

## Article Information

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## How the transport sector is responding to COVID-19

**The Coronavirus COVID-19 pandemic is rapidly affecting the way we go about our lives. Perhaps one of the greatest challenges for government authorities and public passenger providers is balancing the need to maintain essential service levels with the risk of potential spread of infection among passengers and drivers.**

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Public transport systems are considered to be a high risk environment for the spread of disease as there are a large number of people in a confined space with a variety of commonly touched surfaces (i.e. grab rails and ticket machines). This is especially the case for COVID-19 as it is primarily spread between people in close contact with an infected person who produce respiratory droplets when they cough or sneeze which can be inhaled or contaminate surfaces.

However, there are a number of measures that service providers can adopt to ensure the continued operation of public passenger services.

### *How public transport systems across the globe have responded so far*

As of 24 March 2020, the vast majority of public passenger services across the globe are continuing to run, albeit to reduced operating schedules. Paradoxically, this measure may in fact increase demand for services where patronage does not reduce in line with the service levels being provided.

Only a handful of jurisdictions such as India and Ukraine have suspended public passenger services completely. Nevertheless, it is clear that public transportation should be maintained as long as practicable in order to support frontline health and emergency services as well as other essential businesses that have not yet been directed by government to close down.

Shenzhen Bus Group in China is a leading example of how essential passenger services can continue to be delivered while ensuring the safety of drivers and passengers. Shenzhen Bus Group operate a fleet of 6,000 buses, 6,000 taxis and employ 20,000 staff, in a city of 20 million people which was affected by a government enforced lockdown.

The company implemented a number of temporary changes to mitigate the spread of COVID-19, including:

- only carrying a maximum of 50% passenger capacity to avoid close human contact;
- having spare buses on standby to handle peak demand (so as to ensure maximum loadings of 50%);
- increasing the cleaning of commonly touched surfaces in vehicles; and
- ensuring staff maintain social distancing in common areas (i.e. meal rooms).

So far, the adoption of these practices has successfully prevented the spread of COVID-19 on the company's passenger services.

According to the International Association of Public Transport (UITP), operators should also consider:

- introducing rear-door boarding to reduce contact between passengers and drivers;
- identifying qualified employees (i.e. operational staff) who could be used as back up drivers, if required; and
- operating to a weekend timetable which passengers are already accustomed to and operations are already prepared for.

It is noted that some Australian operators have already implemented some of these measures. For example, Transport for Brisbane has adopted rear-door boarding, removed access to the front left-hand passenger seat in vehicles, and moved to cashless (go-card only) payment as of 25 March 2020.

#### *The economic impact of COVID-19 on the transport sector*

There is no doubt that all public transport systems will incur substantial financial losses as a result of reduced patronage and decreased service levels. For instance, Transport for London have estimated the financial impact of COVID-19 to be up to £500 million on a best case scenario. Likewise, Shenzhen Bus Group experienced a 86% reduction in patronage on their bus services during the two month isolation period in China.

While the full impact of COVID-19 is yet to be quantified in Australia, it is clear that this issue is not only isolated to public passenger service providers. Rather, all operators of passenger vehicles will be severely affected especially those who provide charter or tourist services.

While most public passenger service providers in Australia are remunerated by government on a gross cost payment model (i.e. not based on passenger revenue), other operators without the safety net of contracted work are especially vulnerable to government mandates on social distancing and self-isolation, as their work is primarily dependent upon the movements of school students, tourists, and social groups. Accordingly, COVID-19 has already and will continue to threaten the financial viability of these businesses which are often family-owned, particularly in the charter and tourism market.

This poses a number of questions for businesses in the transport sector such as:

- can we stand down our workforce?
- can we seek any relief under our current premises lease?
- what action can we take to avoid insolvency?
- what is the best way to seek recovery of a debt?
- how can we best protect our assets on loan or consignment to another business?

Piper Alderman have leading experts in the field of employment relations, real estate, insolvency, debt recovery and corporate securities who can provide you with tailored advice to help mitigate the effects of COVID-19 on your business.

For example, directors who are concerned about the solvency of their company may be entitled to seek a [‘holding’ deed of company arrangement](#) (DOCA) which can help you to keep staff employed and earning a salary while the business continues to trade ‘as usual’ until the pandemic passes.

Also, the Australian Government has now passed the *Coronavirus Economic Response Package Omnibus Act 2020* (Cth) which includes a new safe harbour for directors against insolvent trading. This initiative has been welcomed by directors, but care needs to be taken because the new safe harbour only applies to new debts incurred in the ordinary course of business. The new safe harbour is in addition to the existing safe harbour for directors under the *Corporations Act 2001* (Cth) which continues to be available for eligible businesses.

*Piper Alderman is assisting clients on the spectrum of legal issues arising from the pandemic. Please view our [COVID-19 Resource Hub](#) for more information on areas including **employment, industrial relations, construction law, insolvency and property**.*