

Submission to IPART concerning fares for private buses.

This response, rather than working from the terms of reference, will comment on those issues which the Issues Paper said that the Tribunal invites comments.

The components and weightings currently used in the commercial contracts Bus Industry Cost Index

As the issues paper comments, these figures do not marry. To look at it from another point of view, private bus companies in Sydney earn \$450m a year through their commercial contract operations, and the companies have about 2000 private buses. This means that they are earning on average \$225,000 per bus. Let us assume that the income is roughly the same as the costs. If capital costs amount to about 15% of costs, that would be about \$34,000 per *mum*. But the index suggests that the monthly lease payment is about \$7000, or \$84,000 per annum.

Further, this approach lumps fixed costs (lease of buses, registration, plant, administration, etc.) and incremental costs (drivers' wages, fuel, tyres, etc.) together. The index should be changed each year to reflect the average kilometres run by each bus. This should also provide some indication of the efficiency of each operation: are they over-capitalised due to having to cope with peak period demand, or are they not making the best use of spare capacity by running extra services in the inter-peak, at evenings and on weekends? Or are the labour costs inflated because extra drivers are needed for one or two peak runs, but must (quite fairly) be paid for a whole shift? If so, could these drivers be more efficiently employed in the inter-peak period as well?

The present non-commercial model

This seems sound.

The application of various fare-setting approaches to the taxi, private bus and private ferry industries

Comments here are about the private bus industry only.

The issues paper has already noted the most salient point here: farebox revenue amounts for only about 20% of private bus revenue from commercial bus contracts. About 73% of revenue comes from the SSTS.

The effects of this are obvious. Because the school students and their families do not pay for bus travel (except indirectly through taxes), demand for free travel to school is independent of the cost. For political reasons, the Government will not drop the scheme. Thus if fares rise 10%, the bus operators can confidently expect that their SSTS payments will rise by 10% too. The contribution of fare-paying passengers is so small that it has almost no effect. Even if there were an elasticity of -2 with regard to cost, the revenue drop here would not outweigh the revenue increase with the school students.

Elasticity | | -0.5 -1.0 -2.0

An elasticity of -0.5 for people who actually pay fares is probably a more realistic figure, which means that as far as the bus operators are concerned, demand is almost unaffected by price. Moreover, because they set the price collectively, they are effectively operating as a cartel, with the Government as their captive market. This is not to accuse them of a conscious conspiracy to defraud the Government: the whole process is quite open. However, it is what always has been, and therefore is probably equally unnoticed by both sides.

But the second point that must be drawn from this is that “commercial” bus services run by private operators in Sydney are subsidised to the tune of 80% by the government. At this level, one must ask whether these services really are “commercial”. If the government were to accept full responsibility, could these services be run more efficiently?

Suppose, for instance, that “commercial” bus services in Sydney were run along the same lines as “non-commercial” services, that is, the government paid the operator appropriately determined sums for the number of buses required to run the service and for the number of vehicle-km per year. Under such circumstances, the SSTS contribution would depend on the number of buses used and the routes they travel, not on the number of students carried and the distance for each. It would probably be a smaller figure than at present. It could be made even smaller if government inspection showed that some routes could be amalgamated, or that some routes that duplicated train lines for some distance could be dropped, and merely a shuttle-bus provided from the station. In such a case, it may even improve the situation for the student, who could now have the option of two trains, both of which are met by a bus.

The “savings”, of course, would be re-invested in the bus system, paying for more frequent services and extended hours of operation.

Once such a scheme for funding private bus services is in operation, fare reform becomes easy. Sydney can finally move into the 1980s and introduce multi-modal fares as did Melbourne in 1983 and Perth and Adelaide in the 1970s. All fares go into a central authority, which then pays all operators according to the amount they need to run their service. This is the most efficient way of operating a transport system, because once the different operators stop competing among themselves to increase their share of the limited number of people using public transport, they can combine their strengths and compete against the car, increasing the total number of public transport travellers.

The fare structure should be zonal and time-based, as in Melbourne, Perth and Canberra. (Adelaide, apart from a cheap ticket for a very short ride, has a flat fare system. This could not work in Sydney, because the fare level required to sustain the system would be too high to be attractive to customers wanting to make short journeys, especially in the outer suburbs.)

Can a multimodal fare system work financially?

The experience in Melbourne shows that customers were happy to pay 15% more for a rail or tram ticket if it had multimodal flexibility. This should also work in Sydney.

Total farebox revenue in Sydney is currently about \$800m, made up of:

CityRail	\$480m
STA buses	\$190m
STA ferries	\$ 40m
Private buses	\$ 90m

Introducing a multimodal fare system would mean losing some of this revenue, but not much, because most travel in Sydney is by one mode only (because that is what the fare system encourages). The following figures are approximate, as the data are not easily obtained. The multimodal travel pass accounts for about \$35m of rail revenue, and it will be assumed that it accounts for the same amount of bus revenue. This total of \$70m would remain more or less the same under a new system, because these fares, being already multi-modal, would not rise. Allow \$10m more for daytrippers, and \$10m for senior excursion tickets, figures that would also remain constant. Then generously allow \$50m for multimodal trips on government services that are not covered by existing tickets: revenue for these trips will fall to, say, \$30m. Of private bus revenue, if half of it comes from bus travel connected with train travel, we can say that revenue would drop by \$45m. Thus where we had \$230m revenue in the old system, we would now have only \$165m. The remaining revenue would need to increase from \$570m to \$635m, an increase of 13%. This is well within the 15% comfort zone.

Introduction of zonal and time-based tickets would probably also entail increased costs for peak travel and lower costs for interpeak, evening and weekend travel (reflecting the financial wisdom of

the current off-peak return ticket, which would need to be transferred to the bus system as well). There could also be increases for travel into the CBD, and decreases for travel in the outer suburbs, but this would simply be a redistribution of the fare burden.

The existing fare structure for private buses, including range of tickets on offer and relativities with Government-owned buses

To a certain extent, this area should be covered by the introduction of multi-modal, time-based tickets, but the following observations need to be made to remind us that the present system is not working.

It is imperative that private buses introduce weekly tickets and/or some sort of travel tens. Too much time is spent as passengers board buses and pay fares.

Moreover, the section system is something of a farce when the section boundaries are never published and exist only in the bus driver's head. This is not to accuse bus drivers of making up the sections, but rather to say that the passenger has no way of determining beforehand what the fare will be (and no way of knowing whether the fare demanded is actually correct). This slows down bus operation (as there is always a need to ask), and also means that a passenger may be missing out on a substantially cheaper fare. For instance, a passenger may be between two stops, one 50m away, the other 150m away, and want to go to a destination similarly located. Unbeknown to the passenger, the stops 150m away from the origin and the destination could be ends of sections. Going to the closer stops could mean adding two extra sections, causing the price to increase from \$1.70 (for two sections) to \$2.70 (for four sections). The passenger may have preferred to walk the extra 200 metres to save \$1 (or \$10 a week).

Thirdly, the section system of determining fares is set by the road distance the bus travels. This is not always the same as the distance between the passenger's origin and destination. Many private bus routes are far from direct. Passengers are continually being charged for distances they do not want to travel.

This is not the way bus fares operate in Perth, Adelaide, Canberra and Melbourne. There the passenger buys a ticket valid within a given zone for a certain time (normally two or three hours, or else all day). This system is seen as quite fair by travellers there.

Finally, there is the question of concessions. It is a direct consequence of government policy that completely different concession regimes operate on private buses and government buses. The \$1.10 senior excursion card is only one example. The one that gets less publicity is the issue of concession fares for tertiary students.

The government grants an automatic student concession on trains and STA services, and reimburses these operators for the difference. Students must apply separately for concession from each private operator, and strictly speaking are only entitled to concession fare on the trip to or from uni on the days when the uni operating. There are cases *of* students being refused concession fare when travelling to summer school classes. Of course, the private operators have a reason to be so careful: they receive no re-imburement for the concession fares they offer tertiary students.

Why does the government give private operators \$331m to carry school students, but not a cent to carry uni students? Why does the government give over \$50m a year to the railways and the STA for tertiary student concessions, but nothing to private operators? There is no economic sense here, nor any rationale in terms of justice.

In a certain sense, the private operators are more generous than the government. They give concession fares to all tertiary students, whereas the government services do not give it to international students.

Quality of service offered by private buses and the inadequacy of current performance and reporting standards

While there may be some exceptions, private buses in Sydney do not offer anything that anyone can pretend to be an adequate level of service. They see their role as providing a service to and from school for school children, and providing some mobility for pensioners and the like. They do not see themselves as providing an alternative to the car for exactly those sorts of people who might prefer not to buy a car, e.g. young people. This is especially so in three areas.

Hours of operation.

About 30 bus routes operate out of Bankstown station. On weekdays, the last bus on any of these routes has left at 9 p.m., if not substantially earlier. On Saturdays the very last bus from Bankstown station has left at 7.13 p.m. At that time a young person has not yet decided what to wear for the evening out. Young people therefore rely on others (parents, older siblings and friends) to give them a lift, and then proceed to acquire a car as soon as possible. You do not run a successful operation by driving away such a large amount of potential patronage.

Frequency.

Once an hour is not a "service". It is bad enough to have to order one's activities around an hourly service when the timetable is known and one can control one's arrival time at the bus stop. When the timetable is not known it becomes almost impossible. (There are true stories of people waiting 40 minutes at a stop, relaxing their concentration momentarily until it is too late to hail the bus, and then having to wait another hour.) It is also very frustrating when your train runs ten minutes late, you miss your bus, and are forced to wait an hour. In the busy city of Sydney there is only a very small proportion of the population who can afford to be so spendthrift with their time: these are the only people that the current bus service caters for.

The simple fact is that the bus service is so appalling that, apart from trips to school, most transport in the outer suburbs by people who cannot drive themselves is done by unpaid women, transporting their kids and their aged parents. Because it is women who do it, the problem falls into the domestic and not the public sphere. The transport authorities can convince themselves that these transport needs are not real needs. And the kids, as soon as possible, get a car and become independent from mum.

Indirectness of routes.

As noted, the present fare structure makes it profitable for private bus operators to take their captive patrons for as much of a ride as possible. Running a frequent trunk service with little connecting shuttles is unthinkable, because the extra fare would cause people to object. It is quite easy for a bus traveller to end up covering twice the distance they have to. This means twice the time, or even more so because of the way the turns slow the bus down. Once again, this exacerbates the situation that buses are only for people who have too much time on their hands, who are precisely the people who normally have very little money.

Environmental issues and how these should be considered in the fare setting process

The easiest way to consider environmental issues is to ask how attractive a bus service is compared to travel by car. Any change that increases that attractiveness is environmentally sensitive, any change (or retention of the status quo) that keeps the car as more attractive is environmentally damaging.

In the middle and outer suburbs, car travel is more attractive than in and around the CBD.

Congestion is less of a problem, and parking is plentiful and cheap if not free. What is a highly competitive bus fare in the inner suburbs is a comparatively expensive one in the outer suburbs. On top of this, journeys in the outer suburbs may require two buses, or a bus and a train. This makes them even more expensive.

This expense can be enormous, and operators ignore it because they consider only the cost of a ride on their bus, not the cost of the total journey the passenger wants to make. A return journey of 12km involving a bus, a train and a bus could come to \$13 or more, as much as a daytripper ticket that will let you ride on all the *government* services between Penrith and Pittwater. At 50 cents a kilometre, car travel is cheap by comparison. If you had access to a car, you would have to be drunk not to use it: it means a saving of \$10 in fares, and at least an hour in time, which, assumign

you have a part-time job, is another \$10. This saving of \$100 a week or \$5000 a year makes the car the financially viable option.

MANY PEOPLE IN THE OUTER SUBURBS CANNOT AFFORD TO TRAVEL BY PUBLIC TRANSPORT AND FIND A BUYING A CAR CHEAPER. This is totally different from the situation in the inner suburbs, but the decision makers never mention it.

This is just one more reason why there is an urgent need for a multi-modal fare system that is cheaper in the outer suburbs.

The potential social impacts of fare increases

As was made clear in the last section, private bus fares are already too high. The whole system of thinking about private bus fares is fundamentally flawed in just about every possible aspect. The social factors are an increased pressure on busy mothers ferrying kids around; isolation for adolescents and adults who cannot even get a bus to the local cinema on a Saturday evening; it means that the cost of getting to uni is much higher out in the western suburbs (a number of the campuses are beyond comfortable walking distance from a station); it means that the unemployed, the recently arrived migrants, and the elderly are severely restricted in how they can get involved in community activities. And it means that there is an unnecessarily large volume of traffic, causing accidents, pollution, health problems, and the like. And finally, a society that is reliant upon the car is reliant upon oil; while the exact connection between the need for oil and recent world history can be debated, it was certainly a factor in the recent war.

But there is one other factor that needs to be mentioned under social impacts, namely, tertiary student concession. The status of the problem was mentioned above. To this it can be added that it is well-known that uni students these days feel an economic pressure to work much more than their predecessors in the 1970s or 1980s. Most students would be working, say, three shifts a week. This does not leave them adequate time to study properly. If their study is impoverished, so to is their ability to contribute to society in their later life.

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