

23rd June 2009

Dr M Keating
Chairman
Independent Pricing and regulatory Tribunal of NSW
PO Box Q290
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Dear Dr Keating

2009 BUS SUBMISSION TO IPART

Thank you for the opportunity to comment on matters raised in the Issues Paper concerning the review of fares for metropolitan and outer metropolitan bus services from January 2010. and the proposed changes to IPART's approach to setting bus fares.

Before commenting on the specific issues may I raise some general issues.

- A modern bus service must meet modern needs and use modern principles of operation, service and technology. Now is the generation of the Ipod, twitter and Blackberry. Marketing, ticketing and bus information must keep pace.
- Comfort, hygiene, facilities and passenger aids must be equal to if not better than other modes of transport and the private car. If full fare paying commuters are to be expected and encouraged to use buses then the standards must be very high.
- The era of oversized buses driving along prescribed routes with little if any passengers is totally unacceptable to the taxpayers, the environment and the millions of commuters who would catch a bus if it met their travel needs.
- The fare determination process should not revolve around IPART trying to justify the cost of running a bus regardless of patronage levels and utilisation levels of equipment.
- I contest that IPART needs to address the issue of fares from a passenger viewpoint not a bus view point.
IPART need to determine what is a fair level of remuneration for the carriage of a passenger over a distance of one kilometre for high, medium and low density areas.
The bus operator would then determine the vehicle size and type necessary to provide the service.
- The fare determination should not involve third parties. Either the Ministry of Transport is the operator and hires buses to operate their services (as the rail buses do for track work) OR the Ministry of Transport simply licences the routes and operates the bus network customer information system.

- Bus operators must be given the opportunity to use their entrepreneurial skill and industry knowledge to introduce new routes and public transport options to attract the billions of bus journeys currently lost to the industry because commuters' needs are unmet.
- Fares are not an issue. The issues are value for money, timeliness and convenience.

Below are my comments on the list of issues for comment follows:

1. For the purpose of setting bus fares in the metropolitan and outer metropolitan regions is it reasonable for IPART to focus on the four largest contract regions (the four STA metropolitan regions) as the foundation for estimating the costs and benefits of bus services?

It is not reasonable because there are major variants between the regions. These variants include:-

- other modes of transport
- car use and parking
- journey distances
- population density
- commercial activity
- age of patrons
- bus stop facilities
- characteristics of each of all the regions

It is also not reasonable to use only STA regions.

I would nominate 2 STA regions, 1 Private region and 1 mixed region (eg Newcastle)

It must also be considered that some regions offer commuters alternate modes of travel and that those alternates may also be very variable in quality and performance.

2. Should IPART consider a broader set of contract regions in its review of the costs and benefits of bus services?

Yes. However if the determination is based on a passenger and not a bus then the concept regions become of no significance.

3. What is the appropriate length of time for the fare determination?

Two years or sooner if there are significant change factors or if there is a clear call from the community for a review or partial review.

4. Is it better to align the end of the bus fare determination with the end of the CityRail determination, so that fares for both modes of transport can be considered together in 2012?

Yes. Taxi fares should also be in unison. Because it would improved integrated public transport ticketing system and allow for a range of marketing and promotional strategies.

5. Are IPART's proposed assessment criteria for the review reasonable? Should IPART reconsider the criteria, or prioritise them differently?

No. As stated in the introduction the criteria should be based on passengers not buses.

6. What is the most appropriate approach for setting the value of initial capital base in the four largest contract regions?

The commercial market value as at the most recent June 30 of all vehicles and land values of depots etc plus 10% to cover stock on hand, small items and other assets. This would be simple to calculate as the vehicle lists are clear and the depot values regularly assessed by the Valuer General;

7. What is the appropriate rate of return to allow on regulatory assets in the four largest contract regions?

The return on capital invested should be equal to at least the CPI as this is a readily available figure and allows the enterprise to keep pace with the community.

8. What is the appropriate average remaining life for regulatory assets in the four largest contract regions?

This would be covered if the valuation method in 6 was used.

9. Is it appropriate to determine the share of costs to be borne by taxpayers based on the external benefits approach? What are the advantages and disadvantages of this approach?

There should be no contribution by the taxpayer. Taxpayer contributions should be via rebates, benefits and alike direct to commuters according to circumstances.

Third parties such as developers of new subdivisions may choose to make a financial contribution to encourage the establishment of a new route for that area.

10. Are there other external benefits of the bus service that IPART should take into account?

Firstly IPART should determine the level of funding that is required to move people by bus within a community to a reasonable service level.

The second step should be for IPART to determine the value of external benefits that should be funded by the third parties.

The social inclusion and mobility of the lower socio-economic group, the environmental impacts, the alternate to car use and car parks, avoided traffic accidents and crowd control etc are some of the external benefits of bus services.

The third parties can include developers, sporting and entertainment bodies, local government, State Government and Federal Government. If buses are used to meet their objectives then they should contribute.

11. How should IPART take into account the external benefits of bus services that cannot be quantified?

IPART should determine the identifiable external benefit by valuing the quantifiable items and then doubling it.

12. Is it appropriate to determine the share of costs to be borne by taxpayers based on an optimization approach? What are the advantages and disadvantages of this approach?

As stated in other responses there should be no taxpayer share.

13. How should IPART take account of the likely implications for affordability and patronage in its fare decisions?

IPART should not take into account the likely implications of affordability. This is the responsibility of other agencies to determine benefit payments.

As stated above fares are not the issue. IPART should be concerned about the delivery of quality services that meet commuters needs. Affordability will then not be an issue.

14. Should Newcastle fares be harmonized with fares in the other bus contract regions? If not, what justification is there for a separate fare structure?

The type of fare should average out to be the same no matter how it is calculated.

At the end of the day a bus should generate the same gross revenue per passenger per km of running. In Newcastle's case some journeys are cheaper and some dearer.

By way of example the price in many retailers is the same in every store in the state.

Given that IPART determines the maximum fare then if some operators or regions wish to discount their fares then they would be free to do so.

15. What will be the increase in demand for bus services over the next five years?

The demand for bus services will be largely determined by the quality, reliability and effectiveness and speed of the services offered.

Price is certainly not a determining factor.

This is very clearly illustrated by the extremely low uptake of patron on the extensive Newcastle Free bus Zone service.

A second example is where commuters choose hire cars or taxis instead of a bus. The fare may be 10 or 20 times that of the bus however is willingly paid because it meets the travellers need for quality, reliability and effectiveness and speed of the services offered.

16. What factors are likely to have the biggest impact on bus use?

The ability of bus services to provide patrons and potential patrons the service they require.

The boom in community, club and pub buses is a very clear measure of the inability of the major services to meet the community needs.

The Internet will continue to reduce bus passengers as the need to pay bills, post letters, do shopping and even go to work will continue to fall.

Shopping centre private special buses may well be an area of growth that will diminish route passengers. They already operate extensively from retirement villages.

17. Are recent increases in patronage likely to be a good indicator of patronage changes over the next five years? Why or why not?

Definitely not.

The calculation should be measured by the number of potential journeys lost.

18. Is a flat flagfall and a per kilometre charge that reflects the fixed and variable costs of providing bus services the most appropriate fare structure?

The fare should be simply 'x' per route km travelled.

19. Under what circumstance should passengers only pay a single flagfall charge when using more than one bus to complete a journey or multiple transport modes? Given the limits of current ticketing technology how could this be achieved on buses?

The fare for each journey should be for that journey and that journey only. If you change bus or change mode then you pay again.

An integrated public transport system is much more than just one fare for multi journeys.

IPART should not be concerned with the limitations of the current, antiquated ticketing system. That is the bus operators responsibility.

20. Is the current aggregation of ticket sections appropriate? Should ticket types be introduced to better reflect a consistent flagfall and per kilometre charge?

The system should be kept simple. The fare should be “x” per km of route travelled.

21. Should all bus passengers travelling more than 16+ sections be charged the same fare?

The fare should be “x” per km of route travelled. If you drive your car the car uses the same amount of fuel for each km. The bus is the same and the cost to operate it between section 20 and 25 is the same as between section 10 and 15.

22. What factors should IPART take into account when considering the social impact of fare options on bus passengers?

None.

Bus services should be considered no differently than any other commodity. The fare set should be the fare paid by all passengers. A uniform fee has considerable advantages and totally removes the potential for fraud by passengers claiming to students, pensioners and alike. Ticketing and fare collection is also simplified considerably.

If the government or any other organisation wants to help a group of passengers for social or other reasons then they should provide that concession direct to that group. Water, electricity food and petrol all have one price for all retail users. In the case of water and electricity rebats are paid.

The free school student transport scheme should require the students to pay the normal fares and for the schools to pay the students who use the service a usage fee. The student travel should have no minimum distance requirement. I believe it is also reasonable that the students refund should less than the actual fare paid.

There should be no fare free zones, areas or district unless the route is a specific route that is 100% paid for by a third party. In this case the bus would be effectively a charter bus.

23. Are there any other factors IPART should take into account when considering the environmental impacts of bus fares?

Buses are commonly heavy vehicles. Their construction, operation and maintenance are heavy consumers of materials, products and resources and in turn place major demands on our environment.

To justify the huge use of these environmental consumerables the buses in service must carry large passenger numbers.

The carriage of passengers on Newcastle Busses vehicles averages about 1.4 per kilometre travelled. Whilst the bus itself may be “environmentally friendly” it certainly is not when near empty all day everyday.

The environmental calculations should be on the basis of per passenger carried and not per vehicle.

The Ministry practice of allocating areas to operators under the contract arrangement is also not environmentally friendly. The Ministry should contract routes and not areas.

The practice of the Ministry paying the operators should also be revisited. I would favour a system where operators purchased a route and paid the Ministry for that route. The operator would retain all revenue collected. The Ministry would also act as an agent for other bodies providing rebates, subsidies and or other payments to operators for the carriage of disadvantaged groups eg pensioners,

Yours sincerely

Rick Banyard