

Independent Pricing and Regulatory Tribunal,  
PO Box Q290,  
QVB Post Office NSW 1230

## **2012 Review of rural and regional bus fares – Submission by Priors Bus Service**

Dear Sirs,

I am writing to voice my concerns about the negative impact your recommendations will have on the development of public transport in regional New South Wales. Our company holds a Type A and Type B contract with Transport for NSW and is a member of Bus NSW. As we also have run a long distance coach service from the south coast to the Southern Highlands and Greater Sydney since 1995, we are putting in a separate submission to IPART.

Before the advent of the Passenger Transport Act 1992 bus operators in NSW survived under a contract that could be terminated at one months notice. These conditions were not conducive for operators to invest in bus depots or transport services. Operators also had difficulty getting finance for buses.

The Hon Bruce Baird the Minister for Transport for NSW who oversaw the changes to the Passenger Transport Act 1992 presented Mr Ron Prior the proprietor of Priors Bus Service with a Commercial Contract (Type B) for Batemans Bay. Ron Prior's father had started the bus service over 50 years before and it has remained in the family to this day. The Minister attended the depot the following day and stated to the drivers that one of the most important outcomes for him was the new contracts provided security to operators and would generate more employment opportunities for drivers in the bus industry in rural areas.

The changes by the Department of Transport put responsibility for planning the school and service runs onto the bus operator. Transport was able to save a considerable amount of money by offering voluntary redundancies to officers who worked out school bus runs etc. The government also saved a considerable amount with the introduction of standardised fares for urban and rural fares for school students. Priors Bus Service for example had its rates cut to the order of 16-18%.

Commercial bus operators were also required to increase route passenger services with the introduction of minimum service levels and the introduction of the 400 metre standard. The changes increased costs while income from contracts decreased. Priors Bus Service only survived this cutback by getting more out of our school bus drivers and buses. Whereas most drivers were only doing one school run in the morning and afternoon previously, they had to do 2 or 3 runs each shift.



The changes brought in by the Passenger Transport Act 1992, produced big wins for the government in terms of improved performance from bus operators and improved standards of service for passengers, with significant cost savings and efficiency dividends through standardised fares and redundancies for the Department of Transport.

When the labour government announced the Unsworth Review, we put in a submission in which we opined the service run fares at that time had become too dear and we made the decision to freeze our service run fares. What has not generally been appreciated is that there was a significant turnaround in the relative value of cars and bus transport from 2000. As a result of the changes from the introduction of the GST and reductions in import taxes on cars- bus fares became dearer while motor vehicles became cheaper. So there was definitely a need to keep bus fares down in order to keep our customers using buses.

If there had not been any further intervention by the government, fares would have still been kept artificially low by bus operators because of the relative cheapness of motor cars. But bus operators also had options open to them to keep their customer base. Besides freezing our fares in 2000 we were able to show value with discounted weekly tickets designed to encourage regular travellers.

The \$2.50 RED fare for pensioners and senior citizens came out of the Unsworth Review and has now been in place for a number of years. While the \$2.50 RED has been hailed as a great success for increasing travel, it is flawed because :

- (a) a \$2.50 flat fares breaks the nexus between fares and distance;
- (b) which means that the customers will think any distance related fare is too dear;
- (c) this pressures operators into not passing on the fare increases approved by IPART; and
- (d) the end result is service runs become unsustainable without increased subsidy.

The introduction of the RED ticket has caused Priors Bus Service to extend the temporary freeze introduced in 2000 to local fares through to the present day. I have enclosed a copy of our fare structure at Attachment (A).

Our fares have been frozen since 2000 they are only about 60% of the IPART recommended fare, but we know customers will relate to the fare being charged. If the RED ticket was removed our customers who are mainly pensioners and senior citizens would face increased fares for any return trip of more than 3 sections. Over the maximum distance of our service runs which is 40 kms (ie a return trip between Batemans Bay and Moruya) the additional fare would be \$4.50 (ie nearly 3 RED tickets where 1 RED applied before)

Another change from the Passenger Transport Act 1992 was the deregulation of long distance coach services (ie for passengers travelling over 40 kms). The cutbacks in income from our SSTS income caused us to look at alternate sources of income. We identified a need for a long distance coach service for the Southern Highlands and Greater Sydney from the south coast. There was another coach



service running along the coast (Premier Motor Service) who has a Type B Contract with the Department of Transport for their service from Bega to Nowra/Bomaderry. Premier Motor Service continues onto service Wollongong, Sydney Airport and Sydney.

As we had a couple of spare coaches that were not being utilised, we commenced this service in 1995 and it proved popular with the residents, particularly during school holidays. Some the places we serviced do not even have town services.

We made a suggestion to the Unsworth Review that long distance operators should be allowed to carry people less than 40 km's if they had no other passenger services available to them. This recommendation was ignored. Instead Unsworth recommended the \$2.50 RED ticket which has decimated the long distance coach service we had been operating for almost 15 years after it was applied to Premier Motor Services coach service between Bega and Nowra /Bomaderry.

As most passengers from our area are pensioners and senior citizens they were able to book the RED ticket with Premier from anywhere on our route to Nowra and then stay on the coach to Sydney (for a full adult fare of \$27.50). Alternatively they could use the RED \$2.50 ticket to Bomaderry and catch Cityrail to Sydney for another \$2.50. The total fare with Premier Motor Service and Cityrail would be \$5.

After a lengthy period of slowly bleeding to death (financially) we had to make a decision about whether we should cancel the Scenic Express service which employed 3 drivers. We decided to keep the service going with cutbacks. The service was withdrawn from towns south of Moruya (ie Tuross, Dalmeny and Narooma) and we also reduced the number of days the service ran from 6 days to 5 days a week. However, this on its own was not enough, to stay in business we have had to restrict our service to a 20 seat coach, which is the only vehicle that can be run for the fares that can be charged since the introduction of the \$2.50 RED excursion ticket on Premier Motor Services long distance coach service.

The one thing we have learned over the 17 years we have been running the Scenic Express service is that your fares have to cover costs. This was not an issue until Transport introduced the RED ticket on Premier Motor Service's long distance coach service.

However, while we have managed to survive that nonsensical policy decision by making cutbacks and restricting our numbers to a small coach, I really dread what would happen if your recommendation that the maximum fare for 70+ sections be restricted to \$23.80 is taken up.

At present Premier Motor Service lists on its website a fare of \$32 full adult from Moruya (which is our furthest destination south to Nowra /Bomaderry. If this fare was restricted to \$23.80 and half fare less than \$12, we would be pressured into reducing our fares and I know we cannot even run a small fuel efficient coach on those fares. If we cannot run from Moruya to Nowra/Bomaderry for IPART's recommended fare, how could Premier who operate 14.5 metre 3 axle coaches,



If Premier cannot run profitably from Moruya to Nowra/Bomaderry for IPART'S recommended fare of \$23.80, what would the impact be if they had to reduce their adult fare from Bega to Nowra/Bomaderry from \$ 48 to \$24 (and offer half fare and RED concessions to boot).

Your report has incorrectly claimed at page 6 paragraph 1, that long distance coach operators (over 40 km) such as Greyhound and Murrays ..... "do not receive contract payments from the Government ". This claim is incorrect. Besides Premier Motor Service operating a Type B contract for their service between Bega and Nowra/Bomaderry, Murrays receives contract payments from Transport for their long distance coach service between Canberra and the south coast (to Narooma).

Comments on IPARTS specific recommendations are as follows:

1. Any future contracts for rural and regional bus services should be competitively tendered

Your report does not produce once piece of evidence to support this recommendation.

All your evidence indicates that operators are voluntarily keeping their fares competitive and are not passing on maximum fare increases.

The claimed savings in the recently released tenders of metropolitan operators seem minimal and the claimed benefits appear cosmetic .

A press release issued by the government announcing the tender outcome, states that the Minister has discounted the idea of extending competitive tendering to regional areas. I would say this is because her advisers in Transport know it would not result in a positive outcome for the government and the exercise was "not worth the powder and shot" – as my father in law Mr. Ron Prior would often say.

However, If bodies like IPART persist in pushing this concept they will merely discourage existing operators from expanding services and look for areas where they can trim costs in case the scenario eventuates.

The benefits that accrued from the changes in the Passenger Transport Act 1992 by the Minister Bruce Baird proved that negotiated change can be far more productive and cost effective than forced changes by such things as competitive tendering.

2. Bus service contract for routes less than 40 kilometres that have a significant number of fare paying passengers should be made non-exclusive

Once again this report does not provide on shred of evidence to support this proposition. Bus operators have to spend years developing timetabled



services and they already have competition from community transport and club courtesy buses running over their routes. Maxi taxi's and charter operators also provide competition .

The end result if this recommendation was accepted is that operators would be reluctant to invest the time and money into developing timetabled services, so the consumer will lose out.

3. TfNSW should take a more active role in contract administration. In particular TfNSW should review reporting requirements to ensure that only necessary information (including information that would assist in future Government tendering) is collected and monitor all information provided to ensure that it is complete and accurate.

This recommendation again attempts to turn back the clock to pre 1992. After many years trying to exercise total control over the bus industry the government found it was more cost effective to let bus operators take more responsibility for providing services.

Irrespective of whether there are problems with the statistics collected from bus operators, they all demonstrate that operators are providing their services in a timely manner with minimal complaints.

4. We will move to a 5-year fare determination while retaining annual changes in fares based on indexing prices to publicly available inflators using the Bus Industry Cost Index.

See comments from Bus NSW

5. We will commence a new fare review and make a determination on maximum fares in response to material changes in efficient costs outside the control of the operator which are not captured by contract payments or through the Bus Industry Cost Index. We will also consider a new determination if there are major changes to the contracting arrangements.

See comments from Bus NSW

6. We will continue to use the existing weights from the Bus Industry Cost Index.

See comments from Bus NSW

7. We will use existing inflators for all cost items for the lease cost of buses and non-wage labour price inflators. We will inflate non-wage labour items by the wage price index. We will inflate lease cost of buses by applying a CPI increase to the purchase cost of buses and amortising this over 12 years

using the Reserve Bank of Australia's Business indicator rates (see Table 4.5 for existing and proposed cost inflators).

See comments from Bus NSW

8. We will apply a productivity adjustment of 0.3% for each of the next 5 years, which equates to the average annual gross output productivity in market sector industries between 1995 and 2010.

See comments from Bus NSW

9. We will continue to determine fares for each of 70 sections (equivalent to 112 kilometres of travel)

See comments from Bus NSW

10. The fare for travelling 70 sections will apply to all sections equal or longer than 112 kilometres.

This recommendation cannot be supported if you take costs of running a coach into account. If accepted Premier Motor Service and Murrays would have to reduce their existing adult and concession fares to comply with your recommended fare, eg

#### Premier Motor Service

Moruya to Nowra/Bomaderry distance 150 kms \$32 adult \$16 concession  
Bega to Nowra/Bomaderry distance 270 kms \$48 adult \$24 concession

#### Murrays

Moruya to Canberra distance 176kms (flexible fare ) \$25.70 adult \$12.85 concession

NB- I am advised that the 70+ section fares by Murrays have not increased since 1991, but they are still higher than IPART's recommended fare for 2013

While each operators cost can vary because of a number of factors, I do not think you can run a full size coach for the fare IPART claims.

If the recommended 70+ maximum fare came into force, we would probably cancel our Scenic Express service, because the contracted fares will inevitably flow through to reduced Sydney fares and cause us to again lose customers to Premier and Cityrail. We could not possibly compete with a



Moruya to Sydney (Premier /Cityrail) distance 309km fare of \$ 32 adult, \$ 15 60 concession. Our fares are \$40 adult and \$34 concession.

If the government actually wants to encourage the development of public transport in the country they would ensure that they did not force contracted operators to have fares that do not bear any relationship to distance or allow reasonable competition.

11. The Government consider whether it is necessary for longer distance journeys to be covered by Contract B

The government would know that if they withdrew support from Murrays on their Canberra to South Coast service and Premier Motor Service coach service from Bega to Nowra /Bomaderry that these services would either be withdrawn or be seriously cutback. This would leave the Eurobodalla and the South Coast which are important destinations in school holidays, without sufficient transport options - Cityrail stops at Bomaderry

Murrays has had competition from other operators servicing Canberra from the Batemans Bay end over the past 15 years, and we have been competing indirectly with Premier Motor Service.

What has to be taken into account is that with timetabled services travelling long distance, you have to run irrespective of how many passengers you have on board. You may run with good loads one way and with poor loads the other. Other days you might have only a few passengers on both ways. However, you cannot cancel through lack of numbers and you bear the full cost of the trip. This has to be met either by increased passenger loads in busy days or over school holidays.

A commercial operator has the advantage of being able to procure different size vehicles to match passenger numbers. So over many years we were able to run small coaches on quiet days and switch to large coaches on busy days and school holidays. These day we simply book out and leave the large coach(s) in the shed.

The introduction of the \$2.50 RED ticket resulted in us cutting back our Scenic Express service and withdrawing it from Tuross, Dalmeny and Narooma. If IPART's recommendation of a maximum fare of \$23.80 for 70+ sections is accepted, we will most likely close this service.

Withdrawing support from contracted services over 40kms will result in dramatically increased fares those services. Murrays for example are operating on a 1991 fare scale and they would have to recoup the

concession fare rebate . It would be reasonable to assume customers would respond negatively to the increased fares (I simply do not believe IPARTS assertion that fares are inelastic (we have been too badly burnt by the RED ticket fiasco)

The outcome of withdrawing contracts from Murrays and Premier would mean they would most likely cut back or cancel existing their service . Premier Motor Service has already reduced the number of days its long distance coach service from Sydney to Melbourne runs from daily to 3 days a week.

Yours Faithfully,



Paul Gilligan  
(Manager)

9 November 2012



# PRIORS BUS SERVICE

## PRIORS BUS SERVICE

ATTACHMENT A

### SERVICE RUN FARES

SECTION POINT	SUBURB	SECTION BBAY	SECTION MORUYA	ADULT	CONCESSION
PROMENADE	BATEMANS BAY	0	26		
MILLER STREET		1	25	\$1.30	\$0.70
JOES CREEK		2	24	\$1.90	\$1.00
SEA STREET		2	24	\$1.90	\$1.00
BATEHAVEN ROAD	BATEHAVEN	3	23	\$2.40	\$1.20
PETER STREET		3	23	\$2.40	\$1.20
VALLEY ROAD	DENHAMS BEACH	4	22	\$2.70	\$1.40
EXPLORERS WAY	SURF BEACH	5	21	\$3.20	\$1.50
GRANDFATHERS GULLY		6	20	\$3.40	\$1.70
FAIRVIEW DRIVE		7	19	\$3.70	\$1.80
THE RIDGE ROAD	MALUA BAY	8	18	\$4.00	\$2.00
ILLABUNDA DRIVE		9	17	\$4.30	\$2.10
1.6 KM SOUTH		10	16	\$4.50	\$2.30
ROSEBY DRIVE		11	15	\$4.80	\$2.40
1.6 KM SOUTH		12	14	\$5.10	\$2.50
BARLINGS DRIVE		13	13	\$5.20	\$2.60
AINSLIE PARADE	TOMAKIN	14	12	\$5.40	\$2.70
TOMAGO RIVER		14	12	\$5.40	\$2.70
SURFSIDE AVENUE	MOSSY POINT	15	11	\$5.40	\$2.70
GRANT & CLARKE	BROULEE	16	10	\$5.40	\$2.70
BROULEE RD & GEORGE BASS		17	9	\$5.60	\$2.80
1.6 KM STH GEORGE BASS		18	8	\$5.80	\$2.90
1.6 KM STH GEORGE BASS		19	7	\$6.00	\$3.00
1.6 KM STH GEORGE BASS		20	6	\$6.20	\$3.10
1.6 KM STH GEORGE BASS		21	5	\$6.50	\$3.20
MORUYA AIRPORT		22	4	\$6.50	\$3.20
MALABAR BRIDGE		23	3	\$6.70	\$3.30
COLLINS LANE		24	2	\$6.90	\$3.40
MORUYA SHOPS & HOSPITAL	MORUYA	25	1	\$7.10	\$3.50
MORUYA HIGH & TAFE		26	0	\$7.10	\$3.50

**DAILY PENSIONER EXCURSION FARE** \$2.50

### WEEKLY FARES

	ADULT	CONCESSION
SURF BEACH to SURFSIDE	\$10.60	\$6.40
MALUA BAY	\$16.00	\$10.60
MORUYA	\$24.00	\$16.00