



## Council of Social Service of New South Wales

66 Albion St, Surry Hills NSW  
**phone** 02 9211 2599 **fax** 02 9281 1968  
**email** [info@ncoss.org.au](mailto:info@ncoss.org.au) **web** [www.ncoss.org.au](http://www.ncoss.org.au)

abn 85001 797 137

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28 September 2006

Mr James Cox  
Chief Executive Officer and Full Time Member  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Dear Mr Cox

### **2006 Review of Bus Fares (including TravelPass)**

I am writing to forward for the Tribunal's consideration NCOSS's submission to the 2006 Review of Bus Fares (including TravelPass). Also enclosed is a copy of the July 2006 NCOSS proposal *Smart Move: an integrated day fare for public transport in NSW*, which is referred to in our submission.

If you require any further information please do not hesitate to contact Warren Gardiner, Senior Policy Officer, on 9211 2599 ext 112 or [warren@ncoss.org.au](mailto:warren@ncoss.org.au)

Yours faithfully

Michelle Burrell  
Acting Director

Submission to the Independent Pricing and Regulatory Tribunal  
(IPART)

## **Review of bus fares (including TravelPass)**



September 2006

**Council of Social Service of NSW  
66 Albion Street, Surry Hills NSW 2010**

ph: 02 9211 2599 Fax: 02 9281 1968 email: [warren@ncoss.org.au](mailto:warren@ncoss.org.au)

## **About NCOSS**

The Council of Social Service of NSW (NCOSS) is the peak body for the social and community services sector in New South Wales. NCOSS works with its members on behalf of disadvantaged people and communities towards achieving social justice in this State.

NCOSS provides an independent voice on human services policy issues and social and economic reforms and is the major co-ordinator for non-government social and community services. It was established in 1935 and is part of a national network of Councils of Social Service, which operate in each State and Territory and at Commonwealth level.

NCOSS membership is composed of community organisations and interested individuals. Through current membership forums, NCOSS represents more than 7,000 community organisations and over 85,000 consumers and individuals. Member organisations are diverse; including unfunded self-help groups, children's services, youth services emergency relief agencies, chronic illness organisations, local indigenous community organisations, church groups, and a range of population-specific consumer advocacy agencies.

## **Introduction**

NCOSS welcomes this opportunity to contribute to IPART's review of bus fares. Our submission concentrates on trends in fare increases, the need for further measures to make fair fares a reality in Sydney, the question of a productivity discount to fare increases and progress towards an accessible bus fleet.

We first consider in metropolitan and outer metropolitan bus services, and then rural and regional bus services.

## **Metropolitan and Outer Metropolitan Bus Services**

### Cumulative increases

NCOSS is concerned that a 3.8% increase in private and government bus fares is sought in the current round. This comes on top of increases in January 2006 of an average of 4.5% for all Sydney buses<sup>1</sup> and of 3.33% for Newcastle services<sup>2</sup>. In January 2005 fares for Sydney Buses rose by 3.9%, and for Newcastle buses by 2.9%. At that time most private and T-way fares decreased to achieve alignment with fares charged by Sydney Buses<sup>3</sup>.

As IPART itself has noted, "in contrast to water and electricity prices, public transport prices have risen substantially since 1992/93. Train passengers pay on average 24 per cent more now than in 1992/93, while bus and ferry commuters pay on average 15 per cent more in real terms"<sup>4</sup>. These calculations were made before the January 2006 round of bus fare increases.

### Costs

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<sup>1</sup> *Report on the Determination of Fares for Sydney Metropolitan Bus Services from 3 January 2006* IPART December 2005 p. 1.

<sup>2</sup> *Report on the Determination of Fares for Newcastle Services from 3 January 2006* IPART December 2005 p. 1.

<sup>3</sup> *Report on Fares for Private Buses from 4 January 2005*, IPART December 2004, p. 1.

<sup>4</sup> *Annual Report 2004/05*, IPART, October 2005 p. 49.

The Ministry of Transport seeks an increase in line with the CPI<sup>5</sup>. It subsequently produced an attachment that quantified the requested increase as 3.8%<sup>6</sup>.

As fares are rounded to the nearest 10c it is not possible to ensure that actual fares rise by exactly 3.8%, if this is what IPART recommends. The rounding problem is compounded by the fact that the Ministry of Transport's submitted fare schedule is based on applying the CPI increase to last year's rounded fare and rounding it again. **NCOSS strongly believes that any percentage increase should be applied to the 2006 Master Fare, and then rounded.** This would produce a different and generally lower fare schedule than that submitted to IPART by the Ministry of Transport.

For example the Master Fare for a 10-15 section bus trip is actually \$4.45. The rounded fare payable is \$4.50. If the Master Fare of \$4.45 is indexed by 3.8% this produces a new Master Fare of \$4.62, with the rounded fare payable thus increasing to \$4.60. Yet the Ministry has proposed that the fare payable for such a trip should be \$4.70<sup>7</sup>.

The Ministry argues that increased fuel costs plus the progressive implementation of award increase for bus drivers are the key drivers of the proposed fare increase<sup>8</sup>. While the impact of the award increase is predictable, the fluctuating price of fuel does pose a challenge. We note that the Ministry's submission asserts that fuel costs are likely to remain at current levels for the foreseeable future<sup>9</sup> but these costs have fallen significantly since that submission was lodged.

The other issue is that while rising fuel charges increase the costs faced by bus operators they also tend to increase bus patronage as motorists choose to travel to work by less expensive means. The Minister for Transport, Mr Watkins, has indicated that the recent petrol price increases resulted in an extra 60,000 people a week using STA bus services. It is argued that the extra fare revenue generated by this increase in patronage is likely to have exceeded the accompanying increase in the STA's fuel bill<sup>10</sup>.

We would also note that a rise in fuel costs has a flow on effect in terms of GST revenue, which is passed on to the States and Territories. The NSW Government could, if it so desired, use any such revenue windfall to cushion the increased costs faced by bus operators.

There are strong public policy grounds to encourage bus travel compared to car travel. A continuing trend for fares to increase in real terms over time hampers this objective. **NCOSS therefore recommends that IPART should partially discount the requested increase in acknowledgement of the increased patronage referred to by the Minister.**

#### Private bus funding and fairer fares

Private bus operators are now funded under an Incentives Funding Model providing them with direct subsidies that cover most of their costs, with the Government retaining the farebox. Recorded patronage levels comprise no more than 20-25% of payments to private bus operators. Patronage risk is now shared between the Government and operators<sup>11</sup>. This

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<sup>5</sup> Ministry of Transport submission p. 7.

<sup>6</sup> Ministry of Transport Metropolitan Fare Proposals for 2007.

<sup>7</sup> These calculations have been made by Action for Public Transport.

<sup>8</sup> Ministry of Transport submission p.6.

<sup>9</sup> Ministry of Transport submission p. 30.

<sup>10</sup> 'Excuse fuels cash grab', *Daily Telegraph* 21 August 2006.

<sup>11</sup> Ministry of Transport submission p.4.

strengthens the argument that fare systems and concessions for private buses in Sydney should be aligned with those applying to STA buses.

With effect from 4 January 2005 *single* ticket prices on public and private buses in Sydney have been aligned. As IPART has noted, this is despite divergences in costs and apparent levels of efficiency between Sydney Buses and private operators<sup>12</sup>. To achieve this alignment private bus fares fell by a weighted average of over 5% at that time<sup>13</sup>. At the same time consistent concession fare entitlements were introduced, leading to particular improvements for pensioners, apprentices and trainees, and tertiary students over 30 using private bus services<sup>14</sup>.

The Pensioner Excursion Ticket (PET) was extended to outer metropolitan bus areas in September 2005<sup>15</sup>.

Fairer fares referred to by MOT<sup>16</sup> does not provide people living in areas covered by private buses with the full range of fare options available to people living in areas covered by government buses. This is despite the clear recommendation of the Unsworth Review that all metropolitan bus operators should be required to offer 'the same core fares, concessions *and ticketing arrangements*'<sup>17</sup>. For example, Sydney Buses customers can buy TravelTen tickets (providing a discount of up to 22% by paying for 10 trips at a time), and combined mode tickets such as TravelPass (available Weekly, Weekly Concession, Quarterly and Annually) and DayTripper tickets (Adult or Child, no Concession available). The NCOSS Smart Move proposal for an integrated day fare would address a key element of this inequity<sup>18</sup>. A copy of this proposal is attached.

Further exceptions apply to the Liverpool Parramatta T-Way. While the single ticket costs are the same as other buses, the T-Way Ten is more expensive than the Sydney Buses Travel Ten<sup>19</sup>. This is because the effective discount in purchasing a T-Way Ten is 15%, compared to up to 22% for the STA Travel Ten. As well T-Way customers do not have access to DayTripper or TravelPass tickets. They do, however, have access to T-Way Weekly and Bus Plus Weekly (combined bus and train) tickets.

Another exception is that STA Newcastle fares are time based<sup>20</sup> while all other bus fares are distance related. We raise this not to be critical of time based fares but to point to the difficulty this creates in determining the fairness of bus fares in the Newcastle region.

**NCOSS believes that over time there should be complete alignment of private, STA and T-Way bus fares. A substantial first step in this direction would be the adoption of the NCOSS proposal for an integrated day fare.** Attention should then

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<sup>12</sup> *Report on the Determination of Fares for Sydney Metropolitan Bus Services from 3 January 2006* IPART December 2005 p. 1.

<sup>13</sup> Ministry of Transport submission p. 18.

<sup>14</sup> Ministry of Transport submission p. 18.

<sup>15</sup> Ministry of Transport submission p. 19.

<sup>16</sup> Ministry of Transport submission p. 5.

<sup>17</sup> *Review of Bus Services in New South Wales Final Report*, February 2004, recommendation 28 p.83.

<sup>18</sup> *Smart Move: an integrated day fare for public transport in NSW*, NCOSS July 2006, available online at <http://www.ncoss.org.au/hot/smartmove.pdf>

<sup>19</sup> For example a Red T-wayTen ticket, covering bus travel between 6 to 9 sections, costs \$31.70 whereas a Red TravelTen costs \$29.60, a difference of \$2.10.

<sup>20</sup> Current fares are 1 hour \$2.80/\$1.40, and 4 hours \$5.50/2.70. An All Day ticket that includes ferry travel is available for \$8.40/\$4.20.

focus on the implementation of a uniform system of TravelTen tickets across the bus system, as recommended in the Unsworth Report<sup>21</sup>.

### Accessibility

At the commencement of the new contracts in 2005 only 17% of the private bus fleet was *Disability Discrimination Act* (DDA) compliant, compared to 37% for STA buses. By December 2007 this is projected to increase to 51% of STA buses and 33% of private buses, equivalent to 44% of the entire fleet<sup>22</sup>.

For Newcastle Buses 25.4% of the fleet was wheelchair accessible in 2005/06, up from 21.5% in 2004/05<sup>23</sup>. No forward projections are given.

**IPART should require all bus systems to regularly report on their level of DDA compliance.**

### Productivity adjustment

NCOSS notes that while the Bus and Coach Association objects to any productivity adjustment for private bus services, the Ministry of Transport restricts its concerns to private bus services in rural and regional areas. We consider these arguments in more detail in the rural and regional bus services section of our submission.

### Rural and Regional Bus Services

The Ministry of Transport recommends that maximum fares for commercial services in rural and regional areas increase in line with the Bus Industry Cost Index (BICI). The Bus and Coach Association has indicated that this produces an increase of 5.26%<sup>24</sup>. The majority of passengers on these services are school students whose travel costs are met by the Government but any increase also flows on to fare paying passengers.

The Ministry recommends that payments for non commercial services increase in line with the PricewaterhouseCoopers (PwC) model<sup>25</sup>. This model produces different increases for different contract areas. It is understood that these services are entirely for school transport, with the Government meeting the cost.

NCOSS notes with concern that the BICI continues to produce fare increases well in excess of the CPI. **We recommend that maximum fares for commercial services in rural and regional areas be limited to the CPI.**

### Cumulative increases

NCOSS reiterates its concern at the cumulative effect on low to moderate income commuters of continuing public transport fare increases well in excess of the CPI.

We note that in January 2005 maximum rural and regional private bus fares under commercial contracts rose by 3.81% and under non-commercial contracts by between

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<sup>21</sup> *Review of Bus Services in New South Wales Final Report*, February 2004, recommendation 31 p. 83.

<sup>22</sup> Ministry of Transport submission p. 25.

<sup>23</sup> Ministry of Transport submission p.29.

<sup>24</sup> Bus and Coach Association submission, 18 August 2006, p.1.

<sup>25</sup> Ministry of Transport submission p. 9.

3.14% and 7.59%<sup>26</sup>. In January 2006 maximum fares under commercial contracts rose by a further 5.02% and under non-commercial contracts by between 4.45% and 5.65%<sup>27</sup>.

### Productivity adjustment

The Ministry of Transport essentially argues that a productivity discount should not be applied to rural and regional bus services. It does so 'in light of the potential adverse impact of such an adjustment on some operators viability and the continuity of services, and in view of the fact that the bus reform process currently underway will provide a basis for accurately assessing productivity gains'<sup>28</sup>.

While NCOSS notes that no empirical information is provided on operator viability, the Ministry suggests that only 17 of the 75 operators reviewed had 'good' profitability, with the remainder found to be either 'fair' or 'poor'<sup>29</sup>. No definitions of good, fair or poor profitability are provided. Equally no timetable is given as to when an agreed methodology for measuring productivity gains is likely to be available.

The Bus and Coach Association is more strongly opposed to any productivity adjustment. It contends that 'until such time as the bus transport industry can clearly identify and measure its productivity gains and losses, that any assessment adjustment that would reduce revenue will only create a false assessment, and an incorrect assessment could have significant consequences on the quality of transport services by impacting on operator viability'<sup>30</sup>.

**NCOSS urges IPART to hasten slowly on the issue of a productivity adjustment, particularly for rural and regional bus services.** It notes, however, that the industry has no incentive to reach a broad consensus on the methodology for such an adjustment. **It would seem reasonable therefore for IPART to propose a firm timetable for the introduction of productivity adjustments, while allowing sufficient time for necessary consultation and testing of alternative approaches.**

### Accessibility

NCOSS notes that no data is provided on the proportion of the private bus fleet in rural and regional areas that is DDA compliant.

**We believe that this aspect should be tracked in line with the reporting that is already provided on the Sydney and Newcastle bus fleets.**

### Conclusion and recommendations

NCOSS reiterates its concern that low income households continue to be adversely affected by the cumulative impact of successive increases in transport, energy and water charges. This impact is not adequately addressed by the process of separate reviews conducted by IPART.

- 1. NCOSS strongly believes that any percentage increase should be applied to the 2006 Master Fare, and then rounded.**

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<sup>26</sup> *Report on Fares for Private Buses from 4 January 2005*, IPART December 2004, p. 1.

<sup>27</sup> *Review of non-metropolitan fares for private buses in NSW from 3 January 2006*, IPART, December 2005, p.1.

<sup>28</sup> Ministry of Transport submission recommendation 4 p. 10.

<sup>29</sup> Ministry of Transport submission p. 34.

<sup>30</sup> Bus and Coach Association submission p.2.

2. **NCOSS recommends that IPART should partially discount the requested increase in acknowledgement of the increased patronage referred to by the Minister.**
3. **NCOSS believes that over time there should be complete alignment of private, STA and T-Way bus fares. A substantial first step in this direction would be the adoption of the NCOSS proposal for an integrated day fare.**
4. **IPART should require all bus systems, including those in regional and rural areas, to regularly report on their level of DDA compliance.**
5. **NCOSS recommends that maximum fares for commercial services in rural and regional areas be limited to the CPI.**
6. **NCOSS urges IPART to hasten slowly on the issue of a productivity adjustment, particularly for rural and regional bus services.** It notes, however, that the industry has no incentive to reach a broad consensus on the methodology for such an adjustment. **It would seem reasonable therefore for IPART to propose a firm timetable for the introduction of productivity adjustments, while allowing sufficient time for necessary consultation and testing of alternative approaches.**