

SP&D.N MCCABE
Phone: (02) 4974 2885

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Mr James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230



PO Box 489, Newcastle
NSW 2300 Australia
Phone 02 4974 2000
Facsimile 02 4974 2222
Email mail@ncc.nsw.gov.au

Dear Mr Cox

REVIEW OF CITYRAIL REGULATORY FRAMEWORK

The Lower Hunter Councils Transport Group (LHCTG) comprises officers and Councillors from the five Lower Hunter Councils of Cessnock, Lake Macquarie, Maitland, Newcastle and Port Stephens. It was formed in 2001 (as the Lower Hunter Public Transport Liaison Group) and has the primary purpose of encouraging greater modal share to sustainable transport modes. Its functions include: advocacy, on behalf of the Lower Hunter Councils, to State and Federal Governments on issues pertaining to sustainable transport; ensuring, as far as practicable, consistency in transport policies across the Lower Hunter Councils; facilitation of Councils' input to preparation of the Lower Hunter Integrated Transport Plan; facilitation of demonstration projects that promote higher modal share to sustainable transport; and sharing of information and promotion of networking between Councils and other transport stakeholders. Thank you for the opportunity to provide further input to the Review of CityRail Regulatory Framework.

Members have reviewed the two reports provided, namely *Determining CityRail's revenue requirements and how it should be funded* (IPART, June 2008) and *Deciding on the structure and level of CityRail fares* (IPART, June 2008). Many of the issues for which input is invited are outside our members' areas of expertise or would be better addressed by others, hence our comments are brief.

The reports are, perhaps understandably, highly Sydney-centric. This is the main issue of concern to members. The situation in the Lower Hunter is markedly different from that in Sydney. Many of the issues canvassed in the Discussion Papers are not relevant to the Lower Hunter network. There is capacity on all services. There is scope for significant increases in patronage. In contrast to the Sydney Metropolitan Region, incentives are needed to encourage people to use public transport. The report *Deciding on the structure and level of CityRail fares* notes that congestion on the rail network is not only time specific but location-specific (p. 37). A major challenge is how to address constraints in Sydney without jeopardising patronage growth in other areas.

Ideally, fare systems should be simple and easily translated to a future electronic system. The focus should be on total revenue, rather than individual fares. In the Lower Hunter, the most effective way to increase revenue is to increase patronage, using current spare capacity. Increases in individual fares may not necessarily translate to an increase in total revenue.

The Lower Hunter Councils Transport Group has previously argued for differentiation of pricing for Lower Hunter TravelPass tickets. The Pink TravelPass permits travel on all Newcastle Buses and Ferries services and the CityRail network between Telarah, Awaba and Toronto. Similarly, the Yellow TravelPass covers all bus and ferry services, and travel on the CityRail network between Thornton and Booragul. The pricing of the Pink and Yellow TravelPasses for use in the Lower Hunter is the same as that for travel passes of the same colours for the Sydney network, for significantly different service provision. Fares for Lower Hunter Travelpasses should reflect the lower levels of service offered. Further, the LHCTG supports extension of TravelPass zones to include the rest of the CityRail network in the Hunter Region and the Central Coast.

As noted in the report *Deciding on the structure and level of CityRail fares* (p. 36) various factors are involved in encouraging travel to off-peak periods. Flexibility of hours offered by workplaces and service frequencies outside of peak periods are critical factors. Further clarification of the scope of workers to change their hours of work may be required.

The Ministry of Transport's submission to the Review noted that "there should not be any disincentives that inhibit RailCorp from expanding its business by attracting new customers and increasing patronage if that is in the interests of the broader community or consistent with Government policy, such as the State Plan objectives" (p. 9, 10). As stated in previous submissions, increased modal share to public transport benefits all, not just the users of the public transport system. The Ministry's submission also notes that "road-based transport modes are not subject to proper price signals that encompass both the negative externalities created by congestion and pollution and the value of the road infrastructure utilised; particularly in urban areas." The LHCTG concurs with these statements. The current situation has evolved largely from State and Federal Governments' lack of investment in infrastructure and bias towards funding of private transport.

While it does not contribute to urban public transport, the Federal Government applies GST to public transport tickets. Fringe Benefits Tax provisions result in significant concessions for employer provided vehicles. Similar concessions are not available for use of public transport. Current tax provisions provide incentives for behaviours that are likely to have adverse environmental impacts, including increased vehicle sales, increased vehicle use for commuting, bias towards the selection of larger vehicles and reduction in use of alternative transport options.

The structure of the tax system can play an important role in either promoting or discouraging sustainable transport use. The current system leaves major externalities unpriced, which contributes to over-consumption of travel.

Congestion pricing has been mooted in previous inquiries, such as the Parry Inquiry, however has not been instigated to date. The LHCTG supports IPART's approach of an integrated package of measures to address issues associated with

peak demand. In order to discourage conversion of public transport trips to private vehicles, consideration may be given to time-of-day pricing for road use. The Ministry of Transport's submission to the *Ministerial Inquiry into Public Passenger Transport* (Parry Inquiry) stated that "public transport will always require a significant Government contribution, which is justified by the community and environmental benefits of public transport"; that "current funding is not enough to sustain service levels"; that "funding from new sources should be seen as additional capital and should not simply result in reduced Treasury allocations" and "if substantial fare increases were considered, then simultaneous road pricing/demand management measures would also have to be considered so people don't simply switch to cars" (2003, p. 1). The Ministry suggested various options for funding of public transport, including increased Treasury or Commonwealth contributions, reallocation of roads/transport funds and mechanisms such as land value capture. The LHCTG supports these approaches.

If you would like to discuss this submission, please contact me on 4974 2885 or email nmccabe@ncc.nsw.gov.au. Alternatively, you may contact the Chairperson of the Lower Hunter Councils Transport Group, Mr Ken Freeston, at Lake Macquarie City Council, on 4921 0590 or email kfreeston@lakemac.nsw.gov.au.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Natalie McCabe', with a stylized, flowing script.

Natalie McCabe
LOWER HUNTER COUNCILS TRANSPORT GROUP