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# **Western Sydney Community Forum**

## **Submission to the Independent Regulatory Tribunal of NSW**

### **CityRail Fares Review**

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**Introduction:**

Western Sydney Community Forum (WSCF) is a regional peak non-government organisation that represents community managed groups and organisations across the fourteen local government areas of Western Sydney. Our aim is to promote social justice principles, and through a process of representation and action we strive to maintain and improve the quality of life for Western Sydney residents.

WSCF has made regular submissions to IPART's reviews of public and private transport fares. In doing so WSCF has been aware that the process of fare determination has been conducted outside the framework of any pricing policy, therefore without any clear indication of the objectives CityRail is attempting to achieve through fare pricing or increases. It is for this and other reasons that WSCF does not support the increases CityRail has proposed in their submission to IPART.

**Pricing CityRail fares:**

This year CityRail has proposed a fare increase of 2.9% with further increases to off-peak fares. These increases range from 23% to 38%. The arguments and approach to fare increases in this years submission to IPART is consistent with previous submissions only in as much that over time they are inconsistent and contradictory in their reasoning and arguments to justify fare increases, demonstrating that CityRail and the NSW State Government's current approach to the pricing of public transport fares is ad hoc with no developed transparent processes or objectives.

An example of this is CityRail's inconsistency regarding the level of discounting for off-peak fares and reasoning behind this.

In the 1999/00 review process CityRail recommended that there be a gradual reduction in the off-peak discount fare to 33%<sup>1</sup>. This was to follow equalisation of the discounts that were then given over differing distance bands. Discounts were equalised to the current 39% level. The rationale behind the proposed reduction was that CityRail was aiming to move to 'more appropriate' pricing for its products while retaining its attractiveness to customers, and to reduce the financial burden to tax payers due to the demands on infrastructure and services resulting from the expected significant passenger growth that the Government was committed to CityRail achieving<sup>2</sup>. CityRail did not expand on the definition of 'more appropriate' fares nor how standards, guidelines or principles were used in developing an 'appropriate' fare. CityRail reasoned in their 1999/2000 submission that increased demand on infrastructure and services results in increased costs, given there has been a decrease in demand and supply, following CityRail's reasoning it would seem 'more appropriate' for there to be a reduction in fares process rather than an increase.

In 2000 no recommendation in regards to the discount in off-peak fares is made. In 2002 CityRail recommends that the level of discounts (39%) to adult off-peak fares be retained and that there be no increase in child off-peak fares<sup>3</sup>. The following year, 2003 CityRail's last submission, recommends a reduction in off-peak fares in preparation for the introduction of discounts on single off-peak fares<sup>4</sup>. CityRail's current submission makes no mention of the introduction of single fare discounts during off-peak times, but proposes the largest increase in the price to off-peak fares yet.

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<sup>1</sup> SRA CityRail Fare Review April 1999, page 31, 36

<sup>2</sup> **ibid** page 31

<sup>3</sup> SRA CityRail Fare Review March 2002, page 49

<sup>4</sup> SRA CityRail Fare Review May 2003, page 14

This year the key argument presented by CityRail to justify increasing the price to off-peak fares is 'to assist in improving cost recovery',<sup>5</sup> cannot be considered substantial. Nor can CityRail's secondary arguments; comparisons made with other states, services, discounts etc, and of equity between peak and off-peak fares be considered substantial. These arguments are as incongruous now as they have been in the past when no supporting data is presented to demonstrate equity in performance standards or comparisons in levels of service during off-peak periods, as is their national and international comparisons supporting their claim for a 2.9% rise in peak fares.

Again currently as previously no substantial arguments are presented by CityRail to justify an increase in off-peak fares and no data is presented to demonstrate how they determine an appropriate discount, and beyond increasing fare box revenue, what they are aiming to achieve by significantly increasing the price of off-peak fares. Even their argument contracted to increasing fare box revenue is not supported by any evidence that enough overall patronage would be retained to achieve this objective, nor is an analysis given of expected social impacts resulting from such significant increases.

A point of reference that all stakeholders share in this review process that outlines issues to be considered by IPART, is the 'Matters to be considered by the Tribunal'.<sup>6</sup> Having issues to be considered stated within an Act gives an expectation they will be addressed in the submissions from transport providers. Social impacts are one of the issues stated in the 'Matters to be Considered'. Yet consistently there is no data available from transport providers or IPART, therefore the social impacts of fare increases cannot be considered in a meaningful way. This is likely to continue while reviews of public and private transport fares are conducted outside of any principles, policies or clear objectives, for without these there is no framework that demands the collection and presentation of data consistently to enable it to be assessed whether or not cost recovery through fare box collection is justified and appropriate.

CityRail also does not demonstrate that the increase in off-peak fares would have no impact on peak services. With a substantial decrease in the discount it is likely that a percentage of the traditional off-peak patronage with the financial capacity would be prepared to trade in a lesser discount for more reliable services and move to peak service times increasing the overcrowding of these services.

A clear and transparent pricing policy in relation to public transport fares with clear objectives and outcomes built into the policies, developed in partnership between the NSW Government, CityRail, IPART and other stakeholders that include passenger and community representation is overdue.

In addition a pricing policy should:

- determine what costs are borne by the government and what costs are borne by the user - fares are where this intersects and users and non-users need to know why a specific price is being charged
- demonstrate the processes used in determining this
- refer to other government policy objectives; the Metropolitan Strategy, Transport 2010 and other social, environmental and economical objectives
- is linked to Key Performance Indicators that can be compared over time, that are meaningful and can be measured
- have a process for review that can include other stakeholders

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<sup>5</sup> RailCorp, Submission to the Independent Pricing and Regulatory Tribunal of New South Wales. City Rail Fare Review page 3.

<sup>6</sup> Independent Pricing and Regulatory Tribunal Act 1992 No 39, Section 15

- consider external benefits gained by whole of community through government contributions, ie reduction in congestion/pollution, access to education, employment, the economic performance of the state
- consider social, economic and environmental impacts that are supported by data

### **CityRail's Performance:**

Outside of off-peak fares CityRail has justified a proposal of 2.9% increase in fares through linking it to improvements in service quality and performance standards. While WSCF does not support the concept of improvements to services and performance standards being linked to fare increases and would prefer to see increased patronage as a way to increase revenue from the fare box, as CityRail has focused much of their discussion and justification for a fare increase on this we feel that we need to make some general comments in response to this. Most notably that the data presented by CityRail does not demonstrate that the improvements they lay claim to are consistent and tracked over time, or that the data demonstrates quality rather than quantity.

Currently, with many of the improvements presented in CityRail's submission we are not informed of the period the improvements span. For example the increased number of roving cleaners informs us of how much litter is removed from trains annually and that the improved cleaning regime has reduced complaints by 4% since 2003/2004. It does not tell us if trains have progressively been getting cleaner or are as clean as they were when for example all stations had garbage bins on them or if complaints regarding this are less now than then.

Since 1999-2000 there has been a 3.1% decline in CityRail passenger journeys; from 278.7 million to 270.3 million, a decline of 8.4 million passenger journeys that equates to approximately \$95.7 million in lost revenue; a direct result of declined performance. Simultaneously the cost of providing each passenger journey has risen substantially; rising from \$7.29 in 03-04 to \$8.44 in 04-05; an 13.4% increase. It is unreasonable to expect remaining passengers to pay higher costs to reduce this shortfall caused by CityRail's poor performance. As there has been no decrease in funding from the government but a decline in the number of services provided, surely Government is concerned that there are fewer outputs for their investment.

The current figures in passenger journeys and services provided do not reflect efficiencies gained to reduce cost to users and tax payers. As this is a requirement to be demonstrated by transport providers to IPART when proposing fare increases, we cannot support the increases in fares recommended by CityRail.

### **Conclusion:**

Fare box revenue – fares – is the users' contribution to the service provided and should be determined within a policy framework. This policy framework should result from a negotiated and transparent agreement so that those paying the fare and using the service and those not using the service but who are recipients of the external benefits of the provision of public transport know why and how a determination is reached.

The policy should contain clear objectives and outcomes to be achieved and should:

- determine what costs are borne by the government and what costs are borne by the user - fares are where this intersects and users and non-users need to know why a specific price is being charged
- demonstrate the processes used in determining this
- refer to other government policy objectives; the Metropolitan Strategy, Transport 2010 and other social, environmental and economical objectives
- is linked to Key Performance Indicators that can be compared over time, that are meaningful and can be measured

- have a process for review that can include other stakeholders
- consider external benefits gained by whole of community through government contributions, ie reduction in congestion/pollution, access to education, employment, the economic performance of the state
- consider social, economic and environmental impacts that are supported by data