

CITY STRATEGY

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31 March 2006

Mr James P. Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal of New South Wales
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Cox

DETERMINATION OF CITYRAIL AND TRAVELPASS FARES

The Lower Hunter Councils Transport Group (LHCTG), which comprises officers and Councillors from the five Lower Hunter Councils of Cessnock, Lake Macquarie, Maitland, Newcastle and Port Stephens, welcomes the opportunity to provide input to the current review of CityRail and TravelPass fares.

The overwhelming majority of trips in the Lower Hunter are by private cars and public transport usage is very low, at approximately 4% of all trips. Current trends in car ownership and use cannot continue without exacerbating adverse social, economic and environmental consequences. Quite simply, more people need to use more sustainable transport modes for more of their trips.

CityRail's submission refers repeatedly to the "increased burden on NSW taxpayers who do not access the rail system". The public transport system is provided for all to use. It is funded at a far lower level than that enjoyed by private road-based transport, particularly if one considers the full social costs of provision and use. Lewis (2004) in "The slow road from rhetoric to reform: an analysis of road pricing in Australia" notes the discrepancy in funding and the power of the tax system to either promote or discourage sustainable transport. The article concludes:

The financial subsidy to road transport is estimated to be up to \$20 billion per annum, excluding the cost of greenhouse gas emissions. The current system of vehicle and travel charges is inefficient and leaves the major externalities unpriced, leading to a general overconsumption of travel. Further, alternate transport modes do not receive equal treatment, with rail-based transport covering a larger proportion of its total costs, compared to road-based transport. Consequently, all evidence suggests that there is overconsumption of road transport.

Recent changes to the tax system in Australia have exacerbated inequities in transport pricing, while existing tax regimes, such as that for fringe benefits, include direct incentives for additional car travel.

In its submission to the *Review of Private and Public Bus Fares 2005*, the LHCTG argued that the benefits of increased modal share to public transport at the expense of single occupant

car trips are enjoyed by the whole community, not only the direct users of the public transport system. It is quite reasonable that all should share the cost of public transport provision. Indeed, the LHCTG supports investigation of additional alternative methods of funding of public transport, rather than collection of individual fares, and a thorough evaluation of the provision of free public transport¹.

Charging for vehicle kilometres travelled

New funding systems could be devised that share the costs of provision of public transport across the whole community, through a price mechanism that encourages people to think about the amount (and potentially timing) of their car use. For example, a charge for vehicle kilometres travelled (vkt) could, depending on the amount, provide significant incentive to drive less. Charges could be collected at registration, based on odometer readings. Different levels may apply depending on the emission profile of the vehicle, and potentially, on the availability of alternatives (e.g. metropolitan versus country rates).

Research indicates that there is a substantial gap between the perceived costs of car use (cost of petrol, perhaps maintenance and parking costs) and what the actual costs are (when infrastructure, environmental and social costs are taken into account). Charging for vkt may assist to make some of these costs more transparent, and encourage shifts to walking, cycling and public transport. Public transport could be part-funded through the vkt charges.

TravelPass Products

The Pink TravelPass and the Yellow TravelPass are available for use in the Lower Hunter. 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 LHCTG is pleased to note recent changes to the CityRail website to include details of these products. However, 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 the Hunter should be set differently than for Sydney, reflecting 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.

Fares and promotion

Patterns of travel are different in the Lower Hunter to those in Sydney and therefore a different approach is required in relation to setting of fares. Further investigation and modelling specific to the Lower Hunter is warranted to justify changes to the current fare system.

The LHCTG does not support the high increases proposed for off-peak travel. Repeated rail shutdowns have contributed to significant patronage losses on intercity services in the recent

¹ Professor Ed Blakely, Chair of Urban and Regional Planning, School of Architecture, University of Sydney and Chair of the Reference Panel overseeing development of the Metropolitan Strategy, "favours a proper study into the cost-benefit of delivering free public transport" (<http://www.smh.com.au/news/National/Urban-legend/2005/04/29/1114635748192.html>).

years. The LHCTG encourages active promotion of services to increase patronage and thereby increase revenue, rather than increasing fares.

Student Semester Tickets

The modal split for public transport at the University of Newcastle, at 11% of trips, is more than double the average for the remainder of the Lower Hunter region. Demand for parking at the University has increased significantly in recent years, however, it is University policy that increased demand be addressed through travel demand management projects, including greater use of public transport. The LHCTG is aware of consultation between the Ministry of Transport and the University of Newcastle regarding the introduction of a Student Semester Ticket, for unlimited travel by public transport in a semester, as one such measure.

The concept of a Student Semester Ticket has been successfully implemented in various university cities in Australia and overseas, with the objective of encouraging students' use of public transport for most of their daily travel. A key to the success of the concept, for both students and the Ministry of Transport, is to set the price of the ticket so that it is attractive to students but also increases fare revenue obtained from student travel. Preliminary modelling based on the Travel Modes Survey data compiled by the University each year indicates that if the Student Semester Ticket was priced at \$90.00, the total annual revenue from student fares would drop initially by approximately \$160,000, would break even when the modal split to public transport reached about 14% and could eventually generate income.

The new ticket would be a version of the TravelPass tickets currently available and would cover all Newcastle Bus and Ferry Services, and CityRail services north of Wyee, including Scone and Dungog. Ideally, the Student Semester Ticket would also allow travel on all private bus services operating in the catchment area of the University.

It is proposed that all enrolled students undertaking campus studies would be eligible to purchase the Student Semester Ticket. This would include full and part-time students, overseas students and full fee paying students, but would exclude external students, as they would likely not be regular travellers to campus.

Integrated fares and ticketing

The unit of travel for most people is what they travel in a day, not what they travel in a single trip, therefore the unit of pricing should be the price for travelling in a day. Successful public transport systems overseas use some form of time-based and zoned combined. A possibility which could be explored is that of all-day tickets for single zone and multi-zone travel in the Hunter. For example, four zones could cover the urban areas of Cessnock, Maitland, Port Stephens and Newcastle-Lake Macquarie. Within each zone, there could be a single trip ticket and an all-day ticket and similar products for multi-zone travel (two or more zones). The all-day ticket could be priced at approximately twice that of the single trip ticket and the tickets should cover all modes.

Proposed new fare systems, such as the SmartCard system, should be configured to permit changes between modes without penalty; caps on daily, weekly and monthly travel; and incentives for greater public transport use.

Summary

In summary, the main points that the Lower Hunter Councils Transport Group would like to make are:

- Increases in individual fares may not necessarily translate to an increase in total revenue. In the Lower Hunter, there is significant potential to increase patronage through promotion and improved services.
- The proposed fare increases are not supported.
- TravelPass products should be extended beyond Telarah and Awaba to include the rest of the CityRail network in the Hunter Region, and be priced separately from Sydney.
- The LHCTG supports introduction of a Student Semester Ticket (a form of TravelPass).
- New fare systems should allow changes between modes without penalty and provide incentives for greater public transport use.

Yours faithfully

LOWER HUNTER COUNCILS TRANSPORT GROUP

REFERENCES

Denniss, Richard and Lewis, C.S. (2004), "The slow road from rhetoric to reform: an analysis of road pricing policy in Australia", Economic Papers – Economic Society of Australia, March 2004 v23 p88 (12)