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Dear Mr Cox

REVIEW OF CITYRAIL REGULATORY FRAMEWORK

Lower Hunter Councils Transport Group

The Lower Hunter Councils Transport Group (LHCTG) comprises officers and Councillors from the five Lower Hunter Councils of Cessnock, Lake Macquarie, Maitland, Newcastle and Port Stephens. It was formed in 2001 (as the Lower Hunter Public Transport Liaison Group) and has the primary purpose of encouraging greater modal share to sustainable transport modes. Its functions include: advocacy, on behalf of the Lower Hunter Councils, to State and Federal Governments on issues pertaining to sustainable transport; ensuring, as far as practicable, consistency in transport policies across the Lower Hunter Councils; facilitation of Councils' input to preparation of the Lower Hunter Integrated Transport Plan; facilitation of demonstration projects that promote higher modal share to sustainable transport; and sharing of information and promotion of networking between Councils and other transport stakeholders. The LHCTG welcomes the opportunity to provide input to the current Review of CityRail Regulation.

Transport Patterns in the Lower Hunter

Most trips in the Lower Hunter are made using private cars and public transport use is very low, at approximately 4% of all trips. Generally, there has been little disincentive to car use. Congestion is relatively low in comparison to Sydney, parking is relatively cheap and there is a lack of public transport culture. Average trip distances are longer but trip durations shorter than in Sydney. Newcastle residents make more trips on average per day (3.98) than those in Illawarra (3.80) and Sydney (3.82). However, those in Newcastle and Illawarra spend less time travelling daily per capita (65 and 66 minutes respectively) than those in Sydney (79 minutes) (Department of Planning, December 2005).

Public Transport Funding and Cost Recovery

Public services such as health, education, and the police are provided with funding from taxes, for all to use. While efficiency of provision may be questioned by the public, these services are not expected to recover their operating costs. Why is the provision of transport treated differently? Why is there such a focus on cost recovery?

Many public sector transport service providers are dominated by a cost-reduction syndrome, as distinct from 'best value'. Service planning still appears to suffer from an overall directive to contain costs rather than respond to market demand and patronage potential.

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. Further, the benefits of increased modal share to public transport at the expense of single occupant car trips are enjoyed by the whole community (through decreased congestion and emissions, for example), not only the direct users of the public transport system. It is quite reasonable therefore that all should share the costs of public transport provision.

As an alternative or supplement to fares, additional funding for public transport could be derived from imposition of a charge for vehicle kilometres travelled (vkt). A vkt charge may encourage people to think about the amount (and potentially, timing) of their car use. Charges could be collected at registration, based on odometer readings. Different rates may apply depending on the emission profile of the vehicle and the availability of alternative modes (e.g. metropolitan versus country rates). Research indicates that there is a substantial gap between the perceived costs of car use (cost of petrol, 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.

The Ministry of Transport's submission to the Ministerial Inquiry into Public Passenger Transport stated that "public transport will always require a significant Government contribution, which is justified by the community and environmental benefits of public transport"; that "current funding is not enough to sustain service levels"; that "funding from new sources should be seen as additional capital and should not simply result in reduced Treasury allocations" and "if substantial fare increases were considered, then simultaneous road pricing/demand management measures would also have to be considered so people don't simply switch to cars" (2003, p. 1). The Ministry suggested various options for funding of public transport, including increased Treasury or Commonwealth contributions, reallocation of roads/transport funds and mechanisms such as land value capture.

Integrated Fares and Ticketing

Instead of separate fares and ticketing systems for trains, buses and ferries, all recent submissions by the LHCTG have emphasised the need for a new, integrated fares and ticketing system for all public transport. In the Lower Hunter,

the most effective way to increase revenue is to increase patronage, using current vacant capacity. This can only be achieved with more marketable and simpler fare structures. Increases in individual fares may not necessarily translate to an increase in total revenue. The elasticity of public transport demand in the Lower Hunter may be such that total revenue actually decreases if individual fares are increased.

In the Lower Hunter, there is significant potential to increase patronage through promotion and improved services. Currently, there is virtually no marketing of public transport in the Lower Hunter. There is however, spare capacity on most services. The LHCTG considers that common branding and marketing of public transport collectively would enhance patronage growth. In the current climate of rising petrol prices, and the increasing incidence of obesity and diabetes, particularly in young children, there is a prime opportunity to market public transport and active transport. The LHCTG encourages active promotion of services to increase patronage and thereby increase revenue, rather than increasing fares.

Successful public transport systems overseas use some combination of time-based and zonal tickets. A simple fare system for the Lower Hunter would be based on four fare zones covering the four main urban areas. Within each zone there would be a single trip ticket and an all-day ticket. For travel in more than one zone, there would also be a single trip ticket and an all-day ticket. Prices would be based on marketability, generating greater patronage, and increasing total revenue. The all-day ticket could be priced at approximately twice that of the single trip ticket and the tickets should cover all modes.

The NSW Government has announced its decision to terminate the Tcard contract. Media reports indicate that the Government remains committed to delivering an integrated ticketing system. A precedent has been set for trial of a new ticketing system in the Hunter - that of time-based tickets. It may be feasible to trial a system of combined time and zone-based tickets, such as that described above, in the Lower Hunter. The LHCTG would welcome involvement in such a trial.

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 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.

Most people in the Lower Hunter have access to only hourly frequencies on buses and trains. There are some areas with half-hour frequencies where two routes converge. Hence, public transport tends to be used mainly for planned trips. There is limited scope for using public transport for a sequence of trips on the one day due to the generally low frequencies.

Student Semester Tickets

The modal split for public transport at the University of Newcastle, at around 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 supports 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 Buses and Ferries 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.

The proposed University Semester Ticket is designed to capture the student travel market in the same way as the Pensioner Excursion Ticket is aimed at the Seniors travel market. The tickets would be bought in bulk by the University from the Ministry of Transport and sold by the University to students as one of the elective purchases at enrolment.

Federal Involvement in Public Transport Funding and Planning

The Commonwealth Government is a standout amongst similar governments of Western countries for its lack of involvement in and funding of urban public transport. The United States, Canada and many European National Governments have instigated national funding programmes for public transport.

AusLink appears not to offer any prospect for funding of urban public transport. The Federal Government's Sydney-Brisbane Corridor Strategy highlights congestion problems in the Maitland-Newcastle section of the corridor, due to "the high level of commuter traffic" (p. 13). The Strategy states that congestion problems are expected to become more severe and need to be addressed, but does not indicate how. The Maitland-Newcastle road link is paralleled by a rail corridor which includes services with capacity for additional patronage. Measures to encourage greater modal share to rail at the expense of single occupant car trips in this part of the corridor are needed.

While it does not contribute to urban public transport, the Government applies GST to public transport tickets. FBT provisions result in significant concessions for employer provided vehicles. Further, the provisions apply higher rates of tax on vehicles which travel lower distances during the year. Similar concessions are not available for use of public transport. Current tax provisions provide incentives for behaviours that are likely to have adverse environmental impacts, including increased vehicle sales, increased vehicle use for commuting, bias towards the selection of larger vehicles and reduction in use of alternative transport options.

The structure of the tax system can play an important role in either promoting or discouraging sustainable transport use. The current system leaves major externalities unpriced, which contributes to overconsumption of travel (Denniss and Lewis, 2004). Transport modes do not receive equal treatment, with there being a long-standing bias to private car use.

Summary

Integrated Fares and Ticketing

- Ideally, bus, train and ferry services in the Lower Hunter would operate under the same fares and ticket system; fares would be based on what the local market can bear; and it would be recognised that greater cost recovery could be achieved by encouraging greater use of public transport, rather than increasing fares.
- The Hunter Region needs to have its own integrated fare system, with the pricing based on what is marketable in this Region.
- The unit of travel for most people is a return trip on the one day. Hence, an 'all-day' ticket should be the basis of the fare system, not the single trip ticket.
- Proposed new fares systems should be configured to permit changes between modes without penalty; caps on daily, weekly and monthly travel; and incentives for greater public transport use.

TravelPass Products

- The pricing of multi-trip tickets, such as TravelPass, has to be set by the travel opportunities and services available in Newcastle, not by an arbitrary link to a similar coloured ticket in Sydney.

- TravelPass should be priced at about the same as a TimeTen ticket under the current fare regime. Ten trips in a week is the normal commuter pattern, but some flexibility is needed. Ten trips cost \$24.70 using TimeTen tickets, and this should be the basis of TravelPass pricing.
- Train travel within the Lower Hunter should be included on a single regional TravelPass ticket. Most travel is made by either train or bus, with limited use of both due to poor co-ordination. This would replace the current \$47.00 (Yellow) and \$50.00 (Pink) train/bus/ferry TravelPass tickets.

Student Semester Tickets

- The Student Semester Ticket is common practice in most University cities in Europe, and is very effective in building public transport patronage and reducing car usage by young people.
- Modelling shows that break-even with current university student revenue can be achieved with a modal split increase to 14%. With further growth, the total revenue will increase above current levels.
- The ticket would cover all modes and provide unlimited travel on the Region's public transport services.

Federal Involvement in Public Transport Funding and Planning

- There has been a long-standing Commonwealth planning and funding bias towards roads at the expense of other modes.
- The LHCTG considers that the Federal Government should assume a more prominent role in public transport policy, planning and funding and that current policies which distort the market in favour of private car use should be reviewed.
- Public transport mode share will only increase if the public transport system is improved relative to the road system, which will require a radically different approach to funding and investment. The LHCTG encourages IPART to investigate funding options.

If you would like to discuss any aspect of this submission, please contact me on telephone (02) 4974 2885 or email nmccabe@ncc.nsw.gov.au. Alternatively, you may contact Mr Ken Freeston, Chair, Lower Hunter Councils Transport Group, at Lake Macquarie City Council on telephone (02) 4921 0590.

Yours faithfully



Natalie McCabe
LOWER HUNTER COUNCILS TRANSPORT GROUP

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