

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

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

Tribunal Members

Mr Peter Boxall AO, Chairman
Ms Deborah Cope

Members of the Secretariat

Ms Fiona Towers, Mr Brett Everett, Ms Felicity Hall,
Ms Rosie Jones

At the International Hotel,
Corner Lake Albert and Sturt Highway, Wagga Wagga

On Tuesday, 7 November 2017, at 10.30am

1 Opening Remarks

2
3 THE CHAIRMAN: Good morning, everybody. My name is
4 Peter Boxall and I am chair of IPART. I would like to
5 begin by acknowledging that this hearing is being held on
6 the traditional lands of the Wiradjuri people.

7
8 Thank you for making time to attend this morning's
9 public hearing looking at fares for rural and regional
10 buses. With me today is my fellow Tribunal Member,
11 Deborah Cope.

12
13 IPART has been asked to determine the maximum fares
14 for rural and regional bus services from 1 January 2018.
15 If adopted, the proposed new fares would apply to about
16 116 different operators providing bus services in the
17 Murray-Murrumbidgee region of New South Wales, including
18 Wagga Wagga and Albury-Wodonga.

19
20 In reviewing these fares, the government asked IPART
21 to consider the equity in current fares compared with
22 Sydney metropolitan bus fares, to simplify the current fare
23 structure, and also consider issues relating to travel
24 across borders. The government has also asked us to
25 consider the development of more flexible on demand
26 transport services in regional areas.

27
28 We are now partway through our review. In May, we
29 released an issues paper and we have had a lot of useful
30 feedback. We would like to thank everyone who has made a
31 submission to the issues paper or responded to our online
32 surveys.

33
34 As part of our review, we appointed AECOM to provide
35 expert advice on the efficient costs of rural and regional
36 buses. Representatives from AECOM, Mike Stoke and
37 Simon Ward, are with us today. We also appointed ORIMA
38 to conduct a survey to understand the demand for public
39 transport and the potential for greater use of more
40 flexible on demand services of bus services. Both the
41 AECOM report and the ORIMA report are available on our
42 website.

43
44 In October, we released our draft report which sets
45 out our fare proposals and our draft findings and
46 recommendations on how to deliver better bus services for
47 people living in rural and regional areas.

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The New South Wales government currently spends a substantial amount of money to provide public bus services. At the moment, half of all regular passenger services are less than 10 per cent full. This means that, on average, it costs around \$20 per passenger journey to provide these services.

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

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

We are particularly interested in hearing from people in rural and regional areas about whether our proposed fare reductions will in fact make a difference to their choice of travel.

Today's public hearing will be broken into two sessions. First, we will discuss our proposed fares and fare structure. We will then discuss how to improve the delivery of bus services for people living in rural and regional areas. Following each presentation, there will be an opportunity for stakeholders to ask questions or comment on the draft decisions.

This is a public hearing and it forms part of a public consultation process that IPART is undertaking. A transcriber is present to record the proceedings and the transcript will be publicly available. So that we have a complete record, please introduce yourselves when you first speak. It is also important that you speak slowly and clearly.

With that, I will now invite Brett Everett, from the IPART secretariat, to start with our first session on proposed fares and fare structures.

Thanks, Brett.

1
2 Session 1: Maximum fares for single journeys, frequent
3 travel and the regional excursion daily (RED)
4

5 MR EVERETT: Thank you, Peter, and good morning everyone.
6
7

8 I will go through an overview of draft decisions and
9 recommendations on fare levels and fare structures. There
10 are two slide packs in front of you all. It is not the
11 blue one; it is the one with the white title page.
12

13 Just flicking over to the third slide, - it is the one
14 with the infographic on it - this provides an overview of
15 our draft decisions. There is a bit of detail on this, so
16 I will step you through each of the components of our draft
17 decisions and recommendations.
18

19 As Peter mentioned, to make bus fares more affordable
20 for people living in rural and regional areas, we are
21 proposing to substantially lower fares for bus services.
22 Under our draft proposals, no passenger would pay more than
23 they currently do for a bus journey and many would pay
24 substantially less.
25

26 Beginning on the left-hand side, there is a green
27 ticket which shows that, overall, the adult fare for a
28 single journey would decrease, on average, by 25 per cent
29 from 1 January 2018.
30

31 Moving across to the next box on the right, single
32 adult fares for 80 per cent of journeys will reduce
33 substantially and in some cases they will be halved.
34

35 The biggest savings are for those travelling on middle
36 to longer distances. The maximum fares for journeys up to
37 60 kilometres, for example, would decrease by up to \$7.90.
38 Also the fares for the most common bus journeys in rural
39 and regional areas, which tend to be between 2 and
40 10 kilometres, would fall by up to \$3.50.
41

42 As the third box there - the purple one - shows,
43 maximum fares for journeys up to 3 kilometres would not
44 change. We are also proposing a new daily cap or a daily
45 ticket, I should say, which will cap travel for journeys
46 made during the day.
47

1 Moving across to the right, the regional excursion
2 daily ticket - the RED ticket - we have also made some
3 recommendations around that ticket. We are proposing that
4 the fare would remain at \$2.50 in 2018 and would then
5 increase by 10 cents in 2019 and by another 10 cents in
6 2020.

7
8 Looking at the fare table down the bottom of the
9 slide, we have made some draft decisions to simplify
10 the fare structure that is currently in place. At the
11 moment, there are over 200 fare sections and prices for
12 each of those fare sections. We are suggesting that those
13 be consolidated down to 10 fare bands which are measured by
14 the route distance that is being travelled. We think this
15 structure is simpler for users to understand and more
16 consistent with the fare structure that is in metropolitan
17 areas and in the bordering states.

18
19 And just one final element of our draft decision, we
20 are proposing to set fares for the next three years. You
21 will see in the bottom right-hand corner there the proposed
22 fares for 2018, 2019 and 2020. This will allow us to
23 review the impacts of fares on patronage and on bus
24 operators and on the government.

25
26 We are proposing that bus fares would increase in 2019
27 and 2020 by the expected change in the consumer price
28 index (CPI).

29
30 I will skip through the next few slides. They are --

31
32 MS TOWERS: They are designed for overheads.

33
34 MR EVERETT: Yes, they are designed to be shown on a
35 projector, so we will skip over to slide 8 now, which talks
36 about why we have made these draft decisions.

37
38 Our approach to setting fares has taken into account
39 all the factors that we are required to consider as part of
40 the review.

41
42 As Peter mentioned, our review process to date has
43 involved detailed analysis and public consultation. We
44 have considered all of this information in arriving at our
45 draft decisions and recommendations. We compared the
46 current rural and regional bus fares to fares in other
47 areas, for example, in Sydney as well as in bordering

1 states.

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As Peter mentioned, we appointed AECOM to give us advice on the efficient costs of rural and regional bus services. We also engaged ORIMA to undertake a survey of rural and regional areas to understand the demand for public transport, as a whole, as well as consider the potential for more use of flexible on demand services.

10 After considering all this information, we stepped
11 back and had a look at what we thought was the main purpose
12 of providing bus services in rural and regional areas. We
13 consider that the main purpose of providing bus services in
14 rural and regional areas is to ensure that people with
15 limited travel options, such as those who can't drive or
16 can't afford a car or taxi services, have reasonable access
17 to transport within their local communities. In setting
18 fares, we have used an approach that places a significant
19 weight on people's willingness and capacity to pay for
20 services.

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Moving over to the next page, this summarises what we found when we were looking at these elements and making our draft decisions. We found that current bus fares are higher than people are willing and able to pay. This is particularly the case for people who are not eligible for concession fares. For example, in response to the online questionnaire that Peter mentioned, many people said that they would like to see a reduction in fares, and many also said that cheaper fares would encourage them to use buses more often.

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

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We consider that the current level of fares is a barrier to using bus services. By lowering bus services, we hope to encourage more people to use this service and this should increase access to transport services within rural and regional communities, particularly for people with limited transport options.

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Moving over to the next page now, we have considered

1 the impact of our fare proposals on passengers, on
2 taxpayers and also on bus operators, which I will come to
3 on the next slide. As Peter touched on, currently half of
4 all regular passenger services operating in rural and
5 regional areas are less than 10 per cent full. By reducing
6 fares, we are hoping to encourage more travel on buses, and
7 by better aligning those to metropolitan areas and to fares
8 in other states, this should also improve the equity for
9 bus users.

10
11 We expect that more passengers will travel on buses as
12 a result of substantially lower fares and that this should
13 improve the taxpayer value for money from a bus journey.
14 As Peter touched on earlier, currently the taxpayer subsidy
15 is about \$20 per journey.

16
17 The next slide deals with the impact on bus operators.
18 We have analysed and modelled the impact that you could
19 expect on bus operators. We expect the impact would be
20 small compared with the current existing contract costs.
21 We have estimated that the financial impact on operators
22 across the whole state would be a total of \$1 million to
23 \$1.5 million a year, which is less than 1 per cent of the
24 total bus contract costs.

25
26 However, this impact will vary from operator to
27 operator depending on, firstly, how patronage responds to
28 fares and to what extent more people start taking buses as
29 a response to lower fares. The impact also depends on
30 where current fares are at the moment. We understand that
31 a number of operators currently charge below the maximum
32 fares as well. So, in some cases, fares, may not
33 necessarily need to change depending on where operators
34 currently have their fares set.

35
36 That concludes the main points I wanted to go through
37 in this first session on our draft decisions and
38 recommendations on fare structure and fare levels. I will
39 now pass back over to the chair, Peter, for a discussion
40 around the questions that we have on slide 12 here.

41
42 THE CHAIRMAN: Thank you very much, Brett.

43
44 We have three questions, but obviously you can raise
45 any points you like and ask any questions you like. So now
46 is the opportunity for us to hear from some of the bus
47 operators. Who would like to start?

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MR DAVID MARTIN (Martin's Albury): I don't mind starting.

THE CHAIRMAN: Thanks, David.

MR MARTIN: I can only talk on behalf of Albury, which is basically an urban Albury. We are well under the maximum fares at the moment. I don't think the impact will be really large or that the proposal will impact us greatly. I think it will help get more people to catch buses. I support that and I think it is a great idea. That is for Albury itself.

The larger longer distance travel, I can't comment on too much, but I think fares are certainly probably more expensive than they need to be at this point.

I support everything that has been proposed. We get complaints quite often from city folk who travel to Albury. They can't believe the present fare structure, and that is when we are well and truly below the current maximum fare level.

MS TOWERS: Would you have any issues in implementing the recommendation to go from a section base to a kilometre distance base? Will that have any issues for you?

MR MARTIN: For me it would not, I don't think. It will take a fair bit of setting up, but it is certainly not impossible to do. What I charge at the moment is from bus stop to bus stop. That will just mean working out the distance between those two bus stops, which will be fairly simple. It might take a fair bit of setting up, but once it's done, it's done.

MS TOWERS: That's great, thank you.

THE CHAIRMAN: Anybody else? Stacey?

MS STACEY CARPENTER (Qcity Transit): I will elaborate on the ticketing in terms of setting up a fare structure. I am hoping that we will have enough notice to be able to implement that into our ticketing because it will take a bit of time, as David said, to be able implement it.

Coming from a cross-border town where the perception

1 is that we compete with Action - we don't really, but we
2 are often compared to them - I agree with the proposal to
3 have more cost-effective ticketing. In terms of a daily
4 ticket, that would be positive, and I think that patronage
5 will increase.

6
7 MR BRETT ALLEN (Allens Coaches - Coolamon): I operate a
8 smaller operation than these guys. I have a small line of
9 route operation that runs into Wagga Wagga daily. Our
10 fares are way under, like everybody else in the country,
11 I think.

12
13 THE CHAIRMAN: Do you come from country towns or outer
14 suburbs?

15
16 MR ALLEN: Yes, small rural villages to a country town.
17 I think it would fair to say that most of our tickets are
18 the \$2.50 RED ticket. Would that be right?

19
20 MS CARPENTER: There is a high proportion of them, yes.

21
22 MR ALLEN: A major number of ours are RED tickets, but it
23 has not encouraged people that much. We don't have people
24 hanging out the windows of our buses. They pay \$2.50 to go
25 a 40-kilometre distance each way, so that's 80 kilometres.

26
27 I do not think the fare structure changing will not
28 have a major impact on me. We don't get many full paying
29 passengers and we are well under what we could charge under
30 the fare structure that is there now. I would like to
31 think it would have an impact, but I am a bit sceptical
32 about it whether or not it will improve our numbers going
33 to and from our small operations. I am prepared to look at
34 it, but it will have less impact on me than perhaps the
35 others here.

36
37 THE CHAIRMAN: Yes, we can wait and see what sort of
38 impact that will be Shaun?

39
40 MR SHAUN WILLIAMS (Busabout): From our point of view at
41 Busabout, the only concern we have really is --

42
43 THE CHAIRMAN: Could you give an idea what your operation
44 is so that people know?

45
46 MR WILLIAMS: Certainly. We take care of all the city or
47 town school bus routes in Wagga. We also operate nine town

1 service buses throughout the day.

2
3 The proposed pricing structure would certainly have an
4 impact on our business. Whether we have more patronage or
5 not, remains to be seen. As Brett Allen alluded to, with
6 the RED tickets, they are the majority of our sales. So
7 too are the shorter journey that Brett Everett mentioned
8 earlier.

9
10 How it will affect our business is sort of up in the
11 air a little. I suppose we would have concerns, if there
12 is going to be a 25 per cent reduction in the cost and if
13 we have 25 per cent more passengers, we will be at the same
14 running costs. However, if there is a shortfall, will the
15 operator be subsidised for that? How does that situation
16 work out?

17
18 MS JOAN JANAWAY (Transport for NSW): I can speak to that.
19 I work with Ross, Nicole and Darren in Parramatta.

20
21 The contract has a clause in there that refers to a
22 material impact. If there are any adjustments on fares
23 that require a material impact on the revenue of the
24 operators, the shortfall will be made up by Transport for
25 NSW, so that is in the clause. However, you know
26 new arrangement needs to be 12 months in
27 operation in order to assess what that impact might be.

28
29 MR WILLIAMS: Certainly, thank you.

30
31 THE CHAIRMAN: Do you charge below the maximum at the
32 moment, Shaun?

33
34 MR WILLIAMS: Yes, our sectional fares are structured on a
35 table that we have, so that is what we charge.

36
37 MS COPE: Do any of you have a daily ticket at the moment?

38
39 MR WILLIAMS: Only the RED.

40
41 MS CARPENTER: Only the RED.

42
43 MR MARTIN: Just the RED.

44
45 MS TOWERS: How long do you think it would take to
46 implement new fare, the 10-band fare?

47

1 MR WILLIAMS: That is certainly something I would like to
2 take up with our ticket machine people and ask what needs
3 to be changed. I am not sure what machines the others
4 have. What do you have Dave?
5
6 MR MARTIN: TransportMe, which - I am just guessing - we
7 have had for a couple of months.
8
9 MS CARPENTER: I think TransportMe is probably a lot
10 easier than ours, which is CircuitLink.
11
12 MR ALLEN: I also have CircuitLink.
13
14 MR WILLIAMS: And I have ERG. They are all different
15 systems and software. I know the machines are very much
16 structured around sectional charges at the moment, so you
17 can only ask the question.
18
19 MS TOWERS: Stacey, do you have GPS on your buses?
20
21 MS CARPENTER: Yes, CircuitLink does have a GPS but it is
22 not real time. It comes in and downloads, but obviously,
23 as you are going along, it picks up where you are, so they
24 can put in a fare from that section to whatever the next
25 one is.
26
27 MS TOWERS: That's good to know. Thank you.
28
29 MS COPE: A couple of you operate cross borders. What are
30 the issues there? Do you see some of the recommendations
31 helping that or are there other things that we need to take
32 into account regarding cross border?
33
34 MR MARTIN: I don't go cross border, but certainly
35 residents from Victoria use our buses. In Victoria, the
36 structure is completely different. They are basically all
37 time based, whereas we are all distance based, and that is
38 a bit of a problem. Generally it is a lot cheaper in
39 Victoria than it is in New South Wales. Different
40 concession cards are applied in both states. These are the
41 things that I would like to see changed as well. I am all
42 for time-based fare - an all-day ticket. I think they use
43 a two-hour or an all-day ticket in Victoria.
44
45 MS CARPENTER: With us and ACTION across the border
46 between New South Wales into Canberra, obviously ACTION is
47 highly government subsidised. We charge a fare of \$2.50.

1 They have some pensioners who don't pay anything, so you do
2 get those who object to even spending \$2.50. Their onboard
3 cash fare is about half of ours, but then they also have a
4 MyWay card which has some higher discounts in it.

5
6 We do have an agreement with the ACT government for a
7 certain area that is not serviced by ACTION and ACTION
8 subsidises the tickets there. Those people are paying
9 \$2.60, compared with our guys going one way from Queanbeyan
10 to Canberra who are paying \$8.

11
12 THE CHAIRMAN: Yes, there is a big difference.

13
14 MS CARPENTER: Yes. So there is a lot of contention
15 around the difference in those fares and we get a lot of
16 feedback about that because we do cross over the border.
17 We have three bus services that run into the ACT.

18
19 We have one that is trialling picking up and dropping
20 off in the ACT, but there is only one service and that has
21 been on trial for a number of years. We did that to see if
22 that was something that would work, but still the fares
23 have to be higher than ACTION. ACTION does not let us have
24 the same as them, so there are a few issues for us.
25 Obviously integrating across the border would be a great
26 achievement. As to whether we will ever get there, I don't
27 know.

28
29 THE CHAIRMAN: Are there any other comments or questions
30 on the fares and fare structure? No.

31
32 Let us move on to the next presentation which is
33 delivering bus services. Firstly, we will have a short
34 presentation from AECOM, with Mike Stoke and Simon Ward.

35
36 Session 2: Efficient Costs of Rural and Regional Bus
37 Operators, AECOM

38
39 DR SIMON WARD (AECOM): You will need the blue covered
40 presentation this time. I will keep this fairly brief.

41
42 The first slide on page 2 outlines what we were
43 engaged to do, which is three things primarily:

44
45 We were asked to determine what the efficient costs
46 were for each of the bus contracts and the marginal costs
47 associated with that as well;

1 We were asked to look at the appropriateness of the
2 fleets that were in use and whether there was any
3 opportunity to rationalise or improve the fleet and, linked
4 to that, the utilisation of the buses on the routes as
5 well; and

6 We were also asked to look at any general
7 inefficiencies or opportunities to improve efficiency in
8 the service.

9
10 I have outlined there the data we looked at. I will
11 not go through all of that, but we had the opportunity to
12 review all the contract data, route data, patronage data
13 and fleet data as well and we built up our costs on that
14 basis.

15
16 If you go to the next slide - number 3, page 3 - what
17 we are showing there is our analysis of the current fleet
18 that is in use and split across the four bus categories, so
19 categories 1 to 4.

20
21 The chart on the top right shows the number of buses
22 in each category. More interesting there, of course, is
23 the variability in the current fleet, particularly in
24 categories 3 and 4. We are looking at either a HiAce in
25 category 1 or maybe two predominant vehicles in category 2.
26 When we start getting into categories 3 and 4, there is a
27 significant number of different buses in use. Obviously
28 there are historical reasons. That fleet has evolved over
29 number of years.

30
31 What we are interested in there is looking at the
32 variability in running costs in the different buses, and
33 particularly purchase price. When we did our analysis, we
34 picked the most common bus in each category, which was not
35 necessarily the least cost bus but the one which was most
36 in use. In category 4, we chose the Volvo, which is the
37 most common, but even that is only 15 per cent of the
38 fleet, so it is difficult to get a representative sample
39 there.

40
41 The chart in the bottom left looks at the age of the
42 fleets. We did an assessment as to what the fleet mix
43 looks like in terms of age. All that is showing really is
44 that, by and large, it fits with the contractual
45 requirements. There are 3 per cent, I think, which are
46 over the 25 year age limit, but generally most buses fit
47 with all that we would expect to see.

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Page 4 is where we have a look at the route and patronage data to see if we can understand whether there is any opportunity here to change the bus allocation on each route. We based this on the A and B split, under the old contracts, only because that was the way the data was presented essentially, and it enabled us to differentiate between the two different services.

The chart on the left is the A contracts. This is all the school routes, which would indicate that they are all very well utilised. Some are significantly utilised - 200 per cent or more in some cases. That data, of course, is based on the number of passes that have been issued and not necessarily the number of students that are on a bus, so it is probably an overestimate of capacity.

On the B contracts, which is the chart on the right, that would suggest the opposite. It would suggest that most buses are getting 10 per cent utilised or less. In this case, this excludes school routes. We don't have any patronage data for school routes there, so this is just regular services.

Whilst we know the patronage on the route, we do not necessarily know which bus is on the route. To do this, we have looked at the average bus size per operator and applied the patronage data to that. It is very much an average figure, but it still indicates that there is perhaps a potential opportunity to use smaller buses on some of those regular service routes.

Page 5 takes that a step further and looks at whether there is an opportunity to realign bus size with patronage. The chart on the left is the A contracts, which would suggest that, based on the number of passes that have been issued at least, there would be an opportunity to maybe look at more buses or perhaps a combination of smaller and larger buses on those routes, rather than what is currently being used.

The chart on the right is the B contracts, and that is the opposite story. That is suggesting there are a significant number of routes - in fact, I think it is 540 routes - which show the potential to use a smaller bus on those patronage figures. There may be reasons why the bus that is on that route is used. Maybe it is used for a

1 school service in the morning and then redeployed to a
2 regular service later in the day, but --

3
4 MR WILLIAMS: The majority of ours are utilised in this
5 fashion.

6
7 DR WARD: We don't know what bus is on what routes. This
8 is very much an average, but it does suggest it is worth
9 looking at potentially, or maybe we should be looking at a
10 combination of buses on the morning route for the schools
11 and then one of them drops away leaving a smaller bus to
12 run the regular services.

13
14 Page 6 shows the unit costs that we built up by bus
15 category. The chart on the left looks at the unit cost per
16 kilometre for each bus category from 1 to 4. We used the
17 most common in each type. Categories 1 and 2 are obviously
18 straightforward. For categories 3 and 4, we used the most
19 common, but it is probably only a 15 per cent
20 representation of the fleet.

21
22 The green bar there is the fuel. That was based on
23 the manufacturers' recommended fuel consumption figures for
24 their buses, based on the sort of average distance they
25 were doing per year, which we calculated to be about 30,000
26 kilometres per year.

27
28 The next block up - the sort of purple block halfway
29 up there - is the driver costs. They were based on the
30 current award rates, with allowances for uplift and
31 everything else. We came up with a number of about \$40 an
32 hour for the driver.

33
34 We also picked up on the A contracts that there is a
35 minimum number of hours each driver has to do regardless of
36 what they cover, so that was built into the As. With the
37 Bs, we did not know what the rostering arrangements were,
38 so we made allowances there for layovers and dead running
39 and anything else that might be involved.

40
41 Then the red bar, which is relatively small, is the
42 maintenance costs, again based on manufacturers'
43 recommended maintenance schedules for their buses. It is a
44 relatively insignificant number there.

45
46 The orange bar is overheads. With this one, obviously
47 the way you report your data does not specifically break

1 down what your overheads are, just as a catch all for
2 everything that is not captured anywhere else. We tried to
3 find a correlation with overheads and found a fairly strong
4 correlation to the number of seats in the fleet. Once you
5 got over about 100 seats in the fleet, the overhead was
6 pretty consistent per seat, which suggested there were no
7 sort of economies of scale in overheads for that. It goes
8 on proportionately to the number of seats in the fleet. So that
9 is why that was applied and that is why that number goes up
10 with the category 4 buses. You see are more seats, so they
11 attract a higher overhead proportion.
12

13 The blue bar there is our return of capital. That was
14 based on a linear depreciation of the bus price. We either
15 took the historical bus price or current bus price from the
16 panel and depreciated that linearly over the asset line.
17 We have captured the depreciation over the service life of
18 the contract, so there would be a residual book value left
19 at the end, which we didn't factor into it.
20

21 Then the top bar there is return on capital and tax.
22 That was taken by calculating the final WACC rate to the
23 value of the bus at halfway through its life.
24

25 The chart on the right shows the variance of that with
26 distance. For these unit costs, we have based that on a
27 typical 30,000 kilometres per year distance travelled. All
28 that chart is showing is obviously the higher the distance
29 travelled, the lower the costs, because you are able to
30 recover those costs over more kilometres, so that it comes
31 down.
32

33 We could also relate this to the length of service
34 time that the buses run - so the opportunity to extend the
35 service time of the bus might also have the same effect in
36 reducing the costs per kilometre.
37

38 Then on page 7, to work out the costs per route, we
39 were interested to understand the distances involved for
40 each route. We looked at the distances in the As and the
41 Bs, and this chart represents all of those combined. There
42 was a fairly significant proportion of the B contracts that
43 we did not have the data for so we have removed those and
44 we have not looked at those in this analysis.
45

46 We found that, with the As, or the school routes,
47 there is significant variation in the length of those

1 routes. It is less so with the regular services; most of
2 those are fairly consistent. Some of those obviously are
3 circular and there is no dead running; others are not and
4 there is a significant amount of dead running similar to
5 the length of the route. We tried to factor in the dead
6 running as well, as that obviously impacts on the route
7 costs.

8
9 This chart is showing that a significant portion there
10 are within 10 per cent of the route length that we assessed
11 they should be. These are the reported route lengths in
12 the contract compared with what we calculated, either from
13 Transport for NSW's data or from measuring the route length
14 by GIS, or some other means. We would expect some
15 variability in those, obviously if a bus does not follow a
16 direct route and deviates off the route a little bit here
17 and there. We are quite comfortable with the figure of
18 within 10 per cent.

19
20 There are some interesting outliers. On the far
21 right, 20 per cent of the contracts there are 50 per cent
22 more than we estimate they should be. That is a little
23 bit strange. Obviously that impacts on the cost per
24 kilometre. It would be interesting to understand why that
25 might be.

26
27 Similarly, at the other end of the scale as well,
28 25 per cent of the contracts have routes which are
29 significantly less than the measured route. Maybe they are
30 not reporting dead running or something like that in the
31 way that is done. Seeing that these have a direct impact
32 on the cost recovery, it would be worthwhile getting to the
33 bottom of why there is so much variability in those
34 extremes.

35
36 The final slide on page 8 just pulls all that
37 together. What we have looked at here is the reported
38 costs of the contract compared with what we think the
39 efficient costs could be, if taking account of things like
40 downsizing buses were appropriate.

41
42 The chart on the left is the As and that is not too
43 bad. The distances on that analysis are pretty close. For
44 the A contracts, we are within about 10 or 11 per cent in
45 terms of route distance, which is reassuring, but we are
46 still indicating perhaps 19 per cent greater costs than
47 what we had estimated efficient costs to be.

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For the Bs, generally what we are saying there is that, potentially, a 40 per cent reduction could be made in the efficient costs, with a significant number able to downsize the bus used on the route - potentially.

The charts just show the number of the contracts which are within 10 or 25 per cent of where we estimate the efficient costs to be. You can see that the As are not too bad. On the Bs, there is a significant number there which are larger than what we would expect. Some are smaller too, but there is a fair proportion that is larger.

That is it, thank you.

THE CHAIRMAN: Thank you very much, Simon.

Brett, do you want to carry on from there.

MR EVERETT: Thanks, Peter. Just picking up from the work that AECOM provided to IPART, we considered the analysis that AECOM presented. In our report, we made some findings and some recommendations about potential areas to improve cost effectiveness of bus services in rural and regional areas.

On average, we found that there is an efficiency saving of between around 19 to 26 per cent and we think that this can be achieved over time through a few areas. Firstly, picking up on some of the points that Simon has made, this can be achieved through reducing the choice of bus makes and models that are available under the contracts, through better understanding the route distances, and through potentially better matching the bus size to the patronage on the particular routes.

In the report, we recognise that not all of those savings can be achieved immediately. For example, re-matching buses to the patronage is something that you would want to be doing as the buses are retired or as there are changes being made to the contracts.

Also in our report, we talk about what should happen in the shorter term. Over the next three years, we think there should be a focus on improving the efficiency in those areas where the cost structures are significantly higher compared with the efficient unit costs that AECOM

1 has found.

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10 THE CHAIRMAN: Stacey?

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I am back on the other slide pack now. In the next part of the session, we are going to talk about our findings on the on demand services. Before we go on, are there perhaps any questions people want to ask or any comments you want to make on AECOM's work and some of their findings?

MS CARPENTER: This might not be relevant, but has the seatbelt replacement program been factored in to some of this efficiency stuff because that will --

THE CHAIRMAN: Put up costs.

MS CARPENTER: -- create an impact on patronage, and possibly put up costs, yes.

MR MIKE STROKE (AECOM): Yes, it has been factored in on the purchase prices of the vehicles. We are tending to look forwards rather than backwards, so the seatbelts are included in, I think, probably all choices of the category 4 buses, and they are included as a capital cost.

The actual cost of the replacement program is a one-off, but looking forward we are assuming that all buses that need to have seatbelts will have seatbelts and that cost will be included in the purchase cost of the vehicle.

MS COPE: What does that also do to the number of people you can put on the buses?

MS CARPENTER: It reduces the capacity, because you cannot have anyone standing. I will say that some of ours to be replaced are low-floor city buses. We will have that discussion, obviously, with Transport for NSW about what that means to our fleet, but if you are putting seatbelts on route services, you will lose a whole lot of capacity. I would think that we want to increase the patronage. With this whole idea about restructuring fares, that was just something that I wanted to ask.

THE CHAIRMAN: And it is important.

MR ALLEN: On the question of restricting the different

1 makes, which would be a choice on the Bus Procurement
2 Panel, I was involved with some of the contract
3 arrangements - the negotiation. We were more or less told
4 then that we would be able, going forward, to buy what we
5 currently use in our fleets. You can imagine the task in a
6 rural area. You have an agent who deals with a certain
7 sort of vehicle because they are sort so scattered around.
8

9 That is something that you probably need to take into
10 account when you start restricting what can be bought and
11 what can't be bought, because there are some areas where
12 there is just no service back-up in the country. We don't
13 have access to Liverpool or to Prestons, and that is a
14 major thing for the country. Unfortunately, one size does
15 not fit all in our operational side of things.
16

17 With regard to the variance in the kilometres, I am a
18 member of the BusNSW Riverina branch and I know there are
19 members who are buying new contracts. What they report and
20 what they actually get paid for is greater kilometres
21 because they have bought the contracts and because they
22 live further away from where the contracts originally run,
23 so there is extra running.
24

25 THE CHAIRMAN: Dead running.
26

27 MR ALLEN: That's right, there is extra dead running that
28 does not sort of get captured in the other figure that you
29 are talking about - that is, to a degree, not all. I am
30 not saying all, but there are major variances in what
31 people do as to what they get paid for.
32

33 MS TOWERS: Do you do your maintenance in-house? Do you
34 employ a mechanic?
35

36 MR ALLEN: Yes, and that is the thing. You can imagine if
37 you have been trained up to do a Cummins brand of engine,
38 and you have done it for 50 years, for that to go to
39 something else, it would be very hard for us.
40

41 We find in the country - for David it is probably
42 different in Albury, as it is for Shaun here in Wagga - if
43 you are out in the remote areas and you have a vehicle that
44 is fully computerised, truly if you don't have access in a
45 reasonable short distance to technicians, there is just no
46 way known you can fix such buses and get them going and
47 operating. It makes it much more efficient for some areas

1 to use something that is used and known around the
2 district. That is something that I think you would
3 probably need to take on board as well when you do look at
4 doing something.

5
6 THE CHAIRMAN: What about the business of reducing the
7 size of the bus to the capacity of the route? What
8 options are there? We recognise the issue that Shaun
9 mentioned earlier, namely, that you might be running a
10 large bus on a school route and then you use that again to
11 service a route in the middle of the day.

12
13 MR WILLIAMS: Yes, that's right.

14
15 THE CHAIRMAN: In your view, are there any options there?
16 Is it a situation where you have a legacy fleet and, as you
17 renew, you could reduce the size of a bus?

18
19 MR WILLIAMS: A lot of our school bus services are full,
20 so reducing the seating in the morning and the afternoon is
21 near on impossible. However, during the day, as you
22 mentioned, there is 10 per cent patronage, and there would
23 be no problem on some routes to have less seating, but that
24 same bus does both jobs.

25
26 MR MARTIN: Your capital costs will go up once you buy a
27 smaller bus to cover that route.

28
29 MS CARPENTER: Yes, and they are trying to make an
30 effective utilisation of their fleet.

31
32 MR ALLEN: I agree.

33
34 MR WILLIAMS: In other words, you take one bus out of
35 service only to put another one in.

36
37 MS COPE: And you don't have any town routes that are
38 running during the morning peak doing basically town
39 services, do you?

40
41 MR WILLIAMS: There is only one. There is only one that
42 runs. All other town buses do the school run section
43 school in their normal shift.

44
45 MR STOKE: So is there no peak during the day for regular
46 services?

47

1 MR WILLIAMS: Yes, that would be in the morning, the
2 morning peak.
3
4 MR STOKE: Wouldn't that coincide with your school
5 services?
6
7 MR WILLIAMS: Generally those getting to work and using
8 the bus would be on the early shift. A lot of our services
9 start at 7.30, so you would get some patronage there for
10 public passengers prior to the school run starting.
11 However, you will also have some as well who will board the
12 school service to get to work.
13
14 MS COPE: What about the services that are running from
15 satellite towns? Do your buses have a point in time when
16 they are full?
17
18 MR ALLEN: We are the same; our morning and afternoon is
19 our peak loading. During the day, we run services but it
20 is the same; it would be less than 10 per cent. That would
21 be across the board, I would think.
22
23 THE CHAIRMAN: So your school buses are full?
24
25 MR ALLEN: Fairly full, yes, predominantly reasonably well
26 loaded. Because they are all long distance, they can't
27 just jump in the car and have mum run them to school. That
28 is where we probably have more consistent loading than a
29 lot of shorter runs in Albury or Wagga.
30
31 MR WILLIAMS: As Stacey mentioned, this will be
32 exacerbated more with the seatbelt program. Some of our
33 buses are standing room only, so if they have to be seated
34 with seatbelts, where do we find those extra seats? We are
35 trying to reduce the number of buses, on one hand, yet, on
36 the other hand, we may need more.
37
38 THE CHAIRMAN: The seatbelt issue is an important point in
39 terms of limiting the number.
40
41 MS JANAWAY: We understand that will impact on the vehicle
42 numbers and passenger numbers.
43
44 MS COPE: Were you going to say something, David?
45
46 MR MARTIN: I am in a slightly different situation with
47 using my route service buses to also take kids to school.

1 We don't use school buses for our peak periods. We use all
2 low-floor vehicles. In the peak period, both morning and
3 afternoon, they are generally full, and we also use them to
4 carry kids to school. They don't go on to school runs,
5 except for one route which probably is not very well
6 patronised at all. The opportunity to have a smaller
7 vehicle in there is probably okay. I would be able to use
8 it, but generally on all the other routes, I would not be
9 able to.

10
11 MS COPE: At the moment, buses have a time on them that is
12 sort of in the contract and that is set to the age of the
13 bus. If the amount of the utilisation of the buses varies,
14 should there be consideration of both the distances the bus
15 has travelled as well as its age.

16
17 MR ALLEN: Yes. That is a big thing because, as you can
18 imagine, taking the Wagga situation, the kilometres they
19 would do compared with what I do in a bus per week would be
20 massively different compared with what they do. As the
21 contract goes, my maintenance costs, like engine rebuilds
22 and that sort of stuff, will happen a lot quicker than the
23 shorter style - you know, your sort of operation, Dave.

24
25 MR MARTIN: We do a lot of stop start. Generally the
26 whole plan was to replace all my fleet with low-floor buses
27 and just have low-floor buses doing school runs as well.

28
29 My route service buses do between 50,000 and 70,000
30 kilometres a year. The school buses might do 15,000 to
31 20,000. I would have all those low-floors going on to
32 route service. After seven or eight years, they are
33 getting towards the end of their life, really. You have
34 400,000 or 500,000 kilometre on them, so I would put them
35 on to school services and then use them up to the 25 years
36 mark when they need to be retired. I was going to do that
37 all the way through until the seatbelt thing came along and
38 blew that out of the water.

39
40 I still wonder what will happen after seven or eight
41 years when a low-floor bus needs to be retired or is
42 getting tired. What do I do with it? Do I replace it
43 because it still has another 15 years to go on its contract
44 or do the people of Albury have to put up with a tired
45 looking bus after seven or eight years? My whole plan was
46 to go to all low-floor buses, but that will not happen
47 anymore. You guys would be similar.

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MR WILLIAMS: Yes, it will be problematic. It will be interesting to see how it --

MR MARTIN: We try and look after the people. We look after the route service first - the general public - and then put them on to school services for the last 10, 15 years of their life.

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

MR EVERETT: I might move on to talk you through some of our findings and recommendations around on demand services and delivering on demand services. We are back to the white presentation pack now, and we will start from on slide 15.

Government policy talks about greater use of on demand services as part of a package of transport services in rural and regional areas. As part of our review and to assist government in better understanding on demand services, we investigated three key issues around ways to potentially deliver a better service for the same cost. We looked at:

- What conditions need to be met for an on demand service to be cost effective;
- What types of on demand services might be best suit to a rural and regional area; and,
- What fares would be appropriate for on demand services in rural and regional areas.

I will talk you through our findings and recommendations on those areas.

We found that to be cost effective, firstly, on demand services need to be well targeted. That means they need to address and identify a community need. That could be either a need that is currently unmet altogether or it could be inadequately met by an existing fixed route bus service that is in place.

Secondly, we think that on demand services need to be marketed to make sure that the community is aware of the service, that they understand how the service is working and how to use the service as well. Thirdly --

1
2 MR WILLIAMS: Sorry, Brett. I think you are making a
3 really good point. The question is whether it is on demand
4 or a service you might be providing for a special event.
5 We had one not so long ago. We had it at all stops of the
6 major shopping centres around Wagga and then to the event.
7 On the inbound journey - there were four journeys on the
8 Thursday or Friday night, whichever it was - we had seven
9 passengers. We did that trip four times and we only had
10 seven people come in. All we could put it down to was that
11 it was not advertised enough. Not enough people knew about
12 it and understood it. Unless that is done properly and
13 effectively, you will still end up with empty buses as
14 well.

15
16 MR EVERETT: That's right. Some pilots of on demand
17 services have started. There are already some existing on
18 demand style services. We found that the ones that are
19 more likely to be successful are those that are well
20 marketed and people know about. Yes, that is a good point.

21
22 The third finding we made relates to the additional
23 costs of an on demand service, and there are additional
24 costs of providing an on demand service. Those vary
25 according to how on demand services can be designed.
26 I will come to describing some of the ways that we
27 looked at designing on demand services.

28
29 For on demand services to be cost effective, they need
30 to make sure they attract that additional patronage and
31 additional fare revenue that is associated with that to
32 offset the extra costs of providing them.

33
34 Moving on to slide 16 now, in our issues paper, we
35 looked at and considered a range of different types of
36 on demand services. In our draft report, we set out some
37 findings and recommendations about the types of on demand
38 services in the short term and in the longer term.

39
40 In the short term, which we think about as during the
41 life of the current bus contracts, we think that the
42 options that are most likely to be cost effective are those
43 that add a flexible on demand component to an existing bus
44 route. I have, in a couple of slides that I will come to,
45 some examples of how that would look. These are options
46 that either include a roam zone to pick up booked
47 passengers at a pre-arranged location, or those that

1 include deviations from a fixed route to pick up booked
2 passengers at a pre-arranged location, which could include
3 picking up a passenger from their house or from a fixed bus
4 stop.

5
6 In the longer term, we think that a wider variety of
7 transport options can be considered that would include a
8 range of on demand services. We think there is an
9 opportunity here for Transport for NSW to seek competitive
10 tenders for transport services in each region. That should
11 help improve outcomes for passengers and also improve
12 taxpayer value for money.

13
14 On the next slide, we have some examples of case
15 studies that we developed to test our findings around
16 on demand services. Here we have a hypothetical regional
17 city with three potential on demand bus services.

18
19 Starting with the one in orange on the left-hand side,
20 we call this a suburb to centre type route. It has a roam
21 zone in the green area there and a fixed route with stops
22 at key destinations in the centre of the city. This
23 particular service, for example, could be used to target
24 the needs of a low-income community that is not currently
25 serviced by public transport. It could also serve an
26 economic function by delivering workers to jobs and other
27 services in the centre of the city.

28
29 The second route, which is shown in red and starts out
30 on the right-hand side, we refer to in our report as a
31 "Satellite to services". Similar to the first route, it
32 has a roam zone, but the roam zone is in an outlying or
33 satellite community and is further away from the centre of
34 town. Then it has a fixed route into town with key stops
35 at the key destinations in the centre of town.

36
37 The third route we have there in purple is one that is
38 a fixed route with deviations off the fixed route. The
39 route would deviate to pick up passengers who have booked
40 the service at pre-arranged bus stops, but they are sort of
41 deviating off that main corridor there. Again it could be
42 used to service a low-income suburb and to deliver workers
43 into the centre of the town and/or city.

44
45 Those are some of the types of on demand services that
46 we think could be used.

1 The third question that we looked at was what fares
2 should be charged for passengers who are using on demand
3 bus services. The fares are important in that they affect
4 the extent to which the on demand service can be delivered
5 cost effectively.
6

7 For example, you need to have a fare that is simple
8 enough and low enough to encourage extra people to use the
9 service. It also needs to be high enough to ensure that
10 the additional fare revenue you get can will offset some of
11 the additional costs of providing the service.
12

13 We have looked at fares for on demand services and we
14 think that the fares should reflect a better level of
15 service that is provided to passengers through these types
16 of services. We are recommending that bus operators
17 should be able to charge customers who book an on demand
18 service a surcharge between zero and up to a maximum of \$5
19 on top of the fixed route bus fare.
20

21 MR WILLIAMS: Would that be per passenger? I could
22 imagine if a family books and there are eight people in the
23 family, \$5 on top of the ticket is nothing, but if it is \$5
24 for each member of the family --
25

26 MS TOWERS: It's up to \$5. The operator would have the
27 opportunity --
28

29 MS JONES: They have the flexibility.
30

31 MS TOWERS: -- and the flexibility to charge something
32 less. And there would be a concession fare as well.
33

34 MR WILLIAMS: I was wondering what the intention there
35 was, whether it was per head or per journey.
36

37 MS COPE: It is written as per head to give you maximum
38 flexibility to work out what would work for you.
39

40 THE CHAIRMAN: You could have a family-type deal. If it
41 is one person, it is \$5. If it is three people, it is
42 still \$5, you could do that, yes.
43

44 MR WILLIAMS: It certainly would be showing an incentive
45 to passengers.
46

47 THE CHAIRMAN: Yes.

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MR EVERETT: That is a good question, thank you.

Moving on, we have also made some recommendations about how Transport for NSW could go about procuring on demand services. As I noted earlier, Transport for NSW has begun trialling on demand services in rural and regional areas and in the Sydney metropolitan area as well. Over the next few years, they may look to be making additional use of procuring these types of services.

Again we split our recommendations into the shorter term and the longer term. In the short term - so under the current contracts - we think that Transport for NSW should look at identifying those bus services or routes where there are high costs and low patronage, so you can look to potentially use an on demand service to deliver better value for money.

In the short term, there may also be the need to provide a new transport service, for example, in a regional growth area or an entirely new suburb. We are recommending that, in those cases, Transport for NSW would seek tenders to look at what the most cost-effective transport solution is. That could be a combination of on demand services as well as other types of traditional services.

MR WILLIAMS: Sorry, Brett, would that mean for the contract holder now that he would be tendering for a new contract, the on demand side of things would open up another opportunity for another operator to put the submission in tender for their own contract. So you could have a situation where you have route services with one operator and on demand services with another?

MR EVERETT: Yes.

MS TOWERS: Potentially.

MR EVERETT: Potentially. Yes, that's right.

In the longer term, when the contract period ends in 2024, we are recommending that Transport for NSW look to procure services, again through competitive tendering. It would be inviting proposals for innovative transport services as a whole that could provide improved level of service and greater flexibility, again to try to meet the

1 needs of the community at the least cost. That could
2 involve a combination of traditional fixed type routes as
3 well as more on demand type services.
4

5 We touched earlier this morning on our recommendations
6 around cross-border travel. I will just go through a few
7 of the elements of those again. We touched on the fares
8 and the fare level issue earlier. We found that the most
9 significant barrier to cross-border travel is the disparity
10 between fares charged in New South Wales and in other
11 states.
12

13 We think that by lowering a lot of our fares, that
14 should sufficiently address the issue of the fares being
15 more aligned with those in the neighbouring states.
16

17 We did get some feedback about the differences in
18 ticketing systems being an issue. We got some feedback
19 about that particularly in the Albury-Wodonga area where
20 there are two operators servicing Albury and one of which
21 also services Wodonga. We are recommending that there be
22 an upgraded ticketing system put in place that would allow
23 travel using a single ticket across both areas - in Albury
24 as well as into Wodonga.
25

26 We have also made some recommendations about
27 concessions. Currently New South Wales residents who are
28 attending a tertiary institution across a border are not
29 eligible for a concession fare in the same way as someone
30 who is attending an institution in New South Wales. We are
31 recommending that the concession eligibility be extended to
32 New South Wales residents who go to secondary school, TAFE,
33 a vocational education and training (VET) institution, or a
34 university that is within 50 kilometres of the border.
35

36 We have also made some recommendations up in the Tweed
37 area where we think that Transport for NSW and the bus
38 operator in that area should pilot a six-month on demand
39 trial particularly in the peak periods. This is because,
40 when we looked at the services in that area, there looks to
41 be a misalignment of the frequency between New South Wales
42 and Queensland. This means that people who are travelling
43 from Queensland into New South Wales often have to wait a
44 long time to get a connecting service. We think that
45 Transport for NSW and the bus operators should try to have
46 a look at the results of that.
47

1 We have some questions for discussion here, but by all
2 means, we would be happy to discuss and take comment on any
3 other areas as well.

4
5 THE CHAIRMAN: Thank you, Brett. Stacey?

6
7 MS CARPENTER: We actually run flexible services and on
8 demand, and have done as a trial for a number of years.
9 I can't really talk through its cost effectiveness, but it
10 is a community service. It is designed to help people who
11 have accessibility issues in getting to bus stops.

12
13 The highest proportion of our passengers are
14 \$2.50 fares, but it would be good to be able to encourage
15 adult paying passengers and those sorts of people who could
16 use it. We have two. We have one that is - what did you
17 call it, what area?

18
19 MS TOWERS: A roam zone.

20
21 MR EVERETT: A roam zone, yes.

22
23 MS CARPENTER: We have one in Queanbeyan but we also run
24 them from Bungendore to Queanbeyan as well. Obviously
25 fares coming from Bungendore, which is 25 to 30 kilometres
26 away, are probably a little prohibitive for adult
27 passengers. Having a cap is probably a good thing in that
28 case.

29
30 I think that are there is probably scope in our
31 services. We have a couple of route services that probably
32 do not perform all that well that possibly could benefit
33 from being just on demand and I think a mix in our contract
34 would probably complement each other.

35
36 THE CHAIRMAN: I am familiar with that area because I was
37 in Canberra for quite a while. In the case of Bungendore
38 to Queanbeyan, if that is not terribly well patronised,
39 then if the government adopts our recommended fares which
40 will reduce the fares, a combination of that and some on
41 demand options might actually revitalise that.

42
43 MS CARPENTER: Yes. It used to only run one day a week.
44 In the previous contracts, when we were doing our service
45 review, we went out to consultation with those guys. They
46 were so scared they were going to lose that service. But
47 we have gone every day and sort of tied it in with a route

1 service as well. I think if you have a cap for it, then
2 you will see an increase in patronage.

3
4 Certainly, in Queanbeyan, awareness is a big thing.
5 Marketing and trying to get people to understand what
6 services are around for them is always a challenge
7 regardless of what you put out. The mix of demographics
8 means you have to have a very broad strategy. We do find
9 that people often are unaware that those on demand services
10 are there, even though we go out to all our local shows and
11 spruik it and take a bus.

12
13 MR ALLEN: So, Stacey, do you deviate off the route for
14 this on demand thing?

15
16 MS CARPENTER: Yes, we have a set route that includes all
17 the main places drivers know - so the hospital and the
18 shopping centre. Our customers who book with us ring to
19 book and let us know where their address is. There are a
20 couple of streets we can't get up, but --

21
22 MR ALLEN: Yes, how do you do that?

23
24 MS CARPENTER: We have very good drivers who have been
25 doing it for a long time. They take the lists and work
26 out their route. It is within a set area, so we have
27 defined a boundary.

28
29 MR ALLEN: You need to know where you are going to go,
30 that is the killer, I think. If you didn't have someone
31 who was familiar with the area, they could get caught up
32 somewhere.

33
34 MS CARPENTER: I have to say, having drivers who have
35 driven in the area for a long time and who are members of
36 that community as well is a big advantage. You can't just
37 put anyone on.

38
39 MR ALLEN: That's right.

40
41 MS COPE: Are there days when you just don't need to run
42 the Bungendore bus, so if you have nothing booked?

43
44 MS CARPENTER: We do run as part of a route service as
45 well, so we run anyway.

46
47 THE CHAIRMAN: So it is sort of an add-on?

1
2 MS CARPENTER: Yes, but most days we do have someone
3 booked. There is never a day where we have had no-one, so
4 you still run sometimes for one or two passengers.
5
6 MR ALLEN: So, obviously, your timetable could vary quite
7 a bit.
8
9 MS CARPENTER: That's right, and we do let our passengers
10 know if there is a higher amount booked on that we cannot
11 guarantee the exact time. So if they are coming for
12 appointments, you have to say to them, "We can't guarantee
13 you we will get you there at ..."
14
15 MR WILLIAMS: What about the people who are waiting at a
16 bus stop for that route bus which has now deviated?
17
18 MS CARPENTER: We still have a set route.
19
20 MR WILLIAMS: How do they know the bus will be late,
21 though?
22
23 MS CARPENTER: Our population is not such that it is
24 delaying it a huge amount. As much as I don't want to
25 stereotype, pension day, obviously it is a very busy day
26 for us, but we are still not running an hour late. We are
27 still getting them in within a certain amount of time
28 because it is reasonably controlled.
29
30 MS COPE: I suppose if you are on demand, at the beginning
31 of your route if you have a lot of bookings, you know you
32 just need to start a bit earlier.
33
34 MS CARPENTER: On our timetable we have the two route
35 services that run without the on demand portion. Then we
36 have those ones marked on the timetable that say "This is
37 the LocalLink service", so it is subject to a start time
38 and an end time.
39
40 MR WILLIAMS: So they are aware of it?
41
42 MS CARPENTER: Yes. And you would know that, being in a
43 community, you can communicate easier with your community
44 than you can, say, in a metro environment.
45
46 THE CHAIRMAN: That is pretty interesting, thank you. It
47 is definitely the sort of potential that we were thinking

1 about.
2
3 Are there any other comments or questions?
4
5 Does the maximum surcharge up to \$5 sound reasonable?
6
7 MR ALLEN: Well, I don't think you would get any more
8 anyway.
9
10 THE CHAIRMAN: It has that sort of flexibility. It is
11 really setting a maximum that can be charged.
12
13 MS CARPENTER: The way we manage it under our contract is
14 by giving an average of kilometres that you travel. Some
15 days you will travel fewer kilometres; some days you will
16 travel a bit more. The Queanbeyan ones are subject to only
17 three sections, anyway, so they are not high fares for the
18 town certainly.
19
20 MR WILLIAMS: For the zone or --
21
22 MS CARPENTER: Yes, for the zone. Obviously Bungendore is
23 a little bit different and, as I said, most of the tickets
24 are the \$2.50 RED fares.
25
26 MR STROKE: Stacey, could I just ask if you have lower
27 frequency periods of the day for your on demand services,
28 how do you pay your drivers? Are the drivers paid for --
29
30 MS CARPENTER: We have shifts where obviously they do that
31 set part and then the LocalLink becomes part of it. Our
32 LocalLink in Queanbeyan runs three times a day in the
33 inter-peak. I have one driver who does a school shift and
34 then goes on to their LocalLink. Most of my guys are
35 either casual or permanent part-time. They are getting a
36 shift that is about --
37
38 MR ALLEN: So it is not a separate shift; you just tag it
39 on?
40
41 MS CARPENTER: Yes, you tag it on with another shift so
42 that you can get hours. So you are paying them based on a
43 shift that might be five hours a day.
44
45 MR STROKE: You don't have a reduced rate while they are
46 waiting for demand?
47

1 MS CARPENTER: No.
2
3 MR ALLEN: You can't do that.
4
5 MR MARTIN: Not in our award.
6
7 MS CARPENTER: Have you met any bus drivers? No, it's all
8 about clever rostering and the way you manage the shifts.
9 The two guys who do it are permanent part-timers. They are
10 on about 25 hours a week and then obviously, above that,
11 you pay based on the extra stuff they do, so it all gets
12 factored in. As I said, the times are not excessively
13 blown out. We are not getting overtime off it.
14
15 MS JONES: When we were thinking through all of these, we
16 came across those problem that you raised; namely, if you
17 are waiting at a bus stop on a fixed component, how do you
18 know if the bus will be five minutes late or half an hour
19 late? We were thinking of how other trials have worked
20 over the world.
21
22 I was wanting to see how you felt about some of the
23 new technologies which would deploy real-time alerts and
24 also possibly route planning facilities which would (a) let
25 passengers know where the bus is at any given time, and (b)
26 could one get around this issue that perhaps not every
27 driver can be from the community and know the area but
28 could have intelligent route planning. Are there barriers
29 or would you be interested in looking into investing in
30 that type of technology? Is that a further future
31 possibility?
32
33 MR WILLIAMS: I think that is part of what really has to
34 happen to have the public feel content, otherwise you are
35 going to just be discouraged and frustrated by it. We need
36 some sort of system that would pull it all together.
37
38 The issue we have here in Wagga is we still have a
39 hail and ride system. A lot of our passengers are not at a
40 designated stop. They will be where they usually catch the
41 bus and it is safe to hail the driver and on they hop. If
42 you have an app, for example, or whatever it may be, on
43 your phone that says, "The bus is at that stop before
44 yours", you would know it's coming to you next, that would
45 be really beneficial. Even if the bus will be another
46 15 or 10 minutes late, at least they would know.
47

1 MS CARPENTER: We have had a demonstration of the
2 TransportMe system. We thought that system was very user
3 friendly for the drivers - this is our perception. Dave,
4 you could talk to it, because you use it - and that,
5 because it used iPad screens, it could actually help with
6 planning in terms of flexible services. It was quite user
7 friendly back end and front end. I suppose, Dave, you
8 could elaborate on that.

9
10 MR MARTIN: Anybody in Albury can tell where all of our
11 buses are at any time. They can plug in a bus stop and say,
12 "Tell me when the bus will be there". When it comes to the
13 stop prior, you have a about a two or three-minute warning
14 to say that the bus will turn up at your own bus stop. It
15 is very good in that respect. To be honest, I don't think
16 the technology to be able to do it is too far away.

17
18 The cost effectiveness is the thing that I am trying
19 to get my head around. You still need a bus. You still
20 need a driver or two during the whole day. Whether the bus
21 goes out of the yard or whether it does not, yes, you are
22 saving some kilometres maybe, but you are not saving the
23 driver and you are not saving the capital cost on the bus,
24 and they are the two main things. They are the two highest
25 costs.

26
27 Not that I am not open to the idea of it, because
28 I have one satellite suburb in Albury that I am trying to
29 work out whether I can do it myself, but I think probably
30 the fixed route with deviations off, and certainly into
31 estates where bigger buses can't get in and picking up
32 people from their front door, is probably the way to go.
33 However, having the bus coming back to the depot and then
34 going out when somebody wants it, I think that is what
35 taxis are for.

36
37 THE CHAIRMAN: That is a good point.

38
39 MS CARPENTER: Yes, and that is not what we do. We run it
40 scheduled three times a day and it has a set portion and
41 then it just goes around at those times. It leaves our
42 interchange at whatever times, goes out and picks people up
43 and brings them back into the town centre. So there is a
44 structure to it.

45
46 MR WILLIAMS: The consideration we had also, when the on
47 demand service was first suggested, was the time limit. Is

1 this something that runs into the middle of the night or is
2 it a business hours thing that has limits? It depends on
3 what the proposal is and the way the limits are as to how
4 feasible it is to implement it, I think.

5
6 MS TOWERS: But that is where the operator hopefully knows
7 what the local demand is. As you said, if it is for events
8 and things, if there was an event on that required the
9 demand at night-time, then that would be a perfect way, in
10 a sense, to provide those services.

11
12 MS JONES: We are also kind of hoping that the overall
13 combination of changes might really increase the demand
14 response. I am referring to the combination of an on
15 demand route, which is well planned and manageable and
16 small enough, perhaps the technology so that the riders
17 have certainty or some degree of certainty, plus the drop
18 in the base fare on top of which a surcharge could be
19 added. I guess our sense was that, hopefully, the whole
20 package would make it more attractive. Do you think that
21 is --

22
23 MR WILLIAMS: I think it would definitely make it more
24 attractive, but just thinking of some of those
25 implementations, each bus will then have to be tracked.
26 There is a lot of background cost that will have to happen
27 before we can even get it up and running. That has to be
28 funded to make it possible. Don't get me wrong. We are
29 prepared do that, but I just wonder where all the funding
30 will come from.

31
32 MS JANAWAY: The technology cost is critical and --

33
34 MR ALLEN: It is ongoing.

35
36 MS JANAWAY: -- to your point that you are not going to
37 save money, I think the goal is that you still have your
38 bus and your driver and all of your other overheads, but it
39 is to actually increase the utilisation. No-one is trying
40 to reduce those particular costs, but it is about getting
41 better value for money by having people use them and there
42 being a more appropriate service. But, yes, the technology
43 overheads are not insignificant.

44
45 MR WILLIAMS: I think with that type of change in the
46 industry and public perception what is needed, as a whole,
47 is for them to realise, "Hang on. We have this whole new

1 system now. Let's embrace it". I think it does really
2 need to be a package to have the effect we want in the end,
3 which is more people on buses.
4
5 MS JONES: With regard to your point earlier, can you see
6 a future where you would be willing to collaborate with
7 taxis so that if one person books a bus and you don't want
8 to take it out of the depot, you can work out an
9 arrangement where they go and take that over?
10
11 MS TOWERS: Where it is not cost effective.
12
13 MR MARTIN: Some sort of revenue share.
14
15 MS TOWERS: Yes.
16
17 MR WILLIAMS: Maybe the website could direct that person
18 who has gone on to the app --
19
20 MS JONES: On to a taxi.
21
22 MR WILLIAMS: Yes. If they say, "I want the bus at this
23 time", but then look at our timetable and there is no bus,
24 they can get a taxi. Maybe that is where the technology
25 could come in and it would really help the administration
26 to a certain extent.
27
28 MS TOWERS: Transport for NSW has its master plan
29 that is out for consultation at the moment. It is all
30 about mobility as a service as opposed to a particular mode
31 of service, in a sense.
32
33 MR WILLIAMS: As soon as you have to contact a person at
34 the desk and then they have to look at the roster and
35 timetable and tell you which taxi to contact, it slows
36 everything down and it becomes a big clunky.
37
38 MR ALLEN: That is a big job.
39
40 MR STOKE: There is an obvious related question, which is
41 why don't you provide those services as well - so the
42 minibus idea as well as the larger buses?
43
44 MR WILLIAMS: There is a business opportunity there.
45
46 MR STOKE: I think that's really where it is going.
47

1 MR ALLEN: Let me say the task in getting regional people
2 on buses is far harder than with metro. We don't have the
3 traffic problems that you experience day to day. It is so
4 easy for someone to jump in their car and pull up right in
5 front of a shop. That is something that we have dealt with
6 for decades.

7
8 MR WILLIAMS: And with many people that live in outlying
9 suburbs and areas, there is a car in the driveway for every
10 child. I know that is generational change thing that has
11 to happen, but they are prepared to drive and they are
12 organised to do that.

13
14 THE CHAIRMAN: The cost to the government of the rural
15 and regional buses is very large, as you know. It is over
16 \$400 million a year. It is huge amount of money being funded by the
17 taxpayers in both the country and the city. As Rosie has
18 just pointed out, will this package, in a sense, drive
19 better patronage and get a better bang for the buck? The
20 more you can get the passengers on buses, the more they are
21 paying, the less the taxpayer has to pay. That is one
22 aspect of it.

23
24 MR ALLEN: I hear your argument. I go to Sydney a lot.
25 There are quite a few dollars being spent in the city, it
26 would be fair to say. We don't get a lot of services out
27 here in the country compared with what you have access to
28 in the city.

29
30 THE CHAIRMAN: No, and that is sort of a more general
31 point.

32
33 MR ALLEN: Yes, I understand, but I just --

34
35 THE CHAIRMAN: It is the point about having a system which
36 can deliver a higher level of patronage and hence is a
37 better bang for the buck.

38
39 MR ALLEN: For sure. No, I see that, and that goes back
40 to that other argument of mine about getting them to use
41 the buses. You can drop your price, you can do this and
42 you can do that, but just herding them on is not an easy
43 task.

44
45 MS COPE: Yes, I understand completely. I live in the mid
46 North Coast in a town of 1,500 people.

47

1 Something interesting that came through the research
2 we were doing on the on demand stuff was it was actually a
3 lot of the kids who were interested in it. It was
4 particularly those who are just below driving age and are
5 looking to be mobile and to get in and out and around the
6 place, but may be a fair way from the bus stop and do not
7 have the option of jumping into a car.

8
9 MR ALLEN: They will be possibly the ones who will take up
10 this new system.

11
12 THE CHAIRMAN: Yes, that's right.

13
14 MS CARPENTER: And the technology should be there as well.

15
16 MS JONES: And, then hopefully, they will all do it and
17 they are the ones who can teach grandma to do it.

18
19 MR ALLEN: They are the ones we are waiting for when
20 seatbelts are put in all these new buses. Then we have to
21 get them to put their seatbelts on. It is just all a
22 process.

23
24 THE CHAIRMAN: It is very much about making it attractive
25 for them. You cannot --

26
27 MR MARTIN: You are dealing with the car. You have to try
28 to make them do without their car .

29
30 MS CARPENTER: What sort of price do you put on
31 convenience?

32
33 MR MARTIN: So you have to put on a great service and that
34 great service costs.

35
36 MS COPE: If the kids want to go down the shop, will mum
37 and dad choose to put them on the bus rather than drive the
38 kids themselves, if the bus is going to pull up at the
39 front door?

40
41 MS JANAWAY: I think this work that IPART has done, from
42 our perspective, is very good. The regulatory environment,
43 as you know, has been loosened up to see how can we respond
44 to things more flexibly.

45
46 We know there are really particular problems in the
47 country areas for lots of different reasons and not a lot

1 of resources. We are committed to seeing how we can
2 improve things going forward. There are investigations
3 with the technology that might be underpinning this that
4 are being undertaken at this point in time, but that
5 doesn't happen quickly.

6
7 I don't know whether any of you would be interested in
8 having another subcontracting arrangement potentially with
9 the community transport providers. With my other hat on,
10 we have been rolling out this technology system for the
11 transport disadvantaged people which has these kinds of
12 features in them of optimisation and real time information
13 about where vehicles are, and things like that.

14
15 Potentially it might not be something that you would
16 want to invest in yourself, in the first instance, but
17 maybe it is good to have conversations with people around
18 what other opportunities are there to work in partnership,
19 both with them or with the taxi operators, because, as
20 Fiona said, the future transport space is about place-based
21 transport and it is not necessarily about the modes. We
22 are not cutting things up into different modes; it is about
23 mobility and how we can move people around. Community
24 expectations are rising faster than you can keep the
25 technology up to it, but the technology is maturing.

26
27 MR WILLIAMS: You made a good point on the needs basis for
28 transport. In Sydney, as Brett mentioned earlier, there
29 are many reasons why you would, let's say, take a train.
30 I am not talking about a bus as a mode. There are many
31 reasons you would prefer to catch a train into Parramatta
32 from the western suburbs, for example, because you will not
33 get a parking spot there. You will be sitting in traffic
34 for two hours, whereas you could do a half an hour train
35 journey. There are all these reasons why, personally, even
36 though I have the ability to take a car, I would much
37 rather jump on the train for \$5, have a relaxing journey.
38 I can sit back, read a book and arrive on time.

39
40 MR MARTIN: Try living in the country.

41
42 MR WILLIAMS: Unfortunately, unless your personal
43 situation in the country is socio-economically or, for whatever
44 reason, disadvantaged as far as a job or physically, you
45 will just jump in your car.

46
47 MS JONES: One of the things we would like to hear what

1 you think about is perhaps you can use the targeting
2 temporarily to try and get at that issue of competition
3 with cars - for example, after hours on demand where you
4 can pick up people who have been out during the night. Is
5 that something? I ask because I know that there was a
6 night bus trial in the ACT region, is that correct, or a
7 Nightrider?

8
9 MS CARPENTER: With RMS, we did one with some local pubs
10 in Queanbeyan.

11
12 MR ALLEN: How did you get drivers and security?

13
14 MR WILLIAMS: Yes, that's an issue..

15
16 MS CARPENTER: We actually had a security company engaged
17 to travel with us. They were not reliable, so I would not
18 send the bus out if I didn't have the security.

19
20 MR ALLEN: No, you wouldn't.

21
22 MS CARPENTER: They have had the Nightrider in Canberra,
23 but they obviously have TOs - transport officers. They do
24 it over Christmas into the new year. It is not really on
25 demand. I think they just have a number that go out to the
26 different suburbs.

27
28 Ours was going around and then heading actually into
29 Civic.

30
31 There was a bit of an issue with some of the local
32 publicans who ran their own courtesy buses. We were
33 getting paid to do it and getting a few people on the
34 service, but really we didn't have the support of all the
35 publicans. Then we let it go with the idea that maybe they
36 could engage us for special events if they needed us. It
37 only lasted for 12 months, I think.

38
39 MR WILLIAMS: There is also the concern with the bus you
40 use at night. Depending on how late at night or how the
41 patrons behaved, you may not be able put it on the school
42 run in the morning. The drivers have fatigue issues if
43 they do not have their seven hours rest, and then you would
44 have many more customers losing their bus.

45
46 MS CARPENTER: Then there was 24 hours on call. They had
47 to have some sort of 24-hour communication back to base if

1 they were out late and the like. We were only really
2 running Friday and Saturday nights because it is reasonably
3 quiet the rest of the time, but, yes, it didn't last very
4 long. There was only one contract for 12 months. No,
5 I think, with winter, actually it was probably for only
6 about six months.

7
8 MR ALLEN: It dropped off. Did it work in winter? No.

9
10 MS CARPENTER: No, because people don't --

11
12 MR MARTIN: They don't go out.

13
14 MS CARPENTER: They don't really go out. Everything goes
15 very quiet. Why would you wait for a bus in the freezing
16 cold when you can get your designated driver or someone
17 else? It was sort of on demand, so it did go around to the
18 local residences and then round to the venues.

19
20 I have to say that I don't know whether there is a big
21 demand for late-night services - specific events definitely
22 probably.

23
24 MS JONES: That's why we raised it because we wanted to
25 get a feel for the practicalities. On paper, it looks like
26 a really good opportunity but obviously in practice there
27 are all these other considerations.

28
29 MS CARPENTER: You do need to think about security too.
30 We chartered for Oktoberfest. We did put marshals on
31 because security is a big issue when people have been
32 drinking out late at night, and drivers don't want to put
33 themselves in that position anymore.

34
35 THE CHAIRMAN: Is there anything else?

36
37 MR ALLEN: Just one thing, with the community transport
38 task - I'm from out of town here and we have a community
39 transport hub in our little town - I think in the initial
40 stages of our contract, there was talk of integrating some
41 of those services into the local operators. There are lots
42 of small villages that have little buses that are not used
43 during the day.

44
45 None of that has ever sort of taken off much, and
46 I think there is an opportunity there. I know, in our
47 situation, we may have three or four cars going into Wagga

1 instead of just having a small bus. I think it comes out
2 of the same pot, doesn't it, pretty much?
3
4 MS JANAWAY: I think you will find that is something that
5 is definitely closer in the future potentially at the end
6 of your contract.
7
8 MR ALLEN: Is it? That is good.
9
10 MS JANAWAY: We have contracts with the federal government
11 for services for aged care. We have contracts for the
12 disability services as well and some other more generalised
13 transport disadvantaged roles. We know with regard to our
14 contract with the federal government, Transport for NSW is
15 the head contractor across the state, although, it is not
16 limited - not all funding comes through us, but we
17 subcontract that out.
18
19 We know that will probably be ending in 2020 and we
20 will be moving to a consumer directed care model in the
21 same way that NDIS has. It might be slightly different,
22 but basically the customer will hold the purse and will be
23 able to purchase services. I think that is where you can
24 see the evolution of having these contracts for areas for
25 transport services, as recommended there, that will include
26 all of those different types of functions, not just a route
27 service or not just an individual service.
28
29 What is interesting is that there are a lot of people
30 who really need very specialist assistance and care because
31 of dementia or frailty, so they need to go in a car.
32
33 MR ALLEN: Yes, I understand that.
34
35 MS JANAWAY: To me the interesting part is people are
36 staying well longer in life and do not need that special
37 assistance in a car. They can actually go in a bus or
38 minibus.
39
40 MR ALLEN: Yes, to go to doctor's appointments or the
41 like.
42
43 MS JANAWAY: That's right, with some kind of assistance.
44 That is definitely something to be thinking about. It
45 is really about an integrated transport. We need to be
46 thinking about what can be offered to customers and
47 thinking about that mobility.

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MR ALLEN: It is just that there seems to be a duplication of assets.

MS JANAWAY: Absolutely it is, and that is what we understand as well. I don't think the route bus operators are yet ready to pick that up.

MR ALLEN: No, no.

MS JANAWAY: Any time we have really looked closely, they have said, "Oh, I don't know if we can really do that." So when you start to look at the oncology needs and renal transport and all of those kinds of things --

MR ALLEN: Yes, door to door stuff, I understand that as well.

MS JANAWAY: However, how we might better use all of those resources is really something to be thinking about in the future.

THE CHAIRMAN: Is there anything else? Are there any other questions or comments.

MS ANN FONG (Transport for NSW): In terms of the question about the price point of zero to \$5 for the surcharge, Transport for NSW is undertaking some pilot projects in on demand services, which will give us some data on customer profiles and service design.

I think the price point needs to be taken into consideration with the whole package and what the service will look like, whether it is a late night service, or the like, what type of service will we be providing can determine the correct price point.

Closing Remarks

THE CHAIRMAN: Is there anything else?

Thank you very much for coming, that was really helpful, and thank you for taking your time. It was a very useful discussion. It is good for us to touch base with people operating on the ground.

Submissions to our draft report are due by 14 November

1 and I encourage you to make a submission including any
2 information you have to support the positions you have put
3 today.
4

5 A transcript of the hearing will be available on our
6 website in a few days time. The tribunal will consider all
7 of the feedback we have received and we will provide our
8 final report to the government in mid-December.
9

10 Thank you all again for attending and have a good
11 afternoon.
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13 AT 12.05PM, THE TRIBUNAL WAS ADJOURNED ACCORDINGLY
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