviewees were provided the opportunity to correct those notes for factual inaccuracies post interview. During these interviews additional documentation was provided to the Inquiry, and this also was reviewed. In some cases, follow up interviews were necessary to confirm information provided by other sources or to solicit additional information.

While public submissions were not invited, a number of unsolicited public submissions were made. These also were reviewed and considered. In certain cases, the Inquiry invited transport operators and parents to give evidence. These interviews also provided useful insight and information.

Chronology of events

A complete detailed chronology is attached (Attachment D).

In December 2009, the then Government agreed to changes to the administration and delivery of the AST Program. In July 2010, they subsequently agreed to a new tender process. No additional funding was provided to meet the rising costs of the program. Instead, the then Department of Education and Training (DET) was required to ensure that the tender's financial outcome would be met from the Program's existing budget allocation.

A request for tender was issued on 4 November 2010, and closed on 20 December 2010. At that time, it was intended that the tender process would be completed by March 2011 in order to provide newly tendered operators with six months to prepare for the new arrangements. This would have allowed runs (lists of children, addresses and other relevant information) to be allocated to operators and communicated to parents before the end of the 2011 school year.

During December 2010, the Taxi Council of NSW and Teamcard Pty Ltd commenced proceedings against the State of New South Wales with respect to the tender process. The Plaintiffs and DET agreed that while the tender evaluation process could continue, no contracts would be awarded until the court action was finalised.

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

On 5 September 2011, the Supreme Court brought down its ruling in favour of the now DEC. A 28 day appeal window commenced. DEC briefed the Minister for Education putting forward a contingency plan should an appeal be lodged, which involved extending existing contracts. This briefing did not discuss the Department's plans for proceeding with new contracts in the instance that an appeal was not lodged.

When the appeal period lapsed, the AST Unit commenced implementation of the new tender arrangements for the beginning of the 2012 school year. While timeframes were considered tight, they were also considered achievable. The Inquiry has been informed that progress was discussed during regular catch-up meetings at the Manager, Assistant Director, Director and Deputy Director-General levels. No specific written material is available to support or refute the existence and content of these discussions.

From October 2011 onward, individual staff members in the AST Unit received anecdotal advice, via phone calls from a number of transport operators, that they might not be prepared to carry out short distance runs, as the new tendered rates were considered uneconomical. The Manager of the AST Unit, sometime in October or November, verbally reported this information to her direct superior. This information was discussed via email with DEC Procurement, and was the subject of discussion between the Assistant Director, Administrative Services and the Director, Finance Shared Services. Management came to the conclusion that the complaints represented a small group of disgruntled operators dissatisfied with changes to their particular payment arrangements. They concluded that having a sufficient pool of alternative operators was sufficient mitigation to ensure successful delivery of the program.

From 21 October 2011, operators were requested to agree to new standard rates, and to be included on an Eligible Service Provider (ESP) list. This list forms a standard offer similar to a pre-approved supplier list. Operators on the ESP list can be offered runs by DEC, but there is no obligation on operators to accept them. A total of 612 operators (or 96% of tenderers) agreed to be included on the ESP list. The high take up rate reassured senior management that operators were prepared to accept the new rates.

To mitigate concerns that there might not be sufficient operators to cope with anticipated future demand, DEC issued a further Expression of Interest (EOI) on 8 November 2011. The EOI was designed to provide "further service capability". An additional 81 operators replied favourably to the EOI.

On 21 November 2011, a constituent enquiry from the Office of the Member for East Hills, was forwarded to the Minister for Education's office. The enquiry suggested that two operators were dissatisfied with the rates of payment being offered under the new schedule of rates. The relevant Minister's Adviser requested from DEC a detailed brief on the issues raised in the enquiry. On 6 December 2011, the brief was forwarded to the Minister's Office. The brief outlined the tender process to date, the decision to issue a standard schedule of rates, and noted that 612 of the 638 tenderers had accepted the Department's offer.

On the same day, 6 December 2011, the Minister's Office received a formal briefing from DEC on "Back to School" issues. This briefing material included an update on the AST Program; noted that service capacity was identified as a risk; and advised that to mitigate the risk, an additional EOI round had been conducted to attract additional operators.

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

According to the relieving Director General at the time, while the AST Program was included in the material, it was not discussed directly at the meeting. No mention of any risk regarding operators refusing to accept runs due to the new schedule of rates was made in either the “Back to School” briefing, or in the briefing requested by the Minister’s Office on 21 November.

Subsequent “Back to School” briefings with the Minister’s Office occurred on 17 December 2011, 17 January 2012 and 24 January 2012. Again, no mention was made of any risk associated with operators refusing runs.

Separately, in December 2011, the Manager of the AST Unit requested the Assistant Director, Administrative Services, to provide additional resources to meet the implementation deadline. The Assistant Director agreed, and a number of temporary staff were employed.

On 16 January 2012, the AST Unit began to receive responses from operators. A number of runs were refused by operators, who stated that the new schedule of rates made short runs uneconomical. From this point on, it became increasingly apparent to the AST Unit that there was a significant problem. This information was provided to the Assistant Director, Administrative Services, but not passed further to the Director, or the Deputy Director General.

On 24 January 2012, one of the Minister’s Advisers directly called the AST Unit to discuss a particular constituent’s situation. In the course of that conversation, the Manager of the AST Unit said words to the effect of: “I suppose you know about the problems we are having.” The Minister’s Adviser asked: “Are we talking about 5 kids or 500?” The Manager committed to providing the Minister’s Office with numbers by noon the following day.

From the evidence collected by the Inquiry, this appears to be the first time that the Minister’s Office was alerted to the risk that the AST Program might not be available to all eligible students on the first day of school. It is extraordinary that the Minister’s Office was first alerted to the crisis by a phone call to an officer three levels below the responsible Deputy Director General, four working days before the first day of school.

At the following morning’s meeting of the Minister for Education’s Ministerial Staff (25 January 2012), the Minister’s Adviser raised the possibility of problems with the AST Program. He advised that he expected to be informed of the scale of the problem at noon.

At 12:30pm, DEC provided a brief to the Minister’s Office that indicated about 365 students were known to be without transport, and that an additional 500 students might also be affected on Monday morning. The Minister’s Adviser immediately raised the issue with the Chief of Staff, who left a message on the Minister’s mobile, which was out of range at the time. In the Minister’s absence, the Chief of Staff contacted the Director General of DEC and requested that she fix the problem. The Chief of Staff advised the Premier’s Office at around 4pm that afternoon, and the Minister became aware at about the same time.

From 25 January, the Director General immediately redirected resources from across the Department into the AST Unit to minimize the now-visible problem. She also made an emergency determination to increase rates for short distance runs. These measures had

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

some impact, but ultimately were too late to avoid the outcome. The AST Unit began directly contacting parents to advise them that they would need to make their own arrangements for the transport of their children.

The AST Unit, together with the additional resources redirected by the Director General, worked through Australia Day and the following weekend. Approximately 740 students with a disability did not have a permanent arrangement for their transport to school on Monday 30 January 2012.

Governance Arrangements

In accordance with the then Government's approved tender process, the AST Steering Committee was convened on 27 August 2010. The Committee included representatives from the following agencies:

- The Department of Education and Communities (formerly DET)
- The Department of Premier and Cabinet
- The Treasury
- Transport NSW
- The Department of Finance and Services (formerly the Department of Services, Technology and Administration).

The Committee was responsible for making decisions with respect to the design and conduct of the tender process. It was disbanded on 13 October 2011, and had no further role.

Within DEC, implementation of the new tender arrangements was the responsibility of the Deputy Director General, Finance and Infrastructure, in his role as head of both Finance Shared Services (which includes the AST Unit) and DEC Procurement, which advised Finance Shared Services with respect to the conduct of the tender.

The Deputy Director General, Workforce and Systems Improvement has responsibility for Information Technology, with some of his staff providing the necessary upgrades to the Student Transport Management System (STMS).

Figure 1 shows the chain of accountability associated with the AST Program.

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

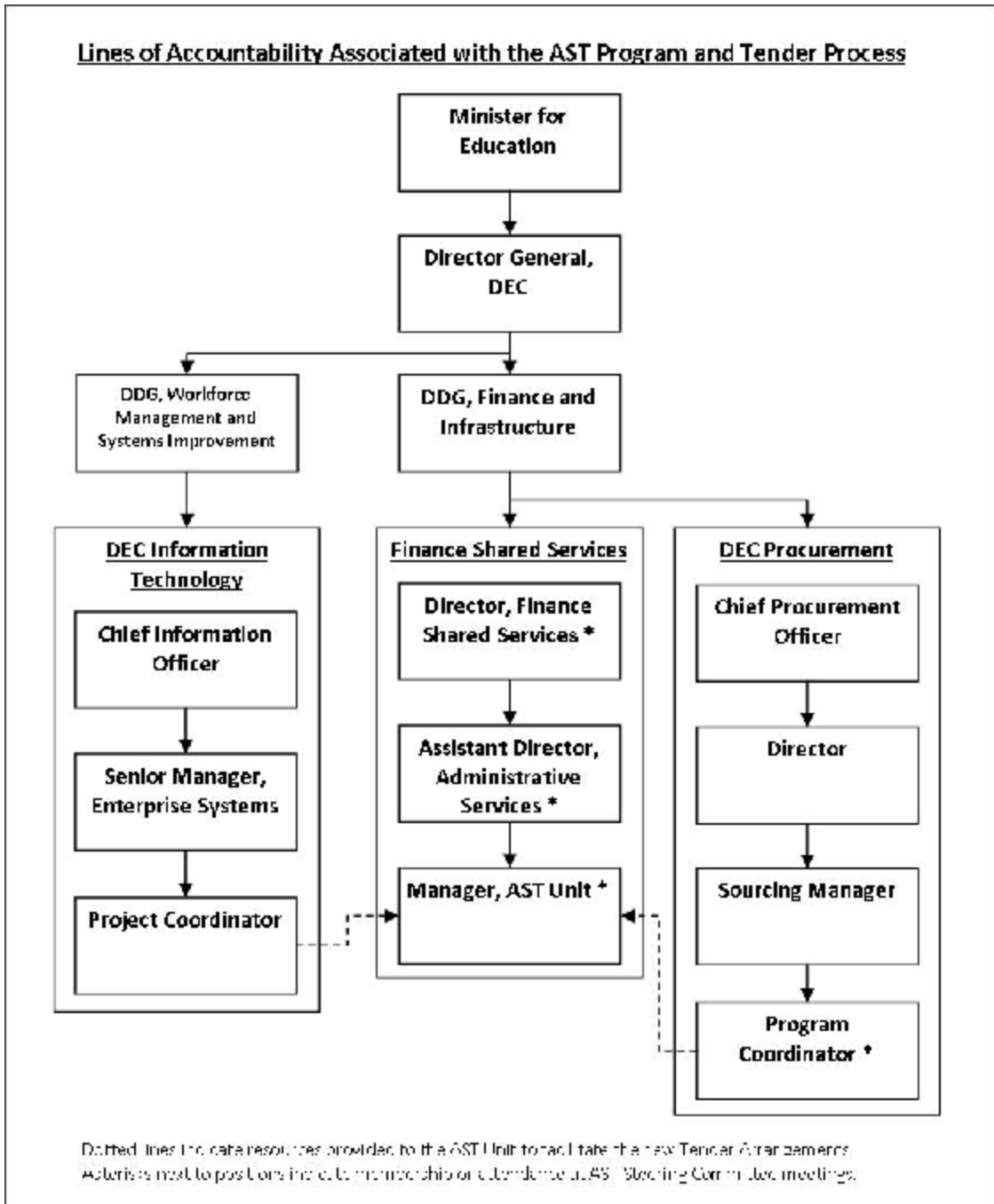


Figure 1 Management accountability for various aspects of delivery of the AST Program.

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

Findings against terms of reference

The circumstances by which it came to be that AST Program transportation was not made available to all eligible students on and from the first day of the 2012 school year (the “incident”), including an identification of the reasons for the incident and any contributing factors, whether acts or omissions.

1. The new rates were inadequate to support the continued participation of many transport providers.

From January 2012, the payment of providers was based solely on a per kilometre rate, incorporating factors such as distance, time and congestion. Previously, providers could tender on the basis of a daily minimum rate, or a per kilometre rate, or a combination of the two. Although rates had increased through indexation over the past decade, many providers found the new rates unworkable given foreseeable fuel, running costs and wage movements. Short runs in particular proved to be uneconomical, given that there was no longer a minimum daily rate.

From the evidence, it appears that the new rate schedule arose principally as a consequence of the then Government’s 2010 decision that the financial outcomes of the new AST Program Tender should be met from the existing budget allocation.

Advice was subsequently sought by the Steering Committee from the NRMA, and a consultant, Professor David Hensher of the University of Sydney. While this advice informed the final schedule of rates, a primary consideration in setting the rates was to keep the program within its original budget allocation.

The schedule was benchmarked against NRMA guidelines and other known standards. However, it was not subject to consultation with operators prior to them being asked to accept the new schedule of rates in order to be placed on the ESP List. While 96% of tenderers accepted the new rates, they only did so because, in the words of one operator: “there was no other choice - other than to withdraw completely [from the tender process]”.

In hindsight, the Steering Committee should have attempted to market test the new rates. The providers of transport for children with disabilities are a unique sector of the transport industry. The sector is quite different from other sectors against which it might be benchmarked. In view of the now very apparent unacceptability of the new rates for short runs, it would have been prudent to seek additional funding for the Program, either from another source within the Department’s allocation, or by referring the matter back to Cabinet to seek budget supplementation.

In the limited time available for this Inquiry, it has not been possible to fully uncover the reasons why the particular per kilometre rates were struck, nor to propose what a workable rate for providers might be. It is clear however, that a new set of rates, including a minimum daily rate for short runs, must be struck if the AST Program is to recover and remain stable. This is a pivotal and urgent issue, and should be achieved at the highest levels of government rather than by recalling the Steering Committee.

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

2. Given the Supreme Court action, the timeline had become difficult; given the non-acceptance of the new rates, it was virtually impossible.

The call for tenders for the AST Program for 2012 was the first for ten years, and many providers found the process complex. The intention was that the tender evaluation would be complete by the end of March 2011, allowing six months for providers to gear up to deliver. As in previous years, it was intended to finalise runs and notify parents before the commencement of the 2012 school year.

The Supreme Court action taken by the Taxi Council against the tender process was not resolved until 5 September 2011. The Minister's Office was notified that an appeal was expected. In the event of appeal, the existing contracts would be extended in line with an earlier approved brief of 6 June 2011.

The evaluation of tenders continued while the case was being heard, but the contracts could not be offered. When the appeal period lapsed on 3 October 2011, the work to close the tender process was able to commence.

The timeline was thus very tight. There was no capacity for slippage, particularly at the tender evaluation phase, contract award phase, and the implementation phase. Yet major problems emerged in the quality of provider data transferred from DEC Procurement to the AST Unit, which took time to be resolved.

There were also significant problems and a delay of two months in DEC Information Technology making the necessary adjustments to the STMS, which are still incomplete. Surprisingly, this critical dependency was not included in any project planning. Given these issues, the AST Unit faced an impossible task in completing its work in the fifteen days before the first day of school.

Problems in data transfer and systems development must be expected in any change as significant as that of retendering and implementing the \$80 million AST Program. No consideration was given by the Steering Committee, the Director of Finance Shared Services or the Deputy Director General, Finance and Infrastructure, in early October 2011 to extending the existing contracts for a specified period.

By 20 October 2011, the Assistant Director, Administrative Services had become aware that some operators might withdraw from the tender process. She prepared a draft House Folder Note on the issue, which set out a suggested response should the matter be raised with the Minister in Parliament. The House Folder Note was given to the Minister. In November, the Manager of the AST Unit reported to the Director, Finance Shared Services similar concerns from operators, who said they might not accept short runs.

As a contingency, the Steering Committee launched an additional round of EOIs, opening on 8 November and closing on 29 November. The intention was to increase the number of ESPs in order to offset the number of non-acceptances. This was addressing the wrong problem: the real issue was not a shortage of providers, but the inadequacy of the remuneration for short runs.

It is extraordinary that delivery of a program which had been on hold for six months was embarked upon within weeks of the end of the 2011 school year, without the likelihood and

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

severity of the associated risks having been raised by the responsible Deputy Director General with the Director General or the Minister.

3. Given the delays caused by the Supreme Court action, a significant proportion of the documentation collected from operators by the Department during the tender process had become out-of-date.

Staff of the AST Unit told the Inquiry that the Working With Children Checks and Police Checks submitted by operators, Transport Support Officers (TSOs) and drivers had lapsed, requiring re-clearance. In addition, details such as operators' ABN numbers, email addresses, business names and postal addresses needed to be confirmed, given the length of time that had lapsed since the close of the tender. To resolve this, the AST Unit had to send information packs to operators, requesting information already provided during the tender process, causing frustration for the operators as well as delay.

These tasks were further complicated by the fact that the documentation provided from DEC Procurement was in soft-copy rather than hard-copy. This was due to storage limitations in the offices of the AST Unit. Scanning of the original documents had not been sufficiently quality assured. The Inquiry heard that some documents were unreadable, for example with post-it notes masking critical information. This information also had to be rechecked and verified by the AST Unit.

All this work was necessary before runs could begin to be allocated, and was undoubtedly another contributing factor to the incident.

4. Upgrades to the STMS were not implemented satisfactorily, impairing the run allocation process.

As a consequence of the new tender arrangements – in particular the decision to offer a single schedule of rates for operators – system upgrades to STMS were required. Industry standard testing processes were conducted, but it became apparent that the upgraded system was slower and had lost critical functionality when it went live on 7 December 2011.

The AST Unit told the Inquiry that the creation of system records, which had previously taken two or three minutes, was now taking up to 20 minutes. In addition, the function that allowed AST Unit staff to view existing runs on screen, thus enabling AST staff to visually identify the run amendments needed to incorporate new students, was no longer available.

An identification of any agency and, if relevant, individual staff responsibility for any failures which contributed to the incident, including by reference to any risks that were or should have been known and the manner in which those risks were or were not dealt with.

5. Such strategies as there were to mitigate the risk of non-acceptance were insufficient and applied too late.

The relevant senior officers did not give any consideration in October 2011 to the risks of proceeding. They appear to have assumed that once the threat of an appeal against the Supreme Court decision had lapsed, any risk had been removed. There was therefore no consideration of extending the contracts. While the June 2011 brief seeking approval for

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

contract extension was written in the context of a possible appeal, the Minister's approval was not subject to an appeal being lodged. That is, in the absence of the appeal, the Minister's decision still would have allowed for the contracts to be extended.

The call for additional EOIs on 8 November 2011 was the only attempt at the mitigation of risk. There were however two other potential strategies.

First, from October 2011, the staff resources needed to deliver the program securely could have been redirected from other areas of the Department. Importantly, this would have allowed time to give staff the necessary training to be fully effective in contributing to the phases of tender evaluation, contract award and implementation. The training could have included effective client relationships with parents, schools and providers, in which the skills of DEC Disabilities Programs could have been harnessed to great benefit.

Second, the tender documents gave the Department the capacity to negotiate directly with providers not on the ESP or EOI lists, when no provider in the required location would take an offered run. Even as late as Tuesday 24 January 2012, when the AST Unit began to telephone parents and advise them that transport might not be available on the following Monday, this mitigation was available. However, the decision required escalation to senior officer level, which did not happen. Thus the only remaining mitigation – which was to negotiate terms directly with taxi companies and other providers (virtually what happened a week later at the direction of the Director General) – was not adopted.

The Inquiry has been told that the reason this was not done is that the ESP and EOI lists had not been exhausted, even though offers had been made to, and rejected, by all likely providers in the required localities. Advice from DEC Procurement to the AST Unit was that negotiation of higher rates outside the ESP/EOI process would be seen as unfair to those providers on the lists. This could encourage non-acceptance in future years in anticipation of a late and more lucrative contract being achieved at the eleventh hour. Clearly, this decision put the interests of providers ahead of the interests of children and their parents.

6. There was no reliable and systematic risk assessment process

Despite the size of the \$80 million AST Program and the magnitude of the problem that would arise should it go wrong, there was no risk register or regular systematic appraisal of the likelihood and severity of the risk of failure.

I am told that several times during the course of 2011 the Steering Committee discussed potential risks, but the Minutes suggest that this was desultory at best. There was no explicit evaluation of the risk of non-acceptance of runs by providers who had accepted the proposed new rates, but found that they did not have sufficient long runs to provide adequate payment. It was assumed that the risk was greatest for short runs in metropolitan areas. It was thought that these runs would mainly be covered by taxis because for taxis the per kilometre rate would be as good as the former daily rate. This proved to be wrong.

As the senior responsible officers for the program, the Deputy Director General, Finance and Infrastructure and the Director of Finance Shared Services, were responsible for having in place a sound procedure for the identification and mitigation of risk.

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

There is no evidence that the Assistant Director, Administrative Services or the Manager of the AST Unit formally escalated to the senior executive level their perception of the emerging risk.

In addition, despite the preparation of the House Folder Note, there is no evidence that senior executives sought to test the robustness of proceeding with the program in the critical October/November period, which was the last opportunity for failure to be avoided. At all levels, the assumption was that a further call for EOIs would overcome the problem, which it failed to do.

7. In the absence of performance management agreements, there was no reliable process of ensuring accountability.

Although they could not be expected to be across matters of detail, the evidence before the Inquiry suggests that senior executives accountable for the AST Program have been surprisingly disengaged from the bigger strategic issues. They were not alert to the dangers of the AST Program going wrong, and not greatly interested in monitoring progress in tendering and procurement processes, and the day-by-day run-up to the start of the school year.

In those sections of DEC which have given evidence to the Inquiry, officers seemed to report to senior managers on the progress of programs on a 'by exception' basis, i.e. a matter was raised only when not going according to plan. There was no regular and systematic discussion of the progress of all aspects of each program for which the officer carried delegated responsibility and was accountable for delivery.

Senior officers appeared to manage by expecting to be told when something had gone wrong. They did not maintain an awareness of all programs of work for which they were ultimately accountable, through systematic and comprehensive review of the programs of work carried out by those who report directly to them.

As a consequence, there was also a reluctance to escalate problems to higher authority. Some officers, in particular the Assistant Director, Administrative Services, tried to resolve complex and urgent issues by negotiation with officers at a similar level in other parts of the Department, when the issues were of such magnitude that they should have been raised immediately at senior executive level. In those parts of the Department which have been examined by the Inquiry there appear to be very deep and separate silos.

The prevailing culture seems to have been one of telling senior officers, and even the Director General and the Minister, what it was thought they wanted to hear, not what they needed to know.

I criticise the Deputy Director General, Finance and Infrastructure and the Director of Finance Shared Services for failing to deliver this \$80 million program of vital importance to the most vulnerable children in NSW, and their parents.

They have damaged the reputation of the Department of Education and Communities in the opinion of the transport operators, the community, and the NSW Government.

They have been adrift from their people. They have no performance agreements in place between themselves and with subordinate officers. They have failed to establish adequate

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

processes to assess regularly and comprehensively the risks associated with the AST Program.

I am aware that both have been in their positions for little more than twelve months, and that the Deputy Director General has been in an acting capacity for much of that time, but I do not consider that to diminish their responsibility.

The provision of information and assistance to the parents and carers of affected students, including the content, manner and timing of communications and the provision of alternative transportation

One of the most critical responsibilities of Government is to support and assist those who cannot support themselves. Many of the students served by the AST Program have very high needs. They require stability in their day-to-day routine. Changes to their routine are disruptive without weeks of careful planning and preparation.

Parents and carers are coping under extremely difficult circumstances. They should have been treated compassionately, with respect and with an understanding that they need certainty of service provision. Many families are very dependent upon trustful and long-term relationships with transport providers.

During this episode, parents and carers were given almost no notice of dramatic changes to arrangements on which many of them had relied for years. Parents were forced to take unexpected leave; employment arrangements were disrupted; and relationships were tested as parents and carers called in favours from friends, families and employers to look after their children. Students were confused and bewildered, as their all important routines were suspended without any explanation being given.

In addition, some parents and carers suffered direct and indirect financial loss as a consequence of not being able to work. The stress this incident caused, emotionally and financially, is simply unacceptable and could have been avoided.

The situation was further exacerbated by the Department being unable to respond adequately to the volume of calls and enquiries. When people were finally able to get through to talk to a Departmental Officer, there were long delays and many calls were eventually answered by staff who were poorly prepared, lacked the training to cope with understandably fraught callers, and were not in a position to provide satisfactory information or outcomes. Although a script was prepared for call centre operators, anecdotal reports in the media and complaints to the Minister's Office suggest that some call centre staff found it difficult to respond to callers with the respect and compassion that should have been extended to them.

Ordinarily, the AST Unit handles its own call traffic. In the run up to the incident, call traffic reached proportions that began to jeopardise the Unit's ability to carry out its core work on run allocation. On 25 January 2012, once the Director General had become aware of the situation, call traffic was redirected to the Shared Services Call Centre.

The Inquiry also heard of various instances where Departmental Officers, not just call centre staff, committed to calling a parent or carer back but failed to do so. Evidently, they chose to wait until a solution had been identified. This led to further uncertainty and

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

unnecessary anxiety on the part of parents and carers who should have been kept up to date that their case was still being worked upon.

Simply put, people deserve better. The evidence before the Inquiry suggests a broader cultural problem within the Department with respect to customer service skills, particularly when dealing with the parents and carers of disabled children.

Any steps that should be taken now or in the future to ensure that the incident is not repeated.

I recommend the following.

1. That the Director-General of DEC prepare a proposal for a revised set of rates, to be considered at a meeting with the heads of NSW Treasury and Transport for NSW, chaired by the Director-General of the Department of Premier and Cabinet, and submitted to Cabinet for implementation from the beginning of Term 2 (23 April 2012).
2. That the revised rates be market tested with a small group of providers, before implementation.
3. That a thorough and systematic risk management process, involving fortnightly appraisal of the likelihood and severity of all potential risks associated with implementation of the AST Program, be implemented. It should be based on the traffic light system of red, amber and green levels of risk, reflecting both probability and consequence; and be put in place during Term 1, before new rates are offered to providers.
4. That the Director General, DEC, consider initiating disciplinary action against the Deputy Director General, Finance and Infrastructure and the Director, Finance Shared Services.
5. That the Deputy Director General, Workforce Management and Systems Improvement, investigate and implement a program of capacity building throughout the Department to improve communication skills and customer service.

Any other matters relevant to the above.

There is an additional matter of particular urgency: unresolved data integrity and system functionality issues represent a significant risk to the welfare of students, and a risk to the payment of operators and TSOs.

The Inquiry heard evidence that the data migration process from the previous database to the upgraded STMS database has resulted in some data corruption. Of great concern is the fact that a particular field that records miscellaneous instructions for operators on the special health and safety needs of some children has not carried over to the new database. This places children at risk and must be resolved immediately.

The Inquiry was also advised by the AST Unit that the upgraded STMS is not capable of making payments to operators or TSOs. This has been confirmed by senior management. It is understood that this needs to be rectified by 17 February 2012 if automated payments

REVIEW INTO ASSISTED SCHOOL TRAVEL – REPORT

to operators and TSOs are to commence. The Inquiry also heard evidence that contingency plans are in place to make manual payments for the small number of payments for contracted services rendered in the month of January.

If the required upgrades to the system to enable automated payments are not made in time for the processing of payments for contracted services rendered in February, it is clear that further disruption to the Program will occur. This matter requires attention at the highest levels, and needs to be rectified as soon as possible.

The Inquiry therefore makes three further recommendations:

6. That, by early next week, DEC should advise parents and carers of students, and principals, of the possible consequence of the defect in STMS, which is that drivers and TSOs might not be aware of the health and welfare needs of the children in their care. Parents should contact their transport operator directly, to advise of any special requirements that might not have been communicated through the STMS.
7. That payment functionality in STMS be resolved as a matter of priority by DEC Information Technology.
8. That, in the event of STMS functionality not being quickly restored, a contingency plan should be put in place for alternative payment arrangements on an indefinite basis (i.e. not just to cover January payments) to ensure that operators and TSOs are paid in accordance with DEC's contractual obligations.

ATTACHMENT A

REVIEW INTO ASSISTED SCHOOL TRAVEL TERMS OF REFERENCE

JANUARY 2012

Mr Ken Boston is authorised by the Director General of the Department of Premier and Cabinet, both generally and under section 159A of the *Public Sector Employment and Management Act* where applicable, to conduct a review on his behalf.

The review is to inquire into and report on the circumstances by which transportation under the Assisted School Travel (AST) Program was not available to some eligible students on and from the first day of the 2012 school year.

Students with a disability who are unable to travel to and from school under Transport for NSW's School Student Transport Scheme may be eligible for access to transport assistance under the AST Program administered by the Department of Education and Communities (DEC). The AST Program provides specialised door-to-door transport assistance for eligible students between their permanent residence and school, at no cost to families, where parents and carers are unable to provide or arrange transport for the student either fully or in part.

The review is to inquire into, and report upon, the following matters:

- (a) The circumstances by which it came to be that AST Program transportation was not made available to all eligible students on and from the first day of the 2012 school year (the "incident"), including an identification of the reasons for the incident and any contributing factors, whether acts or omissions.
- (b) An identification of any agency and, if relevant, individual staff responsibility for any failures which contributed to the incident, including by reference to any risks that were or should have been known, and the manner in which those risks were or were not dealt with.
- (c) The provision of information and assistance to the parents and carers of affected students, including the content, manner and timing of communications and the provision of alternative transportation.
- (d) Any steps that should be taken now or in the future to ensure that the incident is not repeated.
- (e) Any other matters relevant to the above.

The report on the review may include recommendations relevant to the matters above, including, if appropriate, recommendations that consideration be given to the taking of disciplinary or other action.

A final report is to be submitted to the Director General by 10 February 2012.

**ATTACHMENT B - INDEX OF DOCUMENTS
REVIEW OF ASSISTED SCHOOL TRANSPORT**

DOCUMENTS PROVIDED TO THE INQUIRY			
#	Briefings from DEC to the Minister for Education	Date	Provided by
1.	Disruption to Assisted School Travel (AST) Services 30 January 2012 (MT11/68)	31/01/2012	Minister Piccoli's Office
2.	Assisted School Travel Program – Supreme Court Proceedings by NSW Taxi Council Limited and Teamcard Pty Ltd and Non-Government School Support (MT 11/985) <i>Tab A – copy of briefing DGS 11/625</i> <i>Tab B – Supreme Court Decision Team Card Pty Ltd v State of NSW</i>	08/09/2011	DDG F&I, DEC
3.	Revised Policy and Guidelines for the Assisted School Travel Program (DGS 11/477)	07/07/2011	DDG F&I, DEC
4.	Extension of contract arrangements AST Program (DGS 11/625)	06/06/2011	DDG F&I, DEC
5.	Consultancy for the engagement of a probity advisor for the AST program tender process (DGS 10/1579) <i>Tab A – Probity Advisor Tasks</i> <i>Tab B – O'Connor Marsden Consulting quote</i>	28/10/2010	DDG F&I, DEC
6.	Extension of contract arrangements and rate increase for transport operators under the AST program (DGS 10/1181)	24/08/2010	DDG F&I, DEC
Briefings to Director General			
7.	AST Emergency Acquisition – Advice to State Contracts Control Board (DGS 12/118) <i>Tab A - Letter to State Contracts Control Board</i> <i>Tab B – email DDG F&I to Director</i>	31/01/2012	DDG F&I, DEC
8.	Assisted School Travel Scheme (DGS 10/1685)	16/11/2010	DDG F&I, DEC
Parliamentary documents			
9.	House Folder Note on AST Tender - iterations between 20 October 2011 and 24 January 2012	24/01/2012	DEC, AD Administrative Services
10.	House Folder Note on AST Tender - iterations between 31 May 2011 and 8 October 2011	08/10/2011	DDG F&I, DEC
11.	Budget Estimates 2011, Question on Notice Assisted School Travel Program 2011/2012 Budget	01/11/2011	DDG F&I, DEC
12.	2011 Parliamentary Estimates, Assisted School Travel Program	7/10/2011	DDG F&I, DEC
Assisted School Travel tender & program documents			
13.	AST Project Plan, October 2012 – January 2012	14/10/2011	Program Coordinator, Procurement, DEC
14.	Script for AST Unit staff to parents	26/01/2012	AST Unit, DEC
15.	Request for Tender	4/11/2010	DEC
16.	Eligible Service Provider List Contract for the Provision of Assisted School Travel Services to the Assisted School Travel Program		DEC

17.	Example of signed acceptance of rates as at 28 October 2011.	28/11/2012	DEC
18.	Example of a run card		DEC
19.	Assisted School Travel Program Guidelines 2011		DEC
20.	ASTP All Tenders Evaluation	02/02/2012	DEC
21.	Expression of Interest, Excel, Master File	02/02/2012	DEC
	AST Tender Steering Committee docs	Date	Provided by
22.	Meeting 9 – minutes and meeting papers	13/10/2011	DEC
23.	Minutes – Meetings 1, 2, 3, 4, 5, 6, 7, 8	27/08/2010 to 30/08/2011	DEC
	Other		
24.	Apology from Director General to parents and carers	30/01/2012	DEC
25.	Premier's Media Release	31/01/2012	
26.	DET Shared Service Centre, Balance Scorecard July 2011 to June 2012	2011-2012	DDG F&I, DEC
27.	Deloitte Review of School Student Special Transport Scheme	08/05/2008	DEC
28.	Emails provided to the inquiry	various	various

	Correspondence	Date	Provided by
1.	From Mr Brian Davidson. Response from Mr Hugo Hamstorf.	08/05/2011	Minister Picolli's Office
2.	From Mr Todd Barrett. Response from Minister Piccoli.	10/11/2011	Minister Picolli's Office
3.	From Andrew Cornwell MP, Member for Charlestown, on behalf of Mr Tom Colquhoun. Response from Minister Piccoli.	10/11/2011	Minister Picolli's Office
4.	From Mr Peter Kirsop. Response from Mr Hugo Hamstorf.	15/11/2011	Minister Picolli's Office
5.	From Clayton Barr MP, Member for Cessnock, on behalf of Mr and Mrs Gray. Response from Minister Piccoli.	15/11/2011	Minister Picolli's Office
6.	From Mr Brooks MP, Member for East Hills. Response from Minister Piccoli.	21/11/2011	Minister Picolli's Office
7.	From Mr and Mrs Gray. Response from Minister Piccoli.	23/11/2011	Minister Picolli's Office
8.	Representation from Mr Barr MP, Member for Cessnock, on behalf of Mr Todd Barrett. Response from Minister Piccoli.	28/11/2011	Minister Picolli's Office
9.	From Central Coast Private Operators (anonymous). No Response.	30/11/2011	Minister Picolli's Office
10.	From Hon Shelley Hancock MP, Member for South Coast on behalf of Ms Pamela Constable. Response from Minister Piccoli.	06/12/2011	Minister Picolli's Office
11.	From Mr Peter Ramshaw, CEO NSW Taxi Council. Response from Mr Hugo Hamstorf.	15/12/2011	Minister Picolli's Office
12.	From Mr Brian Davidson. No response on file yet.	09/01/2012	Minister Picolli's Office
13.	From Nathan Rees MP on behalf of Lillian Astori. No response on file yet.	23/01/2012	Minister Picolli's Office
14.	From Graham Annesley MP, Member for Miranda, on behalf of Max Groll. No response on file yet.	24/01/2012	Minister Picolli's Office
15.	From Oscar Upton. No response on file yet.	29/01/2011	Minister Picolli's Office

	Unsolicited submissions	Date	Provided by
1.	Ann Johnson, impacted parent	30/01/2012	N/A
2.	Stephen Trln, contractor	30/01/2012	N/A
3.	Peter Ramshaw, CEO NSW Taxi Council	02/02/2012	N/A
4.	Katrina Clarke, Association for Children with a Disability NSW	03/02/2012	N/A
5.	Jenny O'Neill, driver with Carenne Support Ltd	06/02/2012	N/A
6.	Gillian Salmon, impacted parent	02/08/2012	N/A

ATTACHMENT C - REVIEW OF ASSISTED SCHOOL TRANSPORT
Interviews conducted by the inquiry.

DATE	TIME	POSITION	NAME
1/02/2012	14:00	Deputy Director General, Finance and Infrastructure, DEC	Hugo Harmstorf
1/02/2012	15:00	Director, Finance Shared Services, DEC	Ian Anderson
1/02/2012	16:30	Minister for Education, Chief of Staff	Sheridan Dudley
2/02/2012	9:00	Assistant Director, Administrative Services, DEC	Barbara Soiland
2/02/2012	10:00	Manager, Assisted School Travel Unit, DEC	Catherine Naismith
2/02/2012	13:30	Director, Disability Programs, DEC	Brian Smyth King
3/02/2012	10:00	Former Director, Administrative Services, DEC (Retired)	Ian Gillespie
3/02/2012	11:00	Program Coordinator, Procurement, DEC	David Malcolm
3/02/2012	12:00	Acting Director, Administrative Services, DEC (during Ian Anderson's absence)	Christopher Shaw
3/02/2012	14:00	Transport Operator	Les Ross
3/02/2012	15:00	Deputy Director General, Finance and Infrastructure, DEC	Hugo Harmstorf
3/02/2012	16:20	Minister for Education, Chief of Staff	Sheridan Dudley
3/02/2012	16:30	Minister for Education	Adrian Piccoli
7/02/2012	11:00	Assisted Student Transport Team, DEC	
		Leader Operations	Angelo Guarnaccia
		Leader Finance and Compliance	Sandra Marsic
		Operations and Compliance Officer	Chris Angelucci
		Team Leader Country Team	Mary Ferri
		Allocations Officer City Team	Maurene Orr
		Team Leader City Team	George Kalinin
		Public Service Association Organiser	Tony Heathwood
7/02/2012	14:30	Manager, Assisted School Travel Unit, DEC	Catherine Naismith
7/02/2012	13:00	Assistant Director, Administrative Services, DEC	Barbara Soiland
7/02/2012	13:30	Director, Finance Shared Services, DEC	Ian Anderson
8/02/2012	10:00	Parent of impacted child	George White
8/02/2012	11:00	Chief Information Officer, DEC	Paul Hopkins
8/02/2012	12:00	Acting Director General, Office of Education, DEC until August 2011	Pam Christie
8/02/2012	14:30	Chief Information Officer, DEC	Stephen Loquet
		Project Manager, ITD, DEC	Steven Hicks
		Senior Manager, Enterprise Corporate Systems, ITD, DEC	Christopher Brown
8/02/2012	15:20	Director General, DEC	Michelle Bruniges
8/02/2012	15:30	Program Coordinator, Procurement, DEC	David Malcolm

**ATTACHMENT D – CHRONOLOGY OF EVENTS
REVIEW OF THE ASSISTED SCHOOL TRANSPORT**

22 December 2009	Previous Government agreed to changes in the Assisted School Transport (AST) scheme. Deloitte prepares a report making recommendations about the scheme. Few recommendations are accepted.
29 July 2010	Budget Committee of Cabinet endorses a recommendation for a new tender round for the AST.
4 November 2010	Request for Tender is called.
20 December 2010	Tender closes.
December 2010	Taxi Council launches Supreme Court action against Tender process. Hearings set down for February 2011.
February 2011	Director, Finance Shared Services becomes responsible for Administration (inc. the AST unit).
14 February 2011	Supreme Court hears Taxi Council matter and reserves his judgement.
6 June 2011	Minister for Education provided with a brief, outlining a contingency for the AST scheme (extension of existing contracts to July 2012) in the instance that the Supreme Court does not make a timely ruling in the Taxi Council Case.
5 September 2011	Supreme Court brings down its judgement and rules in favour of the Department.
8 September 2011	DEC provides a briefing to the Minister's Office advising of the outcome of the case. Brief notes that an Appeal is expected and that if this eventuates, DEC would take the option to extend the existing contracts in line with the approved brief of 6 June. <i>The brief does not outline any other contingency plans if an appeal is not lodged.</i>
3 October 2011	Appeal period for Taxi Council Case lapses, DEC progresses with Tender process.
10 October 2011	A constituent writes to the Minister for Education complaining about funding cuts to the AST scheme. The Minister responds, explaining changes to the scheme, and particularly that funding is not being cut.
20 October 2011	Assistant Director, Administrative Services, prepares a House Folder Note regarding the AST Scheme. The note identifies that some operators (particularly those on short runs) may withdraw from the tender process. <i>This risk is ultimately not borne out as 96% of tenderers seek inclusion on the eligible provider list.</i>
21 October 2011	Initial offers are made to tenderers. 625 drivers sign up to eligibility list through the following month.
November 2011	An additional Expression of Interest Round is launched to provide "further service capability". 81 further operators sign up over the following month.
	Manager, Assisted School Travel Unit verbally advises Assistant Director, Administrative Services, that her team has received anecdotal suggestions from operators that they may not accept short distance runs as a consequence of the changes in rates.
6 December 2011	Ministerial CEOs meeting. Briefing on return to school issues. Brief identified 96% of drivers had signed on to the eligibility list. Some concerns raised that as a consequence of changes that there may be some "disruption" to children's routines or the

	possibility of a lack of capacity due to a shortage of operators (being mitigated by the EOI round) and that in this instance communication with parents would occur in mid-January.
13 December 2011	Ministerial CEOs meeting. No mention of specific risks with AST scheme.
January 2012 (Throughout)	From the week after New Years in January, run sheets sent to drivers on eligibility list.
16 January 2011	Director, Finance Shared Services, on Annual Leave.
17 January 2011	Ministerial CEOs meeting. No mention of specific risks with AST scheme.
	Correspondence collected from Electorate offices suggests that at this stage the AST team is advising parents that as the AST team is still allocating runs they cannot guarantee transport at this time.
24 January 2011	Ministerial CEOs meeting. No mention of specific risks with AST scheme.
	Adviser in Minister Piccoli's office calls Manager AST Unit around noon following a constituent inquiry. Manager's response suggests a broader problem exists. Adviser asks "are we talking 5 kids, or 500?". Manager responds that she can't tell with any certainty, but commits to provide numbers to the Minister's office by 12 noon on the 25 Jan.
25 January 2012	9am: Adviser raises AST scheme as a potential issue at the morning staff meeting of the Minister's office.
	Sometime during the day, Deputy Director General Finance and Infrastructure, is first advised by Acting Director Administrative Services that 365 students may not have transport on Monday.
	12:45am: Adviser receives a call from Deputy Director General Finance and Infrastructure, indicating that 66 runs had been rejected, leaving approximately 365 children without transport. A possible further 500 may also be affected. Adviser immediately advises the Chief of Staff. Chief of Staff contacts the Director General on behalf of the Minister (who is out of mobile range) and tells the Director General to "Fix it". Director General indicates she has just passed the same message on to Deputy Director General Finance and Infrastructure directly.
	Around 2pm Adviser emails Deputy Director General Finance and Infrastructure with a request for further information including the numbers and locations of the affected children.
	4 or 5pm. Premiers Office contacted and advised of problem.
	From Wednesday, AST Team begins to contact parents directly to suggest they make alternate arrangements, as runs have not yet been finalised.
26 January 2012	AST Team work through Australia Day and into the weekend.
30 January 2012	Director, Finance Shared Services, returns from Annual Leave (first school day of 2012).