

**FEDERATION OF PARENTS AND CITIZENS' ASSOCIATIONS
OF NEW SOUTH WALES**

Locked Bag 40, GRANVILLE NSW 2142
Telephone: 1300 885 982 Fax: 1800 655 866
Website: www.pandc.org.au

18 July 2008

Mr James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Officer NSW 1230
Fax: (02) 9290 2061

RE: REVIEW OF THE CITYRAIL REGULATORY FRAMEWORK

Dear Mr Cox

Please find attached the submission by the Federation of Parents and Citizens' Associations of New South Wales for the "Review of the CityRail regulatory framework". This submission has been approved by Federation President, Dianne Giblin.

Should you have any questions or require further information, please do not hesitate to contact either Ms Giblin or myself on 1300 885 982.

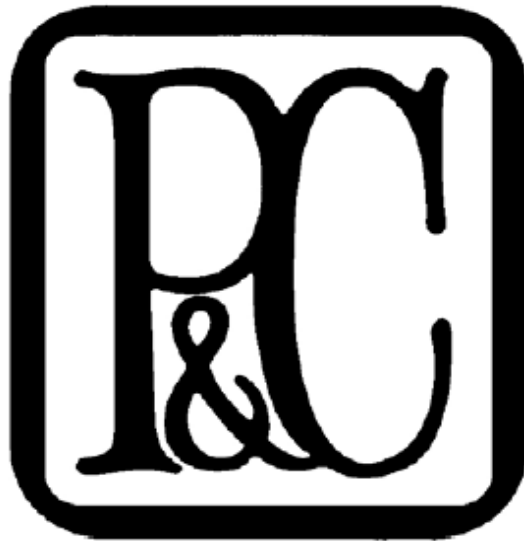
Kind regards

Mari Wilson
Policy Officer

Federation of Parents and Citizens' Associations of New South Wales

Locked Bag 40, GRANVILLE NSW 2142
Telephone: 1300 885 982. Fax: 1800 655 866
Website: www.pandc.org.au

SUBMISSION



INDEPENDENT PRICING AND REGULATORY TRIBUNAL

Review of the CityRail regulatory framework

July 2008

Prepared by: Mari Wilson, Policy Officer

Approved by: Dianne Giblin, President

PREAMBLE¹

The Federation is committed to a free public education system which is open to all people, irrespective of culture, gender, academic ability and socio-economic class and empowers students to control their own lives and be contributing members of society.

This commitment is based on the belief that:

- All students have the capacity to learn;
- The Government has prime responsibility to provide an education system open to all, which is free and secular;
- Schools should be structured to meet the needs of individual students and should respect the knowledge those students bring to school and build on that knowledge to foster their understanding about the world.

Parents as partners in the education process, have a right and a responsibility to play an active role in the education of their children. P&C Federation and its representatives share a responsibility of ensuring representative decision making for the benefit of all students.

INTRODUCTION

The Federation of Parents and Citizens' Associations of New South Wales is thankful for this opportunity to participate in the "Review of the CityRail regulatory framework." The Federation is the peak body representing parents of children in government schools across NSW. Transportation is a key issue for parents in terms of ensuring the needs of children are met and that opportunities are provided through public transportation.

Federation policy affirms that:

"Free transport should be provided for all government school students to their nearest, accessible and appropriate government school and, whilst enrolled at school, include transport to VET, TAFE and training facilities as required. The safety of children going to and from school is of paramount importance and should be afforded the highest priority in any town or transport planning."²

Offering reliable and safe public transport to students is vital to ensuring their development and integration as part of society. However, in light of increasing costs of the operation of CityRail, the Federation requests an emphasis be put on efficiency measures that promote equality and do not compromise on safety. New solutions are necessary to ensure student needs are met through public transport going into the future. The needs of children and young people can be prioritised without undermining the service standards of CityRail.

This submission will seek to address the terms of reference for the review first through focussing on the regulatory framework and then the issue of funding for CityRail services. The assigned numbers have been used for easy cross reference, but each point is approached in topical order.

¹ Federation of P&C Associations of NSW (2008) *P&C Handbook* (p6)

² Federation of P&C Associations of NSW (2008) *P&C Handbook: Transportation*. Section 3.II.G (p106-107)

RESPONSES TO TERMS OF REFERENCE

1. REGULATORY FRAMEWORK:

Based on the regulatory frameworks described in the issues paper, the Federation would recommend the Building Block Approach. While this method is complicated, the fact that it can adequately prioritise the concession fares is a key advantage and will foster an environment where the social benefits of public transportation can flourish. Another key factor is that it is not as reliant on fluctuating variables as the Operating and Maintenance Cost Approach. This allows for greater control over the projected fares, with adequate space for social considerations above and beyond the CPI increases.

Even though the current regulatory framework means that the NSW Government is covering a majority of the cost of CityRail's transportation, simply seeking to change the percentages is a two-dimensional approach that would lead to drastic changes, undermining the equitable distribution of services and hurting society as a whole. As the Victorian Transport Policy Institute upheld last year:

"Automobile use is currently underpriced: a significant portion of costs are external (not charged to motorists) or fixed (not related to how much a vehicle is used), and fees seldom reflect factors that affect costs, such as time, location or vehicle type."³

The fact that the real cost of car use must be considered along side of any public transportation policy reforms. The benefits gained from rail use extend beyond just the users, and both rail users and other commuters cover each others costs. However, given the benefits gained by society as a whole by cutting down on carbon emissions, noise pollution and congestion, the subsidisation of public transportation is a reasonable cost for something that is viewed as a priority.

If the Building Block Approach were adopted, the Federation would like to see the Regulatory Asset Base (RAB) based on the physical capital model. This tangible security would be a constant and predictable base to work and project from.

(1) the appropriate regulatory period for the Tribunal's fare decisions;

If the choice is between three or five year regulatory periods for fare decisions, the Federation recommends a three year period. This window allows both adequate time to undertake a thorough review, but it is more suited to keep up with changing trends. Considering the striking increases not just in general CPIs, but especially in petrol prices, frequent reviews are necessary in order to factor in changing transportation trends. Ideally, the Federation would like to see the reviews continue on an annual basis. This would be the best approach to have fare decisions reflect current operating costs and other related factors.

(5) how service standards can be incorporated into the regulatory approach;

An important voice to consider in making decisions regarding service standards is that of children and young people in the community. According to 2005 consultation by the NSW Commission for Children and Young People, the two greatest concerns regarding public

³ Litman, T. *Evaluating Transportation Equity: Guidance for Incorporating Distributional Impacts in Transportation Planning*. Victoria Transport Policy Institute. 19 July 2007. (p30)

transportation were accessibility and affordability.⁴ The impact of changes to service standards has a greater impact on young people because of their dependence on public transport and lack of alternatives. According to the report:

“people said they depended on public transport to participate in school, work, sport and social life. They experience major problems with trains and buses are late or cancelled, including school detention.”⁵

To minimise this impact on areas of their development, service standards that address the reliability and availability of trains is necessary without stretching the pocketbooks of young people who rely on public transportation.

One practical measure to address the reliability of trains to change the current measure of on-time running of trains. The current cut-off at 5:00 minutes is not an appropriate measure because many people will miss train transfers if their first train is delayed by five minutes. Even according to the CityRail website, if you are planning a trip and you need to switch trains, a five minute delay plus walking time will often make the difference between whether you are able to make your connection. Consistency is needed to ensure that a train will not be recorded as “on-time” if it would not allow you to adequate time to make a transfer, according to the prescribed route generated from the CityRail website.

Another vital consideration is the increasing need for late night services for young people, especially those aged 17-18 when the possibility of alcohol consumption increases. A safe and accessible means of transport must be the top factor to consider, and sufficient reason to increase rather than reduce late night train services. Over recent years, late night services have been continually reduced. This is particularly noticeable for Blue Mountains passengers where the cancellation of the 1.32 am train from Central Station means that any young people who miss the 12.18 am train are forced to wait until the 4.03 am train. Spending the night alone in the city is not an acceptable timetable for public transport that is used by young people in the community. Clearly, the 1.32 am train is an important service and the benefits it provides should outweigh the cost considerations that would lead to cutting it.

For parents, the key service consideration is safety. Because rail is one of the main forms of transportation that students use to get to school, parents need to know that even though they cannot be with their child at all times, their safety is prioritised and ensured. Both being at stations and on the trains presents serious concerns for unaccompanied children and young people. Clear communication and transparency is necessary for parents to have an understanding of what CityRail believes their “Duty of Care” to be concerning students on the trains. Parents also need to know what issues exist and what is being done to remedy these problems. Currently, there is little understanding of what protections are in place for children and young people using the trains. Communicating what the protections are and what parents can do to help improve safety is a necessary consideration.

⁴ “A national consultation with children and young people on the Australian national plan of action for *A world fit for children*.” NSW Commission for Children and Young People. June 2005. (p22)

⁵ “A national consultation with children and young people on the Australian national plan of action for *A world fit for children*.” NSW Commission for Children and Young People. June 2005. (p22)

(7) if necessary, transitional arrangements from the current form of regulation to the new regulatory approach.

Given that the Building Block Approach is very complex and labour-intensive, the Federation recognises the need for a prolonged transitional period. One year from the completion of the review should be allowed for the stakeholders to formally decide to adopt this approach and make any resolutions necessary to begin the transition. Another year for the review means that no substantial changes will be expected until at least two years from when the CityRail review is completed. Once the decision is made and the review is completed, a period of three years should be allotted to phasing out the current model and introducing the new model. When major changes are introduced, the effectiveness in improving service delivery and reducing expenditure should be communicated so that the general community has an understanding of the impact that the new model is having on CityRail. While time is necessary to see how adequate the changes are and whether they are truly addressing the underlying issues, parents want assurances that the service delivery will not suffer and there will be no drastic rate increases as a result of the transition.

2. FUNDING FOR CITYRAIL SERVICES:

"The pricing of different transport modes must be restructured to align customer and provider incentives with greater accessibility, sustainability and economic efficiency."

Towards a City of Cities

The Warren Centre for Advanced Engineering

(2) the efficient costs of providing CityRail's services and the scope for greater efficiency in the supply of these services;

The proposed increases to rail transport pose tremendous problems for educational transportation. Currently, \$440 million each year is spent on NSW transportation for school students. Rail transport makes up a large percentage of this amount. A substantial increase to the cost of rail services will either draw funds away from other educational expenses or be a likely reason for further restrictions to be placed on the transportation scheme. Both outcomes will have detrimental effects on the state of education in NSW.

A majority of the money that is spent on the School Student Transport Scheme (SSTS) is spent on taking students to schools outside of their immediate community. While the Federation wholeheartedly believes that travel costs should be provided free of charge for students travelling to school, this benefit should not extend beyond their local government school. With the way SSTS is currently structured, it is funding luxury rather than necessity and it is benefitting the richest students the most. This problem was a focus of needed reform addressed by the Public Transport Authority in 2002:

"However, under the current scheme, it is possible for wealthy parents living in, say, Gosford, who elect to send their child or children to a selective school on the North Shore to be automatically issued with a combined rail/bus pass. On the other hand, the child/children of a single, unemployed parent, attending their local school and living just inside the relevant distance criterion may be denied subsidised travel."⁶

⁶ "School Transport: Inequality and Concessions", *The Business Welfare*, Antoinette le Marchant, Chairperson, Public Transport Authority, available from this link:
<http://209.85.141.104/search?q=cache:SfxNXfz2RigJ:www.ncoss.org.au/bookshelf/conference/download/welfare/lemarchant.rtf+%22SSTS%22+nsw+cost+government+school&hl=en&ct=clnk&cd=8&gl=au>

This problem was highlighted in practice by a *Daily Telegraph Article* from 2003 that was included in the interim report for the Ministerial Inquiry into Sustainable Transport in New South Wales:

Ferry services provided for 'phantom' school students

The NSW Government pays \$100 000 a year for a ferry service chartered to carry 89 school student transport pass holders from Mosman to Cremorne to Rose Bay. All are students of four private schools. A *Daily Telegraph* reporter found that on the day they investigated the 150 capacity service, only 33 students used it in the morning and 59 in the afternoon – the rest are 'phantom' riders.

The annual cost per student is about \$1117 and is paid regardless of whether the students use the service. The service is restricted from taking paying passengers on its twice daily run across the harbour. Sydney Ferries runs services that cover this route and an annual student pass on these would cost about \$600.⁷

Not only is this funding poorly calculated, but because it goes over and above funding to the nearest government school, it is another way of subsidising private education. The fact that this should come from the transportation budget is absurd and has come under intense criticism from several reports into the scheme. Only 56 per cent of passholders for the SSTS attend government schools.⁸ This means that the number of non-government school students benefitting from the scheme is nearly double the actual percentage of students attending non-government schools. This additional cost is being spent to subsidise the luxury of attending a school at greater distance, rather than meeting the basic needs of attending the local public school. This figure is skewed by location with only 46 per cent of passholders attending public schools in the Sydney Region.⁹ This means that students who choose to travel further away to school are rewarded with free travel, and this poses a real disincentive for students to attend their local school, when it means they will not get this benefit. It then comes as no surprise that 74 per cent of non-passholders attend a government school.¹⁰

Based on the revolutionary Vinson Inquiry (2002), *The Guardian* reported that:

"Currently the SSTS costs in the order of \$427 million. There are no restrictions as students are funded to criss-cross the city [often to private schools — Ed.]. All other States, with the exception of Tasmania, have limits on eligibility such as attendance at the nearest appropriate school or nearest government school only.

Sixty million dollars would be saved if modest eligibility criteria were introduced."¹¹

In their letter to IPART in 2003, the NSW Public Transport Advisory Council estimated savings of about \$80 million by reforming SSTS to provide transport to the nearest government

⁷Ministerial inquiry into sustainable transport in NSW." Interim Report. August 2003 (p158)

⁸ "School Student Transport Scheme Pass Usage Survey & Special Study." Final Report. Tavener Research Company. April 2004. (p18)

⁹ "School Student Transport Scheme Pass Usage Survey & Special Study." Final Report. Tavener Research Company. April 2004. (p18)

¹⁰ "School Student Transport Scheme Pass Usage Survey & Special Study." Final Report. Tavener Research Company. April 2004. (p19)

¹¹ "Vinson exposes government neglect." *The Guardian*. 20 November 2002. Available from this link: <http://www.cpa.org.au/garchve5/1118vinson.html>

school.¹² Reforming the scheme must be an urgent priority in improving efficiency in CityRail. It is one area where equity can be promoted through cost-saving measures.

(3) NSW Government policy on passenger rail services and public transport, including future investment in CityRail set out in the *Urban Transport Statement*, and *State Plan*;

The community needs necessitating action through NSW Government policy are continually increasing. With the pending shift in transportation practices due to financial and environmental factors, the most disenfranchised will be at risk of being overlooked in the transition. Current funding for these social needs "is fragmented and services are not meeting increased needs."¹³ Additional attention is needed to ensure that the accessibility of public transport is not jeopardised for the groups who will rely on it more as alternatives become increasingly expensive.

Special considerations are needed for children and young people to ensure that policy upholds their right to use public transportation. Because of their dependence on public transportation, an emphasis must be placed on keeping the services both accessible and affordable through formal policies recognising their needs. One subset especially affected by changes in public transport is the group of children living in rural areas. Belonging and engagement in learning can be greatly helped or hindered by their ability to participate in extra-curricular programs. The Federation recommends providing transportation subsidies for rural children so that they can participate in social, cultural and sporting pursuits. Through facilitating involvement in these activities, the government is fostering involved and engaged learners, which is the strongest factor to combat early school leaving and the accompanying economic loss. According to research done by the Education Foundation Australia, "an early school leaver can expect to earn approximately \$500,000 less in the course of their working life than someone who completes Year 12."¹⁴

Government policies with regards to young people need to be proactive. An investment in the transportation budget has tremendous impact on the classroom. Only through a holistic approach toward fostering learning can students be equipped to reach their full potential.

(4) an appropriate range for the allocation of costs between government and users, taking into consideration the positive environmental, economic and social benefits for the community generated by CityRail's services;

With the appropriate weight placed on social benefits derived from providing adequate public transportation for students, the Federation has no problem with the current percentages. The important focus of any taxpayer subsidies is that they should be used only to support public infrastructure. Therefore, where the general funds are being overwhelmingly usurped by students attending affluent private schools, the funds are being misdirected and not helping providing social benefits to the community in the same way as a more equitable funding approach.

However, in an attempt to curb costs, the Federation strongly opposes the following two measures. Firstly, the introduction of an application fee for travel passes. This practice would place undue burden on the most disadvantaged families. Asking families to pay up front is only adding to the quickly escalating fees accrued from attending school. A better approach would

¹² Sanchez, A. Letter to Independent Pricing & Regulatory Tribunal of NSW. NSW Public Transport Advisory Council. 5 June 2003.

¹³ "Ministerial inquiry into sustainable transport in NSW." Interim Report. August 2003 (p151)

¹⁴ "Engaging Students in School." Education Foundation Australia. 2007.

be to ensure more accurate recording and auditing of actual pass usage and revising funding formulas accordingly.

Secondly, the Federation opposes capping the total amount the government spends on SSTS. While the current system is flawed and improvements could drastically reduce the amount needing to be spent on it, the notion of capping this figure does not allow appropriate space to respond to economic variables. This factor becomes critically important in light of the dramatic price increases associated with travel. The next ten years have been predicted to be an incredibly volatile time for transportation costs.¹⁵ Instead of seeking to curb spending through capped prices, appropriate reforms of the SSTS should be implemented to ensure spending is going toward the basic needs of attending inclusive public schools rather than fuelling a flight out of the local area.

(6) appropriate fares for CityRail which take into account the cost of providing CityRail's services, the capacity of users to pay and current and future government policy on public transport fares;
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It is understandable that to some extent, the additional funds necessary to implement improved service through CityRail should be covered by passenger fares. However, up until this point, fares have steadily increased with little or nothing to show for it. If the gradual increases are not sufficient, then the result of this view will require a massive injection of funds into CityRail in order to achieve new levels of service.

The initial suggestion of a 20 to 30 per cent fare increase over four years is the sort of drastic change that would hurt the disadvantaged passengers the most.¹⁶ The people who are the most dependent on public transportation do not have the financial or physical means to seek alternative forms of transportation in light of tremendous fare increases. If the cost burden is shifted to the passengers, it will have catastrophic effects on young people who have cited affordability as a major issue. Placing the onus of responsibility for fare increases on the passengers rather than the general public fails to prioritise equity in provision of transportation and does not place appropriate weight on the benefits gained through providing the service.

This inflated fare increase would have disproportionate impacts on different groups of passengers. It is particularly concerning that the impact of price increases will be most severe in Western Sydney and on the Central Coast.¹⁷ Commuters who cannot afford to live close to the city will be forced to grapple with these new prices. Even with a major funding increase, there is little assurance that lasting change will occur. The track record to date gives no evidence that increased fares will truly make a difference. Instead, it is more important to focus on how the systemic changes will bring about improved services. Once this vision is defined and clearly communicated, then the government and general public can assess the value in investing more in CityRail.

CONCLUSION:

In conclusion, the Federation of Parents and Citizens' Associations of New South Wales would like to see equity prioritised through CityRail's regulatory framework and funding structure. It is important to incorporate the needs of both students and parents into public transport decisions.

¹⁵ "Petrol 'could cost \$8 a litre by 2018.'" *Sydney Morning Herald*. 11 July 2008. Available from this link: <http://news.smh.com.au/national/petrol-could-cost-8-a-litre-by-2018-20080711-3dc1.html>

¹⁶ "Minister debunks 30 per cent annual fare increase myth." News Release. Minister for Transport, John Watkins. 1 July 2008.

¹⁷ "Tcard: here we go again." *Sydney Morning Herald*. 3 July 2008. Available from this link: <http://www.smh.com.au/news/national/tcard-here-we-go-again/2008/07/02/1214950853856.html>.

The Federation believes that a better system can be achieved through spending public funds on public infrastructure rather than subsidising private institutions.

In order to improve service standards and meet the community needs in a more effective way, the following recommendations should be carefully considered:

- Adopting a Building Block Approach to the regulatory framework with the RAB based on the physical capital model;
- Implementing a three year regulatory period for Tribunal fare decisions;
- Ensuring the accessibility and affordability of CityRail for children and young people;
- Changing the definition of “on-time” to be consistent with internal route planners;
- Improved communication of the “Duty of Care” to ensure parents are aware of student safety while on the trains;
- Putting in place a five year transitional period if the Building Block Approach is adopted;
- Reforming the School Student Transfer Scheme to only provide transportation to the nearest government school rather than capping spending on the program;
- Allocating funding for rural students to participate in social, cultural and sporting pursuits;
- Improving reporting and auditing of SSTS passholder usage rather than initiating application fees; and
- Approaching fare increases with a view towards equity and the provision of social needs.

The Federation would like to thank the Independent Pricing and Regulatory Tribunal for the opportunity to contribute to this review. We look forward to hearing the results and welcome any further discussion this may evoke.