

ESTIMATING THE WIDER BENEFITS OF PUBLIC TRANSPORT

26 August 2014

The Independent Pricing and Regulatory Tribunal (IPART) is undertaking a review of the benefits to the wider community when people use public transport, to determine how future fares should be set.

The *External Benefits of Public Transport Review* will identify and measure the role public transport plays in society as the basis for determining how much the NSW Government should subsidise services and how much passengers should pay.

IPART Chairman, Dr Peter Boxall, said the review recognises that the role of public transport is twofold.

“Trains, buses and ferries fulfil two key functions. They move people to where they want or need to go, but they also benefit the whole community by reducing congestion, and cutting pollution,” Dr Boxall said.

Under IPART’s most recent fare determinations, public transport passengers across Sydney should be paying 28% (for rail) and 54% (for buses) of the efficient costs of providing the services, with the rest recovered from taxes paid by NSW residents and businesses in recognition of the benefits of public transport to the wider community and to fund discounts for concessions fares.

“Across trains, buses and ferries, the actual Government subsidy – ultimately paid by taxpayers – is more than \$4 billion per year,” Dr Boxall said.

“It is right that fares don’t cover the entire costs of providing the services, but it’s important to ensure that the balance is correct. In the case of trains, for example, only around 20% of the Sydney population uses them regularly, but they cost each and every household in NSW more than \$20 a week, whether they use the service or not.”

The review will update the approach IPART adopted five years ago to estimating what share of efficient costs should be paid for through fares.

“IPART will reconsider how much car use is avoided when people take public transport in Sydney, quantifying the net value of this avoided car use to the community, but we are also considering whether there are other things we need to take into account,” Dr Boxall said.

“Population growth, changes in driving behaviour, shifting peak hours, new toll roads, and more efficient car and bus engines, all have an impact on the wider benefits of public transport, so we now need to look more broadly and consider a wider range of external benefits and costs.”

“As well as congestion and pollution, the benefits of public transport use may include avoided car accidents and savings in travel time that are made as services become more frequent, but there are also costs associated with encouraging more people onto public transport such as overcrowding and the cost of the funds needed to provide the services.”

Submissions are being sought in relation to:

- ▼ What external benefits should be included in determining public transport fares.
- ▼ The total value of those external benefits for the Sydney public transport network.
- ▼ The benefits accrued at different times of day.
- ▼ The costs associated with increased travel times.
- ▼ The pollution emitted as a result of extra fuel consumed.

“This review will have long-term implications for future transport fares, so submissions now will help us ensure that passengers and the rest of the community pay their fair share when fares for buses, trains and ferries are set for 2016 and beyond,” Dr Boxall said.

Details about the *External Benefits of Public Transport Review* are available at www.ipart.nsw.gov.au. IPART is inviting public comment about the proposed approach before 30 September 2014. A draft report will be released for further comment and a public hearing held in November, before the final report is released in late March 2015.

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