

**SUBMISSION TO IPART REGARDING INCREASING THE COST
EFFICIENCY OF CITY RAIL**

Prepared by: Eco Transit Sydney

Date: 18 July 2008

Authorised by the Executive Committee of Eco Transit Sydney

Submission consists of
8 pages

Please contact the delegated contact for
Eco Transit Sydney
if all components of the submission as outlined above
have not been received.

Contact person for this submission:
Leah Mason 9810 4432

Contact details for Eco Transit Sydney:
PO Box 630
Milsons Point
NSW 1565

See our website at: www.ecotransit.org.au/ets

July 18 2008

To Whom It May Concern:,

Please accept this submission from EcoTransit Sydney regarding the proposed changes to CityRail fares.

This submission was prepared and submitted on behalf of the sustainable transport advocacy group, EcoTransit Sydney in response to IPART's request for feedback.

EcoTransit Sydney is a public transport advocacy group operating out of Sydney. We are a not for profit organisation dedicated to the promotion of EcoTransit development.

EcoTransit is transport that supports a sustainable economy and environment. The fewer resources that are used by the transport sector, the more efficient our economy becomes, and less damage is done to the environment.

EcoTransit Sydney's policy can be broadly viewed as attempting to change the expensive and wasteful system of moving *vehicles* to a system that moves *goods* and *people* in the most energy efficient manner possible. Our policy is based on three simple priorities:

- The need to immediately reduce emissions of greenhouse gases
- The long-standing need to improve air quality
- The need to immediately reduce NSW dependence on oil

CityRail represents a highly undervalued and underutilized transport resource, which we believe would benefit from a longer sighted view of the roles it will be asked to take on as Australia makes the transaction to a low-carbon and oil-independent economy. We trust that you will give consideration to our concerns.

Yrs,

Leah Mason
Submission Contact
EcoTransit Sydney

Summary

EcoTransit Sydney raises the following issues arising from the proposal to increase the fares and cut staff for the purposes of increasing cost efficiency.

Our submission addresses questions 14 to 25, concerning the external benefits of CityRail operations and the value that should be placed upon what it offers to the traveling public. It will also address issues that have not been identified by IPART or the NSW Government, but which we believe will go some way to meeting developing needs in the near future.

14. Is the patronage growth rate outlined in Table 6.6 appropriate for determining CityRail's revenue requirement? No. This is too low.

15. How should any commercial revenue earned by CityRail be treated for the purposes of determining fares? It should be dedicated to a fund that would finance extensions of the public transport network.

16. Is the range of \$1.7 – 2.0 billion an appropriate estimate of the value of the external benefits of CityRail services? Possibly. This figure is going to rise as new considerations, such as contributions to carbon reduction, are taken into account.

17. Are there any additional external benefits that should be considered in estimating the total value of the external benefits of CityRail?

Productivity and carbon reduction issues associated with reduced traffic congestion; these include the costs of lost work hours, the movement of head offices to cities whose transport systems do allow predictable travel times, and the amount of carbon emitted by idling cars as they wait in gridlocked streets.

18. If so, how might these additional externalities be quantified?

Reduction of VKT is recognised as the key indicator for air pollution reduction, and this would include carbon dioxide. Reduction in VKT would also indicate that traffic is being reduced.

19. Should the government share of the revenue requirement be equal to the external benefits calculated by IPART? Yes, although this external benefit could be recognised through a state transport tax.

20. Is it appropriate for CityRail passengers to contribute around 30 per cent of CityRail's revenue requirement by 2011/12? No. This figure is based on a premise that will be redundant before this date.

21. What weight should be given to affordability issues in determining the shares of the revenue requirement to be funded by passengers and government? A great deal. The ability to move around is important for economic and social transactions that benefit everyone.

22. What weight should be given to the estimated value of the external benefits of CityRail services in determining these shares? This weighting should be proportional at the very least.

23. What weight should be given to the State's other spending priorities when determining these shares? Affordable public transport reduces costs in the State's other spending priorities.

24. To what extent should any increases in future government contributions be tied to demonstrated efficiency gains by CityRail? What possible benefit is gained by such a measure? If CityRail is required to demonstrate greater efficiency, I would expect the government agencies who run them to provide it at no cost to the public.

25. Do fare increases over 4 years of around 20-30 per cent before the effects of inflation, provide the appropriate balance between passengers and taxpayers? No. It does not make sense to treat 'passengers' as if they were not also 'taxpayers'. It is also not consistent with the structure for road pricing.

Additional Issues

We do not agree that this revenue requirement must be funded either by passengers through fares or by taxpayers through government funding. We would like to advise that we believe the impact of fare increases should be considered in the light of several years of declining services and several other increases in fares for CityRail services in the past couple of years.

We believe that there are a number of other opportunities to increase the level of CityRail's cost efficiency. CityRail should be looking at diversifying into areas that will become more difficult to provide by oil-dependent forms of transport. A number of such services have traditionally been undertaken by the passenger rail service, and could do so again. This submission provides some historical examples of what Sydney's rail services have provided, and other examples of contemporary diversification in other cities across the world.

Conclusion:

The approach taken by the NSW Government to the matter of CityRail is shortsighted, ignores the urgent need to implement carbon reduction measures, and the impacts of oil-vulnerability.

EcoTransit Sydney would like to advise that the current framework be redrawn, to ensure that the matters raised above are taken into account.

14. Is the patronage growth rate outlined in Table 6.6 appropriate for determining CityRail's revenue requirement?

Increasing costs for petrol, including rising oil prices and carbon pollution reduction initiatives, will increasingly divert more passengers to existing train services in the next several years. Services across the network are nearing or at capacity as it stands, indicating that CityRail's revenue requirement is markedly underestimated, and not capable of being met by the current passenger base.

It is our opinion that this sector of the transport network will continue to grow, as it has been in recent months. We believe that making better use of CityRail will be the key to a number of important social and economic indicators in the near future.

15. How should any commercial revenue earned by CityRail be treated for the purposes of determining fares?

Commercial revenue from publicly owned and operated infrastructure and service should be directed to further investment in the public transport network. It should not be used to fund staffing or go to general revenue.

16. Is the range of \$1.7 – 2.0 billion an appropriate estimate of the value of the external benefits of CityRail services?

Possibly. This figure is going to rise as new considerations, such as contributions to carbon reduction, are taken into account.

17. Are there any additional external benefits that should be considered in estimating the total value of the external benefits of CityRail?

Productivity and carbon reduction issues associated with reduced traffic congestion; these include the costs of lost work hours, the movement of head offices to cities whose transport systems do allow predictable travel times, and the amount of carbon emitted by idling cars as they wait in gridlocked streets.

18. If so, how might these additional externalities be quantified?

Reduction of Vehicle Kilometres Travelled by private car (VKT) is recognised as the key indicator of air pollution reduction, and this would include carbon dioxide. Reduction in VKT would also indicate that traffic is being reduced.

19. Should the government share of the revenue requirement be equal to the external benefits calculated by IPART?

Yes, although this external benefit could be recognised through a state transport tax levied upon individuals and businesses. This would reduce the costs of ticket collection and fare enforcement measures, equipment and staffing.

20. Is it appropriate for CityRail passengers to contribute around 30 per

cent of CityRail's revenue requirement by 2011/12?

No. This figure is based on a premise that will be redundant before this date.

21. What weight should be given to affordability issues in determining the shares of the revenue requirement to be funded by passengers and government?

A great deal. The ability to move around is important for economic and social transactions that benefit everyone. As Chloe Mason has noted in her findings on transport and job seeking:

“Other benefits of improving transport access...arises through increasing the physical activity that protects and promotes physical & mental health - a benefit particularly relevant for job seekers, who may be at risk of anxiety, depression, unhealthy weight and high blood pressure.... The greater affordability of public transport (and cycling) over private, motor vehicle transport can reduce social exclusion by increasing mobility and health.” *Transport Access for Job Seeking: a pilot program (2001)*

22. What weight should be given to the estimated value of the external benefits of CityRail services in determining these shares?

This weighting should be proportional, at the very least.

23. What weight should be given to the State's other spending priorities when determining these shares?

Affordable public transport reduces costs in key areas of the State's other spending priorities. The ability to travel is a large component of mental health maintenance by reducing social exclusion and its associated problems. It also provides access to essential and often centralized services. With an ageing population, access to public transport will be increasingly important.

24. To what extent should any increases in future government contributions be tied to demonstrated efficiency gains by CityRail?

It is difficult to see how such an approach would be of benefit to the people of NSW. Are we to assume that any shortfalls would then have to be met by the traveling public? Or that services would be cut? The formula implied by this question is simplistic and offers little but the prospect of an increased burden for CityRail's passengers.

Greater efficiencies are established in other countries, such as Switzerland, through systems that encourage various groups within the railways system to work together to meet targets, in order to gain access to bonuses and incentive payments.

25. Do fare increases over 4 years of around 20-30 per cent before the effects of inflation, provide the appropriate balance between passengers and taxpayers?

EcoTransit does not believe that treating 'passengers' as if they were not also 'taxpayers' is very useful. All tax payers benefit from reductions to congestion, road accidents, carbon and particulate emissions, to name only a few of the most significant costs to Sydney's economy. If this were consistent with other systems of transport, it might be appropriate, but this is not the case. For, instance, all tax-payers contribute to the maintenance of public roads, but the costs of maintaining this infrastructure are not recovered from users.

Rail passengers are already contributing to the management of some of these issues by using a system that is widely acknowledged as being sub-standard. To raise prices without significantly lifting the standard and frequency of services would be a further abuse of this sector of the community.

This is particularly true of the groups who must use public transport during the off-peak, a figure that will grow as our aging population leave their cars, because they can no longer afford to operate them, or because they can no longer operate them in a manner that is considered to be sufficiently safe for other members of the public.

Additional Issues:

We believe that it would be a mistake to continue viewing CityRail as an inherently unprofitable business that does nothing but relieve traffic congestion during the peak periods. This is an example of an outdated business model that must be revised in the light of necessary changes to the way that we use energy.

EcoTransit Sydney view this inquiry as a timely opportunity to bring the attention of the Government, and the public, to the benefits of thinking about the costs and benefits of the CityRail passenger rail system in a different way.

CityRail's benefits to the external community are being recognised by this process, but they are not being seen in sufficient detail and they are not being seen in the context of reducing fossil fuel use in the near future.

CityRail is already reducing traffic congestion and improving productivity. It would be able to do more of this if the State Government were prepared to recognise the urgent need for more frequent and extensive services. These costs cannot be met by the existing passenger base.

CityRail is already playing an increasing part in addressing spiralling fuel costs. This part will need to be expanded significantly within ten years.

CityRail is going to play an increasing part in carbon reduction. It is more efficient than the current private vehicle oriented system, and it could be

powered by green energy through investments in a small wind farm (5 megawatts).

Train and trams services already meet three of the concerns we have identified, because they are more efficient and readily transferred to low carbon energy sources as these become available.

CityRail is already doing a great deal, as this process has recognised, but it could be doing a lot more. Congestion, productivity losses, fuel costs and carbon emissions represent a **cost** to the community that can be absorbed or eliminated by a broader view of CityRail's transport task.

CityRail is under-utilised

Sydney trains have been used for small parcel services in previous decades and could begin usefully handling this aspect of freight movement again in the near future. A great deal of small parcel handling is done by small vans that are increasingly costly and inefficient. Reinstating a small parcel service would usefully employ station staff, improving safety and maintaining employment levels.

Other additions to the services offered by CityRail include space at stations for groceries to be purchased, allowing commuters to combine their transport journeys.

Train Stations in parts of Paris (France) also serve as 'docking' points for short-term car and bike hire. Station space could be hired by providers of these services.

All of these services would add the value of CityRail, increasing the opportunities to add value to commuter and other journeys, and increasing opportunities to derive revenue from the existing service.

Final Conclusion:

EcoTransit Sydney believe that this process is being rapidly overtaken by events that are not currently included in the specifications. Between now and 2011-12, many important shifts in the way that transport services are valued will take place.

We have provided a list of our concerns about the current set of criteria for determining fares over the next three to four years, but we have also indicated that there are other important ways in which CityRail could improve the cost efficiency of its services by diversifying its business.

These are by no means the only ways in which CityRail could take up an increased share of the current transport load, however they do provide some idea of what could be done to reduce the costs associated with running the current service.