

HUNTER COMMUTER COUNCIL

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Dr M Keating AC
Chairman
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Dear Dr Keating

SUBMISSION TO IPART

Review of fares for metropolitan and outer metropolitan bus services from January 2010.

Thank you for the opportunity to comment on matters raised in the Issues Paper concerning proposed changes to IPART's approach to setting bus fares. The Hunter Commuter Council's submission on the list of issues for comment follows:

1. For the purpose of setting bus fares in the metropolitan and outer metropolitan regions is it reasonable for IPART to focus on the four largest contract regions (the four STA metropolitan regions) as the foundation for estimating the costs and benefits of bus services?

As IPART "expects that the fares determined using the four largest contract regions would be lower than fares based on an average of the costs and benefits in all 25 contract regions" (p16) it is reasonable for IPART to focus on the four largest contract regions as the foundation for estimating the costs and benefits of bus services.

2. Should IPART consider a broader set of contract regions in its review of the costs and benefits of bus services?

No.

3. What is the appropriate length of time for the fare determination?
Longer than an annual review period.

4. Is it better to align the end of the bus fare determination with the end of the CityRail determination, so that fares for both modes of transport can be considered together in 2012?

Yes. Re-determination of CityRail and bus fares together in 2012 will enable relativities between single and multi-modal tickets to be considered in the one review facilitating an improved integrated public transport ticketing system.

5. Are IPART's proposed assessment criteria for the review reasonable? Should IPART reconsider the criteria, or prioritise them differently?

The proposed assessment criteria are reasonable but should be re-prioritised as 3, 1, 4, 2.

6. What is the most appropriate approach for setting the value of initial capital base in the four largest contract regions?

The deprival value of the assets would be the most appropriate approach for setting the value of initial capital base in the four largest contract regions.

7. What is the appropriate rate of return to allow on regulatory assets in the four largest contract regions?

Weighted average cost of capital.

8. What is the appropriate average remaining life for regulatory assets in the four largest contract regions?

Straight line depreciation.

9. Is it appropriate to determine the share of costs to be borne by taxpayers based on the external benefits approach? What are the advantages and disadvantages of this approach?

Yes, the external benefits approach should be utilised. Taxpayers should pay a share of the efficient costs equal to the external benefits of bus services with fares set to recover the remaining share of the efficient costs.

10. Are there other external benefits of the bus service that IPART should take into account?

IPART should also consider the external benefits of increased social inclusion and mobility especially in lower socio-economic bus contract regions. Avoided road damage and avoided traffic accidents should also be considered as external benefits of bus services.

11. How should IPART take into account the external benefits of bus services that cannot be quantified?

IPART should determine the external benefit of bus services in providing community cohesion, perhaps based on the percentage of bus passengers travelling to community hubs.

12. Is it appropriate to determine the share of costs to be borne by taxpayers based on an optimization approach? What are the advantages and disadvantages of this approach?

The optimisation approach to determine the share of the costs to be borne by taxpayers can be a complementary input into IPART's decision (5.4).

13. How should IPART take account of the likely implications for affordability and patronage in its fare decisions?

IPART should balance the external benefits approach and the optimisation approach to take account of the likely implications for affordability and patronage in its fare decisions.

Whichever approach delivers the lower fare option should be favoured.

14. Should Newcastle fares be harmonized with fares in the other bus contract regions? If not, what justification is there for a separate fare structure?

Newcastle's time based fares were introduced to offset the paucity of services (most routes have only 60 minute headways) and the long, circuitous route network which results in bus trips being many kilometres longer than a point to point car trip. Introduction of sections in Newcastle would generally result in higher fares (eg. Newcastle to Swansea – time based fare \$3.20, section based fare \$6.10; Glendale to University – time based fare \$3.20, section based fare \$4.20; expressed in current 2009 STA bus fares). The "fare free zone" in the CBD area, approximately a section in length, would result in only second section travellers, together with the few two section suburban travellers, gaining a fare reduction from \$3.20 to \$1.90. All other passengers would pay the same or much increased fares.

That would be totally unacceptable. Higher bus fares would send the wrong price signal for the majority of passengers who use Newcastle Buses as relatively available and free parking is located at most commercial and recreation centres Newcastle is a separate social region and needs to be considered as such – "fare harmonization" would bring capital city practices to a provincial city and that would be socially and politically unacceptable! .

15. What will be the increase in demand for bus services over the next five years?

The demand for bus services will continue to increase.

16. What factors are likely to have the biggest impact on bus use?

Increased population demands and increased traffic congestion, together with possible destination parking imposts being levied by Councils, are important factors in continued increases in bus services.

17. Are recent increases in patronage likely to be a good indicator of patronage changes over the next five years? Why or why not?

Expectations are that Newcastle will see increased patronage of 2.5 – 4%.

18. Is a flat flagfall and a per kilometre charge that reflects the fixed and variable costs of providing bus services the most appropriate fare structure?

The preference of the Hunter Commuter Council is for time based fare zones over an integrated bus/ferry/train public transport system. Rather than basing fares on sections to facilitate a proposed (and based on past experience perhaps not to be realised) e-ticketing system they should be time based fare zones as has been introduced by more enlightened public transport administrations in Australia and overseas.

19. Under what circumstance should passengers only pay a single flagfall charge when using more than one bus to complete a journey or multiple transport modes? Given the limits of current ticketing technology how could this be achieved on buses?

See 18. The review should set the agenda for an integrated public transport system and not be concerned with the limitations of the current, antiquated ticketing system.

20. Is the current aggregation of ticket sections appropriate? Should ticket types be introduced to better reflect a consistent flagfall and per kilometre charge?

See 18.

21. Should all bus passengers travelling more than 16+ sections be charged the same fare?

See 18.

22. What factors should IPART take into account when considering the social impact of fare options on bus passengers?

The social impact of bus fares should consider the socio-economic status of the mix of fare paying passengers. In Newcastle, for example, average weekly earnings are less than in Sydney and bus fares should reflect that fact. The free school student transport scheme should be replaced with a co-contribution scheme as has been introduced in other States. The comments concerning the Newcastle CBD fare free zone attributed to R. Banyard's submission October 2008 do not reflect the actual situation. Unfortunately Newcastle Buses does not require its bus operators to record on their fare consoles the passengers utilising the zone. Infrequent, inadequate visual spot checking by bus inspectors does indicate an increase in passenger numbers.

23. Are there any other factors IPART should take into account when considering the environmental impacts of bus fares?

The "primarily relevant" considerations (p53) are appropriate.

The Hunter Commuter Council is very concerned that IPART is constrained in terms of what fare options are feasible, particularly the need to be consistent with Government policy (as inconsistent as it is) on fare harmonisation and distance-based fares for proposed electronic ticketing, as that will almost inevitably ensure that passengers on Newcastle Buses will face steep fare increases from January 2010. Newcastle should be a city with a single transport authority providing an integrated public transport system instead of competing State government authorities that can not seem to co-ordinated bus/train connections but rather can give us separate bus fares, ferry fares, and train fares

This submission has concentrated on Newcastle Buses, the major bus service provider in urban Lower Hunter. However, there are other bus contract regions in outer suburbs and other urban

areas in the Lower Hunter. These bus contract areas operate as separate fiefdoms, and do not integrate services either with Newcastle Buses or each other at the region boundaries. These services operate on section based fares oversighted (loosely) by the Ministry of Transport. Where their services travel within Newcastle Buses' contract region they do not pick up passengers – a relic of public versus private operator regulation days.

As you can see the provision of public transport in the Lower Hunter needs a complete overhaul and your decision on bus fares will do little to assist, and may unfortunately even make the current poor situation worse, towards improved outcomes. .

Yours sincerely

Graham Boyd
Secretary