



MINISTRY OF TRANSPORT

**SUBMISSION
TO THE
INDEPENDENT
PRICING AND
REGULATORY
TRIBUNAL
ON
BUS FARES
FOR 2006**

1. EXECUTIVE SUMMARY

Bus Reform in NSW

The Ministry of Transport is making this submission in support of the Government's current Bus Reform process. The submission is reinforced by the conclusions of the Ministerial Inquiry into Sustainable Transport in NSW ('Parry Inquiry') and the Review of Bus Services in NSW ('Unsworth Review').

In December 2004, the Independent Pricing and Regulatory Tribunal (IPART) supported the first stage of fare reform to accompany the Bus Reform process in the Sydney metropolitan area. IPART approved the Ministry's submission for 'harmonised' fares, including one single fare scale for all metropolitan bus operators and the first stage of a two-year staged reduction in the discount for State Transit multi-ride tickets.

Under the new bus contracts, the Government is now assuming more patronage risk on all new metropolitan bus contracts by taking all fare revenue. In return, four types of payments will be made to operators under an 'Incentives' model. These are the 'fixed payment' for fixed operating costs, a 'service payment' for variable costs, a 'patronage payment' based on 'shadow fares' for each passenger boarding and a 'service quality incentive payment'.

Shadow fare payments effectively isolate operators from changes to fares and most operators are also substantially protected from patronage risk due to an 'annual reset' applied to patronage payments.

In bidding for the new bus contracts, Sydney metropolitan operators were required to provide patronage forecasts and the contracts themselves require the provision of detailed information to serve as a basis for payments under the new funding model. Although operators are exposed to some cost risks over the seven year duration of the new contracts, there are substantial provisions for contract funding to address those risks outside the control of operators (for example, through funding escalation linked to agreed market indices).

Under previous contract arrangements, operators relied on annual fare changes to offset unpredictable market-wide cost increases. With the reduced risk under new contracts, there is less need for such frequent reviews, and this allows IPART to consider longer term price paths.

The new contracts will provide detailed information from operators through 2005-06 and this will be available to inform future IPART fare reviews. Also, the information flowing from the new contracts will enable the Ministry to provide sufficient information to IPART for it to undertake reviews involving longer-term price paths to provide certainty for both operators and passengers. This approach was supported by the Parry Inquiry and the Premier asked IPART to consider longer-term price paths when requesting it to undertake its 2004-05 fare reviews.

Although it may be premature to determine a long term price path in this determination, it would be appropriate for IPART to develop a draft framework

for subsequent determinations. A long term price path would allow IPART to identify more 'ideal' long term targets, based on economic fundamentals such as cost recovery and customer value while simultaneously addressing stakeholder concerns through incremental annual changes.

The CPI + 'x' approach combines the incremental CPI approach with a '+ x' linked to customer value and may be expanded on to form the basis of a long term pricing framework. Objective measures of customer value are inevitably imprecise, and the Ministry is not submitting such direct measures in this determination, especially given the incomplete data currently available from the Bus Reform process.

The Bus Reform process will be moving to the Outer Metropolitan Areas in late 2005 and to Regional and Rural areas when that process is complete.

Sydney Metropolitan Single Fares

For Sydney Metropolitan bus fares, the Ministry is seeking an increase for this fare review based on the 'CPI + x' approach (where 'x' represents demonstrable service improvements that might justify an increase over CPI). To justify the addition of 'x' to the CPI, the State Transit Authority ('State Transit') has provided detailed information on its service improvements (see section on 'Sydney Metropolitan Single Fares' and Appendix A).

Over the last twelve months, the Bus Reform process has already resulted in service improvements for Sydney metropolitan private bus passengers as demonstrated on page 9 and Appendix A of this submission.

In addition, private bus fares fell by a weighted average of over 5% from 4 January 2005 to 'harmonise' with the fares charged by State Transit. This meant that, for the first time, all bus passengers in the Sydney metropolitan area are paying the same fare for the same distance travelled. In addition, the same concession fare entitlements are provided across Government and private operators, including the Pensioner Excursion Ticket (PET).

The Bus Reform process will be increasing the percentage of privately operated air-conditioned, low floor buses by 6% by the end of the 2005/06 financial year and new strategic corridors are to be implemented with new bus priority measures. New funding of \$90 million has been allocated to these bus priority measures over the next three years.

The new contracts require operators to formulate and implement Environmental and Passenger Relations Plans and to introduce new technologies and management systems for the measurement of operational performance. The Government is funding private operators to enable their full participation in the Integrated Transport Information Service (ITIS). This will enable bus operators to provide better customer service through access to a dedicated complaints mechanism and enhanced access to service information via the 131 500 Infoline and website.

Metropolitan private operators have also introduced the use of Tcard ('smartcard') to record actual boardings of schoolchildren eligible for free school travel under the School Student Transport Scheme (SSTS).

The Government is progressing with a smart card fare payment and collection system for the public transport network in the Greater Sydney Metropolitan Region. The system will cover Sydney, Newcastle, Wollongong, the Blue Mountains and is bordered by Dungog, Scone, Bathurst, Goulburn and Nowra. Public transport fares available from a smart card will be made as simple and convenient as practicable.

These improvements have required bus drivers to undertake considerably more training and work, and the Industrial Relations Commission has recently granted a 19% pay increase to private bus drivers over three years. The Ministry asks IPART to note the link between this wage increase and improved service by private operators when calculating fare levels for 2005/06.

Recommendation 1

That IPART determine a rise in the Sydney Metropolitan harmonised fare scale based on a CPI + 'x' approach.

TravelTens

New contracts being entered into by Sydney metropolitan private operators require that multi-ride tickets be offered at a 15% discount to the single fare scale. The Ministry will ask that IPART determine a standard 15% discount for all multi-ride bus fares to support the new bus contracts and therefore agree to the second stage of the discount reduction for State Transit's multi-rides as sought by the Ministry in its fare submission for 2004/05.

Such a 'harmonisation' of discount levels would also improve competitive neutrality between State Transit and private operators using the same strategic bus corridors.

Recommendation 2

That IPART determine a 15% discount on the single adult metropolitan fare for all TravelTen products under the new Sydney metropolitan bus service contracts.

Travelpasses

IPART determined no increase for Travelpass products in December 2004, as Travelpass products include a rail component and there was no review of rail fares at that time. IPART also justified its determination for no increase by agreeing with stakeholder comments that the price of Travelpasses has increased at a greater rate than singles and multi-rides in recent years.

However, despite prior price increases, current Travelpass discounts remain excessive. Therefore, for this review, the Ministry is requesting an increase for Travelpass products. Notwithstanding any separate fare review for rail services, the Ministry believes that three-mode Travelpass prices should be raised by amounts that at least reflect the proportion of bus and ferry travel undertaken. The Ministry has provided information on the relative proportions of travel by mode for each Travel pass product.

As there is no need to consider a rail portion for Bus/Ferry Travelpasses, these fares should at least rise in line with the determination for Sydney metropolitan single fares.

In addition, should IPART agree with this submission that Travelpasses are excessively discounted, it should consider increases beyond those determined for single fares.

Recommendation 3

That IPART:

- 1) *Determine a rise in the price of three-mode Travelpasses (and Daytripper ticket) that is at least in line with a rise based on the bus/ferry portion of each product; and*
- 2) *Determine a rise for the bus/ferry Travelpasses that is at least in line with the increase determined for Sydney metropolitan single fares.*

Outer Metropolitan and Rural and Regional Fares

For the fare scales of all private commercial bus operators outside the Sydney Metropolitan Area the Ministry submits that IPART recommend an increase to single fares based on the Bus Industry Cost Index (BICI) to be submitted by the Bus and Coach Association (BCA). The BICI will take into account the key cost factor concerns of private commercial operators such as the fluctuating cost of fuel and wages.

The Industrial Relations Commission recently granted a 19% increase over three years to private bus drivers from 1 July 2005, with a 4% increase applying in 2005/06. The Ministry will be assisting private commercial operators outside the Sydney Metropolitan Area to meet the cost of this increase by raising the reimbursement amounts for School Student Transport Scheme (SSTS) and Half Fare Concession by 1.98% from 1 July 2005 until the new fare scales, commencing in January 2006, are in place.

Complete harmonization of fares in the Outer Metropolitan areas will require State Transit's Newcastle Services to move to distance-based fares from its current time-based system. However, the Ministry feels that this should wait until a fully integrated bus network is introduced for Newcastle and surrounding areas as part of the Bus Reform process. The roll out of such an integrated network is anticipated from 2007.

In regard to the Stockton ferry service, State Transit feels an incremental \$0.10 rise would assist in cost recovery for these services. The Ministry supports such an increase.

Recommendation 4

That:

- 1) *IPART recommend (and determine for State Transit's Newcastle Bus Services) a rise in the fare scales for commercial operators outside the Sydney Metropolitan Area based on cost increase information contained in the BICI.*
- 2) *When making its recommendation, IPART should note the Ministry's increased reimbursement to compensate operators for the recent wage decision.*

3) *Determine a \$0.10 rise in the adult single fare for State Transit's Stockton ferry service.*

Non commercial payments

As the Price Waterhouse Model is still referenced in the vast majority of non-commercial service contracts with bus operators, it will be necessary for IPART to determine changes to payments for these operators based on this model. The Ministry is aware of IPART's request for this model to be reviewed and will be undertaking such a review as part of the Bus Reform process within the next twelve months.

The Price Waterhouse model will take into account the key cost factor concerns of non-commercial operators such as the fluctuating cost of fuel and wages.

As indicated in 'Outer Metropolitan and Rural and Regional Fares', the Industrial Relations Commission recently granted a wage increase over three years to private bus drivers from 1 July 2005, with a 4% increase applying in 2005/06. The Ministry will be compensating private non-commercial operators by increasing the people costs in the Price Waterhouse Model which provides payments to those operators.

Recommendation 5

That:

- 1) IPART recommend a rise in non-commercial payments in accordance with the Price Waterhouse Model referenced in the Ministry of Transport's current contracts with non-commercial operators; and*
- 2) When making its recommendation, IPART should note the Ministry's increased payments to operators for the recent wage decision.*

2. THE PROGRESS OF BUS REFORM

In March 2003, the Final Report of the Review of Bus Services in NSW, undertaken by former Premier and Transport Minister, the Hon Barrie Unsworth, found that the private bus sector in metropolitan Sydney was in financial malaise with:

- ◆ patronage in areas operated by private bus companies down 18% since 1990 and falling; and
- ◆ 60% of the industry at risk of financial collapse.

The Unsworth Review recommended an overhaul of the existing contracting funding, contracting and service planning arrangements for bus services.

Bus Reform – new contracts

In response, the Government developed a reform package aimed at delivering better services for passengers by making the bus industry relevant to potential users and keeping the private bus sector financially viable.

The Government is moving operators onto contestable, performance-based contracts, with transparent funding and improved service planning arrangements which will require neighbouring operators to work together to form a bus network. The patchwork of 87 contract areas across Sydney has been consolidated into 15 regions, developing viable businesses that can provide quality services. The Government has allocated new funding of \$90 million over three years, effectively tripling funding to the Bus Priority Program with the focus to be on improving reliability and travel times on the identified strategic bus corridors.

The findings of both the Parry Inquiry and the Unsworth Review highlighted that a single fare scale on Government and private buses would be fairer and more equitable. It would also support the successful introduction of a Tcard for public transport.

Accordingly, in its submission to IPART for the 2004-05 review of bus fares the Ministry of Transport proposed that single-trip fares would be 'harmonised' in one year and TravelTen discounts would be aligned over 2 years. IPART supported the proposal in its final reports and made appropriate determinations and recommendations for this to be implemented from 4 January 2005.

Of the eleven new private bus regions in Sydney, eight are now operating under new contracts. When State Transit is included with its four bus regions, 75% of the Sydney bus industry is covered by the new arrangements from 1 July 2005. The new contracts require private operators to charge the harmonised fares authorised by IPART and multiride 'Ten' tickets at a 15% discount to the single fare. Previously, not all private operators had offered multiride tickets.

The new contracts have been agreed to under the amended Passenger Transport Act 1990 which now requires that bus fares be determined by IPART. Previously, IPART had only determined bus fares for the State

Transit Authority under Section 13 of the IPART Act 1992. Under Schedule 1 of the IPART Act, State Transit is listed as a Government agency for which Tribunal has standing reference. State Transit was working under a Community Service Obligation (CSO) contract with the Government where its lower fares and service above required 'minimum service levels' were subsidised by the Government.

Prior to the 2004 amendments to the Passenger Transport Act 1990, all private operator fares were determined by the Director General of the Ministry of Transport. Since 2001-02 a five year standing reference to IPART by the Premier required IPART to recommend appropriate fare changes to the Director General for determination. Operators working under contracts signed before the 2004 amendments are still to have their fares recommended by IPART and determined by the Director General. All bus operators outside the Sydney metropolitan area are still working under contracts signed before the amendments were made.

Negotiations with Outer Metropolitan operators regarding new contracts are anticipated to commence after September 2005, with Rural and Regional contracts to follow after the completion of that process.

Longer-term price paths

In requesting IPART to undertake its 2004-05 review of bus fares, the Premier requested (in response to the Parry Inquiry Final Report) that IPART consider longer term price paths. IPART has advised the Ministry that it would require information on capital expenditure in advance for the term of the price path and a review of fare structures to consider such action.

Such a review has the potential to make the current fare structure more transparent and this would facilitate further fare reform. For example stakeholder comments to the 2004-05 bus fare review highlighted that current fare structures were the result of an ad hoc approach where new fare products were added and then merely increased by factors dominated by a CPI approach.

Were public transport fare structures to be made transparent with a system entry fee or 'flagfall' with subsequent increments based on distance travelled, for instance, it may be possible to reflect the true cost of public transport use with more accuracy. This approach would inform arguments about how Government is to set the relative contributions of public transport users and taxpayers in funding the system. It would also facilitate the introduction of a smartcard.

However, the data from the Bus Reform process is still incomplete for this purpose and the Ministry will be requesting an increase for one year only. As the Bus Reform process rolls out, the Ministry will be able to provide necessary information to IPART and seek a review involving long-term price paths for fares.

3. SYDNEY METROPOLITAN SINGLE FARES

All Sydney metropolitan operators are charging the 'harmonised' fare scale approved by IPART from 4 January 2005 and this is reflected in the contracts currently being signed by them.

The Government is now assuming more patronage risk on all new metropolitan bus contracts by taking all fare revenue and funding operators through a series of payments designed to:

- ◆ Offer greater ability to fine tune risk allocation;
- ◆ Specifically target Government subsidy payments to particular routes and services;
- ◆ Make adjustments to price changes more straightforward; and
- ◆ Promote greater Government involvement in service planning, consistent with a partnership approach.

This 'Incentives' model of funding operator payments, comprises four elements:

- ◆ A 'fixed payment' to cover fixed operating costs and indexed to inflation;
- ◆ A 'service payment' with a variable element related to service kilometres and with indexation of material cost items such as fuel and labour;
- ◆ A 'patronage payment' using a 'shadow fare' for each passenger boarding; and
- ◆ A 'service quality incentive' for operators to 'grow' their services.

CPI + 'x'

For Sydney Metropolitan bus fares, the Ministry is seeking an increase based on the 'CPI + x' approach (where 'x' represents demonstrable service improvements that might justify an increase over CPI). This approach was supported by the Parry Inquiry, which indicated it would assist in making 'the relationship between fare increases and service improvements transparent'.¹ The approach was also supported by the Premier when requesting IPART to conduct its 2004-05 bus and ferry fare reviews.

To justify the addition of 'x' to the CPI, the State Transit Authority ('State Transit') has provided detailed information on its service improvements (see Appendix A). In brief, State Transit has advised that Sydney Buses can demonstrate significant service improvements, including:

- The 102 new air-conditioned, low-floor, wheelchair accessible buses which were added to Sydney Buses' fleet in 2004-05 now makes the fleet more than 36% fully accessible. State Transit aims to have more than half of its fleet low floor, accessible and air conditioned by June 2007. This will be a significant achievement as this will be five years ahead of the target set by the Disability Discrimination Act's (DDA) Disability Standards for Accessible Public Transport;
- 80 new articulated buses will be added to the fleet in 2005-06. These high capacity buses will provide greater peak hour carrying capacity to areas that do not currently operate these buses.
- Increased maintenance standards for buses (see Appendix A);
- The implementation of bus priority measures such as the CBD Bus Strategy (in conjunction with the new cross-city tunnel);

¹ Parry, T, Ministerial Inquiry into Sustainable Transport in NSW: Final Report, December 2003, pxvii

- The trial of a new Public Transport Information and Priority System (PTIPS) which gives priority to late running buses at traffic signals; and
- Continued improvements to information provision, including timetables.

Appendix A also includes State Transit's customer related key performance indicators which indicate that:

- On-time running and service reliability continues to be better than target levels;
- Bus mechanical traffic reliability is improving;
- Passenger safety incidents are below target levels; and
- Security incidents are below target levels

In addition, the Bus Reform process has already brought service improvements for Sydney metropolitan private bus passengers. Private bus fares fell by a weighted average of over 5% from 4 January 2005 to 'harmonise' with the fares charged by State Transit. This has meant that, for the first time, all bus passengers in the Sydney metropolitan area are paying the same fare for the same distance travelled. In addition, the same concession fare entitlements are provided across Government and private operators, including the availability of the Pensioner Excursion Ticket (PET).

The Bus Reform process will be increasing the percentage of privately operated air-conditioned, low floor buses by 6% by the end of the 2005/06 financial year and new strategic corridors are to be implemented with new bus priority measures. New funding of \$90 million has been allocated to these bus priority measures over the next three years.

The new contracts require operators to formulate and implement Environmental and Passenger Relations Plans and to introduce new technologies and management systems for the measurement of operational performance. The Government is funding private operators for full participation in the Integrated Transport Information Service (ITIS). This will enable bus operators to become more responsive through a dedicated complaints mechanism and enable passengers to access better service information via the 131 500 Infoline and website.

Metropolitan private operators have also introduced the use of Tcard ('smartcard') to record actual boardings of schoolchildren eligible for free school travel under the School Student Transport Scheme (SSTS). The payment of operators for actual SSTS boardings will provide transparent funding of Government subsidy payments rather than the old 'formula method' of payment.

The Government is progressing with a smart card fare payment and collection system for the public transport network in the Greater Sydney Metropolitan Region. The system will cover Sydney, Newcastle, Wollongong, the Blue Mountains and is bordered by Dungog, Scone, Bathurst, Goulburn and Nowra. Public transport fares available from a smart card will be made as simple and convenient as practicable.

These improvements have required bus drivers to undertake considerably more training and work, and the Industrial Relations Commission has recently granted a 19% pay increase to private bus drivers over three years. Private bus drivers

are undertaking many additional functions to improve service for passengers and playing a key role in supporting the smooth implementation of:

- ◆ Increasing availability of the PET;
- ◆ Introduction of Tcard;
- ◆ A new consistent suite of fares and concessions;
- ◆ Each operator's Environmental and Passenger Relations Plans; and
- ◆ New technologies and management systems for the measurement of operational performance.

Drivers will also be required to undergo regular training in customer service, including dealing with people with disabilities, people from non English speaking backgrounds and managing confrontation. The Ministry asks IPART to note the link between this wage increase and improved service by private operators when calculating fare levels for 2005/06.

Also, the Bus Reform process will improve private operator bus fleets with increased numbers of air-conditioned, low floor buses, which are specified as replacement vehicles by contract. In the eighteen months from January 2005 to July 2006, the Ministry anticipates that the percentage of air-conditioned buses in the private fleet will increase from 29% to 35% and the percentage of low floor buses will increase from 17.2% to 23.2%, a 6% increase in both cases.

The Commonwealth Disability Standards for Accessible Public Transport require that 25% of bus services be fully accessible by 31 December 2007. With 23.2% of the fleet (306 of 1317) currently accessible, the anticipated ongoing increase in accessible buses over an eighteen month period should ensure compliance by private bus operators in the Sydney Metropolitan Area.

Although it is too early to determine patronage trends from the more detailed patronage data being provided under the new contracts with private operators, their requests to increase service frequency and purchase additional buses to meet increased demand, demonstrate that patronage is increasing. The Ministry considers this growth in patronage may be explained by lower fares and the availability of the PET.

Further, all metropolitan bus operators will be working on new strategic corridors to be implemented with new bus priority measures. New funding of \$90 million has been allocated to these measures over the next three years.

Recommendation 1

That IPART determine a rise in the Sydney Metropolitan harmonised fare scale based on a CPI + 'x' approach.

4. TRAVELTENS

New metropolitan bus contracts currently being agreed to with operators provide for 15% discounts on multi-ride tickets in relation to the comparable single fare.

A determination by IPART for a standardised 15% discount on multi-ride tickets in comparison to the single fare for the same distance will flow on to State Transit TravelTens under its new contract. This will bring all multi-ride discounts for metropolitan bus services to the same level.

Such a 'harmonisation' of discount levels would improve competitive neutrality between State Transit and private operators using the same strategic bus corridors and facilitate the introduction of Tcard on buses across the metropolitan area.

IPART's determination on State Transit fares for 2004-05 approved the first stage of this approach when it determined a 50% reduction in the discounts for STA TravelTen products from 4 January 2005. These had ranged from 13% to 30% and were subsequently determined at a range of between 14% and 22%. However, IPART indicated it was not convinced that 15% was the right discount level, indicating that 20% matched both its own expectations and those who made submissions to the review. In addition, IPART indicated that the level of discount 'was a significant issue from the point of view of patronage and ticket-switching'.²

Is 15% an appropriate level of discount?

It is the Ministry's contention that the appropriate level of discount for TravelTen is 15% - representing a "buy 10 get 1.5 trips free" policy. This is an acceptable loyalty bonus given the low elasticities of the market for TravelTen and the high cost of provision of peak services. Multi-ride tickets offer benefits to both operators and customers through reduced boarding delays that would otherwise be incurred through cash fares. Any future consideration of fare structures by IPART should include analysis of this factor and its influence on multi-ride discounts.

The Government now owns the farebox for bus services (including State Transit) under the new funding model and will ultimately bear the cost of multi-ride ticket usage on bus services.

The Ministry agrees with the conclusions of the Parry Inquiry and Unsworth Review that bus services in NSW are currently underpriced and that a 15% discount should be standardised. In particular, recommendation 31 of the Unsworth Review of Buses states that:

'Private operators should be obliged to offer a TravelTen (or equivalent) product, discounted at 10-15% relative to single fares. Over time, the discount on State Transit's TravelTen (or equivalent) should be brought to a similar level'.

² Independent Pricing and Regulatory Tribunal, *Report on the Determination of fares for State Transit Authority*, December 2004, p15.

The Government supported the recommendation, adding that 'The need to simplify fares on the smartcard to reduce technology risk is supported'.

Price comparisons

The Ministry believes that a 15% discount level is comparable and more reasonable than discounts in comparable Australian cities. For example, the most comparable city to Sydney in size and public transport task is Melbourne where fares are generally 30% higher than those in Sydney with discount levels of between 13.3% and 16.4% for pre-paid multiple ride tickets. Perth has a 15% standard discount and Canberra has a 12.5% standard discount.³

In the United States (US), the level of discount offered on multi-trip products like TravelTen has been decreasing since 1994, with a general shift to lower percentage discounts. The percentage of jurisdictions discounting under 10% has nearly doubled as shown in the table below.⁴ In addition, there is evidence that over the same period of time, ridership of transit in the US has increased⁵.

Incidence of discounts in the United States (for 10-ride options) 1994-2000

	Percentage of Systems with Discount (from Base fare) of							
	<10%		10-19%		20-29%		>30%	
	2000	1994	2000	1994	2000	1994	2000	1994
Bus	33	18	38	40	17	27	12	15
Heavy rail	33	29	17	29	33	14	17	29
Light rail	46	30	23	50	23	0	8	20
Commuter Rail	0	11	64	67	27	22	9	0

SOURCE: 1994 APTA Transit Fare Summary, 1994, and 2000 APTA Transit Fare Summary, 2000.

Patronage impact

Even with the discount reduced to 15%, there remain significant savings on a TravelTen ticket compared to single fares. The convenience of purchase and use remains the same regardless of the quantum of discount.

In regard to patronage, a 15% discount rate will not discourage travellers on privately operated metropolitan buses where no multi-ride discounts have been available at all until 2005. Most metropolitan customers of private services would therefore benefit directly from, and be attracted to, the product with a 15% discount rate.

'Ticket switching'

IPART has indicated a discount level of 15% might encourage ticket switching, particularly to the Travelpass product. If such switching was significant, it could result in much smaller overall revenue benefits than may otherwise be expected. A commensurate increase in Travelpass prices would alleviate this concern.

However the potential for this migration should not be overstated. Persons will not migrate to another product if they:

- ◆ Do not use 10 trips per week;

³ State Transit Authority

⁴ Transportation Research Board of National Academies; *Transit Cooperative Research Program Report 94 – Fare Policies, Structures and Technologies: Update*; Washington DC, 2003 at p 20

⁵ *Counting Transit So That Transit Counts*, American Public Transportation Association, May 2004

- ◆ Are not willing to pay a slightly higher fare for access to unrestricted travel per week or access to other modes such as rail; and
- ◆ Believe the increase is not an economic imposition.

Considering the many factors which influence mode and ticket choice, it may be difficult to argue that regular users of TravelTen tickets will sacrifice the convenience of a discounted multi-trip ticket for multiple, more expensive and more difficult single fare purchases necessitating presentation of cash and receipt of change at point of bus entry.

TravelPasses and TravelTens compete on elements other than price – the TravelPass allows increased flexibility and frequency of travel across modes, but its use is time limited (ie weekly, monthly etc). For example, the table below shows the competition between TravelTens and Travelpasses based on price. It should be noted that no exact match between TravelTen distance bands and Travelpass sections is possible due to Travelpass sections being based on radial distances from the Sydney CBD. However, the table is an attempt to identify likely price sensitivity product switching from TravelTens to Travelpasses.

Potential for price sensitive substitution from TravelTen to Travelpass

TravelTen zone	Current TravelTen Adult price	TravelTen with 15% discount (Year 2)*	Nearest equivalent Travelpass	Current Adult Travelpass price	Potential for price sensitive change?
1-2 (Blue)	\$12.70	\$14.00	Red (TBF) Blue (BF) Two-Zone	\$32.00 \$29.00 \$29.00	Nil Nil Nil
3-5 (Brown)	\$21.30	\$23.60	Red (TBF) Blue (BF) Two-Zone	\$32.00 \$29.00 \$29.00	Nil Nil Nil
6-9 (Red)	\$27.90	\$31.40	Red (TBF) Blue (BF) Two-Zone	\$32.00 \$29.00 \$29.00	Nil*** Possible Possible
10-15 (Green)	\$36.10	\$37.60	Green (TBF) Orange (BF) Two-Zone	\$40.00 \$36.00 \$29.00	Nil*** Possible Probably using already
16+ (Orange)	\$44.20	\$45.40	Yellow (TBF)** Orange (BF) Two-Zone	\$44.00 \$36.00 \$29.00	Nil Probably using already Probably using already

* Calculated using a rise of 2.75%, representing a forecast Sydney CPI change from 1 January 2005 to 31 December 2005.

** Very limited STA bus routes in Yellow Travelpass zone.

*** It should be noted that choices to switch product may be made in the 6-9 and 10-15 sections on issues other than price – for a little more travellers can purchase a Travelpass and travel both on rail; and more frequently within the same week. However it can also be argued that travelers sensitive to such factors will have already made the switch in products.

It can be seen that any 'leakage' of passengers to other fare products would be limited (three of fifteen Travelpass products would be between \$1.00 and \$2.50 cheaper than the comparable TravelTen). It should also be noted that TravelPass will not be available on the private operator network – regular users are likely to switch from single fares to the TravelTen product.

For the STA network, as some TravelPasses are already cheaper than TravelTens, those persons whose ticket purchase is price sensitive are already likely to have purchased a TravelPass. People who don't travel 10 times per week and don't use a whole TravelTen within a week, would therefore not save any money by switching to TravelPass. State Transit indicates that there has been no detectable 'switching' to Travelpasses from TravelTens. TravelTen trips increased by 1.6% during 2005/06 while Travelpass trips decreased by 3.1% in the same period. Trips using cash fares increased by 3.6%.

For these reasons it remains questionable whether significant substitution of TravelTen for TravelPass would occur as the direct result of a TravelTen discount decrease to 15%.

'Switching' to personal vehicle use?

The Ministry similarly believes that the potential of those public transport users who purchase multi-ride tickets to migrate to personal vehicle use as a result of a standardised discount is negligible.

STA has advised that for the 2003/04 year, 60.9% of TravelTens were used during the peak, constituting 37.6% of all tickets used during the peak. TravelTen use off-peak represents 23.2% of all use.

It is reasonable to conclude that a large proportion of the users of bus services in the peak period are regular commuters – who due to a number of factors including road congestion, travel times, ease of use of buses, and lack of parking facilities at peak commuter destinations such as Sydney CBD, can be described in terms of a captive or transit dependent market. For example, one Australian study⁶ has found generally that:

- transit price elasticities are lower for transit dependent riders than for discretionary riders; and
- elasticities are about twice as high for off-peak and leisure travel as for peak and commuter travel.

This suggests that the risk of modal substitution for the TravelTen users is lower than that for other ticket products.

Transition to Tcard

In relation to Tcard transition, there are several issues:

- Communications - The same discounted fare levels will facilitate consistent messages for Tcard bus users from the outset.
- Fare structure - Tcard will include a 'Tpurse' which provides very flexible travel with the user charged single fares for each journey. To assist with Tcard take-up, the 'Tpurse' may be discounted to (for example) the equivalent of TravelTen fare levels. Were TravelTen discounts based at 15%, it would represent a lower revenue risk to Government than setting the benchmark at current TravelTen discount rates.

In conclusion, the Ministry believes the harmonisation of multi-ride discounts will ensure equitable access for customers, competitive neutrality on strategic corridors and ease the introduction of Tcard.

⁶ Litman, T., *Transit Price Elasticities and Cross-Elasticities*, Victoria Transport Policy Institute, 14 June 2004

Recommendation 2

That IPART determine a 15% discount on the single adult metropolitan fare for all TravelTen products under the new Sydney metropolitan bus service contracts.

5. TRAVELPASSES

No increase for 2005

In its submission to IPART for the 2004-05 fare review, the Ministry left the matter of a rise to Travelpass prices to IPART to determine. IPART determined no increase for Travelpass products from 4 January 2005, as Travelpass products include a rail component and there was no review of rail fares at that time. IPART also justified its determination for no increase by agreeing with stakeholder comments that the price of Travelpasses has increased at a greater rate than singles and multi-rides in recent years.

Deep discounts on Travelpasses

While IPART has agreed with some stakeholders that Travelpass prices rose faster than single fares in a comparable period, IPART did not comment on the extremely deep discounts that these rises were intended to resolve. For example, the following table indicates the size of Travelpass discounts in comparison to single and multi-ride fares for some probable travel patterns.

Travel patterns are based on probable commuter behaviour within discreet Travelpass zones and indicate that, for a commuter travelling five days per week on two modes, Travelpass prices may have discounts of approximately 50% of the comparable single fares and 30% of the comparable multi-ride fares. In the event of a commuter undertaking further discretionary travel on the weekend (such as a ferry trip), Travelpass discounts are even deeper. Even if a passenger commutes on four days in a week, Travelpass discounts may still range between 20-30% in relation to single and multi-ride fares.

WEEKLY TRAVELPASS DISCOUNTS IN RELATION TO SINGLE AND MULTI-RIDE FARES

EXAMPLE TRAVEL PATTERNS	WEEKLY TRAVELPASS FARE	TOTAL EQUIVALENT SINGLE FARES	TOTAL EQUIVALENT BUS/FERRY MULTIRIDE AND/OR RAIL WEEKLY FARES	TRAVELPASS % DISCOUNT FROM SINGLE FARES	TRAVELPASS % DISCOUNT FROM MULTI-RIDE & RAIL WEEKLY
10 train trips (10kms) 10 bus trips (3-5 sections) 2 ferry trips (Inner Harbour) Total	(Red Travelpass) \$32.00	\$28.00 \$27.00 <u>\$9.60</u> \$66.60	\$25.00 \$19.70 <u>\$6.20*</u> \$50.90	52%	37%
10 bus trips (1-2 sections) 10 ferry trips (Inner Harbour) Total	(Blue Bus/Ferry Travelpass) \$29.00	\$16.00 <u>\$48.00</u> \$64.00	\$11.80 <u>\$30.30</u> \$42.10	55%	31%
8 train trips (10kms) 8 bus trips (3-5 sections) Total	(Red Travelpass) \$32.00	\$22.40 <u>\$21.60</u> \$45.60	\$24.00** <u>\$15.76*</u> \$39.76	30%	20%

* Each trip is calculated as 10% of the relevant TravelTen or Ferryten.

** Based on single fares as single fares are less expensive than a rail weekly.

Increase requested for 2005-06

This submission seeks an increase for 2005-06 based on raising the bus/ferry 'portions' of Travelpasses only to reflect any increases in bus/ferry fares. Information has been obtained on current Travelpass revenue splits to provide guidance to IPART on the quantum required.

Current Travelpass Revenue Split (Source: STA)

	Bus	Ferry	Rail	Bus/Ferry Total
<i>Three-mode Travelpasses</i>				
Red	47.41%	3.70%	48.89%	51.11%
Green	39.07%	12.77%	48.16%	51.84%
Yellow	35.48%	3.29%	61.23%	38.77%
Pink	33.41%	2.36%	64.23%	35.77%
Purple	27.78%	3.32%	68.90%	31.10%
<i>Two-mode (Bus/Ferry) Travelpasses</i>				
Blue	89.63%	10.37%	0.00%	100.00%
Orange	67.52%	32.48%	0.00%	100.00%
Pittwater	95.36%	4.64%	0.00%	100.00%
2 Zone	100.00%	0.00%	0.00%	100.00%

For example, should IPART determine a rise of 2.75% (forecast Sydney CPI rise for the twelve months to 31 December 2005) for single metropolitan bus fares, the Red Travelpass should rise by 51.11% of 2.75%, or 1.4%. This would represent a 40c rise from \$32.00 to \$32.40.

A rise of this proportion would provide rises of between 30c and 60c for all Travelpass products. Although such a rise would not enable Travelpasses to be priced in round dollar figures, it is not anticipated that this would slow public transport travel times as these products are not sold on board. Should IPART believe that Travelpasses should still be sold in round dollar figures, it could consider raising each Travelpass product by \$1.00. Should this increase be determined, the % price rise for three mode Travelpasses will be between 1.85% (Purple) and 3.125% (Red).

The basis for apportioning fare increases across modes may, in time, need to be reviewed as further work is undertaken regarding the level of discounts embedded in Travelpass tickets and appropriate cost recovery for operators.

For bus/ferry Travelpasses, there is no rail component and the Ministry seeks a rise in line with the rise for Sydney metropolitan single fares.

The Ministry believes Travelpass prices should not remain static for another year and that IPART should determine an increase.

It should be noted that IPART itself has expressed concerns about the potential for 'ticket-switching' from TravelTens to Travelpasses if TravelTen discounts are reduced. An increase in the price of Travelpass products may assist in keeping any such 'switching' to a minimum.

The Ministry also asks IPART to note that private bus operators will not be offering Travelpass products under the new metropolitan bus service contracts. This is because Travelpasses may only be used in 'zones' based on radial distances from the CBD and this is not appropriate for the contract areas of private operators. It is also inconsistent with the planning principle of developing a bus network based on linking all identified regional centres. It is therefore not

proposed to create further Travelpass zones based on private operator contract areas.

The Ministry is aware that the maintenance of Travelpasses on State Transit bus services only may be inconsistent with the principles of competitive neutrality. However, the Ministry is currently exploring means of resolving this issue. Tcard, for example, will provide a technological base for multi-modal travel and will enable the Ministry to introduce a standard 15% fare discount across all modes.

Similarly, the Daytripper product has a revenue split between three modes. In this case the split is Bus – 15.6%, Ferry – 50% and Rail – 34.4%. As for Travelpasses, the Ministry requests that the price of the Daytripper rises by the bus/ferry ‘portions’ of the revenue split to reflect any increases in bus/ferry fares. For example, should a 2.75% CPI rise be determined by IPART, the Daytripper price should rise by 65.6% of 2.75%, or 1.8%.

This would equate to a rise of approximately \$0.30. However, as for Travelpasses, it may be considered more appropriate for the Daytripper to continue to be sold in a round dollar amount (currently \$15.00) and the Ministry requests that the price rise by \$1.00 if IPART believes this is appropriate.

Recommendation 3

That IPART:

- 3) Determine a rise in the price of three-mode Travelpasses (and Daytripper ticket) that is at least in line with a rise based on the bus/ferry portion of each product; and*
- 4) Determine a rise for the bus/ferry Travelpasses that is at least in line with the increase determined for Sydney metropolitan single fares.*

6. OUTER METROPOLITAN AND RURAL/REGIONAL FARES

Future potential for fare harmonisation

As operators outside the Sydney metropolitan area are still signed to old contracts, any fare harmonisation proposal would have to compensate operators for any differences between current fares and a harmonised fare through interim contract payments. As the data being supplied by these operators under their old contracts is still insufficient for this to occur, the Ministry believes fare harmonisation in these areas would be best considered after the signing of new contracts.

The old contracts still require IPART to recommend any changes to fares with the Ministry's Director General making the final determination. The Ministry therefore requests that IPART recommend commercial fare increases outside the Sydney metropolitan area based on the BICI. The BICI will contain information on cost items of concern to operators, including variations in wages and fuel.

In regard to wages, from 1 July 2005 the Industrial Relations Commission granted a 19% increase over three years to private bus drivers in the Outer Metropolitan Area, with a 4% increase in Base Wages applying in 2005/06. As IPART's amended BICI currently weights 'people costs' at 49.6% of total costs (41.3% wages, 3.7% super, 2.3% payroll & 2.3% workers comp), a 4% award increase would translate into a 1.98% increase in the BICI.

It is anticipated that IPART's recommendations will be for fare changes from 3 January 2006. Accordingly, the Ministry will be compensating private commercial operators outside the Sydney Metropolitan Area for this wage increase by raising the reimbursement amounts for School Student Transport Scheme (SSTS) and Half Fare Concession by 1.98% from 1 July 2005 until the new fare scales are in place.

The Ministry is also making a one-off payment to private commercial operators to reflect revenue foregone on cash fares.

Newcastle Services

In regard to State Transit's time-based fares in Newcastle, the Ministry supports fare harmonisation between Outer Metropolitan and Newcastle services. Harmonisation would be to distance-based fares for Newcastle Services, but the Ministry believes this should wait until a fully integrated bus network is introduced for Newcastle and surrounding areas as part of the Bus Reform process. The roll out of such an integrated network is anticipated from 2007.

State Transit has indicated that an increase based on the BICI, comparable with other outer metropolitan operators, would be appropriate for its Newcastle Services.

Stockton Ferry

In regard to State Transit's Stockton ferry service, State Transit feels an incremental \$0.10 rise would assist in cost recovery for these services. The Ministry supports such an increase.

Recommendation 4

That:

- 1) IPART recommend (and determine for State Transit's Newcastle Bus Services) a rise in the fare scales for commercial operators outside the Sydney Metropolitan Area based on cost increase information contained in the BICI.*
- 2) When making its recommendation, IPART should note the Ministry's increased reimbursement to compensate operators for the recent wage decision.*
- 3) Determine a \$0.10 rise in the adult single fare for State Transit's Stockton ferry service.*

7. NON-COMMERCIAL PAYMENTS

The Price Waterhouse Model

As the BCA's Price Waterhouse Model is still referenced in the vast majority of non-commercial service contracts with bus operators, it will be necessary for IPART to determine changes to payments for these operators based on this model. The Ministry is aware of IPART's request for this model to be reviewed and will be undertaking such a review as part of the Bus Reform process within twelve months.

In the interim, the Ministry asks that IPART consider any changes in non-commercial payments in accordance with the PriceWaterhouse model to be submitted to IPART by the BCA. The model will take into account the key cost factor concerns of non-commercial operators such as the fluctuating cost of fuel.

As indicated in 'Outer Metropolitan and Rural and Regional Fares', the Industrial Relations Commission has granted a 12% increase over three years to private bus drivers un rural and regional NSW from 1 July 2005, with a 4% increase applying in 2005/06. The Ministry will be compensating private non-commercial operators by raising the people costs in the Price Waterhouse Model by 4% and providing increased payments to those operators on that basis from 1 July 2005 to the effective date for new payments to be recommended by IPART for January 2006.

Recommendation 5

That:

- 1) IPART recommend a rise in non-commercial payments in accordance with the Price Waterhouse Model referenced in the Ministry of Transport's current contracts with non-commercial operators; and*
- 2) When making its recommendation, IPART should note the Ministry's increased payments to operators for the recent wage decision.*

APPENDIX A

1. IMPROVEMENTS IN SYDNEY BUSES' SERVICE QUALITY

1.1 Performance Indicators

Sydney Buses performance against Key Performance Indicators (KPIs) has continued to reflect the commitment to reliable, convenient, courteous, comfortable and safe public transport services.

The table below provides details of Sydney Buses' customer-related KPIs and performance against these targets over the past five years. The table shows that:

1. On-time running and service reliability continues to track close to target.
2. Bus mechanical and traffic reliability is better than target levels
3. Passenger safety incidents are better than target levels
4. Security incidents are close to target levels
5. The bus fleet's average age is reducing and a growing proportion of the fleet is wheelchair accessible.

Sydney Buses Customer-Related KPIs

KPI and (Target)	2000/01	2001/02	2002/03	2003/04	2004/05*
Reliability					
On-time running (>95%)	96.1%	96.2%	95.9%	95.9%	95.0% (1)
Service reliability (>99%)	99.5%	99.6%	99.4%	99.4%	99.4%
Mechanical reliability					
(<15 bus changeovers per 100,000 km)	20.37	17.60	16.15	16.13	14.92
Traffic reliability (accidents)					
(<4 changeovers per 100,000 km)	5.54	4.64	4.41	4.53	3.93
Safety (per million passenger trips)					
Safety Incidents (<2.0)	1.86	1.62	1.73	1.68	1.91
Security Incidents (<0.5)	0.51	0.41	0.42	0.57	0.60
Comfort					
Average Bus Age (<12 years)	11.7	11.7	12.2	13.0	12.8
Convenience					
Total kilometres (000kms)	77,444	78,852	77,426	78,593	80,795
Customer Service					
Complaints per 100,000 trips (<15)	7.4	9.2	16.0	11.3	11.9
Accessibility					
Wheelchair accessible buses (% of fleet)	21.7	26.7	28.5	29.4	34.7

* Estimated for 2004/05 at 31 May 2005. Kilometres include Harris Park Services.

Note (1) the decrease in on-time running to 95.0% (est.) for 2004/05 reflects the significant increase in traffic congestion over the past year.

1.2 Fleet Quality

For the past decade, State Transit has pursued an impressive path of fleet renewal. Over 643 new low floor buses have been brought into service. All are air-conditioned and all meet the highest relevant environmental standards. State Transit has now determined to accelerate its bus acquisition program by introducing 102 new buses in 2004/05.

A further 113 new buses will be acquired in 2005/06 and then 80-90 new buses each year until June 2009 by which time the average age will have reduced to 11.4 years. In the years beyond 2009 Sydney Buses will engage in a steady state replacement program of 82 buses each year to ensure the average age of the fleet is maintained. Capital expenditure in 2005/06 is forecast at \$78.6 million. The extent to which Sydney Buses' fleet now provides improved comfort, safety, and environmental performance is shown in the table below:

Improvements in Sydney Buses' Fleet Since 1997

	June 1997		June 2004		June 2005		June 2006		June 2008	
	#	%	#	%	#	%	#	%	#	%
Total Buses in Fleet	1452*	100	1,729	100	1,685	100	1723	100	1741	100
Air-Conditioned	254	17	768	44	870	52	983	57	1,153	66
Low Floor	82	6	598	35	700	42	813	47	983	56
Wheelchair Accessible	76	6	509	29	611	36	724	42	894	51
CCTV			1,729	100	1,685	100	1723	100	1741	100
Euro 2**	82	6	281	16	281	17	281	16	281	16
Euro 3**			21	1	123	7	236	14	236	14
Euro 4** CNG and/or diesel									220	13
CNG (Euro 3** equivalent)	104	7	404	23	404	24	404	23	404	23

* Service contract rights (adjacent to State Transit's bus network) were acquired in 1999/2000, adding around 110 buses to the fleet.

**"Euro" Defines the permissible level of emissions under the Euro Standard which sets the Australian standard for progressive reductions the level of vehicle emissions.

State Transit's fleet has been fitted with CCTV cameras since January 2000 to improve passenger safety and security. The new buses purchased are air-conditioned, low floor and equipped with wheelchair ramps, improved doors, passenger restraints and other safety features.

State Transit's aim is to have more than half Sydney Buses' fleet low floor, accessible and air conditioned by June 2007. This will be a significant achievement as this will be five years ahead of the target set by the Commonwealth Disability Discrimination Act's (DDA) Disability Standards for Accessible Public Transport. The accessible buses in Sydney Buses' fleet:

- ◆ Make it easier for mobility-impaired passengers to board and alight, as well as to move into the bus to a seat;
- ◆ Are capable of accommodating a wheelchair with special boarding ramps and a fastening system to secure wheelchairs once on board in the

designated place;

- ◆ Make it easier for passengers carrying young children in strollers and prams to use Sydney Buses' services; and
- ◆ Have stanchion poles that are coloured in a conspicuous yellow to assist passengers, especially those who might be visually impaired, more easily find and hold a secure point within the bus.

State Transit has developed a wheelchair policy for Sydney Buses' fleet to clearly communicate to Sydney Buses' customers how these facilities can be used. Sydney Buses' public timetables identify individual trips for services that will have a wheelchair accessible bus.

Research conducted overseas has identified that low floor buses have loading rates that are between 15 and 25 per cent faster than conventional buses. Preliminary results of a recent study of selected bus stops in Sydney's CBD suggests that faster loading times are derived from low floor buses in the local context, with improvements of around 10 per cent. Therefore, improved fleet quality, through the introduction of low floor buses, is providing a general service quality benefit to all Sydney Buses' passengers.

1.3 Newcastle Buses Performance Indicators

Newcastle Bus & Ferry Services performance against Key Performance Indicators (KPIs) has continued to reflect the commitment to reliable, convenient, courteous, comfortable and safe public transport services.

The table below provides details of Newcastle Buses' customer-related KPIs and performance against these targets over the past five years. The table shows that:

1. On-time running and service reliability continues to track ahead of target.
2. Bus mechanical and traffic reliability is better than target levels.
3. Passenger safety incidents are better than target levels.
4. The bus fleet's average age has reduced and a growing proportion of the fleet is wheelchair accessible.

Newcastle Buses Customer-Related KPIs

KPI and (Target)	2000/01	2001/02	2002/03	2003/04	2004/05*
Reliability					
On-time running (>95%)	95.5%	96.6%	96.1%	97.9%	98.0%
Service reliability (>99%)	99.5%	99.6%	99.4%	99.4%	99.5%
Mechanical reliability (<15 bus changeovers per 100,000 km)	13.20	14.10	14.90	12.60	12.26
Traffic reliability (accidents) (<4 changeovers per 100,000 km)	2.88	2.26	2.27	2.28	1.58
Safety (per million passenger trips)					
Safety Incidents (<2.0)	0.9	0.3	1.8	0.4	1.0
Security Incidents (<0.5)	0.8	0.3	0.2	1.1	1.2
Comfort					
Average Bus Age (<12 years)	13.2	14.1	14.9	12.6	12.6

Convenience					
Total kilometres (000kms)	9,868	9,141	8,381	8,367	8,336
Customer Service					
Complaints per 100,000 trips (<15)	7.2	16.7	11.5	6.6	6.4
Accessibility					
Wheelchair accessible buses (% of fleet)	0	0	1.6	17.8	21.5

* Estimated for 2004/05 at 31 May 2005.

1.4 Fleet Maintenance

The Audit Office of NSW in 2002 conducted a Performance Audit of the State Transit Authority bus maintenance function (*Bus maintenance and bus contracts*) which examined the efficiency and effectiveness of State Transit's approach to maintaining its bus fleet. State Transit accepted five of the recommendations in the Audit Office report

A follow-up audit in 2005 found that:

1. State Transit satisfactorily implemented those recommendations.
2. State Transit has also implemented other changes to address issues we raised in the 2002 report, including obtaining certification of its bus maintenance systems to the ISO 9001:2000 quality standard.
3. Following these changes, there was some improvement in reliability and outstanding work orders.
4. In October 2004, State Transit commenced an organisation wide reform program. A review conducted by State Transit as part of this reform program concluded that further improvement to its garage operations and maintenance practices was needed.

1.5 Service Provision

Sydney Buses operates over 95,000 trips each week on more than 300 regular routes and almost 850 school route variants. On a typical working day it carries over 600,000 passengers on 15,000 trips.

A major portion of this is the more than 235,000 passengers that travel on Sydney Buses' services to and from the CBD between 7am and 7pm. In a year Sydney Buses operates 78 million bus kilometres, providing transport for 187 million passengers. Sydney Buses' services generate annual revenue of \$417 million.

Sydney Buses' operates from 11 depots using a fleet of 1750 buses. The bus fleet includes thirty articulated buses and fifty 14.5 metre long rigid buses to provide high capacity services on selected routes. 80 new articulated buses will be added to the fleet in 2005/06.

Sydney Buses employs almost 3800 staff, including 3170 operational, 330 maintenance and 290 administrative employees.

The provision of services requires an annual expenditure of \$386 million. This includes all operating costs and allowances for depreciation and interest to service Sydney Buses' capital requirements for fleet, depots, equipment and facilities

Sydney Buses' peak vehicle requirement has grown from 1160 buses in 1993 to 1564 at present. Leaving aside increases of 117 in 2000, when two private bus companies were purchased, and 42 this year when Sydney Buses stepped in to operate the former Harris Park transport services on an interim basis, Sydney Buses' peak vehicle requirement has increased by over 20% in 12 years.

Sydney's traffic can affect the reliability of Sydney Buses' bus services. Sydney Buses is continuing to work with the RTA on expanding the bus priority measures. These measures make buses a more attractive transport mode by reducing bus travel times, and improving the reliability and efficiency of bus services in heavy or unpredictable traffic conditions. Traffic management measures are also implemented to improve bus and passenger access throughout Sydney Buses' operating area.

Some of the priority measures introduced in the past twelve months include:

CBD Bus Strategy

Work continues on refining and adapting the strategy for bus services in the Sydney CBD for the period after the opening of the Cross City Tunnel. The anticipated removal of a substantial amount of through traffic from the surface streets provides the opportunity to capture this space for improved public transport services.

Bus Crossover on Western Distributor

State Transit has been working with the RTA and will make minor route changes to Victoria Road bus services to coincide with the Cross City Tunnel opening. These changes will improve bus reliability and travel times in and out the CBD.

Public Transport Information and Priority System (PTIPS)

The Public Transport Information and Priority System (PTIPS) project is a trial for new traffic signal control software to give priority to late-running buses by adjusting the phasing of the traffic signals. Initial trial results indicated that PTIPS had reduced late running on the 15 trial buses. It also improved the reliability of the buses by reducing the variation in their travel time.

Due to the positive initial results of the trial, the RTA is currently expanding the trial to all buses on Route 400 and 410. 42 buses will be isolated to these routes. This will make the benefits of the system available to all trips. The RTA aim to roll out PTIPS across the Sydney Bus network as one priority treatment for buses using the Strategic Corridors identified in the Unsworth Review.

Cashless Fares promotion

In November 2004 Sydney Buses began a three-month trial of cashless boarding on City buses from Watson Street, Neutral Bay. While the trial was conducted passengers were requested to use pre-purchased tickets only, but bus operators were instructed to accept cash payments as well.

The object of the exercise was to reduce loading and travel times by having passengers purchase their tickets off the bus and has proved successful, with passengers using cash at the stop down from 12% to 4%. The average loading time per bus was reduced by 14 seconds (from 50 seconds to 36 seconds).

This new arrangement has been well received by passengers. Cashless boarding will continue indefinitely at the Watson Street bus stop. In an effort to provide an improved service for Sydney Buses' customers other bus stops are being investigated which experience heavy loading and have nearby off-bus ticket sale outlets.

State Transit partnered with a newsagency in Neutral Bay. The promotion included a free SMH and a carry bag with the purchase of every Blue, Brown and Red TravelTen purchased during the AM peak.

Passengers paying with cash were handed flyers advising them of the opportunity and that they can assist by purchasing pre purchased bus tickets. Additional bus services were introduced that only allowed passengers with pre purchased tickets to board.

The promotion was a huge success with the newsagency increasing its sales of pre-paid State Transit bus tickets from \$14,000 per week to over \$21,000. This represents a minimum increase of at least 40%.

Special Events

On behalf of the Ministry of Transport, Sydney Buses has provided scheduling services for the regional route network for sporting events at Sydney Olympic Park. This includes the Royal Easter Show, Rugby Union, State Of Origin Rugby League, NRL Grand Final and Swans Fixtures.

Sydney Buses also provide the contracted services via route 4 Maroubra to Sydney Olympic Park and route 1a Warriewood to Sydney Olympic Park. State Transit carried 70,000 passengers to the Easter Show and major sporting events during the last financial year

Integrated Transport Events Communication

State Transit regularly maintains an information program on integrated transport for special events in Sydney. The program, in association with RailCorp and Sydney Ferries Corporation, covers entertainment, cultural and sporting attractions with an audience in excess of 15,000. State Transit and its partners fund advertising and provide combined news releases on integrated transport services servicing the fixture.

Transport Interchanges & Rail Link

The Parramatta Transport Interchange is a \$110 million infrastructure project now under construction and due to open in 2006. It is expected to see additional services scheduled for Sydney Buses and the Liverpool Parramatta Transitway (LPT), when CityRail services are connected to the LPT, local bus networks and other transport services.

The Liverpool Parramatta Transitway recently carried its three millionth passenger since the service was inaugurated in 2003 and is currently carrying more than 35,000 passengers each week. Sydney Buses has been working with the Transport Infrastructure Development Corporation and local councils on

the arrangements for buses at the new interchanges along the Epping to Chatswood Rail Link.

Temporary bus arrangements have been implemented at the Chatswood Interchange with all buses relocated from the existing facility (i.e. under the railway) to the surrounding street network. The Interchange will give State Transit improved access to rail and bus services.

Revenue Protection Operations

State Transit Revenue Protection Officers (RPOs) have been conducting a series of regular high profile revenue protection and ticket inspection campaigns being conducted across Sydney by State Transit. The highly visible signage and regular revenue protection checks that have occurred in over recent months have significantly reduced the level of fare evasion. The number of passengers traveling with incorrect tickets is being reduced as these high profile operations continue.

Other Projects

Sydney Buses also drives improvement in services by its attendance at the Traffic Committees of the local councils within its area of operation. Given the scarcity of road and parking space in the areas of its operation (inner Sydney) it is of key importance that local councils provide sufficient space to manoeuvre buses at stops and terminuses as well as nearby layover areas that enable buses to begin the next service in a timely manner. This infrastructure is not automatically allocated to State Transit; it is only acquired through protracted negotiation.

State Transit actively participates in long-term land use planning with local councils thereby opening communication channels for the provision of bus services to the local community. Two examples are Warringah Council's Strategic Visioning Project and Burwood Council's Town Centre Draft Local Environment Plan.

Sydney Buses is currently engaged in a major review of Sydney CBD public transport arrangements in partnership with the Department of Infrastructure, Planning and Natural Resources, the Council of the City of Sydney and other affected agencies.

1.6 Quality Standards Certification

In 2002 State Transit was successful in being certified as fulfilling the requirements of ISO9001 (and awarded the "five ticks" logo as a certified quality endorsed company). Independent audits conducted by SAI Global (Standards Australia) on a six-monthly basis have confirmed that State Transit continues to deliver services in accordance with the prescribed standard.

The quality certification has formed the basis of a system model defined by State Transit as the Business Management System (BMS). This is an integrated system model that includes all business activities including key areas of OH&S, Environmental, Financial and Bus Service Delivery processes.

The BMS contains robust disciplines that are directed at standardising key systems and processes, monitoring system and process performance,

reviewing outcomes, implementing corrective and preventive actions, and continuously improving the performance of processes that will contribute to delivery of bus services in aspects that are important to Sydney Buses' customers and stakeholders (safety, reliability, comfort, convenience, efficiency, and community awareness)

1.7 Recruitment

Service quality is highly dependent on the skills of bus drivers, not only those associated with physically driving the bus, but also in terms of customer service. Behavioural selection techniques are used to determine which applicants demonstrate the strongest ability to deal with and serve customers. This involves tests which measure an applicant's ability to respond to some of the difficult customer situations they are likely to encounter on the job.

Applicants are required to demonstrate they can use information provided during the selection process to deal with customer complaints and where possible, to educate customers on the service. Applicants are rated on their listening and questioning skills, ability to inform, follow instructions and respond decisively. The performance benchmark is set at a level that ensures Sydney Buses not only meets operational needs but also that customer service standards will be achieved.

1.8 Training

State Transit, as a Registered Training Organisation, offers a range of nationally recognised training programs. This includes Certificate III in Transport & Distribution (Road Transport), which provides the skills and knowledge required to become a capable and competent bus operator.

All new Bus Operators are enrolled as trainees in Certificate III in Transport & Distribution (Road Transport) training to provide them with the skills to fulfil their role in the delivery of State Transit's bus services. Certificate III in Transport and Distribution (Road Transport) is also offered to existing employed Bus Operators. This skills development has resulted in an improvement in the quality of service offered to the people of Sydney and Newcastle and has provided a benchmark for providers of public transport in both the public and private sectors in New South Wales, the Australian Capital Territory and Queensland.

State Transit also delivers a Customer Service Workshop to all Bus Operators, this workshop ensures that all Bus Operators are trained and assessed to make State Transit's bus services more attractive and responsive to the public by placing appropriate emphasis on the delivery of customer focused service. The introduction of this training has allowed the staff responsible for service delivery to gain skills and knowledge, while ensuring that their behaviour contributes to meeting the community's needs. WorkCover NSW awarded this Customer Service Workshop in October 2004 with the 'Best Training Program' in the inaugural WorkCover NSW Safe Work Awards 2004.

1.9 Customer Service

Through the 131500 Transport Infoline telephone service, State Transit makes it easy for customers to voice their concerns and make suggestions about service improvements. All customers whose issues are not finalised during the course of their initial phone call are subsequently contacted within 48 hours.

During the past 12 months 25,541 calls were received from customers, of which 9,502 required subsequent telephone response from staff throughout Sydney Buses' depots.

1.10 Passenger Feedback –“Satisfy” System

State Transit's passenger feedback system (Satisfy) allows for the real-time transferring, management and tracking of passenger feedback from the logging stage in the Transport InfoLine all the way to its resolution at Sydney Buses' business units.

Sydney Buses has been using Satisfy since 2000 and has been actively involved in developing and tailoring the system to suit its needs. Development has taken place in conjunction with other transport agencies including RailCorp, with whom Sydney Buses shares technical system infrastructure.

An enhanced version of SATISFY (Satisfy 4) has recently been introduced which will enable State Transit Authority to keep records of previous interactions with customers.

Over 55% of feedback cases are resolved at the time of call (at the Transport InfoLine). This strong result has been achieved by working closely with the Your Buses' Say Line section and provides improved customer service to callers.

Satisfy also allows for detailed analysis of feedback statistics, customer response times and actions taken. Informative reports are automatically generated and accessible by management, with the ability to also process more specific ad hoc reports. This reporting ability provides management with useful data to assist in the decision making process.

1.11 Transport InfoLine Website

The Transport InfoLine website provides passengers with various timetabling and TripPlanning options. Users with existing knowledge of transport services can simply enter in the service they require and then view the timetable for that route. Those who do not have detailed knowledge of transport options can use the TripPlanner to plan their trip from A to B. The TripPlanner allows passengers to select various options for which type of transport they wish to use and arrival or departure times. Users can also select an option that will provide a TripPlan that minimises the number of transfers they have to make.

These timetable and TripPlanning options, in addition to the wealth of other information on the site, provide customers with good quality and easy to use services 24 hours a day.

While customer feedback indicates a high level of satisfaction with these services, the 131500 website is currently being improved to simplify accessibility and provide additional information.

1.12 State Transit's Website

State Transit hosts a website that operates in parallel with the Transport InfoLine website. On this site, State Transit offers passengers the ability to download copies of Sydney Buses' printed timetables and maps in addition to other transport information.

Accessing timetable, ticketing and other service information through the web medium is becoming more popular with the travelling public and also assists us in managing costs and updating Sydney Buses' customers in a timely 24/7 way.

Sydney Buses' website also provides a useful way to inform Sydney Buses' passengers about corporate matters, such as annual reports, employment opportunities, tenders and, most importantly, Sydney Buses' performance against key operational benchmarks. A new performance regime to meet the requirements of the new Metropolitan Bus Services Contracts is currently being developed, following the conclusion of negotiations for the new contracts. Hosting information on these and other topics on the website contributes to removing reliance on more costly mediums.

The infrastructure enables the website to be remotely updated for Breaking News items and changes to service timetables. This allows for accurate and up to date information to be quickly relayed to passengers.

Reports processed from website traffic allow us to analyse specific passenger requirements and reduce costs as a result of solving customers' information needs in this environment. For example, each timetable downloaded on the web can potentially save on printing and call centre costs.

1.13 Communication and Quality of Passenger Information

Sydney Buses has continued to improve the quality and availability of passenger information to current and potential users, receiving commendations from user groups and individuals. The 4 regional guides are now in a uniform geographic format. Mapping, route details, interchange maps and helpful hints are included for customer convenience.

Interchange maps for all major locations have been developed and are available as on site display signage and printed maps.

Bus stop displays have been improved for content and readability, especially in low light conditions.

Passengers and major patronage generators (shopping centres /universities/hospitals etc) are being targeted for localised transport information. All 5 major universities and many other locations now have tailored bus information. These publications are referred to as Transport Access Guides (TAGs).

Public transport information displays at major universities have received attention with additional information and timetable distribution.

The availability of pocket timetables is being widened, more timetables have been printed in pocket size, special distribution racks introduced and a simple website printing mechanism implemented. These improvements add to the convenience and transportability of timetables.

Communication of special event messages and service change information has remained excellent and customer satisfaction to these messages as measured by “your say line” comments is good.

The distribution of information has improved via Sydney Buses’ TransitShops, private partnerships and Sydney Buses website improvements. All new Sydney Buses information that is developed is available on the website. The customer feedback and hit rate is positive.

In addition, State Transit has made commitments to the following new initiatives in 2005:

- Partnership with the MoT and other agencies to support local Non English Speaking Background (NESB) programs;
- Campaigns to improve the safety for seniors and school children;
- Working with Councils on Crime Prevention campaigns; and
- Cashless bus stops to speed up buses.