

Independent Pricing and Regulatory Tribunal
PO Box Q290
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3 October 2008

2008 Review of Fares for Rural & Regional Bus Series

The Transport Development Project (TDP), auspiced by the Northern Rivers Social Development Council and funded by the NSW Ministry of Transport welcomes the opportunity to make a submission to IPART.

The terms of reference for IPART's review include "the social impact of the recommendations" which do not seem to be addressed or considered in either the BCA or Ministry's proposals. The TDP has a focus on community and the social justice outcomes arising from equitable access to transport across the Northern Rivers and as such is addressing this criteria.

The TDP has historically worked closely with the Council of Social Services (NSW) and assisted with the development of their 2007 submission to the Ministry of Transport on bus fare affordability in rural and regional NSW. This submission consists of a robust analysis of the affordability of fares and as such is the basis of this TDP's submission. Please refer to the attached document as the resource text for this submission. NCOSS has provided permission and support for the document to be used in IPART's analysis of the social impact of any fare increases. It should be noted that whilst this document was designed to provide information to the Ministry of Transport in fare box design the data and analysis is relevant to IPART's review.

In particular the TDP would like to draw IPART's attention to 'Country Bus Fare Inequity' (pp 2-3) which includes information on the rural premium fare; above cpi fare increases and inequitable access to concession fares. In its review the TDP urges IPART to consider the barriers to bus patronage by these high fares and the economic burden it places on low income earners. For example, the Richmond Valley LGA has an average individual weekly income of \$342. If an individual had to travel from Casino to Lismore (approximately a 25 minute journey) to work by bus it would cost \$9.70 per trip that is a total cost of \$135.80 per week, over 40% of that individuals income. Is it any wonder that, according to the ABS 2006 census data, only 22 people travelled by bus to work?

Lastly, IPART needs to consider the disincentive high fares are to fostering a modal shift in transport choices. The NSW Government is committed to reducing greenhouse gas emissions and encouraging people to utilise public transport will assist in reaching agreed reduction targets.

*“Transport is Australia's **third-largest source of greenhouse gas emissions**, and has the fastest growing emissions of any sector. Vehicles are the major source of the most common air pollutants in NSW urban areas – photochemical smog and particle pollution.” (Department of Environment & Climate Change, <http://www.livingthing.net.au/WYKD_w5.htm> accessed 3/10/08)*

The TDP urges IPART to consider the role fares have in either increasing or reducing patronage. It is imperative that all Government policies act in accordance with climate change targets and ensure their decisions do not hinder this process. This consideration by IPART will then ensure they have addressed part vi of the terms of reference the need to maintain ecologically sustainable development.

If you have any queries please do not hesitate to contact me on (02)66201850.

Sincerely,



Linda Lomman
Transport Development Project
Northern Rivers Social Development Council



A Growing Divide?

Submission to NSW Ministry of Transport on Bus Fare Affordability in Rural and Regional NSW

January 2007

About NCOSS

The Council of Social Service of NSW (NCOSS) is the peak body for the social and community services sector in New South Wales. NCOSS works with its members on behalf of disadvantaged people and communities towards achieving social justice in NSW.

NCOSS provides an independent voice on welfare policy issues and social and economic reforms and is the major coordinator for non-government social and community services in NSW.

Introduction

This submission offers a snapshot of the equity and affordability issues associated with non-metropolitan bus fares in NSW. It was developed to assist the Ministry of Transport in contract and funding redesign for country buses through consideration of issues around the fare box contribution by bus users. NCOSS hopes that the issues raised here will be considered when drawing up new contracts.

Issues relating to better planning processes, community consultation and service integration are very important, but have not been highlighted in this submission. NCOSS is keen to discuss with the Ministry of Transport how consultation with relevant community stakeholders on these matters might occur in the future, once the current funding system trials have concluded.

As country bus fare pricing is the responsibility of the NSW Government and the Independent Pricing and Regulatory Tribunal (IPART), a copy of this submission has also been forwarded to IPART.

Background to Rural and Regional Transport Issues

Transport options for households in country areas who are not able to afford a motor vehicle are extremely limited. Services such as taxis and rail are available in some country areas, but are not always frequent or accessible and can be expensive. Taxis for example are useful for shorter trips, but can prove prohibitive for longer journeys or when used frequently.

Bus services in rural and regional areas can be infrequent or non-existent. Poor service planning can mean that services do not take people where they want to go, or involve long travelling times and poor connections between services. In many rural areas the only bus is a school bus, which only operates within school periods (leaving residents without bus services for twelve weeks of the year). Transport to certain destinations (eg Correctional Facilities and Health Services) is nearly impossible if you do not have a motor vehicle. Often poor regional planning for services has meant that any existing routes are twenty years out of date.

Aside from a lack of access to jobs and education, poor transportation in country areas can lead to poorer health outcomes for people in these areas. Barriers to accessing transport will affect the ability of individuals to seek treatment when needed. Almost one quarter of people living in rural and regional areas will face difficulties accessing health care when they need it.¹

Poor access to transport in rural and regional areas can be more pronounced for some population groups. For example many Aboriginal people in country NSW are not located near public transport services, may face discrimination in using some services, and have a history of not being involved in service planning. Poor access to motorised transport, either as a result of lack of availability or cost, is arguably a prominent feature of Aboriginal disadvantage in Australia.ⁱⁱ

Country Bus Fare Inequity

In general, bus users in rural and regional NSW face higher bus pricing than passengers in Sydney and do not have access to the full range of concessions that are available in the city. Limited subsidies, poor regulation of fares and low patronage can increase fares for journeys to access employment, education or services. Poor targeting of concessions means that many low income people in rural and regional NSW are currently ineligible for a concession fare on bus services.

The Rural “Premium” Fare

Rural operators operate on a fare scale that is approximately 25% higher than other areas in country NSW, with no clear reason provided for this disparity.

The NSW government have noted this as problematic, acknowledging that “no evidence has been presented to demonstrate that a 25 percent premium is required for rural fares.”ⁱⁱⁱ The 2004 Review of Bus Services further noted that the premium placed on rural fares “is a disincentive for potential bus users. A reduction of these fares may attract additional passengers in these areas.”^{iv}

The introduction of new contracts in outer metropolitan NSW in 2006 erased the fare disparity in these areas. It is the stated intention of the NSW Government to use the bus reform process to achieve a consistent fare scale in country NSW for bus services.

Significant Above CPI Growth for Country Bus Fares

Country Bus Fares have grown significantly above CPI since 2002 (see Figure 1). In real terms, bus fares in country NSW are *9.35% higher than they were in 2002*.^v This means that people who use country buses regularly will spend a larger proportion of their household income on transport costs. While it is true that fares for *all* bus services in NSW (public or private, metropolitan or non metropolitan) have grown above inflation since 2002, country bus fares have experienced the most dramatic growth over this period (see Figure 2).

Higher price for the same journey time in the country

With the exception of Newcastle services, bus fares in NSW are distance rather than time based. This means that if you travel a longer distance, you will pay a higher fare. The advantage of distance based fares in city areas is that bus users do not have to pay for factors outside of their control (in particular traffic) that can delay some journeys.

While distance based fares often make sense in metropolitan areas, they are not necessarily affordable for bus users in rural and regional NSW. Many country bus routes cover long distances, particularly between country towns and centres in regional areas. A lack of congestion and relatively infrequent stops (at least in comparison to typical metropolitan routes) means that although large distances may be covered, travelling times are lower for the same distances.

As a result, many country bus users will pay more for the same journey time. For example a 36 minute journey from Glenwood Park Drive to Blacktown in Sydney's western Suburbs will cost \$3.90 in fares. An equivalent journey time in a country area is substantially higher: a 40 minute trip from Casino to Lismore on NSW North Coast attracts a fare of \$8.90.

Inequitable access to concession fares

Country bus users do not have access to the full range of concessions that are currently available to bus users in metropolitan and outer metropolitan Sydney. This includes access to the Pensioner Excursion Ticket (PET), concession entitlements for students over 30 years of age, apprentices and trainees.^{vi}

Country bus users are also affected by problems related to the targeting of entitlements for transport concessions in NSW. For example concessions are not available to some low income recipient's such as Low Income Health Care Card Holders and participants in Community Development Employment Projects.

In 2003 NSW Government made a commitment to reform non metropolitan bus contracts after the *Review of Bus Services in NSW*, including a commitment to examine opportunities to introduce a PET for some country towns.

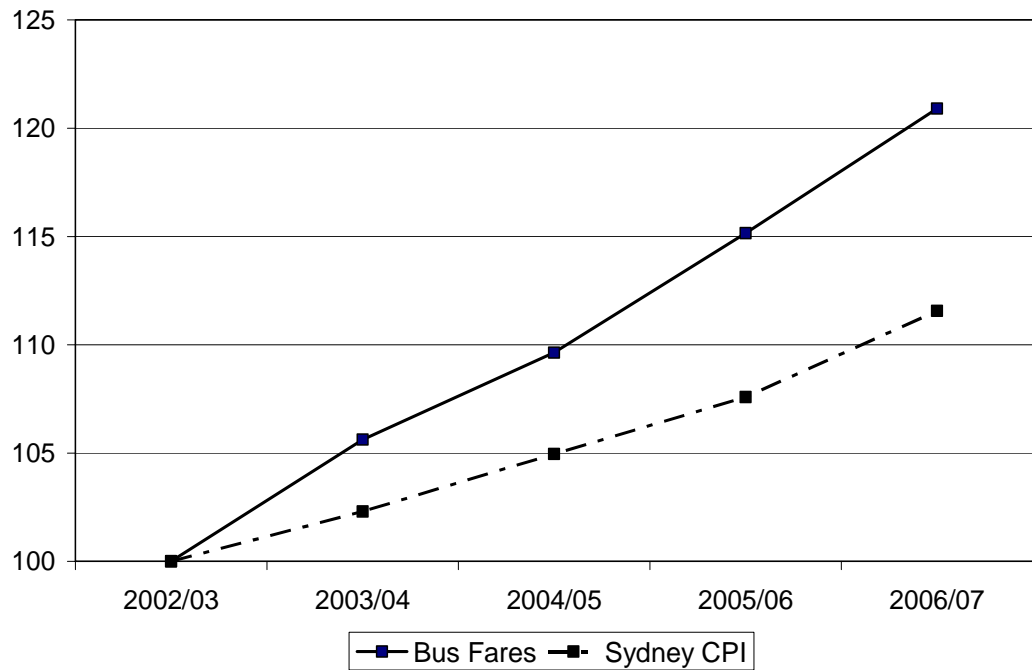


Figure 1: Non Metropolitan Private Bus fares against Sydney CPI

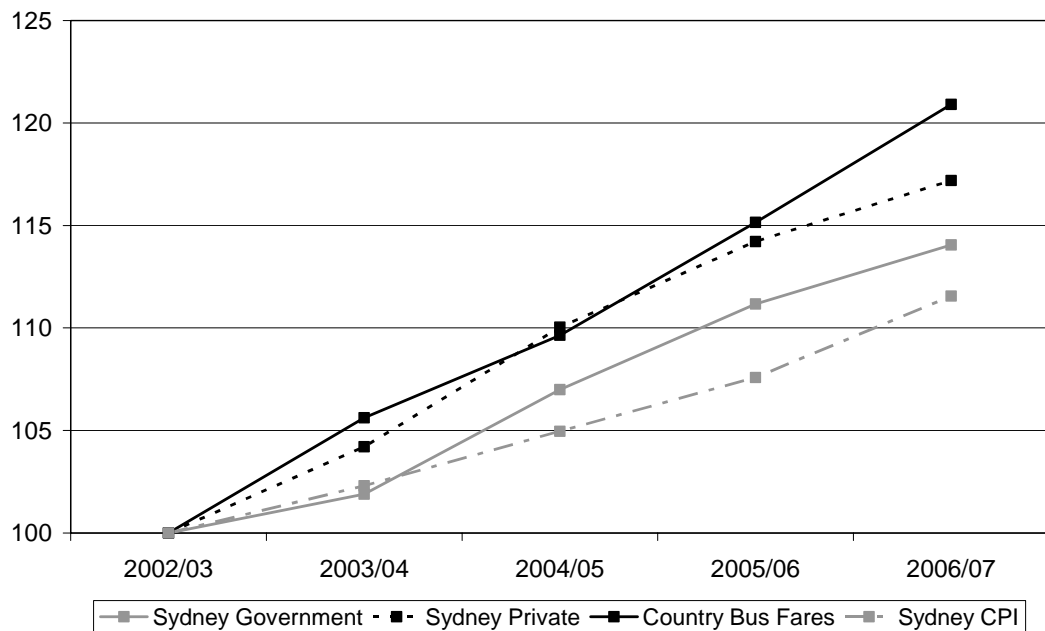


Figure 2: Government, Sydney Private and Non Metropolitan Bus fares against Sydney CPI since 2002.

Moving Forward

Improving the affordability of bus services in country areas requires action from both the Independent Pricing and Regulatory Tribunal (which recommends maximum fares for non-metropolitan private buses in NSW) and the NSW Government (which sets fare pricing and concession policy through contract and funding negotiations with operators).

Filling the Data Gaps

In NSW there is very limited quantitative data on the effects of transport poverty in rural and regional areas. Although the NSW Transport Population Data Centre currently produces a household travel survey based on research in Sydney, there is no data available on public transport usage outside of Sydney.

This is very concerning, as fare increases are consistently granted for non-metropolitan bus services on the basis of little or no information on relevant social impacts, often with only historical precedent as a guide. For example IPART, in its most recent determination on country fares, states:

The Tribunal has no information on the income levels of passengers who use non-metropolitan private buses or the affordability of the services these buses provide. However as the fare increase is in line with pricing decisions from previous reviews, the Tribunal does not believe the increase will have a significant adverse impact on customers.^{vii}

NCOSS would emphasise that this is not a strong basis upon which to make socially sustainable pricing decisions on country bus services.

Arguably the characteristics of bus users in country NSW are likely to be radically different from bus users in Sydney. Poverty is likely to be the main driver of patronage for non-metropolitan private bus services, rather than other factors that are important in metropolitan areas, such as traffic congestion.

Further research in this area is needed and encouraged, particularly where it is able to improve our understanding of the impacts of fare increases on low income household types, and promote the development of fare pricing policy that is able to promote increased patronage on public transport by all income groups.

A better understanding of affordability and social impact issues would improve the social sustainability of fare decisions and government policy in this area.

Government fares and funding policy

Government policy in relation to funding for country bus operators will have an impact on fare levels for services in rural and regional NSW. As stated above, the NSW Government has made commitments to improve the consistency of country fare scales

and look at concession availability in country areas, in particular the viability of a Pensioner Excursion Ticket in country towns.

NCOSS would strongly urge the government to review fares before new non-metropolitan private bus contracts lock funding arrangements for operators in place. The NSW Government and the private bus industry have recently initiated trials of funding model options for regional contract areas.^{viii} It is concerning that although these will clearly have an impact on future fares pricing policy (in the form of expected returns from the fare box), there has been little public discussion on how fares might be reshaped to be more relevant to community members.

As stated above, a significant inequity is the lack of parity between costs for equivalent journey times between country and city areas. NCOSS believes that the introduction of a time based fare product – such as a day pass – to complement existing distance based fares for relevant country regions would improve the equity of country fares in relation to the metropolitan fare scale.^{ix}

NCOSS believes that this links strongly with the commitments the NSW Government has made in the NSW State Plan, *A New Direction for NSW*. The plan noted that transport in rural NSW “*was seen as a vital part of the 'safety net' for many people whose ability to access health and other services was constrained by the availability of transport from smaller to larger centers and to the major cities.*”^x It would be reasonable to expect that improving the affordability of country public transport services will contribute to key NSW activity areas as described in the State Plan, including “*Delivering Better Services,*” “*Fairness and Opportunity*” and “*Growing Prosperity Across NSW.*”

Country Bus Fare Regulation

Since 2002 the Independent Pricing and Regulatory Tribunal has made recommendations to the Government on non metropolitan fares for private buses in NSW. Bus contracts for bus services in NSW comprise either commercial contracts (where operators primarily rely on fare revenue to deliver returns)^{xi} and non-commercial contracts that deliver solely school transport. Both commercial and non commercial contractors provide fare services for passengers, using a fare scale approved by government, usually following the annual recommendations of IPART.^{xii}

The Tribunal uses a Bus Industry Cost Index to measure operating costs movements for services delivered under commercial contracts. NCOSS is concerned that operating costs for providers appear to be the main driver for fare increases (arguably the historical trends in bus pricing confirm this).

Ideally the Tribunal should develop a transparent process where identified costs are clearly treated as one significant, but not defining, factor in justifying a price change. NCOSS has written to IPART to raise these

Conclusion and recommendations

Ensuring that essential forms of connectivity are available to all, regardless of income status should be a key target. Aside from reducing hardship for low income households, this focus will pay dividends in ensuring health and productivity for residents of NSW. Ongoing reform of bus services has created an opportunity in NSW for addressing equity concerns in the provision of bus services, and improving the affordability of services.

NCOSS recommends:

1. The NSW Government and the Independent Pricing and Regulatory Tribunal take steps to improve the availability of data on public transport use and affordability in rural and regional NSW;
2. The NSW Government review current fares to address the existing inequities between metropolitan and country bus fare levels, and negotiate day fares for bus services in rural and regional bus contract regions.

For further information on this submission, please contact Dinesh Wadiwel, Senior Policy Officer, 9211 2599 or dinesh@ncoss.org.au.

ⁱ Centre for Epidemiology and Research, NSW Department of Health. 2004 Report on Adult Health from the New South Wales Population Health Survey. *NSW Public Health Bull* 2005; 16(S-1).

ⁱⁱ See Sarah Holcombe, "Indigenous Australian and transport – What can the NATSISS tell us?" in Centre for Aboriginal Economic Policy Research, *Assessing the evidence on Indigenous socioeconomic outcomes: a focus on the 2002 NATSISS*, 2006, Chap. 15.

ⁱⁱⁱ See NSW Parliament, "Mr Robert Oakeshott to the Minister for Transport Services, Minister for the Hunter, and Minister Assisting the Minister for Natural Resources (Forests)" Hansard, 0831 Review of Student Transport Scheme, 19 November 2003. The 2004 freeze on rural fares thus aimed "at preventing the perpetuation of further inequities between rural and country town fare zones." New South Wales Ministry of Transport, in Independent Pricing and Regulatory Tribunal, "Report on Fares for Private Buses," 2004, p25.

^{iv} NSW Government, Review of Bus Services in NSW, February 2004, p74.

^v Based on comparison of annual fare determinations against annual change in the Consumer Price Index at the December quarter. Due to the unavailability of 2006/07 CPI figures, the September quarter has been used in this year.

^{vi} Public Transport Development Project, Northern Rivers Social Development Council, "Submission to the Ministry of Transport's 2005 Concession Review," (2005).

^{vii} Independent Pricing and Regulatory Tribunal, "Review of Non-metropolitan fares for private buses in NSW," December 2006, p15.

^{viii} Ministry of Transport, "Rural and Regional Bus Reform Consultative Taskforce," August 2006.

^{ix} Council of Social Service of NSW, "Smart Move: An Integrated Day Fare for Public Transport in NSW," July 2006.

^x NSW Government, *A New Direction for NSW: State Plan*, 2006, p57.

^{xi} Note that it has been established that private bus operators in most cases cross subsidized passenger funded route service operations using government funding for school services through the School Subsidy Transport Scheme. See NSW Parliament Public Accounts Committee, *Inquiry into the School Student Transport Scheme*, February 2002, xiii.

^{xii} The exception to this was in 2003 when the NSW Government imposed a freeze on some country fares. While the Ministry of Transport accepted IPART's recommendations for metropolitan, urban fringe and country town fare schedules, it did not increase the rural schedule. The NSW Government justified this on the basis that this would remove the inequality associated with the 25% premium applied to rural fares. See NSW Parliament, "Mr Robert Oakeshott to the Minister for Transport Services, Minister for the Hunter, and Minister Assisting the Minister for Natural Resources (Forests)" Hansard, 0831 Review of Student Transport Scheme, 19 November 2003.