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Mr James Cox,  
CEO  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office  
NSW 1230

Dear Mr Cox,

## **Review of Bus and Ferry Fares 2005: Newcastle Services**

The submission from Ministry of Transport gives only scant consideration of fares issues in Newcastle, and defers any serious consideration until “a fully integrated bus network is introduced ..... as part of the Bus Reform process, .... anticipated from 2007”.

The initial stage of the Bus Reform process in Outer Metropolitan Areas was originally programmed for September 2005. Hence a further 2 year delay requires a different approach to fares in the short term.

The Ministry’s submission also states that “harmonisation of fares in Outer Metropolitan areas will require State Transit’s Newcastle Services to move to distance-based fares from its current time-based system”. Such a change is likely to result in a severe deterioration in patronage, down to the low level experienced on the private buses, thereby increasing the financial risk to the government. It would jeopardise the successful introduction of the proposed integrated regional transport network.

Based on the harmonisation model used in Sydney, the fare for a large proportion of trips made in Newcastle, especially where transfers are involved, would more than double. Hence there needs to be an alternative approach that is more acceptable politically and more attractive to potential customers.

Time-based fare systems are becoming the standard in Europe where significant public transport patronage growth is being achieved. Cities and regions with distance-based systems are the ones that are struggling to maintain patronage levels. The benefits of time-based systems are well-established, and I urge IPART to consider this issue more seriously.

The benefits of time-based systems can be retained in Newcastle and the Lower Hunter Region with a simple system of (say) four regional zones, with higher fares charged for travel in more than one zone. This approach is proving to be very successful in the regional fare zones which now cover most of Germany.

Within each zone, the time-based fares need to be adjusted to overcome the problem of high fares for short single trips, and for people who make single trips at the start and end of each day.

The most common trip pattern is a return trip on the same day. Hence, the basic fare unit should be the 'day return' fare, on the basis that most people will only make two trips on any day. Any additional trips are a customer bonus which can be put to good marketing advantage. This again is becoming a common practice in Europe.

TravelTens and TravelPass can then fit more neatly into this simple fare system, avoiding the current struggle on what to do with these tickets in the Bus Reform process.

The Lower Hunter Integrated Transport Plan will probably include proposals for fare integration between government buses, government ferries, private buses, and CityRail regional trains. In an easily definable region such as the Lower Hunter, this type of fare integration is not only achievable, it is highly desirable.

At present, the government is exposed to increasingly higher contributions towards the cost of public transport in regional areas due to declining patronage, and increasing fares will not redress that situation. It will only accentuate the spiral. A new approach is needed, one that is based on increasing revenue by increasing patronage on the spare capacity that is available on most services.

This approach has worked in Brisbane and in the regional areas of Sunshine Coast and Gold Coast. In its first twelve months, TransLink has seen a 9.5% increase in public transport patronage following the introduction of integrated ticketing. In regional areas, patronage increased by 11% and although 60% of fares were cheaper fare revenue increased by 11%.

Under the new funding model, the government bears a greater share of the revenue risk than previously. Hence it is important that it accepts approaches to fares systems that have a greater potential to achieve increases in revenue than persevering with distance-based systems in regional areas. Increases in costs should be covered by increased revenue from increased patronage, not from increased fares.

If fare harmonisation cannot be achieved immediately in the Lower Hunter Region, then the current Fares Review should consider transition arrangements within State Transit's services that will set up the platform for an integrated regional time/zone based system as part of the integrated regional transport network. These arrangements include:

- modifying the time bands to provide more attractive pricing for short-distance and return travel on the same day
- incorporating the Stockton Ferry completely into the time-based tickets
- pricing the TravelPass ticket in Newcastle based on travel patterns and service levels in Newcastle, rather than adopting the price of one of the Sydney TravelPasses.

I urge IPART to consider these issues with particular reference to the need to increase patronage and total revenue in the Newcastle / Lower Hunter Region. I am prepared to expand on the ideas and concepts in this submission if requested.

Yours sincerely,



Len Regan

MTM, FCIT, MAITPM, MPIA