

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

MAXIMUM FARES FOR RURAL AND REGIONAL BUS SERVICES
FROM 1 JANUARY 2018

Tribunal Member

Ms Deborah Cope

Members of the Secretariat

Ms Fiona Towers, Mr Brett Everett, Ms Kumi Cuthbertson

Shearwater Room, Opal Cove Resort,
Opal Boulevard, Korora Bay, Coffs Harbour NSW

On Friday, 3 November 2017, at 11.00am

1 Opening remarks

2
3 MS COPE: Good morning, everybody, and thank you very
4 much for coming along. I am Deborah Cope. I am a member
5 of the Independent Pricing and Regulatory Tribunal.

6
7 I would like to begin by acknowledging that this
8 hearing is being held on the traditional lands of the
9 Gumbaynggirr people and I would like pay my respects to the
10 elders, past and present.

11
12 Thank you again for making the time to come. We
13 really appreciate it. We realise that people have
14 businesses to run and this actually takes time out of your
15 day, so we do appreciate your time.

16
17 We have been asked to determine the maximum fares
18 for rural and regional buses to start from 1 January 2018.
19 If adopted, the proposed new fares would apply to about
20 95 different operators that supply services to the Hunter,
21 the mid North Coast, the Northern Rivers and the centres of
22 Coffs Harbour, Port Macquarie and Tweed Heads.

23
24 In reviewing these fares, the government asked us to
25 consider equity with the current fares compared with
26 metropolitan bus fares, simplifying the current fare
27 structure, and issues relating to travel across borders.

28
29 The government also asked us to consider the
30 development of more flexible, on-demand transport services
31 in regional areas.

32
33 We are now partway through the review. In May, we
34 released an issues paper, and we have had quite a lot of
35 useful feedback on that so far. We would like to thank
36 everybody who has made a submission to the issues paper and
37 who has responded to our online surveys.

38
39 As part of the review, we appointed AECOM to provide
40 expert advice on the efficient cost of rural and regional
41 buses, and a representative of AECOM, Simon Ward, is here
42 today.

43
44 We also appointed ORIMA to conduct a survey in rural
45 and regional areas to understand the current demand for
46 public transport and the potential for greater use of more
47 flexible on-demand services. Both those reports are

1 available on our website.

2
3 In October, we released our draft report which set out
4 our fare proposals and the draft findings and
5 recommendations on how to deliver better bus services to
6 people living in rural and regional areas.

7
8 We consider that the main purpose of providing
9 subsidised bus services in rural and regional areas is to
10 ensure that people with limited transport options have
11 reasonable access to transport within their local
12 communities. These people may not be able to drive or
13 cannot afford a car or other transport services.

14
15 The New South Wales government currently spends a
16 substantial amount of money on providing public transport
17 services in rural and regional areas. At the moment, about
18 half of all regular passenger services are less than 10 per
19 cent full. This means that, on average, it costs about
20 \$20 per passenger journey to provide those services.

21
22 In our draft report, we are proposing an average
23 25 per cent reduction in adult bus fares to encourage more
24 local people to use public transport. Importantly,
25 passengers would not pay more to catch the bus than they
26 currently do now.

27
28 We are particularly interested in hearing from people
29 in rural and regional areas about their views on the report
30 on the proposed fare reductions and what, in fact, would
31 make a difference to their choice of travel.

32
33 Today's public hearing is going to be broken into two
34 sessions. Firstly, we want to hear your views about the
35 proposed fares and fare structures. We are also interested
36 in your views on how to improve the delivery of services.

37
38 Shortly Brett Everett, from the IPART secretariat,
39 will provide an overview of the draft decisions on fares
40 and fare structures. We will follow this with an
41 opportunity for you to ask any questions you might have,
42 raise any comments, or anything else you want to discuss.
43 We will run through some introductory comments in each of
44 these sessions and we are inviting your feedback.

45
46 The public hearing forms part of our public
47 consultation. There is a transcriber here to help us with

1 making a record of the views that people raise, and the
2 transcript will be publicly available. So we can get a
3 complete record, if you can just identify who you are when
4 you start to speak and also speak slowly and clearly so
5 that it is easier to keep the record.

6
7 Unless there are any preliminary questions, I will
8 invite Brett to start with the first session. Does
9 everybody have a copy of the slides?

10
11 MR EVERETT: Yes, there are some handouts in front of
12 everyone on the table.

13
14 Session 1: Maximum fares for single journeys, frequent
15 travel and the regional excursion daily (RED)

16
17 MR EVERETT: What I will do is run through an overview of
18 our draft report and the decisions and recommendations in
19 it. There are a few questions that we would like to
20 discuss at the end, but we are also happy to answer any
21 other questions and have a discussion around any other
22 comments that people would like to make today.

23
24 The first slide I have here is an overview of our
25 draft decisions around fares. There is a fair bit of
26 information on here so I will just step you through it
27 piece by piece.

28
29 Overall we are recommending adult fares for single
30 journeys decrease by an average of 25 per cent. This means
31 that single adult fares for 80 per cent of bus journeys
32 will reduce substantially, and in some cases, the fares
33 will be halved. The maximum fares for journeys of up
34 to 60 kilometres, for example, would decrease by up to
35 \$7.90. Also the fares for the most common bus journeys in
36 rural and regional areas, which tend to be between 2 and
37 10 kilometres, would fall by up to \$3.50.

38
39 Just moving across to the purple ticket, under our
40 fare proposals, the maximum fares for journeys up to
41 3 kilometres will not change in the first year - that is,
42 in 2018.

43
44 Moving across to the right to the orange ticket, we
45 are proposing to introduce a new daily fare ticket, which
46 would cap the travel for people who travel frequently on
47 buses during the day.

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We have also made some recommendations around the regional excursion daily (RED) ticket. We are proposing that the fare should remain at \$2.50 in 2018 and then increase by 10 cents in 2019 and increase by another 10 cents in 2020.

We have also made a draft decision to simplify the fare structure by consolidating the current 200-plus fare sections down into 10 fare bands that are measured by kilometre. We had some discussions with a couple of the operators when they arrived earlier today, so it would be good to have a discussion around some of those issues we discussed earlier.

We think this is a simpler structure to understand. It is more consistent with the fare structure that is in metropolitan areas and in bordering states as well.

Given that we are proposing a number of changes to the fare levels, we are proposing to set this determination for three years. This will mean that, in three years from now, we will be able to come back and have a look at the impacts of the fares on patronage, on operators and on the government.

We are proposing that the fares in 2019 and 2020 increase by the CPI. You can see in that table at the bottom of this slide what our proposed fares are for 2019 and 2020.

Moving on now to why we made these decisions, our approach to the review involved setting fares to take into account all the matters that we are required to consider as part of the review. As Deborah touched on, we have been undertaking analysis and public consultation, starting with the release of our issues paper in May. Thanks again to the operators who provided responses to our online questionnaires.

We also compared the current rural and regional bus fares to those of the other states as well as in other areas in New South Wales, such as the Sydney metropolitan area. As Deborah mentioned, we got some advice from AECOM on the efficient costs of rural and regional bus services, and conducted a survey in rural and regional areas to understand the demand for public transport and the

1 potential for greater use of more flexible on-demand
2 services.

3
4 As a result of this analysis, we stepped back and
5 considered what we thought is the main purpose of providing
6 services. We think that the main purpose of providing bus
7 services in rural and regional areas is to ensure that
8 people with limited travel options - such as those who
9 cannot drive or who cannot afford to have a car or taxi
10 services - have reasonable access to transport within their
11 community. In setting fares, we have adopted an approach
12 that places significant weight on people's willingness and
13 ability to pay.

14
15 Moving on to the next page now, which is page 5, in
16 looking at this information, we found that currently bus
17 fares are higher than people are willing or able to pay,
18 particularly in the case of those people who are not
19 eligible for a concession fare. In response to our online
20 questionnaire for bus passengers, many people said that
21 they would like to see a reduction in fares, and many also
22 said that cheaper fares would encourage them to use buses
23 more often.

24
25 Another key finding was that most of the current fares
26 are substantially higher than in metropolitan areas and in
27 bordering states. For example, a maximum adult fare for a
28 10-kilometre journey in rural and regional New South Wales
29 is double the fare for the equivalent journey in the ACT,
30 Queensland and Victoria.

31
32 We consider that the current level of fares is a
33 barrier to people using bus services in rural and regional
34 areas. By lowering bus fares, we hope to encourage more
35 people to use these services.

36
37 We have done some analysis of what the impact will be
38 of our fare proposals. We have broken it up on this slide
39 to show the impact on passenger fares, also the impact on
40 taxpayers, and then, in the following slide, we talk about
41 the impact on operators.

42
43 In terms of passengers, by reducing fares, we are
44 hoping to encourage more people to travel on buses.
45 Currently - and Deborah touched on this earlier - around
46 half of all regular passenger services operating in rural
47 and regional areas are less than 10 per cent full. We

1 expect that more passengers will travel on buses as a
2 result of lowering fares and that this should improve the
3 taxpayer value for money from a bus journey.
4

5 I am now turning over to the impact of our fare
6 proposals on bus operators. We consider that the impact on
7 bus operators will vary from operator to operator, but we
8 have estimated the impact should be small compared to the
9 existing contract costs. We estimate that the impact on
10 all operators would be around \$1 million to \$1.5 million a
11 year, which is equivalent to less than 1 per cent of the
12 current bus contract costs across all operators.
13

14 However, as I said, the impact varies from operator to
15 operator. It depends on, firstly, to what extent there is
16 a response if more people start catching buses as a result
17 of lower fares. Also we understand that a lot of operators
18 at the moment charge fares below the determined maximums.
19 In those cases, there would not necessarily be a change in
20 fares.
21

22 That is all I want to say in terms of our decisions on
23 fare levels and fare structures. We have some questions
24 here that we wanted to discuss. However, we are happy to
25 take any other questions or comments that you may have as
26 well. I will just pass back over to Deborah now.
27

28 MS COPE: Obviously, in the work we have been doing, we
29 have sort of been working on averages to now. Part of what
30 we really want to get out of this process is understanding
31 a bit more about the impact on the ground with real people
32 running businesses and the practicalities of things. Will
33 this actually work? Is it sensible? What are the likely
34 problems going to be?
35

36 MR PETER FERRIS (Buslines Group): We don't oppose reducing
37 fares in any way. I think it has been proven by a number
38 of studies that bus fares are relatively inelastic. To be
39 completely honest, the people who catch buses in our
40 country towns are people who have no other option. They
41 just don't own a car or don't have access to private
42 transport.
43

44 I think it is true that with the \$2.50 RED, we did not
45 see any significant increase in patronage when that was
46 introduced and delivered saving to those people with
47 concessions. However, by all means, I don't see why people

1 in rural and regional areas should pay more than those in
2 the metropolitan or outer metropolitan areas. We support
3 that, but I think it will reduce our farebox and I think
4 I would be fairly right in saying we will not make that
5 farebox up with increased patronage. There might be a
6 little blip, but it will not be significant. People only
7 catch a bus because they have no other option, really.

8
9 MS COPE: Of the people who have no other option, are
10 there many of those who pay full fare?

11
12 MR FERRIS: I did not do a breakdown, but, no, adult
13 patronage is not huge in our farebox, no.

14
15 MS TOWERS: It is not to do with where the routes take you
16 in terms of patronage; it is just because people don't have
17 any other option in terms of access to a car or --

18
19 MR FERRIS: If you are talking about planning services,
20 that is a whole different argument. We planned our own
21 services up to about six or seven years ago. We think we
22 know our towns. We think we know our people fairly well,
23 but particularly now with the new contracts, we have no
24 real input into the design of services and the review of
25 services. That is whole different argument, I think.

26
27 MS COPE: Tony?

28
29 MR TONY MILLS (Forest Coach Lines): Hear, hear. I agree,
30 yes, 100 per cent. The patronage that is out there is
31 there for a reason. With regard to attracting new
32 patronage by transport design, especially in rural and
33 regional areas, I think we are pretty close to the mark
34 with what we have at the moment. We are all going to say
35 we provide a great service. We probably provide a great
36 service to 95 per cent of the people who use it.

37
38 As to encouraging new patrons with a drop in fares,
39 I have to agree with Peter, I don't see the advantages of
40 that nor would we see an increase in patronage. The new
41 contract has certainly changed the ballpark for us as
42 operators. I cannot really add any more to what Peter has
43 said.

44
45 MS COPE: John?

46
47 MR JOHN BLANCH (Blanch's Bus Company): I support what

1 Peter has said. To put things in perspective, I have
2 brought some numbers with me. About a third of our
3 passengers are adult, RED and no fare RED 40 per cent.
4

5 I would not expect to see any great change in
6 patronage. It goes back to what I have said earlier that
7 the growth of passenger journeys in the country has to do
8 with frequency, and that sort of thing. I have to say
9 that, under these new contracts, we are really restricted
10 with transport planning and the like.
11

12 MS COPE: What about the fare structure and the
13 practicalities? (a) in principle, is it a good idea to
14 simplify fares; and (b) what are the practical implications
15 of trying to do that, if it is a good idea?
16

17 MR FERRIS: I don't think there is any problem with
18 simplifying them. I am not sure that there is great
19 advantage in doing so. I think the 1.6 kilometres is
20 a fairly simple structure. Whether you change that to
21 2 kilometres, or band it, or whatever, I think it is much
22 of a muchness. As far as the simplicity of it, I don't see
23 that there is any great change. I am not opposed to moving
24 to a different structure, but I am not sure whether there
25 is a huge advantage in doing so.
26

27 MR MILLS: The only issue that I see through my operation
28 is that the further away you go from the generators, the
29 simpler the fare structure can be. Moving in and around
30 generators, shopping centres and CBDs and areas like Coffs
31 Harbour, for example, if you were to move those bands, it
32 would impact on the farebox. For an operator coming into
33 Coffs, going to Woolgoolga and Grafton, you would not see
34 an impact because the customer is going much further away
35 from the generator.
36

37 For example, Busways, who are not here at the table,
38 their stops are closer to their two or three main
39 generators, so that would have a major impact. Talking for
40 Sawtell, which is under Forest as well, that would impact
41 on our farebox substantially if we were to lengthen section
42 fares closer to generators.
43

44 I don't believe there is a "one thing fits all"
45 solution. If you are moving a high percentage of people,
46 say, two sections from the generator to another operation
47 where they are moving people eight or nine sections from

1 the generator, you can see that there can be an impact.
2
3 MS COPE: One of the things that we have been told by some
4 of the operators, and I would like to test whether or not
5 it is an issue for you, is that they have their fare
6 structures set up around zones and it is triggered by
7 crossing a zone.
8
9 MR MILLS: Correct.
10
11 MS COPE: The current proposal talks about fares for
12 distance travelled and whether that is actually possible
13 to do (a) with the current technology you have, and
14 (b) working out how far people actually need to travel.
15
16 MR BLANCH: It is a nightmare, an absolute nightmare,
17 under the new proposal. We have the ticket machines all
18 set up in sections and zones exactly like you say and it
19 can get complicated. When I get a ticket from Buslines,
20 I don't really know what that passenger has done on their
21 service and --
22
23 MR FERRIS: There are two things, John. I don't think the
24 IPART proposal as far as the single journey is any more
25 difficult than what we are doing today. We would just have
26 to re-section everything and reset our ticket machines.
27 However, if you are talking about that daily ticket,
28 I agree with John. I cannot see how that would work.
29
30 MR BLANCH: I disagree with you, Peter. I reckon it will
31 be difficult to re-program those ticket machines. We have
32 all had maps for so long and section points and all that
33 sort of stuff and --
34
35 MR FERRIS: Yes, you will still have set maps.
36
37 MR BLANCH: Well, we are talking kilometre base now and
38 distance base rather than section points.
39
40 MR FERRIS: But your section point is a distance-based
41 fare anyway.
42
43 MR MILLS: On an average, I agree, but some sections are
44 shorter and others are longer.
45
46 MR BLANCH: That's exactly right.
47

1 MR MILLS: There is a big cost there for the operator to
2 reconfigure all this. As John said, it is not a quick fix
3 considering January 2018 is a couple of months away.
4
5 MS TOWERS: What's involved in reconfiguring? If you have
6 a sort of back end to your ticketing system, is it like a
7 matrix?
8
9 MR BLANCH: Yes.
10
11 MR MILLS: Yes.
12
13 MS TOWERS: So you would need to put in new fares based on
14 the distance?
15
16 MR FERRIS: As John says, we would have to re-map it
17 because at the moment --
18
19 MS TOWERS: To give you that distance.
20
21 MR FERRIS: -- the map is based on 1.6 kilometre sections.
22 We would have to re-map it and then we would have to
23 reconfigure the matrix.
24
25 MS TOWERS: In terms of re-mapping it, can you use things
26 like Google Maps to help you or --
27
28 MR FERRIS: We use MapInfo Pro, but you have to remember
29 that --
30
31 MS TOWERS: You are bigger.
32
33 MR FERRIS: -- we are a big operation, but for the little
34 fellow it is --
35
36 MR BLANCH: Whereas I am concerned that I am the man who
37 does everything and I'll be out there --
38
39 MR FERRIS: I am still the man who does everything. But
40 it is a problem; there is significant work involved. We
41 have 12 to be done by one or two people so it is not a
42 small job. We would be struggling to have that done by
43 1 January, that's for sure.
44
45 MS TOWERS: Would it be possible by 1 February, do you
46 think, or --
47

1 MR FERRIS: 1 July.
2
3 MS TOWERS: So six months, is it?
4
5 MR FERRIS: I would be comfortable with 1 July. This is
6 the busiest time of our year.
7
8 MS TOWERS: Because of the holiday season.
9
10 MR FERRIS: Yes, from now till school goes back and the
11 month after school goes back are the three busiest months
12 of our year, so it is not a good time for us to start doing
13 those things.
14
15 MS TOWERS: Thank you. That's good to know.
16
17 MR MILLS: Fares for schoolchildren rise on 1 January, so
18 that creates another administration issue. I think under
19 the current structure, we just update the fare schedule now
20 in our ticket machines. You hit a button and they will
21 upload on our machines, which is quite simple. Changing
22 that, although it can be done, is not a simple fix.
23
24 MS TOWERS: But in six months it would be possible?
25
26 MR FERRIS: Yes. I would hope so. I hope John can do it
27 in six or seven months.
28
29 MR BLANCH: I hope so.
30
31 MR FERRIS: I have, as John has - and I am sure Tony has
32 too - fairly sophisticated ticketing systems. There are a
33 lot of smaller operators out there who do not have such
34 sophisticated systems.
35
36 MR BLANCH: I said before - I don't know whether you agree
37 or not, Peter, and I don't really care, but no offence - if
38 you want to give us Opal, then give us Opal. Give us the
39 equipment, we can do anything then.
40
41 MS TOWERS: For the smaller operators, a lot of them
42 presumably just operate school services so they are selling
43 a ticket --
44
45 MR FERRIS: No, hang on. You said it would affect
46 95 operators.
47

1 MR EVERETT: We have said it will affect all operators,
2 but what we are saying is that a lot of the smaller
3 operators can only provide --
4
5 MR FERRIS: How many type B operators are there, John.
6 Can you remember?
7
8 MS TOWERS: We are just trying to think about the impact
9 of implementation.
10
11 MR MILLS: I looked at that the other day, but --
12
13 MR FERRIS: You would need to check with BusNSW, but
14 I think there were around 50 type B contracts, maybe 60.
15 So each of those are the people that really carry adult
16 passengers.
17
18 MS TOWERS: That's right.
19
20 MR FERRIS: Sure, a school operator might collect a fare
21 off one schoolchild, but that will not change anything. It
22 is those 50 or 60 which, under the old contracts, were
23 called type B operators that --
24
25 MS TOWERS: They are the ones who would have to implement
26 the schedule.
27
28 MS COPE: Just to get a feel for how you fit into the
29 picture, how many routes do each of you run?
30
31 MR FERRIS: Possibly 90 to 100 across our group - no, it
32 is probably more than that. We have 12 operations.
33
34 MR MILLS: I can talk for the North Coast. I am not too
35 sure how many are in Sydney, but I don't think that affects
36 metro anyway. There are six or seven of them across the
37 whole group.
38
39 MR BLANCH: Probably six.
40
41 MS TOWERS: In terms of the drivers that do those routes,
42 do the drivers tend to do one route or do they go along the
43 seven; like, do they interchange over the routes?
44
45 MR MILLS: Talking for me, our drivers do it all. They
46 are trained on it all.
47

1 MR BLANCH: The same.
2
3 MR FERRIS: Our drivers in each depot do too.
4
5 MS JANAWAY: On the regular bus services, are most of your
6 consoles configured in the same way or how many different
7 types of consoles might be out there and the different
8 mechanisms of how they are configured?
9
10 MR MILLS: I can think of four different. What do you
11 run?
12
13 MR FERRIS: BICs, but the smaller operators have less
14 sophisticated systems.
15
16 MR MILLS: A lot of it is GPS based and the drivers are
17 not sectioning up.
18
19 MR FERRIS: We are just half and half, but we are moving
20 into that, yes.
21
22 MR MILLS: The ticket machines are not across all
23 operators, but the way the ticket machines are, the drivers
24 are not required to flick up as they go into a new section,
25 the GPS picks up where the bus is on the road and it
26 automatically flicks up.
27
28 MR BLANCH: Whereas I am sitting back and I do not want to
29 go there yet. I do not want to fork that money out because
30 if Opal cannot be agreed on today, I am sure Opal will turn
31 up at some stage, and I do not want to be going into that
32 system and then finding, three years down the track, that
33 things will change.
34
35 MR MILLS: That is a real issue, because there is big
36 investment involved, and if Transport for NSW does decide
37 to roll out Opal in the rural and regional areas, and
38 I don't know anything about that, but if they do, it will
39 be just another whack to the smaller operator.
40
41 MS TOWERS: So to update your system, do you have to
42 engage someone - is that what you are saying - to do your
43 coding, or whatever the right word is?
44
45 MR BLANCH: Yes.
46
47 MR FERRIS: You would have to put GPS in first.

1
2 MR BLANCH: Yes.
3
4 MR FERRIS: The biggest job is that you have to actually
5 geocache. If you have a section point and there is an
6 intersection, there are about eight geocaches you would
7 have to put in for that intersection for one section. It
8 is not an easy task.
9
10 MS TOWERS: This might be too much of a naive statement.
11 I understand that sounds like that is not something quick
12 to implement.
13
14 MR FERRIS: No, it is not.
15
16 MS TOWERS: But for some of the routes that are less well
17 patronised - I think this is what has happened a long time
18 ago in Sydney - the drivers had a map that gave them a rule
19 of thumb about how far bus stops were from each other.
20 Sometimes a bit of judgment was used to say, "From this bus
21 stop to that bus stop is 2 kilometres," and the fare would
22 be charged on the 2 kilometres; is that --
23
24 MR BLANCH: That is still in place, but it is based on the
25 old sections.
26
27 MR FERRIS: It is based on a number of sections.
28
29 MR BLANCH: The driver does have that list of 1.6. You
30 have to understand if you go from there to there, from that
31 section to that section, but you board there, then that is
32 two sections. That journey might only be 500 metres, for
33 the sake of the exercise.
34
35 MS TOWERS: That's the current situation.
36
37 MR BLANCH: Yes, and this is the issue of how we change to
38 this new distance base.
39
40 MS TOWERS: Would it be possible for drivers to think
41 about it more from a distance base than a section base? Is
42 not that a sort of cost-effective way of implementing it as
43 opposed to having --
44
45 MR FERRIS: The section base is easy for them; they just
46 count up the number of sections.
47

1 MR BLANCH: You start having conflict then about that
2 driver who is a bit more flexible than this driver who
3 sticks to it.
4
5 MS COPE: "I took a trip last week and I paid \$X and why
6 are you charging me \$Y today?"
7
8 MS TOWERS: But that could happen under sections as well,
9 couldn't it, if someone has told you it is three sections
10 and then charges you for four?
11
12 MS JANAWAY: It does.
13
14 MR FERRIS: Not if you have a map.
15
16 MR BLANCH: No.
17
18 MS TOWERS: It certainly does happen in Sydney.
19
20 MR MILLS: When training drivers on cross routes, funnily
21 enough, in rural areas, it could be a green shed on Green
22 Road when you flick over to your next one, or Smith Street
23 and John Street when you flick over to your next section.
24 The drivers are given sectional maps as part of their
25 training. When going out on a route, if they are manually
26 flicking over sections, they know what to do.
27
28 MR EVERETT: So there is somewhere, as the buses
29 automatically go along that the sections are being noted.
30 So when someone gets on and buys a ticket, they just say
31 they are going to a certain bus stop, the bus driver knows
32 where it is and says, "Okay" --
33
34 MR FERRIS: It selects the destination - or he does not
35 select the destination.
36
37 MR MILLS: Correct.
38
39 MR EVERETT: But are there other systems where the entire
40 process is manual?
41
42 MR BLANCH: Yes.
43
44 MR FERRIS: Yes.
45
46 MR EVERETT: So when the passenger gets on and says where
47 he is going, the bus driver would know how many sections

1 are involved?
2
3 MR BLANCH: Yes.
4
5 MR FERRIS: Yes.
6
7 MR BLANCH: We have implemented a separate GPS system
8 since. The idea of that system was to follow the drivers
9 all the way round and determine whether they are on time
10 and all that sort of stuff.
11
12 MS COPE: So the systems are not sophisticated enough at
13 the moment whereby if somebody gets on, wherever they get
14 on, and they say, "I want to get off here", then the driver
15 can put that stop in and it will tell you what the distance
16 is between the two and therefore what a distance-based fare
17 should be; is that what you are saying?
18
19 MR FERRIS: You can't do it with distance, we would still
20 have to have sections. You still need, in that matrix, the
21 sections. The machine needs to pick the fare between that
22 point and that point. It can't measure distance only by
23 the number of points we put in to it in order to select.
24 So each individual journey has to have a number in it and
25 how much to charge.
26
27 MS COPE: So that means that if we were doing it on a
28 distance basis, we are going to need to have some
29 flex in the distances that are required to accommodate the
30 fact that you have divisions in your sections in different
31 spots - am I making sense?
32
33 MR FERRIS: If I understand what you want to do, you want
34 to break it into 2-kilometre sections.
35
36 MS COPE: Yes.
37
38 MR FERRIS: So you are still reliant on where that person
39 gets on in that section too.
40
41 MS COPE: Yes, I guess so.
42
43 MR EVERETT: The first section here would be broken into
44 2 kilometres, but then what we would do is have larger
45 distance sections to simplify things. The first one would
46 be zero to 2 kilometres; the second one would be 2 to 10
47 kilometres, and the next one would be 10 to 25 kilometres.

1 On one hand, I can see the re-programming issues with the
2 technology and it would require the driver to work it out
3 on a distance basis.
4
5 MR FERRIS: Are you saying if I get on in that first
6 2-kilometre section and I travel out here, I can only put
7 one fare in for that section to that point?
8
9 MR EVERETT: Yes.
10
11 MR FERRIS: Unless I put a hell of a lot of points on that
12 2-kilometre section, I can't measure that distance, I can
13 only measure that you are in that section and you are going
14 to another section. If that is over 10 sections, then you
15 put a fare in for that amount. So it is a lot of work to
16 do.
17
18 MS COPE: The system is actually a map; is that what
19 you're saying?
20
21 MR FERRIS: Off the map we set up a triangular matrix.
22
23 MS COPE: So if most of your passengers are doing that,
24 but if you have someone going here and going to there, you
25 couldn't charge them a fare --
26
27 MR FERRIS: No, because they will pay two. Sorry, no -
28 well, at the moment that matrix consists of a section every
29 1.6 kilometres. To do what you are proposing, we would
30 have to put them in every 200 metres. I don't know what
31 the mathematical formula is, but it would be a huge matrix
32 compared to what we are using today.
33
34 MR MILLS: Would it be fair, as a voice for the operator,
35 to say that we could keep the section boundaries as they
36 are with a reduction in fares or extend the section markers
37 and keep the fares where they are?
38
39 MS TOWERS: Can you implement this by extending the
40 section markers so instead of it being, on average, 1.6,
41 you could extend out to the 8 kilometres, let's say?
42
43 MR MILLS: Going back to where we were at before, if we
44 extend the section to, say, 2 kilometres, on the current
45 fare schedule for, say, Peter, the more formal fare that he
46 would sell, hypothetically speaking, may be a three-section
47 fare. If we were then to extend that out to a 2-kilometre

1 section marker, in that, he would then lose a section fare
2 on that basis. The operator has then taken the drop in the
3 fare, as in the fare schedule. The actual per-section
4 price has dropped, plus the operator also drops a section.
5 He has not just had one hit; he has taken two hits.

6
7 As a very simplified way of thinking, perhaps we could
8 look at one or the other and not both. If the current fare
9 matrix under the current scheme we are operating was to
10 remain where it was with the sectional fares to drop or to
11 be standardised or to be held for a certain period of time
12 to keep it at that level, I would not think we would have
13 an argument in this room.

14
15 MR FERRIS: We can do that. We can extend the sections
16 and drop the fares, that is not difficult. However, to
17 come back to your question, what Tony is saying in another
18 way is that we always have to pass a point and the system
19 relies on passing a point. At the moment it is 1.6. If
20 you travel from here to the other side of the hotel and you
21 cross one of those points, you pay for two sections. We
22 have no other way of doing distance other than putting a
23 hell of a lot of points in.

24
25 MR BLANCH: Could I suggest that we have one section at
26 1.6 and two sections at 3.2. Then if you want to go to
27 10 kilometres, that is six sections which is 9.6. So give
28 a bit of flexibility under your distance criteria, retain
29 what we have, move it to how you want it to move to.

30
31 MR EVERETT: So still potentially group some of the
32 sections down and have, say, the same fares?

33
34 MR BLANCH: Potentially you would have one section and
35 then two sections that gets you to 3.2 kilometres. Up to
36 six sections brings you to 9.6 kilometres, and then take it
37 through. So 24 kilometres is 16 sections, I think.

38
39 MS TOWERS: Yes, our report actually has a summary of
40 that.

41
42 MR BLANCH: Yes, so it works in with what we have and we
43 are not reinventing the wheel. I am still concerned about
44 loss of revenue. I think we three agree, don't we, that we
45 have no problem with reducing and simplifying fares?

46
47 MR FERRIS: No, not at all, no.

1
2 MR MILLS: No, no. There are other people who should be
3 at this table who are not. Whether they are going to other
4 meetings or not, I don't know, but I can only talk for,
5 say, eight or nine sections on one route to another
6 operation where you have 45, 50 sections on one route. The
7 closer you come to town and the lengthening of sections
8 closer to town is where you will lose a lot of your money.
9 For example, Park Avenue to Coffs Harbour is a five-minute
10 bus ride. When I was working there, it was a three-section
11 fare. Under what you have put on the table, that would
12 come back to a two-section fare. So the operator loses a
13 section straight up, plus he also takes the hit in the drop
14 to the revenue.

15
16 MR FERRIS: Let's not worry about what we are going to
17 lose because it is a change event of our contract, Jan,
18 isn't it?

19
20 MS JANAWAY: That is a material change, yes.

21
22 MR FERRIS: But the actual physical action of setting up
23 and changing the sections still can be only done by points.
24 We have nothing to measure distance.

25
26 MS TOWERS: Yes, you need the points.

27
28 MR FERRIS: That's correct.

29
30 MS JANAWAY: I would be interested to see if you had done
31 any exercises on what you thought your revenue adjustments
32 might be.

33
34 MR FERRIS: We did two. We did Berrimah down to
35 Mittagong, that's 18 per cent; and Dubbo is 13 per cent.

36
37 MR BLANCH: I am 21 per cent, but there is also an unknown
38 over our daily passes and our weekly passes because people
39 may not be attracted to them. It is a \$12 pass at the
40 moment and that is designed for the full adult paying
41 passenger, so they can get a \$12 ticket all day and do
42 whatever. They may, all of a sudden, discover that they
43 only have to pay \$4.90 each way, so I am going to lose.

44
45 MR FERRIS: Sorry, Jan, my numbers don't take into account
46 the daily ticket.

47

1 MS JANAWAY: No, it's a ballpark.
2
3 MR FERRIS: That is just purely converting sections.
4
5 MS TOWERS: So that is a reduction in your farebox.
6
7 MR FERRIS: Yes, but with no consideration to this daily
8 ticket because we don't have that sort of thing.
9
10 MS TOWERS: And on the assumption that that will not
11 really increase patronage.
12
13 MS JANAWAY: I have heard there are a lot of informal
14 arrangements out there with transfers across operators and
15 people like that. Does that happen with you?
16
17 MR FERRIS: In our group, we do not charge an adult more
18 than \$6. You can travel from Ballina Beach to Tenterfield
19 for \$6, but every section up to that is the standard fare.
20 So what John is saying is that we do not do it between
21 operators, but we do it in our own operations. I think you
22 will find most of the operators cap the longer journeys.
23
24 MS TOWERS: That is for a single journey. So if someone
25 was doing that twice, they would pay \$12.
26
27 MR FERRIS: They would pay \$12, yes.
28
29 MS JANAWAY: But do you do a transfer with the RED ticket
30 across operators?
31
32 MR FERRIS: Yes.
33
34 MR BLANCH: Yes.
35
36 MS COPE: Does that happen very much?
37
38 MR MILLS: Yes.
39
40 MR FERRIS: Yes.
41
42 MR BLANCH: Yes, but we have the same old problems.
43 Buslines have their timetable requirements and they run
44 according to them. I am doing it at my end, so the
45 interaction between the two operators does not necessarily
46 match.
47

1 MR FERRIS: I guess if you looked across New South Wales,
2 there are not a lot of places where they would take
3 advantage of two operators, but the law is that we have to
4 recognise it and we do.

5
6 MS JANAWAY: Yes, that's right.

7
8 MS COPE: Were there any other questions?

9
10 MR BLANCH: We get criticised for not moving with the
11 times quick enough. If you want to help the customer,
12 allow us to accept concession entitlement charges that are
13 on their phone. We cannot accept digital.

14
15 MS COPE: Because of technology or because of the rules?

16
17 MR BLANCH: Because of the rules.

18
19 MS TOWERS: Which rules? The rules under the contract?

20
21 MR BLANCH: Transport for NSW specifically say that we
22 can't accept the digital Centrelink card.

23
24 MR FERRIS: That is for just rural and regional.

25
26 MR BLANCH: I know, but they are the sorts of things that
27 happen. We have copped a bit of flak for that - in fact,
28 plenty of flak.

29
30 MS COPE: Anything else on fares and fare structures? If
31 not, we might move on to the next section now, which is
32 around the AECOM report and the work that they did.

33
34 We might get Simon to do a brief run through on what
35 AECOM did. Then Brett will provide another quick overview
36 of our draft findings and recommendations on, hopefully,
37 how to deliver better bus services. Then again we will have
38 an opportunity after that for you to give us some feedback.

39
40 Session 2: Efficient Costs of Rural and Regional Bus
41 Operators, AECOM.

42
43 DR SIMON WARD (AECOM): You should have another slide
44 handout on the table in front of you.

45
46 I will keep it fairly brief. Looking at the first
47 slide, we were asked to look fundamentally at three things.

1 We were asked to look at the efficient and marginal cost
2 for each of the contracts, each of the contract types. The
3 original intention was to look at the contracts by sizes,
4 which we have done. Because of the historical situation, ,
5 in three years from now looking at As and Bs separately.
6 We got the data that way and the analysis. So a lot of the
7 analysis actually is on the As and Bs, differentiating
8 between the two.

9
10 The second task was to look at the appropriateness of
11 the fleet.

12
13 MR FERRIS: Sorry, hang on. With A and B, for the last
14 18 months, there has been no such thing as A and B.

15
16 DR WARD: That's right, but a lot of data we have is from
17 the As and Bs, so it suited us to do it that way. One of
18 our conclusions was that perhaps splitting up contracts by
19 fleet size is not the most appropriate way to do it and
20 there is a better way to do it. However, in terms of our
21 analysis, we looked at As and Bs because of the data there.

22
23 The second task was to look at the fleet size - so
24 sizing of the fleet and the size of the buses themselves -
25 and whether there was an opportunity to rationalise bus
26 fleet size and bus size; and then to look at the
27 inefficiencies and any other constraints and any other
28 suggestions we might have to improve efficiencies.

29
30 We did that by essentially looking at all the data
31 that Transport for NSW gave us, which was all the contract
32 fleet data, route data, and we did a bottom-up analysis of
33 the unit costs of operating the buses based on the data we
34 had.

35
36 I will briefly take you through how we did that. The
37 driver costs, we built up as well. We added that in. We
38 put a lot of effort into looking at routes in terms of
39 length of route, type of route, whether it was a point to
40 point, whether it was a circular route. We looked at dead
41 runs, layovers and all that sort of stuff in there.

42
43 We had a look at the bus utilisation, which was
44 challenging - so looking at what sort of occupancy we were
45 getting on each route. We then tried to work out the
46 efficient costs of each route using our unit costs. We
47 also dipped into flexible transport briefly as well.

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The next slide - this on page 3 - is headed "The Fleet". We did an analysis of bus fleet costs across all contracts, looking at the different types. The chart at the top right there is interesting. It is probably familiar to you, but, for instance, category 1 and 2 buses are pretty consistently one or two types. In category 1, it is almost all Toyota HiAces, so it was relatively straightforward for us - we just picked the HiAce.

In category 2, similarly it was predominantly the Mitsubishi Rosa and the Toyota Coaster. Once you get to categories 3 and 4, there is a significant amount of different buses used. This goes back and there are obviously historical reasons why there is such a mix of buses in the fleet. There are 124 different types in category 4.

To do our analysis, we obviously didn't look at every one. We counted the unit cost for each category based on the most common bus types - not the cheapest but the most common. Categories 1 and 2 were obviously fairly straightforward. With categories 3 and 4, we picked the two or three there that were the most typical. Looking at category 4, the Volvo B7 is still only 15 per cent of the category 4 fleet. Anyway we picked a few there.

The chart to the left there is an analysis we did of age of the fleet as well, as we are interested in that. It all fits pretty much. There are a few there which are a little bit older than the contract requires, but it is what you would expect.

The next page deals with bus utilisation. I think this is where the category A and B are really starting to differentiate. The chart on the left is category A. This, as you would expect I suppose, is showing pretty well utilised buses. Most of them there - 50 per cent - are well utilised at about 100 per cent.

The issue there, though, was that the data we have was based on passes sold, so not necessarily actual seats occupied. That would indicate some of those obviously are showing very high utilisations. We have some which are over 200 per cent. Clearly that cannot be the case. It must be that actually not all those people who have passes are not using buses. We are comfortable in saying that

1 category A is fairly well utilised and --
2
3 MR FERRIS: The bus might be doing two trips actually.
4
5 MS COPE: For a lot of the operators, my understanding
6 was that it measures the number of kids with a pass.
7
8 MS TOWERS: Passes issued.
9
10 MS COPE: Yes, which may mean a significant number of them
11 in some areas would not actually be catching the bus.
12
13 MR FERRIS: True, but a lot of services do two trips in
14 the AM and two trips in the PM.
15
16 MR EVERETT: And that would count two people sitting in
17 the same seat, effectively.
18
19 MR FERRIS: Exactly.
20
21 DR WARD: It is a different story with the category B
22 contracts, which you can see in the chart on the right.
23 What we are seeing there is 50 per cent of routes have less
24 than 10 per cent utilisation.
25
26 MR FERRIS: How are you counting those?
27
28 DR WARD: We do not have a huge amount of data on the
29 category Bs. We looked at this across the board so we --
30
31 MR FERRIS: Are you talking adult patronage?
32
33 DR WARD: Yes.
34
35 MR FERRIS: You are not talking schoolchildren?
36
37 DR WARD: No, not schoolchildren; it is just adults. But
38 the data is pretty sparse and there is no information on
39 the length of each trip, so we don't know whether one
40 passenger is on at the beginning and on at the end with the
41 total number.
42
43 MR FERRIS: But Transport knows that, though.
44
45 MR BLANCH: Where there are two or more trips, it can make
46 a difference because, in our operation, the buses are used
47 to get school students.

1
2 DR WARD: That may well be why the buses that are in this
3 fleet are so large, anyway, because they are being used for
4 the school trips.
5
6 MR BLANCH: Correct, yes.
7
8 MR FERRIS: They are used across the fleet. But you know
9 by the number of section boardings by the number of
10 sections. We report that every month.
11
12 MS JANAWAY: Yes, but only, I think, for the medium and
13 large. I don't think the smaller --
14
15 MR FERRIS: But when you are talking type Bs, it is
16 generally medium and large, isn't it?
17
18 MS JANAWAY: Mmm-hmm.
19
20 MR BLANCH: That is hit and miss, as you would appreciate,
21 we are only giving an account to one day a month, so if it
22 is excursion week or if it is flu week, then --
23
24 MR FERRIS: But those numbers don't include school
25 students. So you are right; that figure probably is 10 per
26 cent. That does not surprise us.
27
28 MS JANAWAY: I think the data available to AECOM was
29 pretty sparse when we were doing this exercise.
30
31 MR FERRIS: But John's point is very important. We have
32 350 buses and every one of those buses is utilised to carry
33 school students. We then move, after 9.30, on to that
34 other sort of service. That is why we then have bigger
35 buses doing runs which don't carry a lot of people.
36
37 DR WARD: The data we have did not tell us which bus was
38 on which route, so these are based on averages across each
39 contract.
40
41 MS COPE: So you have no buses that are on type B routes
42 that do not do a school run?
43
44 MR FERRIS: Yes, that do not carry school students. It is
45 like the train in Sydney. At 8.30 in the morning, there
46 are a lot of adults and a lot of schoolchildren. It is the
47 same sort of situation with our buses. We utilise our

1 buses to carry both.
2
3 MS COPE: And are they all used to carry both? You have
4 no buses that only do type B routes?
5
6 MR FERRIS: They all do.
7
8 MS COPE: Type B?
9
10 MR FERRIS: Most of ours are type B routes. You are
11 talking about only carrying adult passengers?
12
13 MS COPE: Yes.
14
15 MR FERRIS: No, no, because, like a train, if it suits a
16 child to complete that journey, then they will take the
17 bus.
18
19 MS COPE: What I am trying to work out is whether the
20 total number of buses that you use for the school routes is
21 then sufficient to run all of your other services out of
22 school time or whether there are additional buses in your
23 fleet --
24
25 MR FERRIS: No.
26
27 MS COPE: -- that don't do school routes.
28
29 MR MILLS: Yes, we do. We have them.
30
31 MS COPE: And are they all full-size buses as well?
32
33 MR MILLS: Yes.
34
35 MS COPE: Is that because of the contract requirements or
36 is that just --
37
38 MR MILLS: It is just timetable services and school
39 services. It is just during the peak that you have to have
40 enough buses to service the timetable and the school
41 services. But, as Peter said, a lot of the time across the
42 different contracts, one or more depots is totally school
43 services, combined town and school. Sawtell, for example,
44 is school with timetabled services but, in our peaks, there
45 are stand-alone service buses that move people around that
46 are not carrying schoolchildren.
47

1 DR WARD: That is the discussions on page 5. The chart on
2 the left deals with the A contracts and the one on the
3 right deals with the B contracts. The A contract is
4 suggesting that, because of the high utilisation numbers,
5 there are opportunities to upsize buses or put additional
6 buses on. However, it is probably an overestimate because
7 it is based on passes issued and not bums on seats.

8
9 The chart at the right here, and what we are talking
10 about now, is an opportunity to downsize some of those
11 buses to more appropriately match utilisation. In some
12 cases they may not be if they are being used for other
13 things in the morning, depending on how they are deployed.
14 However, if that is not the case, maybe there is an
15 opportunity to redeploy a slightly cheaper bus on such a
16 route.

17
18 MR FERRIS: So this is just purely adult services.

19
20 DR WARD: The next slide after that - this is on page 6 -
21 is where we worked out the unit cost per bus. We did that
22 by category. As I have said, we used the most common bus
23 types in the category. We added up the fuel costs - that
24 is, based on manufacturer-issued consumption figures.

25
26 MR FERRIS: Do you know what the consumption numbers were?

27
28 DR WARD: They are in the model. I don't know them off
29 the top of my head. I can dig them out, but they are all
30 built into that.

31
32 Labour costs are significant, so we based the driver
33 costs on award rates.

34
35 MR FERRIS: Which award?

36
37 DR WARD: The recent or the current award.

38
39 MR FERRIS: Where?

40
41 DR WARD: For New South Wales, but I will check that out.

42
43 MR FERRIS: I think you used the federal award.

44
45 DR WARD: Possibly.

46
47 MR FERRIS: That is not what we pay.

1
2 DR WARD: Okay.
3
4 MS TOWERS: So what do you pay?
5
6 MR FERRIS: We have EAs based on the old state award.
7 That is about 20 per cent higher than the federal award.
8 Plus we pay a thing called the driver/conductor, which is
9 nearly \$15 a day. Also we pay about a 25 per cent higher
10 hourly rate, plus each driver each day gets another nearly
11 \$15 pay.
12
13 MS TOWERS: And that just reflects historical agreements
14 or --
15
16 MR FERRIS: Yes, and it has all come out of the old state
17 award, yes.
18
19 MR BLANCH: With your fuel costs, you are alluding to
20 air-conditioning?
21
22 MR FERRIS: We would have to see what numbers they are
23 because a lot of things have changed. As John says,
24 depending on where that number came from, yes,
25 air-conditioning adds a cost. There is another cost now
26 for year 04, 05 and 06 buses.
27
28 DR WARD: The red bars there show maintenance. It is a
29 fairly small part. Again that was based on scheduled
30 maintenance requirements. We applied appropriate labour
31 materials rates too.
32
33 MR FERRIS: There are a few considerations there. In more
34 recent times, as John said, every rural and regional bus
35 must have air-conditioning. We have seat-belted seats,
36 which need maintenance, because kids love doing things to
37 seatbelts. We have just recently had to fit fire
38 mitigation to every new bus, which adds quite a significant
39 cost to maintenance, so we need to make sure all those
40 things are added in to that figure.
41
42 DR WARD: Overheads is a large number. We had very little
43 detail on what was included in the overhead cost reporting,
44 so we had to make the assumption that everything that was
45 not picked up somewhere else was wrapped up in that number.
46 I think that is just the way you have been asked to report
47 it.

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We did find a reasonable correlation with reported overheads and the number of seats in the fleet. We tried to think of lots of different ways and there was a fairly good correlation between that, so we did not see any economies of scale. Particularly once we got beyond a total of about 100 seats, after that, it became a fairly regular increase per seat. So that number is based on the typical number of seats per category.

Then we have the return of and on capital. The return of capital was based on a depreciation. We assumed there that the bus was depreciated over its entire asset life. However, the depreciation here represents just what occurred over the service life in the contract. So there is a value at the end of that that we did not throw into this. Then for the return on capital, we used the WACC as did IPART.

With these numbers, the chart on the left is based on an average annual distance of about 30,000 kilometres, which seemed to be the average distance travelled across the board pretty much. The chart on the right there is the impact of distance on that number. As you would expect, when the distance goes up, the cost comes down. That chart is just showing category 4, but you would have similar things for the others as well.

Then one of the other things that we looked at was distance and speeds, and this is at page 7. We spent quite a lot of effort looking at the route distances that were reported and comparing them with the distances we would expect to see reported. In a lot of cases, we were able to gather some route information from operators, which we did, and we digitised a lot of that to look at the route length. We are interested, obviously, in the time it takes to cover a route in terms of driving time but also the layover and the dead running as well. We wanted to understand all those parameters.

MR FERRIS: But, sorry again, you have only looked at the adult passenger times; is that right?

DR WARD: Yes.

MR FERRIS: Which is a very small percentage of what we do with our 350 buses.

1
2 DR WARD: Well, yes, so this is all of them. This As and
3 Bs, so this will have school services as well.
4
5 MR FERRIS: But even with Bs, what you have to understand
6 is we carry about 45,000 students on our Bs a day, so --
7
8 DR WARD: So this is school services as well, sorry. This
9 is what we found and we had very little --
10
11 Mr FERRIS: How did you measure those?
12
13 DR WARD: There was a lot of route data for A contracts.
14
15 MR FERRIS: Sorry, for As, but what about Bs?
16
17 DR WARD: There was very little data for Bs, yes, so a
18 lot of that was --
19
20 MR FERRIS: It is very hard to pick up what is A and B.
21
22 DR WARD: The As are straightforward. We have data for
23 that.
24
25 MR FERRIS: Yes.
26
27 DR WARD: The Bs are more challenging. We digitised a lot
28 of them off the route maps and looking at Google Maps, and
29 TfNSW provided us with some route data. Generally it was
30 actually a pretty good correlation. The big bar in the
31 middle there is where the reported routes are within 10 per
32 cent of what we calculated, so that is pretty good,
33
34 Obviously you would expect some differences.
35 Digitisation goes from point to point, so you would expect
36 a bit of variability as you drive around, so that was
37 pretty good.
38
39 There are some oddities on that, though. There are
40 20 per cent which suggest a route was 50 per cent longer
41 than what we got when we measured it. We don't quite know
42 why that would be. Similarly - it is quite large figure -
43 25 per cent again - present as shorter. I don't know how
44 they could be shorter. Something is going on there in the
45 way the routes were apportioned. I think if we could
46 understand that little bit better, we would probably get
47 some better results out of this, but there are some

1 oddities there.

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We also looked at speed as well to try and understand. What we wanted to get to was the time of the route, and that obviously gave us the speed. There were some very strange results looking at bus speeds. Some of them were going incredibly quickly - like 70 kilometres on average or more. That cannot be right, so there must be something happening. The time is probably correct, we think, because when we looked at your timetables and compared it with this, the times agreed, but distances were way off, so distance reporting gave us some headaches.

The last slide there just wraps up the summary of where we got to with all this. For the As, we concluded that reported costs were about 19 per cent greater than what we had calculated the efficient costs to be. But the distances were pretty close, within 11 per cent. On the Bs, there is quite a bit of variability there - so 40 per cent greater than efficient costs, on average.

MR FERRIS: Do you reckon Deloittes got it 40 per cent wrong two years ago?

DR WARD: I would not like to comment on that.

MR FERRIS: Deloittes and other consultants engaged by Transport for NSW.

MR BRANCH: Is that B contract data on phasing, because I can tell you that I have been phasing down for quite some time.

DR WARD: It didn't, but I don't think the Deloitte work was a bottom-up analysis.

MR FERRIS: Yes, it was.

DR WARD: Was it?

MR EVERETT: So these numbers are comparing the first year of the contract --

MR FERRIS: The first year of the new contract?

MR EVERETT: Yes, of the new contract, compared with AECOM's estimate of the efficient unit costs.

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MS COPE: Simon, do you have anything else?

DR WARD: No, that;s it. Thank you.

MS COPE: Brett, did you want to pick up from there?

MR EVERETT: Thank you.

So picking up from there, and going back to the other handout that we have, I am going to run through how we considered and then made some findings as a result of AECOM's work. I will then also go through some of our recommendations around more flexible bus services.

Turning to slide 10 in the other handout that is on the table, we consider that there are certain opportunities to improve the cost effectiveness of providing contracted bus services in rural and regional areas. Picking up on AECOM's work they found that, on average, there are efficiency savings of between 19 and 26 per cent savings that can be made.

The three areas that we have identified there are, firstly, reducing the choice of bus makes and models that are available under the contracts; secondly, as Simon touched on, a better understanding of the route distances; and then, thirdly, better matching the bus size to the patronage.

We recognise that not all these savings can be achieved immediately and there are things that need to be considered over --

MR FERRIS: Hang on. The big flaw is all of us are basically type B operators. You have left out our biggest patronage group which is the reason that we have those big buses. I agree with you that, right now in Dubbo, you don't need that bus, but come 3 o'clock today in Dubbo, we need that bus.

If you want to duplicate the fleet, I don't think that will be really efficient. If you want us to have another fleet sitting there to do the town services in the middle of the day, that will not gain you efficiency, will it? What you need to understand is that the size of that vehicle is because of the dual purpose that it is used for.

1 That is obviously the most efficient way to work. Even
2 when we managed our own fleets, which we don't do now so
3 much, we always tried, obviously, to minimise our fleet
4 numbers.

5
6 MR BLANCH: The other variable with that is when you
7 introduce new fleet, it goes in at the top and everything
8 filters through. So that 20-year old 57-seat bus that is
9 on the run that is carrying 20 schoolchildren is a hell of
10 a lot better being there than being replaced by a
11 20-seater.

12
13 MR FERRIS: And that is the point. At the moment, we have
14 to keep them 25 years and 364 days. Next year, that run
15 John is talking about might have 50 kids on it, the year
16 after it might have 35. We do not have the ability to sell
17 that bus and buy another one efficiently. I mean, you
18 would be chasing your tail forever. We are stuck with
19 these buses for the life of the bus and runs vary, student
20 numbers vary.

21
22 MR MILLS: But they are based on passenger not school.
23 This is wholly and solely looking at timetable research to
24 drop fares. I question the comparison between the type A
25 and type B contracts, which expired over 12 months ago now.

26
27 The size of the bus was issued on the size of the
28 numbers on the run for a non-commercial contract, where
29 with a commercial contract, the bus was based on, say, a
30 pool of 5,000 kids, how best to service them. So a bus
31 operator would go and buy 20 vehicles, do back-up runs,
32 do two runs, morning and afternoon, and you would need
33 20 vehicles to move those kids.

34
35 It was up to the operator to efficiently operate those
36 numbers, where, with the non-commercial, the viability to
37 run that service was not there for the operator. The
38 government said, "We'll give you a 24-seater to move those
39 18 kids between from point A to point B." I think the data
40 that has been brought up today does not really factor in
41 the volume of kids we are carrying, which is probably the
42 main purpose in the utilisation of our fleet. Would that
43 be fair to say, Peter?

44
45 MR FERRIS: Yes, absolutely. In Orange this morning, a
46 type B bus probably carried three different loads of kids
47 in that two-hour window. Then, at 9 o'clock, it would have

1 gone off and done other services all day, so it is pretty
2 well utilised. That is why we need large capacity buses.
3 Other than duplicating our fleet, we then use them in the
4 off-peak.

5
6 MR MILLS: I would be surprised if there would be too many
7 old commercial operators running around with minibuses.
8 Most of them would have large vehicles. They are all
9 getting the large vehicles. I cannot see Transport
10 providing 24-seat buses to the current scheme we have now,
11 because a 24-seat bus can only be utilised for one thing,
12 not for anything else.

13
14 MR BLANCH: You could put 20 people in a 48-seater but not
15 the other way round.

16
17 MR MILLS: That is exactly right. So the end justifies
18 the means. There is a reluctance on the part of Transport
19 for NSW to drop categories where operators are on the
20 threshold. They have always erred on the side of caution,
21 if we were one under or two under, the next year, we might
22 be three over. Then we'd have to go through the whole
23 refunding of vehicles to keep category or decrease
24 category. Although a spreadsheet might show 24-seaters
25 look good for the bottom line, efficiently, they don't.
26 From an operational point of view, they just don't work.

27
28 MS COPE: From what we have seen so far, yes, there are a
29 lot of cases where buses are used for the school kids and
30 at other times, but that is not universally the case.
31 There are buses out there that are big buses that seem to
32 be used for what were historically the category B type
33 services and only those services with very few --

34
35 MR FERRIS: Without schoolchildren?

36
37 MS COPE: Without schoolchildren.

38
39 MR FERRIS: Do you have any, John?

40
41 MR BLANCH: No.

42
43 MR FERRIS: Tony might have a few, but I don't know.

44
45 MR MILLS: I don't know of any.

46
47 MR FERRIS: I know of one operator, I think Dave Martin --

1
2 MR MILLS: Oh, actually, we just acquired a 34-seat bus,
3 but it is really rare, isn't it? It's really rare.
4
5 MR FERRIS: Type B operators cater for that school peak
6 and apart from one operator, I don't know any other
7 operator who would keep separate buses for adult passengers
8 across the peak.
9
10 MR MILLS: No.
11
12 MS TOWERS: Does school patronage fluctuate a lot from
13 year to year or is it steady?
14
15 MR FERRIS: On route to route, it does, yes. Across
16 Orange we have steady growth. Because Orange has steady
17 growth, naturally the number of schoolchildren grows.
18 However, on one side of town that may change from the other
19 side of town. Route to route it varies, and particularly
20 on the type As, things happen. Their operators are
21 generally in very small villages and there can be an impact
22 from half a dozen people losing their job. That would
23 impact enormously on that operator whereas, in the bigger
24 towns, you would not get that sort of fluctuation.
25
26 MR MILLS: You would probably see that across other areas
27 as some areas are more transient than others.
28
29 MR FERRIS: Certainly Lismore or Ballina are --
30
31 MR MILLS: Eighteen years ago in Coffs Harbour, some
32 services would have 10 kids and the next year you would be
33 lucky if there were any. It was very transient, but the
34 numbers seem to be levelling out now as more people settle
35 here.
36
37 MR FERRIS: Why do you think reducing the number of base
38 models will drive efficiency?
39
40 DR WARD: Because we are suggesting that if - we think the
41 manufacturer will have a larger market share and it will
42 simplify the procurement. We are looking at 38 model
43 types. We are not necessarily suggesting that we cut them
44 down to the cheapest and --
45
46 MR FERRIS: And in saying there are 38 models, what you
47 have to remember is there are only four or five body builds

1 in Australia. If you multiply those four or five by each
2 chassis, you have a lot of combinations.

3
4 DR WARD: We recognise that the operators have their
5 preferences. It might be because of historical reason. It
6 may be that, in that particular area, they have their own
7 maintenance set-up.

8
9 MR MILLS: Would it be fair to say it has changed now that
10 the Bus Procurement Panel has come in?

11
12 MR FERRIS: I don't know what number of combinations is on
13 that Procurement Panel.

14
15 MS JANAWAY: I couldn't tell you.

16
17 MR FERRIS: I wouldn't think there is 38 in a category 4.

18
19 MR MILLS: I can't answer for Forest because we are
20 predominantly MAN and an old Mercedes Benz fleet, but
21 I don't believe there would be too many operators, say,
22 lining up for a BLK or a BCI when they could get a
23 Mercedes Benz or a Volvo.

24
25 MR FERRIS: You could easily find out the number of
26 combinations and what is available by looking on the
27 Procurement Panel to see the fully funded type category 4
28 school buses.

29
30 MR MILLS: What do you do, John?

31
32 MR BLANCH: I have been paying over the cap for the
33 vehicles that I purchase. There are reasons why I do that,
34 such as stainless steel on the coast, a lightweight
35 chassis, which saves me fuel. There are a whole number of
36 reasons.

37
38 I have been purchasing vehicles based on capacity
39 until this new contract came in. It is not because of the
40 new contract but, for example, we had 55 seats and
41 30 standees - fantastic. Moving forward here shortly, we
42 are about to have seatbelts and no standees. Now we have a
43 whole new range of issues that we are facing. So, yes, we
44 try to be efficient.

45
46 MR EVERETT: Could I ask one further question to make sure
47 I understand in terms of the patronage data that has been

1 reported to Transport for NSW. On a regular passenger
2 timetabled route, when any school students hop on to that
3 bus, because they are just flashing their bus pass, the
4 driver doesn't count those students in any way in numbers,
5 and it does not get captured in any of the reports.
6
7 MR MILLS: We do. Yes, we do.
8
9 MR EVERETT: Oh, so it does?
10
11 MR MILLS: We have to share reporting,
12
13 MR FERRIS: Sorry, all we do is the count across our
14 contract. We do not know what bus that student is on today
15 in our old type of fleet. So by route, we don't know; we
16 don't know that number. If we count them today, and today
17 is the count day, we know how many students were on all our
18 buses. However, it would be a lot of work to figure out on
19 exactly each route how many kids were on it, because it is
20 a network. It is not one bus here and one bus there; it is
21 a network of buses.
22
23 MR EVERETT: I wasn't sure if there was a button on the
24 bus which would register that they are not paying a fare,
25 but they are hopping on the bus and then counted as someone
26 who is taking up a seat on the bus.
27
28 MR MILLS: Yes, we could --
29
30 MR EVERETT: That's what I was asking about.
31
32 MR FERRIS: We do that, but that is not reported in our
33 month end.
34
35 MR EVERETT: To Transport for NSW?
36
37 MR FERRIS: No. They are only asking for fare-paying
38 passengers or RED.
39
40 MS TOWERS: But, Tony, you report it to Transport for NSW?
41
42 MR MILLS: Unless I am missing something, we have to
43 report school passengers. If you are doing a combined
44 school and route service, you have to report your school
45 data on those services across the reporting period.
46
47 MR BLANCH: I am reporting school data.

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MR FERRIS: So you are reporting schoolchildren?

MR MILLS: Definitely, you do. Yes, my word you do. The requirement is only a typical day over a monthly period. I think that is how it is written? We do it daily. With Narrabri, they are a small operator and they are only doing 12 monthly reporting on data, so they have to count. We have to show that we have counted - every driver has to. We have to produce a document to show how we have collated that data, and it has to be one day over a month period, so we have to do it at least 12 times a year.

MR FERRIS: Sorry, going back, Brett, you are right. Let's take a 571 in Dubbo this morning. The 571 does 12 trips a day. It is a route service around Dubbo. On probably one trip this morning, it carried a full load of students and those students would be carried on it. However, if we look at that across the 12 trips it does today, it is a very small number because it is divided by all 12. There is one in the morning and one in the afternoon - sorry, so, yes, we will know on the 8 o'clock route this morning that it carried 40 schoolchildren as well as half a dozen passengers, but if you're dividing that by route 571 12 times today, you will get a very small number.

MR EVERETT: It is how you measure that peak capacity. That is what is important when it comes to how big a bus you need.

MR FERRIS: Yes. So you are counting adults across 12 services and you are counting students across two services, it is distorting the numbers.

MS COPE: It is distorting your averages?

MR FERRIS: Yes.

MS COPE: Do we want to move on to point to point?

MR EVERETT: Yes.

Session 3: Delivering better transport services in rural and regional areas

MR EVERETT: The other area we have looked at is how to

1 use flexible on-demand transport services to provide
2 better, more cost-effective bus services. Government
3 policy talks about a greater use of on-demand services as
4 part of the package of transport services in rural and
5 regional areas.

6
7 To assist the government in better understanding
8 on-demand services in rural and regional areas, as part of
9 our review, we looked at three key issues, firstly, what
10 conditions need to be met for an on-demand service to be
11 cost effective?
12

13 Secondly, we looked at what types of on-demand
14 services are best suited to the rural and regional areas.
15 What we have uncovered is a range of different types of
16 on-demand services. We have looked at trying to examine
17 which of those would be best suited to a rural and regional
18 area.
19

20 Thirdly, we looked at what fares should passengers pay
21 for on-demand service in rural and regional areas?
22

23 Looking at slide 11, we found that in order to be cost
24 effective, on-demand services should meet three conditions.
25 Firstly, the service needs to be well targeted to address
26 and identify community need. This would be a need that is
27 currently not met by public transport or it could
28 be a need that is inadequately being met by an existing
29 fixed bus route.
30

31 With regard to the second condition, we thought it was
32 important that the on-demand service be marketed well so
33 that the community is aware of the service and they
34 understand how the service works and how to use it.
35

36 Thirdly, the additional costs of an on-demand service
37 will vary depending on how you design the service, and
38 I will come to some examples in a minute. Factors such as,
39 the degree of flexibility in the service - do you pick
40 people up from designated stops or, say, from their house -
41 and how you manage the bookings can affect the cost of an
42 on-demand service. For on-demand services to be cost
43 effective, they need to attract additional patronage and
44 additional revenue to offset the additional costs of
45 providing those services.
46

47 In our issues paper and as part of our review, we

1 considered a range of different types of on-demand
2 services. I will run through a few of our findings quickly
3 before coming on to some examples.
4

5 We found that in the short term - so that is, more or
6 less, during the life of the current bus contracts - the
7 options that we look to be most cost effective are those
8 that add a flexible on-demand component to an existing
9 fixed bus route.
10

11 The options we looked at which we thought were most
12 likely to be successful included a roam zone at one end
13 which would pick up booked passengers from pre-arranged
14 locations, or deviations from a fixed route to pick up
15 booked passengers from pre-arranged locations. That could
16 include picking up people from their house or from a fixed
17 stop but a deviation from the traditional fixed route.
18

19 In the longer term, there is a wider variety of
20 transport options that could be considered, including a
21 range of on-demand services. We think that there is an
22 opportunity for Transport for NSW to look at a range of
23 different transport services in each region to help improve
24 service outcomes for passengers and also provide better
25 value.
26

27 Moving on to the next page in the handout, we have
28 some examples of three different types of on-demand bus
29 services. The first route that is shown in orange - it is
30 starting out on the left-hand side of the page - we call a
31 suburb to centre type service. Basically what you have in
32 the green area is a roam zone with fixed stops, which then
33 runs sort of along a fixed route into the centre of town
34 which has stops at key destinations, such as a hospital,
35 the train station or the inner services precinct; for
36 example, an employment area or a restaurant.
37

38 The second route that we have there is the one that is
39 shown in red, which we call more of a satellite service.
40 This is one where in that satellite area, the community is
41 further out of town than the first example we have given.
42 Again we would have fixed routes which stop at key
43 destinations in the centre of town. This service is
44 designed to function as a service centre and transport
45 network feeder. For example, we think this could be good
46 in areas where there are low-income communities which do
47 not have great access to public transport or are not on a

1 train line.

2
3 The third option we have there, which is the purple
4 route, route 3, we call a fixed route with deviations. For
5 this one, we do not necessarily have the roam zone in that
6 particular suburb that goes around and picks people up from
7 their house, but you have a fixed route which then deviates
8 off to the side of that route to pick up booked passengers
9 if they book as part of that service. There are
10 pre-arranged stops, so it is not necessarily picking people
11 up from the door of their house, for example. We think
12 that this service could be used in situations where there
13 is poor route frequency or if you run services after hours.
14

15 In terms of the fares for on-demand services, the
16 fares are important because they affect the extent to which
17 the service can be delivered cost effectively. For
18 example, the fare needs to be simple and low enough to
19 attract additional passengers to use the service, but it
20 also needs to be high enough to ensure that there is enough
21 additional fare revenue to offset the additional costs of
22 providing an on-demand service.
23

24 We think that the fares for an on-demand service
25 should reflect a higher level of service that is being
26 provided to the passengers. In our draft report, we have
27 recommended that operators should be able to charge
28 customers a surcharge of anywhere between zero and up to
29 \$5 on top of the fixed-route bus fare. We are also
30 recommending that there be potentially concession
31 surcharges available to concession passengers.
32

33 In the report, we talk about bus operators being in
34 the best position to set the surcharge as they would best
35 know the costs of the service that is being provided and
36 they would best know their passengers. That would mean a
37 balancing of what customers are willing to pay and the
38 effect of the level of surcharge on generating additional
39 demand.
40

41 The maximum \$5 surcharge would depend on a number of
42 factors. In the ORIMA survey that Deborah touched on
43 earlier, we asked people what they would be willing to pay
44 for an on-demand service and gave them some options around
45 how much more they would be willing to pay. We found that
46 more than half of the respondents said that they were
47 moderately willing to pay an extra \$5 for an on-demand

1 service.

2

3 MR FERRIS: Sorry, Brett, was this in rural and regional?

4

5 MS TOWERS: Yes.

6

7 MR EVERETT: This was in rural and regional areas only,
8 yes.

9

10 MS JANAWAY: The report is on the website.

11

12 MS TOWERS: Some people said they would pay \$10.

13

14 MR EVERETT: There was an option of \$2, \$5 and \$10, and
15 then you asked people on the sliding scale how much more
16 they would be willing to pay.

17

18 As I noted earlier, government policy sees greater use
19 of on-demand services in the future. For example, there
20 are some trials of on-demand services going on. Depending
21 on the result of these trials, Transport for NSW might
22 start procuring more on-demand services in the future.

23

24 In our report, we have given some advice and made some
25 recommendations on how on-demand services should be
26 procured in the future. In the short term, under the
27 current contracts that are in play, we think that Transport
28 for NSW should look at focusing on existing bus services
29 that have low patronage and so, as a result, a high cost
30 per passenger in some cases, and look potentially to
31 introduce an on-demand service that could deliver a better
32 level of service to passengers.

33

34 In situations where there is a need to provide an
35 entirely new transport service in an area, for example, in
36 a regional growth centre that is having new services
37 designed, we are recommending that Transport for NSW should
38 go out and seek tendering to get the most cost-effective
39 transport solution so that could include an on-demand
40 element to a bus being provided in some of those areas.

41

42 In the longer term, so when the current contract
43 period comes to end, we are recommending that Transport for
44 NSW look at procuring transport services as a whole across
45 a region. This could include proposing some more
46 innovative transport services that have different levels of
47 service, and have greater flexibility and look to meet

1 community needs at the least cost.

2
3 We also made some recommendations about issues in the
4 border regions. Our letter of referral for the review
5 asked us to look at this as a particular issue as part of
6 the review.

7
8 We had a look at this and found that the most
9 significant barrier to cross-border travel - so travel from
10 New South Wales to Queensland or New South Wales across to
11 the ACT and in the Albury-Wodonga area as well - was the
12 difference in fares that were charged in New South Wales
13 compared with some of the bordering states. We think that
14 our draft recommendations to reduce maximum fares should
15 sufficiently address that issue and will more closely align
16 the fares in New South Wales to fare in other states.

17
18 Focusing in on the Tweed area, in particular, we
19 identified that the bus services on the New South Wales
20 side of the border are not as frequent as they are on the
21 Queensland side of the border. It means that customers
22 travelling from Queensland into New South Wales will face
23 longer waiting times when interconnecting on these
24 services. We have recommended that Transport for NSW work
25 with services like Buslines and run a trial of an on-demand
26 service, particularly in the peak period, look at the
27 results of that, and then see if there is potentially a
28 more cost-effective way of providing services across the
29 border there.

30
31 We have also made some recommendations around
32 concession eligibility for students. Currently residents
33 of New South Wales who are attending tertiary institutions
34 across the border are not eligible for the concession fares
35 available to those who go to tertiary institutions in New
36 South Wales. We have recommended that the concession
37 eligibility should be extended to New South Wales residents
38 who either attend university and secondary school or a
39 vocational education and training facility if it is within
40 50 kilometres of the border.

41
42 In Albury-Wodonga - this is probably not so much
43 relevant to where we are today - we have recommended a
44 newer upgraded ticketing system that will allow for travel
45 using one ticket in both operators' areas of operation.

46
47 That is all I wanted to run through today in terms

1 of our findings about delivering better bus services and
2 on-demand bus services. I will pass back over now to
3 Deborah to deal with some of the questions we want to ask
4 to get some feedback.

5
6 MS COPE: Probably the on-demand services is the biggest
7 issue there that would be really good to talk a bit about,
8 recognising that you are competing not only just with
9 on-demand taxis, but as people like Uber come more into the
10 regional market, there will be potentially a lot more
11 on-demand type of services available. We were talking
12 earlier about issues in somewhere like Byron Bay which
13 already has Uber and that is affecting bus services.

14
15 There are a couple of questions here:

16
17 What does a modern day bus service look like going
18 forward; and

19 What are the sorts of issues that you think will be
20 faced in developing the transition to that? Is there a
21 role for bus services at all?

22
23 MR BLANCH: I do not understand how on demand in our
24 current framework really works. We have a Transport for
25 NSW contract where they say they are in charge of planning
26 and they are doing everything. Yes, I just feel a little
27 bit lost in the system, I have to say. If their view is
28 that you make a timetable service flexible when you deviate
29 here and make it late for the next stop, I can't get my
30 head around on demand at the moment.

31
32 MS COPE: I suppose there are some situations where it is
33 relatively easy to conceptualise. Take the end link to the
34 train station, late in the evening where somebody could
35 ring up and say, "I want the bus to come to the train
36 station."

37
38 MR FERRIS: That is in the metropolitan situation, is it?

39
40 MS COPE: No, in a rural situation.

41
42 MR FERRIS: Where is the train?

43
44 MS TOWERS: The trains are not up this way.

45
46 MS COPE: Well, the train does run through up here. The
47 train stops at Kendall station. It stops there at 8.30 or

1 9pm, I am not sure exactly when. Then a lot of people go
2 from there to other places - Port Macquarie, for example.
3 That is actually at the end of the bus line. You could
4 have a situation of an on-demand service there that is
5 meeting an ad hoc need to service a particular point.
6 Rather than having to run the bus out to the train station
7 every time you run the bus, you have it as a booked
8 service, so if I am coming in, I can book the bus.
9

10 You have other services in some situations which are
11 really, really low in patronage and are running empty
12 sometimes. That is another thing where it seems to me you
13 could think about using it as a booked service rather than
14 running it all the time and running a bus empty.
15

16 They are the easy ones and then you would get up to
17 the more sophisticated things. I think the problem you are
18 talking about is slightly different, and that is being able
19 to develop up such a service within the confines of your
20 existing contract; is that right?
21

22 MR BLANCH: Yes.
23

24 MS TOWERS: So what specifically is the constraint under
25 the contract? Is it because you have to deal with --
26

27 MR BLANCH: We are doing what we are told to do, and that
28 is it. I can tell you from submitting BSARs, which we have
29 to do every time we need to change something, if there is a
30 cost to government in submitting that BSAR, there is a
31 very, very big hesitation in taking up that BSAR. We have
32 had to put in changes, and we have accepted a loss on them,
33 just so that we can implement changes to timetable. I just
34 cannot see how government is going to control how we do
35 this sort of stuff.
36

37 The other thing is we do not have facilities currently
38 to ring and take a booking. Do we need to develop an app
39 and the like?
40

41 MR MILLS: The other glaring issue I see there straight up
42 is any change to service incurs a BSAR, and any time you
43 want to have a new stop, you have to seek council approval
44 to stop the bus to make sure that there is equal access to
45 the vehicle for all walks of life.
46

47 Just on the point to point, I would like to know

1 IPART's standpoint. Is there a certain level of the
2 population where you believe that point to point needs to
3 come in or is it just across the board, "Let's give it a go
4 everywhere"? I ask that because there are a lot of players
5 in the point to point currently operating in the regions in
6 which I operate. These are all really wonderful ideas to
7 provide great services to the population, but I am
8 wondering at cost, and at cost to whom?
9

10 MS COPE: I am not sure I understand your question. Is it
11 what is the view of point to point generally or what is the
12 view of point to point within a bus --
13

14 MR MILLS: What I am asking is if, looking forward, point
15 to point is an option and an idea that you would like
16 operators to adopt moving forward, is there a mechanism in
17 place or a number in a population and an area where you
18 think, "You know what, we are up at 30,000 people in
19 Woolgoolga. We would probably need to be looking at that.
20 Nowra, with 25, is not really warranted"?
21

22 There are a number of players in this. Taxis pay a
23 lot of money to have to hold the plates to run those
24 services and I suppose they have the niche market in point
25 to point. Uber is now coming in. We have Go Buggy in
26 Coffs Harbour. There are a number of different players
27 offering these services. Is it a way of saying we will
28 start to wind down the other services for the buses then to
29 take over the whole lot? I do not know who can answer
30 that. It is a fairly broad question.
31

32 MS COPE: In terms of what we are looking at here, the
33 question is: is there a role for a bus-style
34 point-to-point service, a shared point-to-point service
35 rather than an individual one. If so, does it have a role
36 in terms of the way we provide existing bus services?
37

38 When we looked at it, we thought, yes, there probably
39 is. We do not know exactly what that would look like at
40 this stage, which is why we suggested testing and trialling
41 and getting better information about that. However, to
42 rule it out at this point in an environment where your
43 competitors are coming in - and there are more competitors
44 coming in - that are providing those sorts of services,
45 then it could be dangerous.
46

47 MR MILLS: I will rephrase that the question. Would the

1 regulator, Transport for NSW, be in a position to fund
2 these services?

3

4 MS TOWERS: I will not answer that specifically, but what
5 IPART is thinking about it, as I understand it, Transport
6 for NSW - Transport for NSW can speak for themselves - into
7 the future, it is about getting the least cost sort of
8 service to people. It is not necessarily a bus service or
9 a taxi service or a community transport service; it is
10 transport services. I think Transport for NSW calls it
11 "mobility", in some sense.

12

13 In some ways you would go to the market and go to
14 people like yourselves who provide transport services and
15 say, "What is the best solution to the transport needs of
16 your area? You understand your passengers, your local
17 community needs." You might say, "Well, our community
18 needs a mix of buses, a mix of taxis and a mix of community
19 transport and this is the best way to facilitate them", as
20 opposed to a central planner saying to you, "You must
21 provide bus services." It is trying to get the best
22 service for your community at the least cost.

23

24 MR MILLS: Had you asked that question two years ago,
25 these guys would have said, "Oh, yes, give us the
26 opportunity to better service our community", but now that
27 is not in our control.

28

29 MS TOWERS: Because?

30

31 MR MILLS: Because now we are contracted to run bus
32 services --

33

34 MS TOWERS: Okay, in the current length of the contract.

35

36 MR MILLS: Yes, for the current length of the contract we
37 are involved in today.

38

39 MS TOWERS: This is for the future; it is looking more at
40 when the contracts expire - instead of what IPART would
41 recommend, instead of going out for bus services - you are
42 going out for transport services which your community needs
43 and how that should be delivered to the least cost but
44 gives them the best service.

45

46 We are saying in the contract, if you have a growth
47 area or potentially you have a bus that is running and

1 no-one is on it, which may not be the case in any of your
2 areas, rather than run that bus with no-one really using
3 it, you might be better off having a booked service - what
4 we would call an on-demand service - where people can phone
5 up and book it and then it could be worthwhile running.
6 You would not run it for one booking. There is obviously
7 some point at which --

8
9 MR BLANCH: We run buses now for one passenger, so we
10 would take the one booking.

11
12 MS JANAWAY: That's right, and I am happy to --

13
14 MR FERRIS: There are a lot of things we can't get our
15 heads around. On this purple route, there is something
16 I don't understand. Where the picture of that bus down the
17 bottom is, if I lived there, would I be happy while my bus
18 diverts up to those other four stops?

19
20 MS TOWERS: Because there is no sort of trade-off there.

21
22 MR FERRIS: One of the biggest complaints we get at the
23 moment is --

24
25 MS TOWERS: You have to have a trade-off.

26
27 MR FERRIS: Because we carry low patronage, we try to
28 cover as much of the town as we can. It sometimes takes a
29 half hour to go a kilometre because you have to pick people
30 up. I don't know what people would tolerate as far as that
31 goes.

32
33 MS TOWERS: And that is the trade-off, isn't it, in terms
34 of the more you --

35
36 MR FERRIS: In a country town with this surcharge - we
37 operate taxis as well and I would be interested to see what
38 solutions could be out there - I am not sure how long a
39 person would be willing to sit on that bus while it goes
40 around and picks up everyone else, or would that person
41 prefer to pay \$10 for a taxi just to get home?

42
43 MS TOWERS: But into the future, that is the importance of
44 going and getting the right mix of services - so it is not
45 a bus or a taxi; it's making sure you have the right mix.

46
47 MR FERRIS: Then the question is: do you keep another

1 fleet to do that? If you keep another fleet, what is the
2 difference between that fleet and a taxi that can multiple
3 hire? I don't know.
4
5 MR BLANCH: Peter and I do community festivals - so
6 Splendour in the Grass. We are doing our timetable thing.
7 We have everybody else doing their thing. There are people
8 pretending to be Uber, there is Uber, there are taxis,
9 people pretending to be taxis, and it all works.
10
11 MR MILLS: Have you got Go Buggy up there?
12
13 MR BLANCH: I am sure we would have. Yes, we have
14 everyone.
15
16 MR MILLS: I would be interested in your thoughts on that,
17 though, Peter, as an operator that runs cabs and buses.
18
19 MR FERRIS: The other problem is you are talking about a
20 very low base in patronage. I know with the trials that
21 Transdev are about to embark on down in the Sutherland
22 area, you have a massive population. We don't have that
23 massive population. Again they all own cars. You can
24 still drive down the main street of Dubbo and angle-park
25 outside Myers. It is not the same.
26
27 MR BLANCH: And not everyone wants to go to the one spot.
28
29 MR FERRIS: That's right.
30
31 MS TOWERS: We are the first to agree that it does not
32 work on every route, in a sense.
33
34 MR BLANCH: No, no.
35
36 MR FERRIS: We are willing to see what happens. I am just
37 interested to see how it all fits. I am just not really
38 clear on what we can do cost effectively to achieve those
39 changes. Where you have a big massive population, you
40 could do things more effectively. If you have a low
41 patronage base, from the start, I am not sure whether you
42 would generate interest because, all of a sudden, you have
43 on-demand services.
44
45 MR BLANCH: Even at Byron Bay if you want flexible
46 services, because of traffic issues and that sort of thing,
47 you would need to be running so many buses that it then

1 becomes cost prohibitive.

2
3 MS JANAWAY: To give a government or Transport for NSW
4 perspective on this, the regulation is the thing that is
5 being changed. That is the critical sort of pivotal piece.
6 Buses were buses and taxis were taxis and everything was
7 very modal based. The future now - this is what is often
8 done in other places in the world - is contracting for
9 mobility, so you would be a specialist transport delivery
10 agent. Whether you are delivering for one on one or
11 whether are you providing a bus service, the contract would
12 be for a regional coverage for those services.

13
14 Is that something that might be happening in the
15 future? Yes. Are we anywhere near that? Probably no.
16 However, I guess this is maybe the first step to say.
17 "Well, we know that bus operators are really working hard
18 in the best interests of their community and have spent
19 many years trying to figure out how to build the business
20 and get people on their services."

21
22 Of course, particularly in the country, if you have
23 your car, you don't have congestion issues, so there are a
24 lot of different challenges. If somebody could ring up and
25 make a booking that was at the end of your round, or within
26 a 5-kilometre zone, or at the end of the route, or divert,
27 what opportunities are there for you to improve access and
28 improve the use of resources that are already out there?

29
30 To me it is an opportunity. There would be plenty of
31 places where that will not work. You cannot be in Ballina
32 and Lennox Head at the same time; you have to be in one or
33 the other. There are a lot of parameters that need to be
34 considered with regard to extending your travel time. You
35 probably don't want to add any additional travel time -
36 say, about 20 per cent extra travel time - more than if you
37 were in your private car. That would be a good measure to
38 say, "Yes, well, that would be a valid service for people."

39
40 I think the ORIMA survey picked up that interest in
41 this is being shown by a lot of people who are not old
42 enough to have a driver's licence, and a lot of young
43 people don't want cars. It is not like when we were
44 growing up when we really wanted a car; now they
45 say, "I don't want a car. How will I pay for rego? Where
46 will I garage it?"

1 Admittedly the country is different to the city and
2 I don't downplay that. The perspective here is: "What is
3 the opportunity?" I know in Europe we have the taxi-buses,
4 et cetera. The hardest part is people being able to
5 understand: "Look, I can get a bit of an extension to a
6 service here." It might be that you guys want to
7 subcontract to a community transport provider and say, "You
8 already have a system in place. You link up with us and we
9 will work together and bring people to this node and we
10 will put them on there", where there is a corridor type of
11 arrangement, just to facilitate that opportunity for travel
12 across the network.

13
14 I know that future planning and future transport is
15 talking about place-based services. They are really going
16 to away from the modal focus. There are lots of
17 challenges, but there are lots of opportunities as well.

18
19 MR FERRIS: I guess the question is: at what cost?
20 I think our average taxi fare in Dubbo is about \$12. If
21 you multiple hire a taxi, you are talking \$3 or \$4. If you
22 charge a \$5 surcharge on top of an existing bus fare and
23 the trip might take three times as long, I just can't get
24 my head around exactly how that compares or how would you
25 do it efficiently.

26
27 Going back to the 1990s in the UK, there were a lot of
28 on-demand services, but as soon as the councils took their
29 funding away, it fell over. It's at what cost - what are
30 people willing to pay for it?

31
32 MS COPE: Are there any other comments, questions?

33
34 Concluding Remarks

35
36 MS COPE: I think that concludes the hearing for today.
37 Again thank you very much for your time. We do understand
38 that your time is valuable and that, particularly when you
39 are doing something like this in a regional area, you often
40 have to travel to attend, so thank you very much.

41
42 MS TOWERS: Thank you.

43
44 MS JANAWAY: I have just found this. There are
45 46 different combinations on the cat 4 panel.

46
47 AT 12.45PM, THE HEARING WAS ADJOURNED ACCORDINGLY