

# Action for Public Transport (NSW)

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The Chairman  
Independent Pricing and Regulatory Tribunal of NSW  
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Dear Mr Boxall,

## Review of fares for metropolitan and outer metropolitan bus services from January 2014

### Introduction

Thank you for the opportunity to comment on your Issues Paper for the above review. Our responses are given below together with our comments on other relevant matters.

### Background

The current regime of bus fares dates from late 2009 when IPART set a four-year pricing path for fares covering the years 2010 to 2013. This was a rather challenging period during which the MyZone fare system was introduced (April 2010) and there was a change of government (March 2011). The current determination expires in December 2013.

IPART has also recently completed a review of CityRail fares for the period 2013 to 2015. This will be another challenging term as the Opal smartcard, now in trial, will be in widespread use over all modes throughout the Greater Sydney area.

Reviews of fares for rural and regional buses, government ferries and private ferries have also been completed and implemented.

### Executive Summary

APT agrees generally with most of IPART's proposals for calculating the various figures required for the review.

We caution against any attempt to implement peak and off-peak fares on buses before the Opal card is in widespread use.

We also recommend that IPART look closely at the possible loss of traditional discounts when Opal replaces long-term MyMulti tickets.

We recommend that IPART makes determinations that will facilitate the ultimate fare harmonisation across all modes – bus, train, tram and ferry.

### Pricing Principles for Fare Setting

Section 6.3 of the Issues Paper says that the Passenger Transport Act requires IPART to have regard to a certain range of factors. This list includes “such other matters as the Tribunal considers relevant”.

As well as those factors, IPART will also consider the following factors:

- simplicity
- cost reflectivity
- revenue sufficiency
- price signalling (including peak and off-peak pricing)
- consistency with existing fares
- equity

IPART asks the question - are there any other factors we should take into account?

### Specific issues on which IPART seeks comment.

#### **1. Should we base our determination of fares on the costs and benefits of providing bus services in the four largest contract regions (STA regions)?**

Note. The four STA regions account for 65% of all boardings. The other eleven metropolitan regions account for 27%, and the ten outer metropolitan regions account for the other 8%.

Response:

Yes. We agree with your proposal for the reasons given – most significant and best records.

#### **2. Should the length of the fare determination period be 3, 4 or 5 years?**

Response:

Not five years, but three or four. By the end of four years (2018) the Opal card should be fully implemented and widespread.

#### **3. We propose to use a building block approach to establish the efficient costs of providing bus services in the four largest contract regions. Do stakeholders agree with this approach?**

Response:

Yes. We agree with your approach.

**4. Have there been any changes in the four largest regions (STA regions) that would warrant a revaluation of existing assets that make up the Regulatory Asset Base (RAB)?**

Response:

No comment.

**5. We propose to allocate the efficient costs to be recovered from passengers and taxpayers on the basis of the external benefits of bus services in the four largest contract regions. Do stakeholders agree with this approach?**

Response:

Yes. We agree with your approach.

**6. Should we determine the average change in fares rather than determine maximum individual fares for bus services?**

Response:

This approach seems to have worked for the train fares, so it could be tried on bus fares.

**7. Should we allow a "catch up" factor so that if fares increase by less than the maximum amount allowed in one year, then the foregone revenue can be recovered in subsequent years?**

Response:

No. Governments forgo approved fare increases for political purposes leading up to an election, and would then apply the "normal plus forgone" increases after the election.

**8. Should we apply additional price limits to any individual fare type(s)?**

Response:

Yes. There may be circumstances where this is desirable.

**9. Should we consider the merits of introducing peak and off-peak fares for buses?**

Response:

This is a can of worms, or more aptly, a nest of vipers. Worms don't come back to bite you.

The proposal has merit if the aim is to encourage a shift of passengers from peak to off-peak times. While the limited CityRail off-peak fares work well with conventional tickets, it would be very difficult to implement on buses without a smartcard.

Some aspects which need to be examined include:

- (a) Would off-peak fares be effective in transferring the load?
- (b) What percentage difference would be appropriate?
- (c) Would the differential be a penalty on peak fares or a discount on off-peak fares?
- (d) Would the differential apply only to single tickets or also to multi-trip tickets?
- (e) Would the morning peak be all hours before 9 am? Or would there be a pre-peak period before, say, 7 am?

- (f) Would there be an afternoon peak period as well as a morning peak period?
- (g) Would there be regional differences in applying the differential fare?
- (h) Would it be necessary to apply the same rules across all modes of public transport?
- (i) Would school children and pensioners with concession tickets be excluded from peak hours?
- (j) What would classify a bus as being peak or off-peak? The time it started its run, the time that the passenger boarded, or the time it was scheduled to reach the CBD? How would an intending passenger tell the difference?
- (k) Would any operational savings be cancelled out by increased administrative costs and reduced revenue?

The discounted off-peak return rail ticket works well because it can only be purchased at the railway station on the day of travel. It cannot be pre-purchased outside, and is not part of a multi-ride ticket. However, it can be unfair in some cases. People whose regular work shift is, say, from 11 am to 7 pm cannot buy a weekly off-peak ticket. Also, tourists wishing to catch an early morning week-day train from the city to Katoomba must pay full fare although they are travelling in the counter-peak direction and not adding to any overcrowding.

For rail travel, any dispute about the fare is sorted out at the ticket box. For bus travel, the argument would take place at the bus door.

For rail travel, the passengers who wait for the first train after 9 am hardly make any difference to the overall load in an eight-car train. For bus travel, the number of people waiting for the first bus after 9 am could make a significant difference to the load on a bus with an infrequent service. This, in fact, used to happen when the Pensioner Excursion Ticket (PET) was not available before 9 am.

This recalls the time at an IPART review many years ago when a member of the IPART Tribunal, a lady of senior years, demolished the Ministry's attempt to ban pensioners from the trains before 9 am. She made the Ministry official calculate how many pensioners he expected would surge onto the trains in the morning peak. His embarrassed answer was "about two per carriage".

Banning concession tickets on morning peak buses would cause many problems. There are schoolchildren for a start. Many people with a Seniors Card need to take early buses to medical appointments, to baby-sit grandchildren and for travel their volunteer jobs.

Brisbane has an afternoon peak period from 3.30 to 7.00 pm. Before the widespread use of Gocard, this caused inconvenience when people overstayed their day out, and had to pay a peak fare home. It was sometimes necessary to carry two TenTrip cards – a peak one and an off-peak one.

Geographical differences must be considered. An 8.30 am bus to Bondi Junction station is still peak hour, but an 8.30 bus to Penrith or Gosford stations would be well past peak hour.

Peak hour buses travelling in the non-peak direction would in most cases not be crowded, but there are exceptions like Macquarie University and the South Sydney industrial areas. Some bus routes, such as the 412 and 480/483 provide peak hour services to the CBD, but also have reverse peak hour services to the suburban terminuses at railway stations. On cross-suburban routes such as the M91 and 444, which direction would be "peak" and "contra-peak"? Buses on Oxford Street, Bondi Road, and Parramatta Road carry peak hour loads both directions, all day, seven days a week.

Many of these problems will disappear when the Opal card is in widespread use, but allowances will always have to be made for people without a card.

**10. Are our proposed pricing principles relevant to determining fares for buses? Are there any other factors that we should take into account?**

Response:

Encouraging modal shift.

Fares should be set to encourage a modal shift from private motor cars to public transport. This applies not only to single travellers but also to groups, especially of adults and older children. Sometimes a car trip, including parking, can be comparable to multiple bus fares.

For modal shift to occur, the practice, as well as the price, must be made attractive. People who drive everywhere usually know little about tickets – what kind there are, how much they cost, where to buy one, how to use it, etc. IPART needs to give consideration to the plight of the occasional bus user, for whom the task of buying her first ticket is simply overwhelming. It does not seem logical to micro-examine prices while ignoring the great bulk of potential users, motorists, who wouldn't know how or where to buy a ticket should they need one.

### **11. Are there any other factors we should consider when determining forecast patronage growth over the next three to five years?**

Response

Very difficult without a crystal ball. The Global Financial Crisis, which caused a reduction in CBD patronage, was only “predicted” by experts in hindsight.

The proposed light rail projects in the CBD and Eastern Suburbs are unlikely to see any wheels turning for many years. The light rail extension to Dulwich Hill, due for completion next year, could take patronage from buses in the Leichhardt and Five Dock area, provided a multi-mode ticket can be used. At the Dulwich Hill end, the line runs transverse to the bus routes and would probably not take any passengers from the 423, 426 and 428 buses.

Newspapers report that young couples are shunning or leaving houses in the outer western suburbs in favour of large high-rise residential buildings in the inner west and inner south. These areas may require more buses. With the completion of the Trio complex on the former Children's Hospital site at Camperdown a few years ago, the morning 470 bus frequency had to be increased to every two minutes, including some “bendy buses”. The glut of baby-wear shops around Leichhardt and the filling of local schools, once listed for closure, are more signs of what is to come.

And the post-war baby-boomers are all entitled to Seniors Cards now.

#### Fare Harmonisation – the Next Step

As we have said in these submissions for many years now, Sydney is the only capital in Australia where a person can still buy a train ticket. Everywhere else, people just buy a ticket, and use that to travel from A to B on whatever is offering – train, tram, bus or ferry. Only in Sydney does the government allow different fares for each mode.

In Brisbane, a person can travel from Toowong to the CBD on a train, bus or ferry – all on the same ticket at the same price. In Sydney there are three different fares to travel from Milsons Point to the CBD by train, bus or ferry.

IPART is required by legislation to review fares for the different modes separately, but that should not prevent the ultimate fare harmonisation from being pursued. Instead, Opal card fares announced by the Minister over recent weeks have inherited the same old system.

Section 2.6.1 of the Issues Paper says “the introduction of the Opal card has implications for the structure and level of bus fares”. Yet IPART seems to have made no move to identify and resolve those implications.

### The Opal Card

While the discounts for frequent users of Opal cards on ferries and trains appear reasonable on a weekly basis, there is concern about the loss of discounts for long term tickets. Two letter writers in the Sydney Morning Herald dated 5th June complain they will be hundreds of dollars worse off. Is this in breach of IPART’s determination of maximum rail fares?

APT does not have the resources to investigate these problems, but we alert IPART to the possibility of similar complaints when long-term MyMulti ticket are replaced by Opal cards.

### IPART Deliberations Generally

We know that IPART is required by legislation to go through this rigmarole every year, but to APT it seems like an unnecessary exercise. Governments in other capital cities don’t endure a nine-month gestation period to bring forth next year’s bus and train fares. They just determine a percentage increase somewhere north of cost increases and somewhere south of the trigger for public and back-bencher outrage.

We also understand that income has to be collected, expenditure has to be controlled, and work practices have to be efficient. However, surely there are already enough supervisors, managers, cost accountants, internal and external auditors, and departmental and treasury heads to perform those functions.

### External Benefits

We note (Section 1.2) that IPART “will engage consultants to assist us in estimating efficient costs and external benefits generated by bus services in the four largest contract regions”. The reports produced by consultants engaged for last year’s ferry fare review were not well received by some stakeholders. We look forward to this year’s reports and trust that stakeholders can have some input.

### Adherence to Government Plans

Many plans have been produced by the NSW government over recent years detailing how public transport is to be improved. The two latest ones are:

CONNECTIONS –The Transport Department Corporate Plan 2012-17

<http://www.transport.nsw.gov.au/sites/default/files/b2b/publications/corporate-plan-2012-17.pdf>

NSW LONG TERM MASTER TRANSPORT PLAN December 2012

<http://www.transport.nsw.gov.au/sites/default/files/b2b/publications/nsw-transport-masterplan-final.pdf>

The Tribunal should ensure that its recommendations are aligned with the principles in these and other government strategies.

Conclusion

We look forward to continued engagement with IPART during the course of this review.  
We have no objections to this submission being made public.

Yours faithfully,

Allan Miles  
Secretary  
Action for Public Transport (NSW)