

FINAL REPORT



***Ministerial inquiry
into sustainable
transport in
New South Wales***

A framework for the future



December 2003

Contents

Overview	vii
Summary of recommendations	xvii
Delivering better services	xvii
Funding options	xvii
Refocusing CountryLink	xviii
Fair fares and efficient subsidies	xix
Concessions and community transport	xix
Charging for road use	xxi
Decision criteria for transport projects	xxi
1 Introduction	1
1.1 Terms of reference for this Inquiry	1
1.2 This report	3
2 Delivering better services	5
2.1 Recently announced initiatives	6
2.2 Five years for government operators to improve performance	12
3 Future expenditure required to maintain existing CityRail and STA services	15
3.1 CityRail’s forecast expenditure needs	16
3.2 Sydney Buses’ forecast expenditure needs	17
3.3 Newcastle Buses and Ferries’ forecast expenditure needs	18
3.4 Sydney Ferries’ forecast expenditure needs	19
4 Funding options	21
4.1 Efficiency gains	22
4.2 Fare increases	26
4.3 Beneficiaries pay levies	31
4.4 Private funding	35
4.5 Additional levies	38

5	Refocusing CountryLink	43
5.1	Community concerns about changes to CountryLink services	44
5.2	Costs of CountryLink services	45
5.3	Finding solutions	48
6	Fair fares and efficient subsidies	51
6.1	The existing level of subsidies	52
6.2	Fare structures, equity and efficiency	54
6.3	Ticket product reform	58
7	Concessions and community transport	61
7.1	Changing the school student transport scheme	62
7.2	Changes to Pensioner Excursion Tickets	64
7.3	Fairer funding of other concessions	67
7.4	Providing better community transport services	67
7.5	Improving wheelchair accessible taxi services	69
8	Charging for road use	72
8.1	What do we mean by road use payments?	73
8.2	Cordon pricing	74
8.3	Electronic road pricing	78
8.4	Parking levies	80
9	Decision criteria for transport projects	83
9.2	Elements of a sound decision framework	84
9.3	Lessons for the near future	86
A	Evidence on the net social benefits of rail and bus travel	89
B	List of submissions received on the Interim Report	91
C	Glossary	105
Boxes, charts and tables		
1.1	Process of the Inquiry	2
3.1	Total average annual expenditure needs of NSW government public transport operators, 2003-04 to 2010-11	15
3.2	Forecast average annual expenditure for CityRail, 2003-04 to 2010-11	16

3.3	Forecast average annual expenditure for Sydney Buses, 2003-04 to 2010-11	18
3.4	Forecast average annual expenditure for Newcastle Buses and Ferries, 2003-04 to 2010-11	19
3.5	Forecast average annual expenditure for Sydney Ferries, 2003-04 to 2010-11	19
4.1	Possible funding sources	22
4.2	Comparison of private bus operators' and Sydney Buses' costs, 2001-02	24
4.3	Cost recovery projections for CityRail based on possible five year price path scenarios	28
4.4	Cost recovery projections for Sydney Buses based on possible five year price path scenarios	29
4.5	Cost recovery projections for Sydney Ferries based on possible five year price path scenarios	30
4.6	Cost recovery projections for Newcastle Buses and Ferries based on possible five year price path scenarios	31
4.7	Existing models for development charges	33
5.1	CountryLink Income and Expenditure, 2002-03	46
6.1	Transport fares in Sydney benchmarked against other international cities, 2002	51
6.2	STA buses: illustrative effects of TravelTen discounts	58
8.1	Daily journeys to workplace by transport mode	76
8.2	Hourly weekday traffic volumes, 1999	78
B.1	Submissions received from organisations and individuals up to 10 October 2003	91

Overview

THE INTERIM REPORT ON SUSTAINABLE TRANSPORT in New South Wales was released at the end of August 2003. It outlined the range of challenges to providing a sustainable public transport system, and put forward possible options for delivering better and more sustainable transport outcomes in NSW. Nearly 900 submissions have been made in response to the Interim Report—nearly 200 from organisations and groups, the rest from individuals. These were in addition to the nearly 300 submissions received prior to the Interim Report.

This Final Report takes into account the views put in these responses, as well as further information provided by the operators of public passenger transport services.

However, the main observations from the Interim Report have not changed:

- A large amount of taxpayer money goes to fund passenger transport services of one sort or another across NSW every year. This funding is equivalent to one-fifth of the NSW government annual health budget and about the same as the annual State police budget.
- An even larger amount of money will be required to maintain and improve the current transport network—over \$2 billion per annum. Still more would be required if this network was to be extended to any significant degree to service new areas.
- The current arrangements are not delivering the most appropriate transport solutions to best meet the needs of the broad community. Taxpayers are not getting the best possible value from the large amounts of money being spent each year on public transport. This has been a problem for many years, facing governments from all sides of politics.

This Final Report refines the overall framework for change put forward in the Interim Report and presents some specific recommendations that will provide a better way of funding and delivering sustainable public transport in NSW.

There is no question that a vibrant, modern economy and society like NSW needs an effective public transport system with an appropriate level of taxpayer subsidy. However, the public transport system must meet the needs of users and society efficiently and effectively, with the best possible value for money for taxpayers, users and others who may contribute to such a system. By international standards, public transport users in Sydney enjoy relatively cheap fares that reflect high levels of taxpayer general subsidies. Some concession users, such as seniors and school students, enjoy even cheaper fares as a result of additional specific subsidies. The high levels of general and specific subsidies, as well as large discounts on a variety of periodical tickets and long distance fares, together with worsening levels of cost recovery has resulted in taxpayers carrying an increasing share of the burden in funding the State's transport system.

The low and falling levels of cost recovery are unsustainable. There is a strong case for transport users to contribute a greater share. **In particular, transport users can reasonably be expected to contribute to the additional funding that is required for improvements to the current system—as long as they do benefit from this additional investment.**

Any fare increases must be clearly linked to improvements in the quality of service. In the past, poor management has all too often led to public transport users and taxpayers being penalised, rather than those responsible for the failures of the system. Mechanisms that provide incentives for the public transport operators to deliver improvements and ensure commuters or taxpayers are not punished for management failures must be developed. This Report presents some specific recommendations that will help better focus public transport operators on delivering improvements in safety, quality and efficiency.

Disentangling CityRail's major rail lines, with investment in sectorisation ('rail clearways'), should also produce significant system benefits over the next few years, particularly improved service reliability. It is reasonable to expect passengers to pay a share of the extra funding required for this with modest, real fare increases. However, passengers and taxpayers have a right to expect that benefits will arise from this extra funding and that the rail system itself will deliver efficiency improvements to help improve safety and service quality as well as help meet the current large funding gap.

CityRail must deliver improved safety, service quality as well as efficiency gains to help fund the needs of the system.

CityRail must review its services to ensure that the system is configured and operated to best meet the needs of the whole network and the vast

majority of the travelling public, with maximum possible system safety and operational reliability. It must also achieve significant cost reductions by increasing the efficiency of its operations.

This will require management and workplace practices and culture to be radically overhauled. There is no doubt that the majority of people working in CityRail take pride in their work; there are many instances of outstanding service. However, there is an overwhelming sense that CityRail does not promote a real commitment to quality, customer focus and a service culture. There is also considerable scope for efficiency gains.

CityRail's management and unions have key roles to play in ensuring the necessary changes take place. Government must ensure that these changes are delivered. Without such a commitment, CityRail will not be able to deliver the levels of safety, reliability, security, and general service quality that customers will be prepared to pay for and taxpayers or others will be willing to invest in.

Passengers can pay a fairer share, particularly to help fund investments in system improvements such as sectorisation

It can be argued that taxpayer's current general subsidy for the overall public transport system is too high relative to the other things that government must fund—education, health, and family and community services, for example. This is ultimately a matter for government to decide. However, one way to address the possible imbalance in the government's subsidy of transport relative to other social infrastructure is by achieving better levels of cost recovery for the operating costs of CityRail and STA buses and ferries, and lowering subsidies to the privately operated buses. Improving cost recovery cannot be achieved overnight; nor will the more distant rail or bus services necessarily ever achieve the same level of cost recovery as the shorter, inner suburban journeys. Further, improving cost recovery is not just about increasing fares. It also requires lowering costs by increasing the efficiency of CityRail and STA operations.

Determining what fare levels are 'fair' and what target level for cost recovery is appropriate for rail, bus and ferry services is problematic: it will vary by journey length and by service type. What is clear is that the level of cost recovery needs to be increased and that, to the extent possible, fares need to be more clearly aligned to the distance travelled. What is also clear is that **real** increases in fares can only be justified if costs are efficient costs and services are safe and reliable. Such fare increases may also be justified if the additional revenue raised is used to help fund improved system reliability.

IPART should set fares for all transport services (public and private) over a longer term price path (say five years). In the first instance, real fare increases should be clearly tied to providing some user share of funding for investment in the delivery of improvements in service quality. CityRail's planned investment in 'rail clearways' (sectorisation) appears to be an appropriate area for some funding contribution by passengers by way of modest real fare increases. To the extent possible, some fare increases should also be directed to dealing with the worst distortions in current fare structures. However, IPART would need to carefully manage the overall level of real fare increases over time, to contribute towards funding investments in system improvements while rationalising existing fare structures.

Transport expenditure must deliver better value to government (and taxpayers) and better meet the community's transport needs

There is no doubt that some of the transport services provided by CityRail, the State Transit Authority (STA) and private bus operators do not meet the needs of the community nor represent good value for money. For example, some STA ferry services carry few passengers, are costly to operate, are far from environmentally friendly, and provide a service that can be far more efficiently met by alternative bus services. The total dollars are relatively small, but do go to the important question of how best to meet the community's transport needs with a given amount of taxpayer funds.

CountryLink rail services provided by the State Rail Authority of NSW (SRA) fall into a similar category, but the dollars involved are far greater. Some CountryLink intrastate train services are not justifiable on economic or commercial grounds. Their environmental and social value when compared with alternatives is also questionable. They are used by very few people, are expensive to operate, and will require major new investments in both below-rail infrastructure and rolling stock over the next few years.

The Interim Report argued that there may be better ways to provide services that meet the needs of a much wider group of people in rural and regional communities, especially those who have no access to public transport for their basic needs, including transport for health purposes. **This is not simply cold-hearted, 'economic rationalism'. It is about getting transport services to those who really need them in the most effective way.** For example, CountryLink coach services are a far more cost-effective means of providing rural and regional transport within the state.

Nearly two-thirds of the submissions in response to the Interim Report related to CountryLink. Clearly, there is strong feeling in rural communities about maintaining (and, in some cases, extending) rail services in rural and regional NSW. One of the main arguments put by users of these services is that coaches are less convenient and comfortable than trains.

There needs to be a closer look at the full range of costs and benefits—including social and environmental costs and benefits—of specific CountryLink rail services to ensure that such services effectively meet community transport needs and, thereby, provide the greatest benefits to rural NSW. This must be on a case-by-case basis and must involve participation by the local communities who will benefit from the provision of the most appropriate transport subsidies that best meet the needs of the whole community.

A surprisingly large amount of taxpayer money (more than \$800 million each year) is used to fund concessions and what is referred to as ‘community transport’. The largest items are seniors’ concessions (\$173 million) and the School Student Transport Scheme (\$427 million). There is also a lesser amount of money directed to health, disabled and rural community transport.

The so-called ‘**pensioner excursion ticket**’ for use on government-operated public transport is a misnomer. It is in fact available to a much wider group of ‘seniors’, but only for government-operated services. The concession is not targeted to the least advantaged in our society—for example, those receiving some specific form of pension or those entitled to a health card. And it is not available to pensioners who use non-government services. There is little disagreement that senior citizens in general merit some form of transport concession. However, a half-price concession appears to be a more appropriate form of concession for most non-pensioner ‘seniors’, while the more generous pensioner excursion ticket should be directed to ‘pensioners’ and seniors who are also health cardholders. It should also be available for use on government-operated and privately operated transport services across the state.

In any event, the pensioner excursion ticket price has not been adjusted, other than for GST, since 1988. It has not even kept pace with inflation. The current payment of \$1.10 for most journeys is patently too low and needs to be increased.

There is also a case for limiting access to the more generous pensioner excursion ticket to off-peak periods. Evidence from the transport operators shows an increasing proportion of peak-hour travellers using these tickets.

For STA buses in particular, this is significantly adding to peak crowding pressures and, indeed, will increasingly influence bus fleet investment requirements to meet peak-hour demands. Heavily discounted concession travel should be restricted to off-peak times.

There seems to be reasonably wide agreement that current pensioner excursion fare levels need to be increased, while their availability needs to be extended to private bus services. This should be done as soon as practicable. Although there is less agreement on limiting the full concession to health-card eligible seniors and pensioners, providing a half-price concession for other seniors' card holders, this is a necessary change. Given the ageing population, the costs of the current scheme will continue to grow—even with an increase in the level of concession fare payments—and will become unsustainable.

Finally, pensioner concession fares should be restricted to after the morning peak demand period. Without this restriction, the growing number of pensioner concession card holders will place increasing pressure on morning peak capacity. For those pensioner concession passengers who work for registered charities or similar organisations and are required to travel in the morning peak, government can reimburse the organisation the extra cost of a half-price fare.

The **School Student Transport Scheme (SSTS)** is far more generous and costly than any other similar state scheme in Australia and continues to grow rapidly. The costs of providing such generous universal school student travel in the way that it is currently funded are an unacceptably high burden on the state.

Payments should be made only for actual student trips—not for so-called 'phantom' travel. The new 'smart card' ticketing technology should be rolled out in the private bus sector as a priority, so that SSTS payments are made only for actual travel. The recommendations of the Interim Report by the Hon. Barry Unsworth are fully supported in this regard.

There is also the issue of whether the subsidy provided for school travel should be limited in some way, to better control the burgeoning size of the SSTS. Responses to the Interim Report expressed a variety of views. Some submissions argued that the SSTS should be limited to providing transport to the nearest government school. Others argued that eligibility for free school travel should be subject to a means test. These options go to the broader question of education and access policies, and are matters for government. **However, a modest administration fee (\$30) to partly offset the growing costs of the scheme—with exemptions for low income households—should be introduced with effect from the next school year.**

There are several options for better targeting taxpayer funding of transport services for the benefit of communities across the state. There are areas of need not being adequately met, including transport for the disabled and rural and regional health and community transport. The funds released from more appropriate and more efficiently delivered CountryLink services, as well as more targeted and better managed transport programs for pensioners, seniors and school students, will be more than adequate to deliver more and better transport services in these other areas of need.

Better planning is essential

One of the major issues related to sustainable funding of public passenger transport is the relationship between public transport and private transport. Private transport is by far the dominant form of transport across both the metropolitan region and the state. Large amounts of taxpayer funding go to road infrastructure, as well as privately funded and operated toll roads.

Motorists already pay substantial amounts for using motor vehicles, including registration charges and fuel excise. But they only pay for their specific road use on a few tolled roads and crossings (such as the Harbour Bridge and Harbour Tunnel). **This is at the heart of the dilemma: there is a relatively large general payment for private motor vehicle use but there is very little specific pricing of road use.** As a result, private transport users do not get the same price signals from road pricing that public transport users get from fares for a parallel journey. And in the absence of transparent relative price signals, public transport will always be at some disadvantage to private car use, especially given people's general preference for motor vehicle travel.

Specific and targeted road use pricing (as distinct from charging for general motor vehicle ownership and use to raise revenue) is increasingly being used in other states and overseas to both better manage congestion on roads, and better signal the relative price of public versus private transport. But we are some way off being able to introduce a more targeted system of road use pricing in the Greater Sydney Area—not least because effective road use pricing designed to encourage greater use of public transport and ease road congestion (and better manage investments in new roads) must be accompanied by good quality, reliable public transport alternatives.

We need to look ahead and have the debate now about how targeted, specific road use pricing might fit into a future integrated approach to sustainable transport, especially in the Sydney metropolitan region. Such an approach needs to focus not only on better managing road congestion

(and new investments in road infrastructure) but also on how road use pricing might send better relative price signals between public and private transport and generate funds for investment in public transport infrastructure.

At the same time, it is clear that there must be a much better framework for planning investment in future transport needs. The past lack of integration between road infrastructure planning and public transport planning and the failure to apply robust investment rules to both road and other transport infrastructure represent a significant and costly shortcoming. The Department of Infrastructure, Planning and Natural Resources (DIPNR) must ensure better coordinated planning for road and public transport infrastructure. DIPNR and NSW Treasury must also impose a disciplined and transparent decision framework on these investments.

To conclude

We cannot continue with the current arrangements for providing and funding transport services—whether road, rail, bus or ferry and whether publicly or privately operated.

We have:

- a metropolitan rail system that is so ‘tangled’ that it is unable to cope with necessary system changes, let alone essential service expansion
- a government-operated bus system that is providing some services that are not obviously needed, yet a privately operated bus system that is not adequately servicing large parts of the state, especially in rural New South Wales
- a costly public ferry service
- highly subsidised and high-cost country passenger rail services that are not being effectively deployed to the overall benefit of rural and regional communities in meeting their health and community transport needs
- expensive and poorly targeted school student transport and ‘pensioner’ excursion ticket schemes, with inequities in the availability of fare concessions
- a congested road network that provides no real price signals
- a relatively poorly funded community transport scheme (for health, remote and disabled transport) that does not provide adequate basic transport to those most in need.

We need:

- a twenty-first century solution to create a sustainable transport system for the benefit of the broad community, the cost of which will run into billions of dollars
- better deployment of funds and greater efficiency to improve value from the nearly \$2 billion that taxpayers currently spend each year on passenger transport
- improved cost recovery at the same time as extra funding for system improvements—from taxpayers; from users via modest real fare increases; from the system via efficiency improvements; and from savings from refocusing existing subsidies for school students and seniors.

We will then have:

- a sustainable transport system that delivers a more functional, safe and reliable metropolitan rail system, with improved services and less overcrowding
- rural and regional communities receiving more and better transport services, including a major expansion of health and community transport
- far greater equity in the application of concession schemes across transport modes, with pensioners accessing the same concessions on private buses as on the government-operated system
- in time, a road system that has proper road use prices rather than general motor vehicle costs, sending the correct signals to users of all transport services.

* * * * *

I believe that there is a better way to providing and paying for the State's transport needs, and I would like to thank the nearly 1200 individuals and organisations who have shared their views about the way forward with submissions to this Inquiry. I would like to thank the team that has assisted with the Inquiry, Liz Livingstone, Ross Chapman and the Centre for International Economics, Mark Duffy and Michael Petrie. Finally, I would like to thank the Hon. Michael Costa for the opportunity to undertake this important task.

Thomas G Parry

December 2003

Summary of recommendations

Delivering better services

As part of an improved incentive structure to achieve service improvements in public transport, public transport operators should be required to demonstrate their performance against a set of carefully chosen Key Performance Indicators. This requirement should be reflected in a transparent five year contract between the operators' CEO and Board and the Ministry of Transport. Failure to perform satisfactorily against the KPIs should trigger a government review at the conclusion of the contract of alternatives such as:

- ***the introduction of private sector contestability for operating public transport networks.***
- ***examining investment in alternative transport strategies—such as increasing the use of efficient road networks—until public transport operators can deliver the needed services efficiently and effectively.***

The plan to establish five rail clearways within the CityRail network is supported subject to a rigorous cost-benefit analysis.

Funding options

Require public transport operators to pursue efficiency gains and to demonstrate their success as part of the five year performance assessment (recommended above).

Use fare increases to fund improvements in services of direct benefit to particular modal passenger groups, and adopt a CPI plus 'x' approach to fare regulation to make the relationship between fare increases and service improvements transparent (for example, rail clearways).

Use well-targeted beneficiary pays funding sources to partly fund network augmentations where beneficiaries can be identified. The appropriateness of applying property-based value capture charges should be examined prior

to the release of land for development. Development charges should be considered, particularly for funding feeder services from new areas to the existing network.

Evaluate the use of public private partnerships (PPPs) to build and operate public transport infrastructure, and franchising opportunities on a case-by-case basis.

Pursue commercial development opportunities at and around public transport hubs to help finance infrastructure upgrades.

Consider implementing a modest transport improvement rate with funds hypothecated to existing network upgrades and/or extensions. Undertake a comprehensive study to evaluate the appropriate basis for such a rate in terms of urban planning objectives and considering existing charges and levies.

Only consider public debt as a funding source when other more desirable funding options have been fully explored, and only for efficient and effective projects that would generate additional community benefits.

Refocusing CountryLink

Review SRA's allocation of costs to CountryLink to assess whether it is accurate and appropriate, so that the costs and benefits of CountryLink services can be properly evaluated.

Pursue opportunities for improving efficiency to deliver cost savings particularly in relation to costs associated with booking and selling tickets.

Ensure that the level of subsidies to CountryLink services can be justified on the basis of compensating for external benefits.

Negotiate an appropriate contribution from the ACT Government to the costs of providing CountryLink services between Sydney and Canberra.

Explore all options for improving long distance passenger services that provide access to rural and regional NSW within the constraints of available resources. Consider the costs and benefits of alternative transport modes and include a case-by-case assessment of the service levels, including service frequency, that communities need.

Include CountryLink services in the development of Integrated Regional Transport Plans recommended in the Interim Report of the Unsworth review.

Apply the 'Solutions Team' approach to other areas of CountryLink's operations. Any changes that are implemented as a result of the Solution Team's work should be reviewed after 12 months operation.

Review CountryLink's fare structures and the appropriateness of the extent of discounts on tickets purchased in advance.

Fair fares and efficient subsidies

CityRail fares should increase modestly in real terms to help fund better services and to adjust the base fare for journeys up to 50 to 60 kilometres towards a constant per kilometre price. Some increases in fares for longer distances may also be justified, but need to be carefully balanced against the potential adverse impacts of substantially reducing the existing very large discounts. IPART should set CityRail fares having regard to these recommendations.

Pending decisions on the arrangements for bus franchises and smart card ticketing, continue to provide the following STA ticket products:

- ***a standard single journey cash ticket whose price increases with distance***
- ***a magnetic stripe TravelTen ticket with a constant percentage discount to the single journey cash fare.***

If STA and private bus fares are standardised, use a simple fare structure with a constant per kilometre fare.

Concessions and community transport

Provide payments to transport operators for actual school student travel.

Pilot the use of 'smart card' technology in private buses in 2004 and roll-out the technology across the private bus fleet in 2005 to enable actual travel based payments.

Introduce an annual application fee for school student travel passes of \$30 per student, indexed at the rate of inflation with exemptions available for low income households.

Make pensioner excursion tickets available to pensioners and seniors with health cards using the CityRail, STA and metropolitan private bus networks.

Replace the existing metropolitan pensioner excursion ticket fares scales with \$2.50, \$4.00 and \$5.00 fares.

Increase the CountryLink pensioner excursion fare from \$2.20 to \$3.00.

Index pensioner excursion tickets and increase the fares in 20 or 50 cent increments.

Make seniors card holders eligible for half-fare concessions rather than pensioner excursion tickets (seniors who hold health cards should still be eligible for pensioner excursion tickets).

Limit travel on pensioner excursion tickets to outside the morning peak period.

Provide for the reimbursement of additional travel costs of pensioners who need to travel during the peak morning period to undertake volunteer work for registered charities.

Provide private bus service users with the same concessions as STA bus service users.

Review the government's concessions policy to ensure that it is fair and reflects social welfare priorities.

Bring local providers and users of community transport services together to develop plans for better services and promote coordination of available resources.

Broker streamlined funding and administrative arrangements for community transport services that meets local needs—including funding from Home and Community Care, the Community Transport Program and funding from other agencies including NSW Health.

Redirect underutilised assets from proposed changes to the SSTS and pensioner excursion tickets to increasing community transport services.

Establish a network of regional community transport development workers across the state that are funded and coordinated by the Ministry of Transport.

Review mechanisms for improving taxi services for wheelchair users.

Review the level of rebates provided under the Taxi Transport Subsidy Scheme.

Charging for road use

Any implementation of road use pricing must be accompanied by rationalisation of the current taxation of motorists.

As a separate issue, undertake a joint review with the Federal Government of taxation, expenditure and other policies that are detrimental to public transport compared with private transport.

Following consultation with the community and stakeholders, consider implementing electronic road pricing (ERP) within the next 5–10 years as a means of effectively signalling to the community the external costs of road use—congestion, pollution, road wear and tear and accidents.

In the intervening period, take steps to facilitate the introduction of ERP, such as introducing two-way tolling and harmonising tolls across existing and new tolled arterials.

Decision criteria for transport projects

Undertake strategic, multi-modal transport planning that is integrated with urban planning. The Department of Infrastructure, Planning and Natural Resources should lead this project, utilising the expertise available in other agencies, including the Roads and Traffic Authority, State Rail Authority and the Transport Data Centre.

The multi-modal transport plan should be the basis for generating a suitable menu of infrastructure projects deemed capable of meeting government's announced transport objectives for the Greater Sydney Area.

All transport infrastructure projects must be compared and evaluated using rigorous cost–benefit analysis which takes full account of economic, social and environmental costs and benefits.

1 *Introduction*

QUALITY PUBLIC TRANSPORT SERVICES that meet the needs of passengers and the community at reasonable cost provide a wide range of social, environmental and economic benefits. More than \$3 billion is spent on public transport in New South Wales each year, including about \$1.9 billion by the NSW Government.¹

It is important that this expenditure provides the services that are most needed in the most cost-effective ways so that the benefits for the whole community are maximised. It is also important that the public transport system and the funding arrangements that finance it are sustainable, to ensure the community continues to reap the benefits into the future.

Substantial increases in government expenditure on public transport are not necessarily required—or the best way—to improve public transport outcomes. These outcomes are a result of the efficiency of public transport service operators, proper prioritising of any increased expenditure, and travellers' responses to actual or perceived changes in the relative cost and quality of public transport services.

1.1 Terms of reference for this Inquiry

In May 2003 the Minister for Transport Services requested an Inquiry into public passenger transport, to help identify how best to fund and deliver more sustainable public transport services that better meet community needs in NSW. The terms of reference for the Inquiry were to review and report on:

- the likely future revenue needs of the CityRail and STA Bus and Ferry operations, with regard to efficient operating and capital costs for the networks

¹ The \$3 billion comprises expenditure by the SRA and the STA and by the Ministry of Transport on private bus services. Estimates are based on data provided by the authorities and the ministry.

- funding options to meet these revenue needs, as well as funding options for any future expansion of the public passenger transport system
- options for enhancing the optimum use of public passenger transport relative to other transport modes
- possible arrangements for incentive mechanisms which better link fares and service standards, including safety
- options for better targeting the funding and delivery of transport services to meet the needs of different groups in the metropolitan and non-metropolitan communities, including rural community and health transport needs.

These terms of reference focus primarily on the revenue needs of government operators of public transport services; options for meeting these needs and better targeting resources for transport services. They also require examination of whether the relative price signals of other transport modes encourages the optimum use of public transport services.

The Inquiry also considered (in general terms) potential funding options for any future expansions of public transport networks, and a framework for choosing which projects to implement. However, developing a plan or long-term vision for specific infrastructure requirements is outside the scope of the terms of reference.

1.1 Process of the Inquiry

The Minister for Transport Services requested the Inquiry in May 2003. Advertisements calling for submissions were published in metropolitan and regional newspapers in May 2003. Information about the Inquiry was also posted on the Ministry of Transport's website. Submissions were initially received from 289 individuals and organisations.

The Inquiry team met with a range of stakeholders, including transport operators, government agencies, community representatives and individuals.

An Interim Report was presented to the Minister in August 2003. It outlined a range of options and called for further public submissions. A further 884 submissions were received by October 10 and these are listed in Appendix B.² Final recommendations are presented in this report.

² October 10 was the closing date for the second round of submissions.

1.2 This report

The main message to emerge from the Inquiry is that we cannot continue with the current arrangements for providing and funding transport services—they are not delivering the most appropriate services to best meet the needs of the community. Nor are they providing good value for taxpayers' money. To turn this situation around, public transport operators (especially CityRail) must overhaul their management and workplace practices to deliver better, safer services, and reduce their operating costs to help fund the needs of the system. Passengers must pay a fairer share of the costs of the system, particularly to help fund improvements they will benefit from. Rural and regional communities need to explore new options for meeting their particular transport needs. And the Government must make changes to concessions for senior citizens, school students and other groups, to contain costs and better target this expenditure. It also needs to look ahead, and examine how specific road use pricing could be used to encourage more people to use public transport instead of private cars.

This Final Report discusses these findings in detail, and makes specific recommendations for achieving a more sustainable public transport system:³

- Chapter 2 outlines how recently announced initiatives can help address the challenges faced by public transport operators in the current operating environment. It recommends that strong incentives be created, to help ensure that operators implement these initiatives effectively to deliver better services more efficiently.
- Chapter 3 sets out the revenue needs of CityRail and STA, and estimates that \$400 million a year in additional funding will be needed to maintain services in a 'steady state' with some service enhancements.
- Chapter 4 recommends options for providing this additional funding, including increasing operational efficiency to reduce costs, increasing passenger fares, and capturing some of the value that other beneficiaries (apart from passengers) receive from efficient public transport services.
- Chapter 5 describes community concerns about proposed changes to CountryLink train services and recommends ways to further explore the potential to provide better long distance passenger services to rural and regional NSW using existing resources.

³ Readers should refer to the Interim Report for additional background information.

- Chapter 6 examines existing general subsidies for public transport services and the implications of these for establishing a fairer fare structure that also links increased fares to service improvements.
- Chapter 7 looks at targeted subsidies, and recommends changes to current concessions including those for school students and seniors. It also outlines ways of improving community transport services and providing additional funding for these.
- Chapter 8 outlines how effective road use pricing mechanisms could be established over time to provide appropriate relative price signals to road use compared with public transport use.
- Chapter 9 establishes a framework for making rational decisions about investing in public transport in the future.

2

Delivering better services

NEW SOUTH WALES HAS LIMITED RESOURCES available to invest in public transport services. The passenger fares charged for existing services do not recover the costs of providing them. And the Government's capacity to meet the funding shortfall—or provide additional funds to enable improved services—is limited, given the competing priorities for providing public services from its budget.

The two largest public transport operators within NSW—State Rail Authority (SRA) and STA—rely heavily on government funding to cover their costs. Since 1999-2000, the proportion of their costs met through government funds has increased, as their expenditure has risen faster than their revenues.⁴ However, it is not clear, partly because no reliable performance information is available, whether this higher expenditure has resulted in higher service quality, as could be expected from the level of additional investment.

This situation needs to change. Public transport operators cannot expect to receive additional government funding if they cannot show that they will provide better services as a result. If the Government invests additional taxpayer funds in public transport services, it should be confident that genuine community benefits that outweigh costs will be generated in return. Equally, if passengers are required to pay higher fares, they should receive noticeable service improvements.

Better public transport services depend on the operators' competence and their operating environment

This Inquiry believes that delivering better, more efficient public transport services in NSW depends largely on two factors: the public transport operators' own competence and the appropriateness of the operating environment they work within. The Interim Report discussed several important challenges related to these factors—including the lack of a strong safety and performance culture within CityRail, the operational complexity of the CityRail network, the lack of integrated, consistent and cost-effective bus services, and the need to achieve greater efficiencies in public ferry operations.

⁴ IPART, *Report on the Determination of NSW Public Transport Fares—Cityrail and State Transit Authority*, 2003, pp. 8, 15.

Over recent months, the Minister for Transport Services has announced a number of initiatives that are designed to deliver improvements in some of these areas. In addition, the Interim Report of a review of NSW bus services by the Hon. Barry Unsworth (released in November) proposed substantial changes to the operating environment of both public and private bus services.

Recent policy announcements provide a critical opportunity for public transport operators to demonstrate their effectiveness

This Inquiry welcomes these initiatives—they will go some way to addressing the challenges identified in its Interim Report. However, they must now be implemented effectively, so that the investment they represent delivers the intended improvements to service quality and operational efficiency.

Their implementation is also a critical test for public transport operators. They need to demonstrate their competence in managing their networks effectively. If they fail to deliver better services with the additional funding they receive, it will become increasingly difficult to attract community support for further investment in public transport. In addition, pressure is likely to increase to allow private companies to compete to operate existing transport networks, and other transport strategies—such as toll roads that improve the efficiency of car travel—will become relatively more attractive.

This Inquiry believes the Government should give public transport operators five years to demonstrate their competence against key performance indicators (KPIs). Unsatisfactory performance against these KPIs would provide a trigger for the Government to consider alternatives, such as the introduction of contestability for existing public sector operations.

Key initiatives announced by the Minister and the proposal to assess the performance of public transport operators are discussed in more detail below.

2.1 Recently announced initiatives

The Minister has recently announced a number of initiatives designed to enhance the operating environment for public transport operators, and enable them to deliver real improvements to services and efficiency. They include establishing the Independent Transport Safety and Reliability Regulator; increasing sectorisation of the CityRail network; and corporatising Sydney Ferries. These changes and the interim recommendations of the ‘Unsworth review’ of NSW bus services are outlined below.

2.1.1 Establishing the Independent Transport Safety and Reliability Regulator

A new regulator will monitor safety and performance and will benchmark operators

Investigations following rail incidents in recent years have highlighted the deterioration of the State Rail Authority's safety culture. The need to re-establish and strengthen this culture is widely acknowledged. The absence of effective performance monitoring regimes has also been criticised, particularly for State Transit Authority bus services.

The Minister announced that an Independent Transport Safety and Reliability Regulator will be established from 1 January 2004, as a statutory authority to investigate transport accidents, set safety standards, make recommendations on performance standards and conduct safety and performance audits.⁵

The new regulator replaces the Office of Coordinator General of Rail and functions performed by the Ministry of Transport to oversee safety and performance, and will have significantly increased resources. It will monitor performance and safety monitoring across all modes of public transport, and will benchmark both government and private operators against those in other states and countries.

The establishment of an independent and well-resourced regulator signals the priority that SRA needs to give to safety, and provides a framework for driving better performance in safety and other service areas. However, the regulator will need to make information available and transparent to customers, the community and the Government so that operators can be fairly assessed on whether they achieve the expected improvements.

This will require SRA to introduce robust data collection systems that produce reliable information. The Auditor General recently found that there were substantial shortcomings in the systems SRA has been using to compile information on its performance indicators and stated that:

We believe that these limitations are so severe that it would be misleading for us to continue publishing this information until the problems are resolved.⁶

In addition, it will be important that the regulator sets safety and performance standards that are measurable, appropriate, comprehensive and comparable with other regimes. Further, these standards should be underpinned by a good understanding of the needs and preferences of passengers. This will require research and consultation.

⁵ Minister for Transport Services Media Release, 28 October 2003, p. 1.

⁶ Auditor General's Report to Parliament 2003, vol. 5, p. 241.

KPIs will need to be chosen carefully. In rail, emphasis is currently placed on CityRail's measure of 'on time running'. Apart from concerns about data quality, this measure fails to capture the overall performance of the system and there is a risk that focusing on one measure can result in deteriorating performance in other areas. For example, continuous speed monitoring of train drivers has recently been introduced. This is an important measure that improves safety but is also thought to result in poorer performance against the on-time running standard. In addition, late or cancelled trains are likely to have less severe impacts on passengers served by frequent services than passengers relying on a low frequency service to meet a connecting service which limits the usefulness of a single 'on time running' indicator. The Minister has already asked the new regulator to assess the appropriateness of the existing 'on time running' standard.

A suite of indicators is required that measures the overall level of performance taking into account the variable impacts on passengers of delays, the quality of the service and the condition of the rail network.

The information the regulator provides on rail operators' performance against these indicators will also provide a better basis for determining whether they should receive additional funding. Real increases in passenger fares and government funding should be linked to demonstrated service quality improvements.

However, applying this principle can be problematic, particularly when those responsible for delivering improvements do not have adequate incentives. Denying operators increased funding when performance is poor could result in further deterioration of services. To effectively implement a link between increased funding and performance, it is important that complementary incentive mechanisms are established.

2.1.2 Increasing sectorisation of the CityRail network

The current design of the CityRail network makes it particularly complex to operate, and reduces the reliability of its services. For example, it consists of 14 highly integrated lines. This means that an incident on one line can have cascading impacts across the whole network, reducing the overall reliability of all services. The interaction of freight, country passenger, inter-city passenger, suburban and inner-city services adds further complexity. In addition, parts of the network are reaching their capacity limits, so there is limited potential to increase services to cater for growth in patronage.

To address these problems, the Minister has announced plans to establish 'rail clearways' or sectors, which are intended to improve reliability by gradually creating independent lines on the network. The plan is also

expected to result in simpler timetables, and create the potential to provide train services every 3 to 4 minutes in peak periods on some city routes, every 15 minutes or better on all lines, and more frequent fast services for many outer suburban lines.⁷

A plan to establish rail clearways is expected to result in reliability improvements and increased capacity for more frequent services

The plan comprises a large number of individual infrastructure projects across the CityRail network that will be implemented over a ten-year period. The completion of each project should deliver immediate local benefits. However, the overall network enhancements will be achieved by the cumulative impact and complementary nature of all the infrastructure changes. The resulting core system should then provide a sound basis for any future expansion of the network. It is currently proposed that the plan be implemented by 2012.

This Inquiry's Interim Report discussed the option to increase sectorisation of the CityRail network in some detail. There was some support for this option in submissions received. For example, the Chartered Institute of Logistics and Transport commented that:

The proposal to further sectionalize the CityRail network has merit. Rationalization of the network reduces the complexity of the operations and leads to improved reliability albeit at a higher cost in the short-run. In the longer-run, benefits are available in the form of increased patronage and a better utilization of resources.⁸

The Total Environment Centre noted that it:

... recognises the need to improve the efficiency and capacity of the current CityRail network by reducing the current complexity or 'tangling' of the system. In this respect we welcome the recent announcement of a 10 year plan to create five discrete lines and increase the sectorisation of the system. We believe, however, that in view of the urgent need to improve services that this program should be completed within a five year timeframe.⁹

The plan for increased sectorisation will have benefits if it is implemented successfully. However, it is important that these benefits are shown to outweigh the costs, including any potential impacts on some passengers (such as increased journey times or the need to change trains). While it appears that these impacts will be limited, more information is needed to promote community acceptance of the plan, and to clearly demonstrate that passengers and taxpayers will receive significant benefits from the money invested in implementing it.

⁷ Information provided by State Rail Authority (2003).

⁸ The Chartered Institute of Logistics & Transport submission, 2003, p. 2.

⁹ Total Environment Centre submission, 2003, p. 2.

It is also important that the projects be sequenced so that priority is given to those that will quickly deliver service improvements where they are most needed, and so that disruption to passengers is minimised. In addition, the priority given to sectorisation needs to be justified when compared with alternative transport projects that could be funded. For example, in his submission, Barry Garnham of Easthamsted Transport Pty Ltd argued that:

In order to pass the necessary cost/benefit analysis it seems that projects need to rely more on reducing journey time and increasing frequency rather than improving reliability.¹⁰

The planned rail clearways are expected to provide the infrastructure that will allow increased service frequencies and some faster services while improving reliability. It needs to be demonstrated that this is the best option to achieve these improvements and that these improvements are consistent with the preferences of passengers.

The Interim Report also emphasised that successful implementation of rail clearways or sectorisation must be accompanied by wider reforms to operations and work practices. The necessary changes are likely to include:

- changes to awards to allow reform of complex crew -rostering practices
- relocating maintenance facilities and their staff
- the introduction of a new timetable
- reversing decisions to operate some services that compromise the operation of the whole network (this will benefit the vast majority of customers).

These changes are likely to be the most difficult to deliver. Some will challenge traditional work practices and management styles. They require a customer focus and service culture at all levels of the organisation so that all employees are contributing to providing high quality services that meet the needs of passengers. The commitment and positive contribution of employees and their unions is needed to implement them effectively.

Other changes will require consultation with groups whose travel journeys may be affected by proposed changes. However, these changes must be implemented if they will improve the reliability and safety of the whole system and benefit the majority of passengers.

¹⁰ Easthamsted Transport Pty Ltd submission, 2003, p. 14.

2.1.3 Corporatising Sydney Ferries

Sydney's public ferry services, currently operated by the State Transit Authority (STA), are heavily subsidised by government funding, and are increasingly being used more by tourists than by commuters. STA has forecast that Sydney Ferries will face average losses of \$24 million each year from 2003-04 to 2010-11.

One option to address these issues outlined in the Interim Report was to separate ferry operations from STA and to establish a Sydney Ferries Corporation that would focus solely on ferries. In October 2003, the Minister announced the introduction of legislation to establish Sydney Ferries as a State-owned corporation independent of STA from 1 July 2004.

The new corporation will face significant challenges to manage the losses noted above. Decisions about the ferry fleet, service levels, and cost recovery for tourist and premium services will need to be made so it can deliver appropriate services cost effectively.

2.1.4 Achieving bus reform

The Interim Report of the 'Unsworth review' of bus services in NSW was published in November 2003. This report outlined preliminary recommendations to achieve more integrated, consistent and cost-effective bus services, including:

- phasing in competitive tendering for a smaller number of contract regions in Sydney, Newcastle, Wollongong and the Central Coast
- establishing new contracting arrangements that include new planning, performance and funding arrangements
- modifying existing funding models so that fares across private and STA operators are consistent and any subsidies paid to operators are transparent.

Reforms to bus services are expected to result in improved services and better value for money

Final recommendations will be presented to the Minister in February 2004. The implementation of these recommendations is likely to result in significant changes to the way bus services are delivered in NSW. These changes will provide a platform for developing more equitable services that better meet the needs of passengers. They should also result in improved efficiency across the industry and better value from taxpayer funding. In addition, new reporting and performance monitoring arrangements along with transparent government subsidies will improve accountability.

2.2 Five years for government operators to improve performance

To achieve maximum social, economic and environmental benefits from public transport services, these services must meet customers' needs and be delivered cost-effectively. These benefits are diminished if the services provided do not match customers' needs and preferences, and if operators do not deliver services efficiently. For example, if poor operating practice delivers unreliable services that result in reduced patronage, impacts could include:

- increased congestion on roads
- higher greenhouse emissions per public transport passenger
- increased costs to taxpayers because of reduced fare revenue.

Both STA and CityRail have forecast that the expenditure required to continue to operate their existing networks in a steady state over the next seven years will increase substantially (see Chapter 3). It is important that an effective incentive structure is in place to ensure that any additional money they receive—whether from passengers or taxpayers—to meet their higher expenditure needs is used effectively.

The Inquiry believes that one of the key incentives should be a requirement on operators to demonstrate that any additional funding is used appropriately and that funding for enhancements delivers real improvements. If they cannot do this, the ability of the current operators to meet these basic obligations has to be questioned and alternatives considered.

It is recommended that operators be given a five year period to demonstrate their effectiveness in providing the services passengers need at reasonable cost to both users and taxpayers. A set of clear, measurable KPIs should be established that are fair and relevant measures of the operators' performance.

If operators achieve results, it will provide a strong signal that any future additional investment is likely to deliver the anticipated benefits. Conversely, if they do not, there is too much risk in providing additional funds in projects that may not deliver the expected benefits.

Private sector involvement in operating public transport services should be explored if government operators don't perform

Public transport will always rely on government subsidies, and therefore should be managed to meet the Government's objectives. There is a long tradition of public sector operation of public transport services. There are also many recent examples of the failings of private sector involvement in delivering public transport services in Australia and overseas. However, if the private sector can contribute to increasing efficiency and improving services, its involvement should be carefully considered, particularly when public sector operators fail. **This is not a recommendation for privatisation but for involvement by the private sector in operating publicly owned transport infrastructure if government operators fail to deliver.** AusCID commented on this issue in its submission:

AusCID believes that competition is needed in the operation, as distinct from the ownership, of public transport services in New South Wales. While there have been difficulties with some aspects of the public transport franchise arrangements in Victoria there have also been substantial improvements to services in terms of on-time running and other key performance measures. Properly structured, operational competition has the potential to deliver significant economic and operational improvements to taxpayers and users.¹¹

AusCID makes the distinction between operating public transport services and owning the infrastructure. The ownership of heavy public transport infrastructure, such as railway tracks and roads or, indeed, train and bus rolling stock, is not necessarily important to an operator of services. This means there is potential to introduce alternative operators without transferring the ownership of the infrastructure.

If government operators fail to perform over a five year period, alternative strategies for the future should be considered including:

- the potential for using alternative public transport service operators, for example by introducing private sector contestability
- examining investment in alternative transport strategies—such as increasing the use of efficient road networks—until public transport operators can deliver the needed services efficiently and effectively.

Recommendations

As part of an improved incentive structure to achieve service improvements in public transport, public transport operators should be required to demonstrate their performance against a set of carefully chosen Key Performance Indicators. This requirement should be reflected in a

¹¹ Australian Council for Infrastructure Development Limited submission, 2003, p. 3.

transparent five year contract between the operators' CEO and Board and the Ministry of Transport.

Failure to perform satisfactorily against the KPIs should trigger a government review at the conclusion of the contract of alternatives such as:

- ***the introduction of private sector contestability for operating public transport networks.***
- ***examining investment in alternative transport strategies—such as increasing the use of efficient road networks—until public transport operators can deliver the needed services efficiently and effectively.***

3

Future expenditure required to maintain existing CityRail and STA services

THE EXPENDITURE REQUIRED to operate public transport services in NSW in a 'steady state' is expected to increase substantially over the next seven years. Based on estimates provided by SRA and STA, the Inquiry has found that the total costs to maintain existing CityRail, Sydney Buses, Newcastle Buses and Ferries, and Sydney Ferries services (and to allow for some growth in patronage due to population growth) will be nearly \$2.7 billion per year over the period 2003-04 to 2010-11.

An extra \$400 million a year will need to be found to maintain existing services over the next seven years

Assuming that passenger fares and government contributions do not increase in real terms, the total revenue for these public transport operators is expected to be nearly \$2.3 billion per year. This means there will be a gap of some \$400 million per year between the money that they spend and the money they receive (table 3.1). If CityRail and STA were to expand or improve their services significantly, the gap would be even greater.¹²

3.1 Total average annual expenditure needs of NSW government public transport operators, 2003-04 to 2010-11^a

Costs	\$m
▪ Operating	2 043
▪ Capital	620
Total	2 663
Revenue	
▪ Farebox and other revenue	884
▪ Government contributions	1 377
Total	2 261
Funding gap	402

^a All financials expressed in cash flows and in 2003 dollars.

Note: Discrepancies are due to rounding.

Source: Data provided by SRA and STA, 2003.

¹² This Inquiry has not considered in detail how much funding would be needed for major public transport network expansions, as this was outside its scope.

The forecasts shown in table 3.1 are different to those presented in the Interim Report (the forecast funding gap in the Interim Report was \$229 million)—they have been modified to reflect updated information provided by SRA and STA. Individual forecasts for CityRail, Sydney Buses, Newcastle Buses and Ferries and Sydney Ferries are discussed below. Options for closing the funding gap are discussed in Chapter 4.

3.1 CityRail's forecast expenditure needs

SRA estimates that CityRail will need to spend nearly \$2.1 billion per annum from 2003-04 to 2010-11 to maintain existing services, and make some service improvements. This estimate includes the additional investment needed to implement the rail clearways plan (see Chapter 2), which should result in improved service levels across the network. It represents an increase of 17 per cent (or around \$300 million per annum in real terms) over CityRail's 2001-02 expenditure. It is also higher than the estimate presented in the Interim Report, reflecting additional information provided by SRA on the costs of the rail clearways plan and revised estimates of government contributions.

CityRail's total revenues per annum are expected to be more than \$1.7 billion, including more than \$600 million from fares and other revenue, and \$1.1 billion from government contributions.¹³ This means there will be a funding gap of \$332 million per annum if there are no real fare increases or increases in government funding.

3.2 Forecast average annual expenditure for CityRail, 2003-04 to 2010-11^a

Costs	\$m
▪ Operating	1 527
▪ Capital	553
Total	2 080
Revenue	
▪ Farebox and other revenue	614
▪ Government contributions	1 134
Total	1 748
Funding gap	332

^a All financials expressed in cash flows and in 2003 dollars.

Note: Discrepancies are due to rounding.

Source: Data provided by SRA, 2003.

¹³ SRA did not provide forecasts of government contributions. This figure has been estimated, based on information it provided to the Independent Pricing and Regulatory Tribunal of NSW for the 2003 annual fare determination.

The cost estimates shown in table 3.2 includes additional capital costs of \$119 million per annum in real terms for implementing the infrastructure projects included in the rail clearways plan. SRA's preliminary estimate of the total costs of these projects is \$1.5 billion. It had previously planned most of these projects to alleviate increasing pressures on the system and to cater for growth in patronage, so the costs of some of them were included in the expenditure forecasts presented in the Interim Report. However, the rail clearways plan brings forward many projects previously scheduled for implementation after 2010-11. There are likely to be impacts on operating costs related to this plan, but SRA did not provide data to enable these costs to be estimated.

The Inquiry notes that the plan to establish rail clearways has not been subject to a detailed cost-benefit analysis, and that SRA's preliminary cost estimates have not been independently reviewed. As there is considerable uncertainty about whether these estimates represent efficient costs, it strongly recommends that the Government undertakes a rigorous cost-benefit analysis before it commits full government funding for these projects.

3.2 Sydney Buses' forecast expenditure needs

STA estimates that Sydney Buses requires about \$437 million per annum to maintain its network of services in a steady state, and cater for increased patronage due to population growth, over the period 2003-04 to 2010-11. This expenditure would allow some enhancements to services—for example, older buses would be replaced with new air-conditioned, low floor buses.

The forecast expenditure represents an increase of 18 per cent (or \$66 million per annum in real terms) over Sydney Buses' 2001-02 expenditure. Most of this increase is due to higher capital costs. STA claims that the rate of replacement of buses in recent years has been lower than what is required under a 'steady state' scenario, and higher capital expenditure is required to correct this.

STA estimates that Sydney Buses total revenues over the period will be \$410 million per annum. This means there will be a funding gap of \$27 million per annum.

The Interim Report of the Unsworth Review of bus services proposed a number of changes that, if implemented, will have significant impacts on Sydney Buses' costs and revenues.

3.3 Forecast average annual expenditure for Sydney Buses, 2003-04 to 2010-11^a

Costs	\$m
▪ Operating	378
▪ Capital	59
Total	437
Revenue	
▪ Farebox and other revenue	221
▪ Government contributions	189
Total	410
Funding gap	27

^a All financials expressed in cash flows and in 2003 dollars.

Note: Discrepancies are due to rounding.

Source: Data provided by STA, 2003.

Currently, the fares set by the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) for STA services are lower than those for privately operated bus services. STA also offers a wider range of concessions and operates non-commercial services on some routes, and receives Community Service Obligation payments that are intended to compensate for these additional costs.

The Unsworth review proposes the introduction of competitive tendering for bus service contracts and new funding arrangements for all bus operators in NSW. This includes applying the same fare scales for STA and metropolitan private bus services, and applying a transparent subsidy for agreed outcomes at efficient costs where other revenue is insufficient to enable service requirements to be met. The forecasts shown in table 3.3 do not incorporate the possible impact of these changes.

3.3 Newcastle Buses and Ferries' forecast expenditure needs

STA estimates that Newcastle Buses and Ferries requires close to \$50 million per annum to maintain existing services for the period 2003-04 to 2010-11. This represents an increase of 38 per cent (or \$14 million per annum in real terms) compared with 2001-02 expenditures.

Total revenues are estimated to be \$30 million per annum over this period, resulting in a funding gap of \$19 million per annum.

3.4 Forecast average annual expenditure for Newcastle Buses and Ferries, 2003-04 to 2010-11^a

Costs	\$m
▪ Operating	46
▪ Capital	3
Total	49
Revenue	
▪ Farebox and other revenue	8
▪ Government contributions	22
Total	30
Funding gap	19

^a All financials expressed in cash flows and in 2003 dollars.

Note: Discrepancies are due to rounding.

Source: Data provided by STA, 2003.

3.4 Sydney Ferries' forecast expenditure needs

STA forecasts that Sydney Ferries requires \$97 million per annum from 2003-04 to 2010-11 to maintain its existing services. This is a decrease of four per cent, or \$4 million per annum in real terms, compared with 2001-02.

3.5 Forecast average annual expenditure for Sydney Ferries, 2003-04 to 2010-11^a

Costs	\$m
▪ Operating	92
▪ Capital	5
Total	97
Revenue	
▪ Farebox and other revenue	41
▪ Government contributions	32
Total	73
Funding gap	24

^a All financials expressed in cash flows and in 2003 dollars.

Note: Discrepancies may occur due to rounding.

Source: Data provided by STA, 2003.

The total costs shown in table 3.5 include \$5 million per annum for capital expenditure. This relatively low level of capital expenditure follows a large capital program totalling \$65 million over the previous three years. Expected increases in operating costs of 23 per cent on 2001-02 levels will be offset by this lower level of capital expenditure resulting in an overall decrease in costs.

Recommendation

The plan to establish five rail clearways within the CityRail network is supported subject to a rigorous cost-benefit analysis.

4

Funding options

AS DISCUSSED IN CHAPTER 3 public transport operators estimate that there will be a gap of around \$400 million per annum between the money they need to spend to maintain existing CityRail and STA services in a steady state (with enhancements such as rail clearways), and the money they expect to receive from passenger fares and government funding. This gap will be even larger if services are to be expanded. Where should the funds required to close this gap be found?

Simply increasing the level of funding provided by the Government is not sustainable—and, in some cases, not justified (see Chapter 6). Public transport operators already rely heavily on public subsidies. In addition, this reliance has increased in recent years, without significant corresponding enhancements to services or communitywide benefits. Therefore, other sources of funds also need to be considered.

There are five main options for closing the funding gap

This Inquiry has identified five main sources of funds for closing the public transport funding gap:

- **Efficiency gains**, where public transport operators make better use of existing public funds they receive
- **Fare increases**, where public transport users pay more of the total cost of providing the service through higher fares
- **Beneficiaries pay levies**, where groups of people or firms who benefit from the existence of a public transport network pay some of the costs of providing the network (whether they use it or not)
- **Private funding**, which involves direct private investment in transport infrastructure or the retail space surrounding transport hubs, and private tendering for contracts to operate public transport services
- **Additional levies raised via means not specific to public transport**—for example, a public debt issue, charges such as a CBD employee tax, transport levy, or additional road user charges.

Which of these different funding sources is most appropriate depends on a range of factors—including what is being funded (the existing network including any service improvements, or network expansions); who benefits

from those investments; and whether, in the case of private funding, it will deliver higher quality, cost-effective services to the community. In addition, the funding sources are not mutually exclusive, and funds should continue to come from a range of sources, particularly where future network extensions are required.

This Inquiry expects that a combination of some or all of these funding sources will need to be drawn upon to continue operating existing services, and to fund any network improvements and extensions. The potential to use each of these sources is discussed below, including very approximate indications of the amount of funds some of these sources may be expected to generate. A summary of these amounts is provided in table 4.1.

4.1 Possible funding sources

<i>Option</i>	<i>Possible funds generated</i>
	\$ million/per annum
<i>CityRail</i>	
Passenger fare increases	
▪ Real fare increases of 2 per cent for five years, or	78 ^a
▪ Real fare increases of 4 per cent for five years	135 ^a
Transport improvement rate levied on council rates	54
Vehicle registration levy	23
One-off developer charges for Sydney fringe developments	1 700 ^b
<i>Sydney Buses</i>	
▪ Real fare increases of 2 per cent for five years or	31 ^a
▪ Real fare increases of 4 per cent for five years	55 ^a
<i>Sydney Ferries</i>	
▪ Real fare increases of 2 per cent for five years or	4 ^a
▪ Real fare increases of 4 per cent for five years	9 ^a
<i>Newcastle Buses and Ferries funding gap</i>	
▪ Real fare increases of 2 per cent for five years or	1 ^a
▪ Real fare increases of 4 per cent for five years	1 ^a

^a Estimate of additional revenue generated in fifth year assuming growth in patronage in line with forecasts provided by STA and SRA.

^b Not an annual figure.

4.1 Efficiency gains

There is considerable scope for operators to reduce the funding gap by improving efficiency

Information provided to this Inquiry indicates that there is considerable potential for public transport operators to reduce their overall costs by improving the efficiency of their operations—essentially delivering more value from the public funds they already receive. Achieving these efficiency gains is an important means by which the forecast funding gap can be reduced. It also provides an opportunity for public transport operators to demonstrate they are able to deliver cost-effective services.

This Inquiry believes that these operators should be required to pursue these gains and to demonstrate their success as part of the five year performance assessment recommended in Chapter 2.

The Inquiry believes this would reduce the \$400 million funding gap substantially. The potential for efficiency gains by each of these businesses is discussed below.

4.1.1 Potential for efficiency gains by CityRail

The Interim Report outlined a number of ways that City Rail might achieve efficiency gains. These include centralising its signalling operations, merging the head office operations of Rail Infrastructure Corporation (RIC) and SRA, and improving the purchasing process for new rolling stock. CityRail already plans to implement some of these measures. For example, signalling operations will be centralised gradually as ageing assets are replaced. The Minister has also announced 'A Steady Fleet Purchasing Plan' which will standardise the purchase of rollingstock and provide a long-term regular supply of new trains. This approach is expected to result in cost savings and to minimise the disruption caused by the introduction of new rolling stock.

These changes and the implementation of the rail clearways plan need to be supplemented by changes to work practices to ensure they are effective and efficient. This may include changes to driver schedules and changes to the location and practices of rail maintenance staff which will also result in efficiency savings.

4.1.2 Potential for efficiency gains by Sydney Buses

Sydney Buses costs are much higher than those of private operators. (See table 4.2, which compares the costs of a sample of private bus operators in Sydney, Newcastle and Wollongong with those of Sydney Buses.) STA argues that some of these higher costs are due to the different operating environments of Sydney Buses and private operators, and the higher standards of service Sydney Buses provides to its passengers:

The significant challenges and additional costs faced by Sydney Buses as a result of operating in a major urban centre ... [include] road conditions, traffic congestion, geography and terrain. All of these factors reduce operating speed and increase costs.¹⁴

¹⁴ State Transit Authority submission, 2003, p. 14.

4.2 Comparison of private bus operators' and Sydney Buses' costs, 2001-02

	Sydney Buses	Private operator	Difference
Bus hourly cost element	\$/hr	\$/hr	%
Wages	30.77	21.65	42.1
Wages on-costs	6.38	3.44	85.5
Bus hourly cost	37.16	25.09	48.1
Bus kilometre cost element	\$/km	\$/km	%
Wages and on-costs	0.29	0.13	123.1
Other bus kilometre costs	0.65	0.49	32.7
Bus kilometre cost	0.94	0.62	51.6
Bus overhead cost element	\$/hr	\$/hr	%
Salaries and on-costs	9.47	4.54	108.6
Other overhead costs	10.30	7.24	42.3
Bus overhead cost	19.76	11.78	67.7
Capital costs	\$/bus	\$/bus	%
Bus	13396	11261	20.0
Non-bus	3800	2716	39.9
Total capital cost	17196	13977	23.0

Source: Sydney Buses data provided by STA, private operator's data from Phase 1 Financial Viability Study of Private Commercial Contract Holders in Sydney, Newcastle and Wollongong by INDEC consulting 2003. Published with permission from the Ministry of Transport.

The private bus operator's costs are based on the average costs of 18 operators, eight of whom operate outside the Sydney metropolitan area. Indec Consulting collected the data and have advised that further data analysis for phase 2 of a financial viability study indicates that private operator's costs are generally higher in the Sydney metropolitan area than outside of it. In particular, private operator's total 2001-02 capital cost in the Greater Sydney Area was \$21 167 per bus which was 18.7 per cent higher than Sydney Buses' costs. Private operators' total 2001-02 overhead costs in the Sydney metropolitan area were \$12.93 per bus hour which were 52.9 per cent lower than Sydney Buses' costs.

An important component of Sydney Buses higher costs are the significantly higher rates of overtime and allowances it pays its staff. These rates are determined by award conditions. However, STA has some power to control some of these costs through better management of the number of hours of overtime worked.

Taking all these factors into account, it remains difficult to explain the magnitude of the differences in costs between Sydney Buses and private operators. Finding ways to reduce these differences through improving efficiency will help reduce Sydney Buses \$27 million funding gap.

4.1.3 Potential for efficiency gains by Sydney Ferries

As discussed in Chapter 2, Sydney Ferries is planned to be corporatised from 1 July 2004, separating its operations from STA's. A major task of the new corporation will be to establish a more sustainable balance between its costs and revenues. This is likely to include re-examining the needs of the ferry fleet, reviewing the appropriateness of its services, and examining the level of cost recovery for tourist and premium services.

In its 2003 fare determination, IPART estimated that Sydney Ferries could save \$3.5 million by improving efficiency through a range of measures identified in a 2003 efficiency study conducted by Sinclair Knight Merz.¹⁵ It could achieve an additional saving of \$6.7 million by removing the government subsidy on Manly JetCat services.¹⁶ This Inquiry believes the government subsidy for this service is not justified, since alternative ferry and bus services with adequate capacity for additional passengers are available, and JetCats do not provide all the external community benefits of other public transport services, such as reduced greenhouse emissions.¹⁷ Such a service should only be retained if it can achieve full cost recovery.

Sydney Ferries cashiers currently receive nearly \$60 000 per year whereas supermarket assistants are paid \$26 000

There may be further potential to save costs by better managing staff hours and conditions. For example, Sydney Ferries' cashiers are paid a base rate of \$35 567 per annum, but receive an aggregate wage of \$59 530 per annum. The aggregate wage prepays cashiers for 9.5 hours overtime per week, though only about half these hours are rostered. The overtime is paid even when cashiers are on leave. This compares to base wages for similarly skilled tasks of between \$26 000 and \$27 000 for supermarket assistants or movie ticket cashiers. Pursuing these opportunities for improving efficiency will reduce Sydney Ferries' average annual funding gap of \$24 million.

4.1.4 Potential for efficiency gains by Newcastle Buses and Ferries

Newcastle Buses and Ferries services are experiencing declining levels of patronage and cost recovery. STA is unable to identify any potential to reduce the costs of these services without reducing the number and range of services it provides.

¹⁵ IPART 2003, *Report on the Determination of NSW Public Transport Fares from 31 August 2003*, p. 27.

¹⁶ STA submission, 2003, p. 16.

¹⁷ The Inquiry calculated that Sydney Ferries emits about 280g CO₂ equivalents per passenger kilometre. This compares to an average 220g CO₂ equivalents per passenger kilometre for an urban car with 1.5 passengers (estimated by the Bureau of Transport and Regional Economics in report 107 (2002), p. 27).

In its Interim Report, the Unsworth review proposed that two bus contract regions be established in Newcastle, and be subject to competitive tendering. It also proposes that existing Minimum Service Level requirements for NSW bus services be replaced with more flexible mechanisms for planning integrated transport services that better meet customers' and the community's needs. Ideally, this will result in more appropriate services and better patronage with a corresponding improvement in Newcastle Buses and Ferries funding position.

No attempt has been made to estimate the impact of these reforms on revenue needs.

4.2 Fare increases

Fares must rise to avoid unsustainable subsidies

This Inquiry believes that fare rises are necessary to avoid unsustainable and unjustifiable increases in the level of taxpayer funding for public transport. While it recognises that there is a risk that higher fares will reduce patronage of services, this risk can be managed by using fare increases to fund service improvements, and making this transparent to the community.

Fares play two roles in funding public transport services—they are both a means of recovering the costs of providing the services, and a means of encouraging people to use the services. Some submissions to this Inquiry pointed out that raising fares could result in lower use of public transport. However, fares are not the only factor that affects the use of public transport. Indeed, past experience shows low fares alone do not cause people to switch from private to public transport modes. Other important factors include whether or not road user charges are in place, and the levels of service provided by public transport operators. For example, the NRMA points out that at current fare levels, standards of service are twice as important as fares in affecting the level of demand for public transport in NSW.¹⁸

In addition, the impact of fare rises on usage levels can be minimised by taking equity considerations into account when setting fares and by providing subsidised travel for selected groups and non-commercial services to areas without viable public transport alternatives.

¹⁸ According to the NRMA's submission (prior to Interim Report), the service level elasticity of demand is around 0.7 compared to about -0.3 for the fares elasticity.

Higher fares can be justified for funding service upgrades

This Inquiry believes that using fare increases to fund improvements in service levels that directly benefit users—such as upgrading public transport networks to improve the timeliness, frequency and comfort of journeys are appropriate and warranted. Such improvements could be expected to increase the level of usage of public transport, thus increasing cost-effectiveness of the services and the external benefits that accrue to the community as a whole. It would also broaden the scope to increase revenue from non-passenger direct users—such as commercial revenues from advertising and other sources—which can also be directed to fund further service improvements.

Some evidence suggests that passengers are willing to pay for higher service standards. For example, in its submission, SRA pointed out that customers have increasing service expectations, and that ‘cost cutting in areas of customer service ... or not upgrading trains is not supported by customers’.¹⁹ The Rail Tram and Bus Union (RTBU) argued that passengers are willing to pay when charges, taxes and price increases are linked directly back to investment in the system.²⁰

To achieve this transparent link between higher fares and service improvements, this Inquiry recommends that a CPI plus ‘x’ approach be used to set the new fares. As part of this approach, the revenue raised through the additional charge needs to be set aside to fund specific improvements of direct benefit to users of particular parts of the network. For instance, the additional component of higher CityRail fares could be used to fund infrastructure strategies, such as the planned sectorisation of the network to enable it to better meet the needs of passengers using that network. To enable fares to be set under this approach, it is necessary to collect accurate transport performance data on service quality.

In addition, to promote acceptance of fare rises by customers, it will be important to deliver service improvements in conjunction with fare increases. One option for this, outlined in the Interim Report, is to have IPART set real fare increases for all transport services over a longer term price path. For fare increases greater than the rate of inflation, service improvements would need to be delivered.

Improvements should align with fare rises

CityRail should also introduce measures to help achieve public ‘buy in’ for any increases in fares that are used to fund specific programs to upgrade the existing system. For example, it should inform the community of the key initiatives, their predicted effects on service quality, the cost and

¹⁹ SRA (State Rail Authority of NSW), *Submission to the Independent Pricing and Regulatory Tribunal: CityRail Fare Review 2003*, p. 6.

²⁰ RTBU submission, 2003, p. 9.

impact on fares and the reasons for the chosen sequencing of upgrades. (A similar approach was used in the 1980s, when the 3x3x3 fuel levy was introduced to fund well-publicised improvements to the highways.)

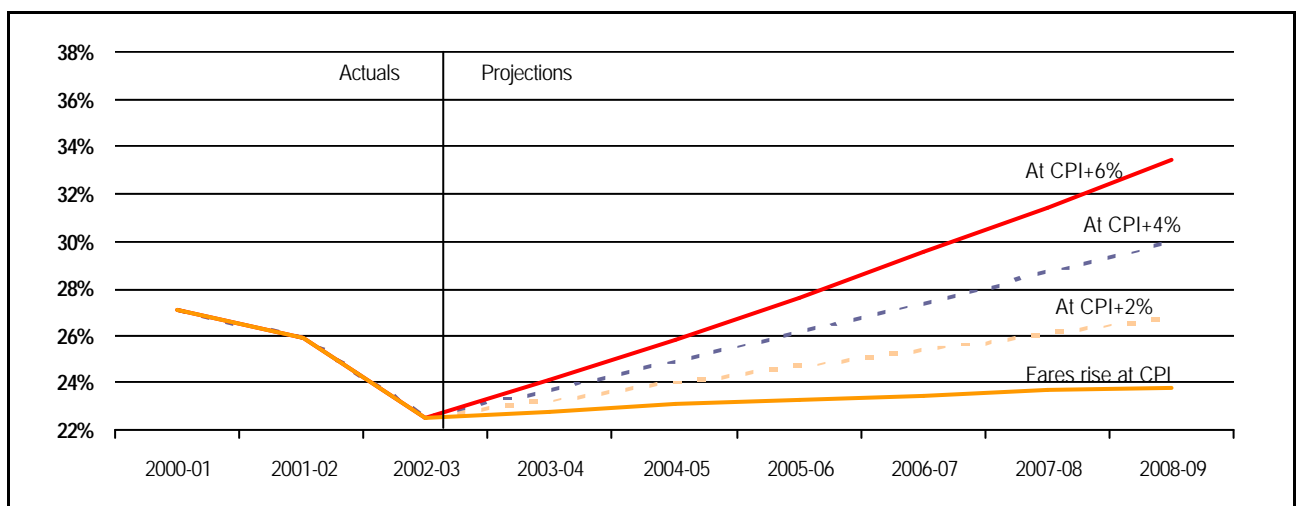
To understand how this approach might help to close the funding gap for CityRail, Sydney Buses, Sydney Ferries and Newcastle Buses and Ferries, the Inquiry has projected the possible effect of a range of fare scenarios on cost recovery over a five year price path. These projections are indicative only, as a number of assumptions have been made that smooth out the forecast costs over the period.

4.2.1 Five year fare scenarios for CityRail

The projections for CityRail show that if its fares rise in line with the CPI, the level of cost recovery from fares will gradually climb from 22.5 per cent in 2002-03 to 23.8 per cent in 2008-09 (chart 4.3). This is because expected increases in patronage will result in higher revenue that will offset the expected slight increases in overall costs. If fares rise by the CPI plus 2 per cent each year, cost recovery would reach a level similar to the 2000-01 level by the fifth year, reducing its funding gap of \$332 million per annum by \$78 million in real terms. To achieve a cost recovery level of 30 per cent, fares would need to rise by the CPI plus 4 per cent each year. This scenario would reduce the funding gap by \$135 million in the fifth year.

The costs of establishing rail clearways are estimated to add an average of \$120 million per annum to costs or \$600 million over five years. Real fare increases of 4 per cent would result in passengers contributing nearly \$400 million over five years or two thirds of the costs of these service improvements. The balance could be funded by efficiency gains and taxpayer contributions.

4.3 Cost recovery projections for CityRail based on possible five year price path scenarios



Data source: Calculations by IPART using data provided by SRA, 2003.

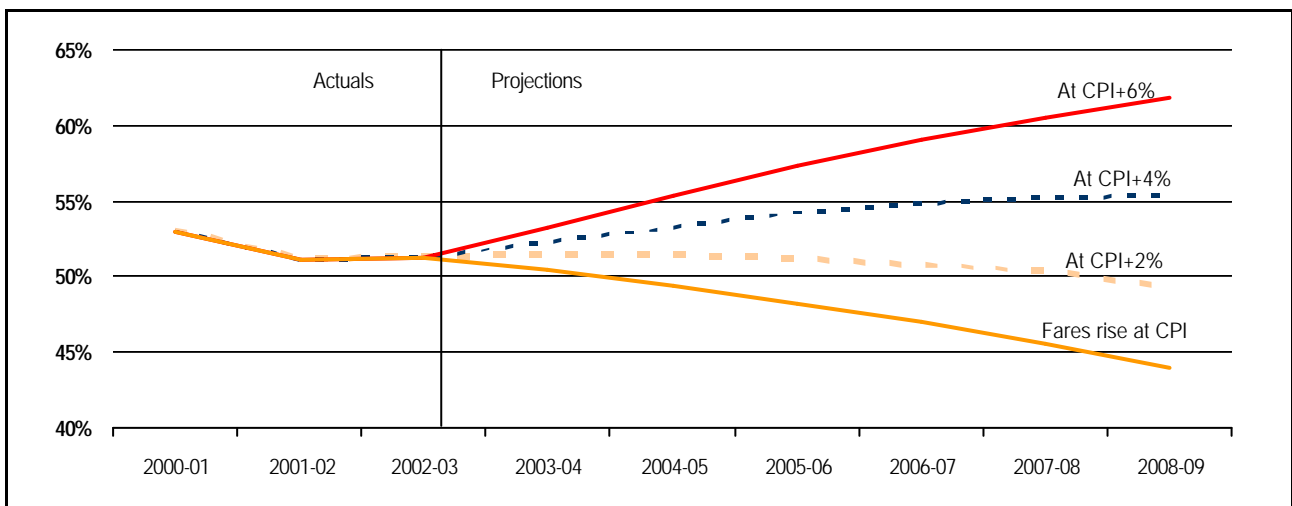
4.2.2 Five year fare scenarios for Sydney Buses

The projections for Sydney Buses show that by limiting fare increases to the rate of the CPI, cost recovery levels will fall significantly (chart 4.4). This is because STA has forecast much higher average costs than were incurred in 2002-03 and expected increases in patronage are insufficient to cover the increased costs.

The projections also suggest that even fare increases of CPI plus 2 per cent per annum will be insufficient to maintain existing levels of cost recovery.²¹ However, the downward trend in cost recovery shown on chart 4.4 is exaggerated because of anomalies in Sydney Buses' expenditure and revenue trends in recent years, particularly underinvestment in bus replacement. Sydney Buses' capital expenditure has been constrained to some degree by the impacts of STA's other operations, including Sydney Ferries and Newcastle Buses and Ferries. The large operating losses of these businesses have limited the funding available to service Sydney Buses normal capital program. This means that recent levels of cost recovery appear higher than they normally would.

If these anomalies are accounted for, real fare increases of 2 per cent per annum for five years should substantially reduce the funding gap by the fifth year. Sydney Buses should also benefit from the corporatisation of Sydney Ferries, as the operating losses of this business will no longer constrain its operations.

4.4 Cost recovery projections for Sydney Buses based on possible five year price path scenarios



Data source: Calculations by IPART using data provided by STA, 2003.

²¹ Although the trend line for this scenario shows a gradual decrease in cost recovery over the five years, it is much more likely that cost recovery will drop sharply initially. This is because Sydney Buses plans a large increase in capital expenditure, which is needed to maintain the target average age of its bus fleet.

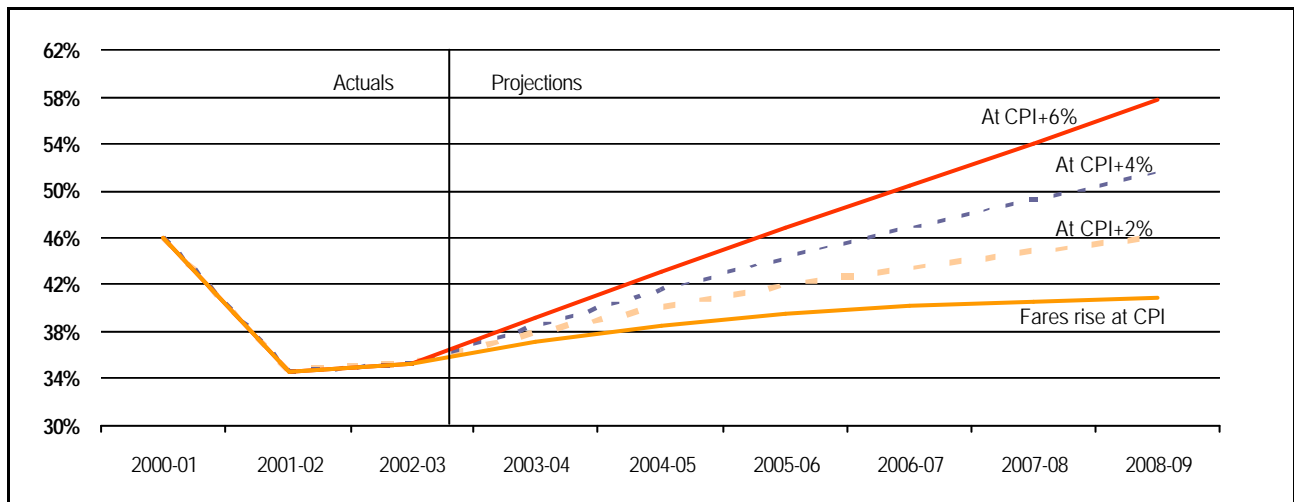
The Interim Report of the Unsworth review proposed that Sydney Buses' fares be aligned with those of private operators over time. If this proposal was implemented, and if efficiency savings are also realised, the \$41 million community service obligation (CSO) payment that STA forecasts will be paid by the government to compensate it for charging lower fares than private operators should also be eliminated.

4.2.3 Five year fare scenarios for Sydney Ferries

The projections for Sydney Ferries indicate that if fares increase in line with the CPI each year, cost recovery will improve slightly over the five years. This is because STA has forecast that costs will decrease and modest increases in patronage will contribute additional revenue.

If fares increase by the CPI plus 2 percent, Sydney Ferries could achieve cost recovery levels similar to its 2000-01 level by the end of the five year price path. This would reduce its \$24 million per annum funding gap by around \$4 million. If fares increase by the CPI plus 4 per cent, it could reduce this gap by around \$9 million. If it can also achieve efficiency savings, it would come close to eliminating its funding gap in the fifth year.

4.5 Cost recovery projections for Sydney Ferries based on possible five year price path scenarios



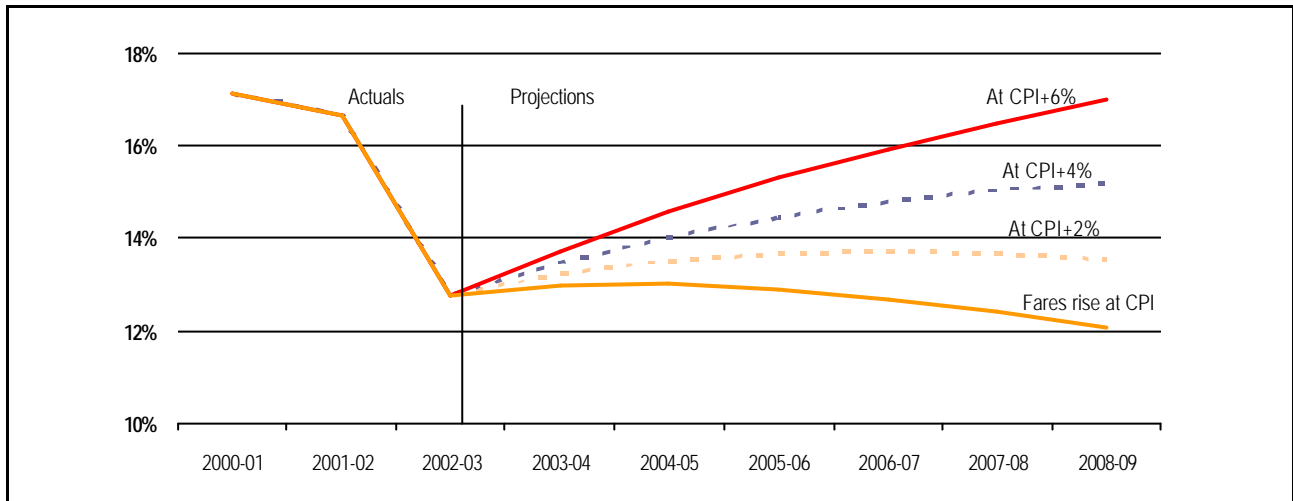
Data source: Calculations by IPART using data provided by STA, 2003.

4.2.4 Five year fare scenarios for Newcastle Buses and Ferries

Since 2000-01, Newcastle Buses and Ferries' patronage has declined while its costs have increased, resulting in declining levels of cost recovery. Patronage is not expected to increase without radical changes to services. The projections suggest that real fare increases of 2 per cent per annum

should prevent further deterioration in cost recovery. However, implementation of the recommendations from the Unsworth review of bus services in NSW is likely to be a more effective means of improving Newcastle Buses and Ferries funding position.

4.6 Cost recovery projections for Newcastle Buses and Ferries based on possible five year price path scenarios



Data source: Calculations by IPART using data provided by STA, 2003.

4.3 Beneficiaries pay levies

In some cases, it may be appropriate to raise funds for public transport services from non-user beneficiaries of these services, particularly to fund network improvements and extensions that they benefit from. This could be achieved through targeted levies, with revenue directly or indirectly (such as via local government)²² obtained by the state government and dedicated to public transport funding.

Possible beneficiaries pay levies include:

- development charges, where development levies and taxes are linked to the sale and leasing of development opportunities within, around, and above current and new transport infrastructure
- property-based value capture, where the impact of public transport on increases in land value are captured by government, possibly via stamp duty, land tax, and levies

²² For levies to be dedicated to public transport funding, the administrative issue of transferring funds to the state government would need to be addressed.

- levies on promoters of special events, who benefit from higher ticket sales when customers have cost-effective, convenient access to these events via public transport.

Although there is scope for special events levies and (some) development charges to fund the existing network, the funds raised from these sources are not likely to be sufficient to defer or delay other funding changes. This Inquiry believes well-structured property-based value capture approaches offer more opportunities to fund long-term investments and extensions to the transport network. Development charges and property-based value capture are discussed in more detail below.

4.3.1 Development charges

Several models are already used in NSW and other states and countries to seek contributions from developers through the planning process, as a condition of development consent (see box 4.7). Discussions with staff of the Department of Infrastructure, Planning and Natural Resources (DIPNR) suggest that developer contributions of \$15 000 per lot on new future development around Sydney's fringes could raise \$1.7 billion in funding for public transport over 20 years.

Submissions to this Inquiry indicate that support for the use of development charges as a source of funds for public transport is mixed. Some stakeholders, such as from the EPA, the Total Environment Centre, and the RTBU were in favour of this approach as a means of generating funds for public transport in new urban growth areas.

Others, such as from the Planning Institute of Australia argued that it creates disincentives for investment in property development,²³ and inequities between new and existing investments and investors. The Property Council of Australia was also critical, referring to modelling by the Allen Consulting Group,²⁴ which found that development levies provided the lowest net gain to the State compared with other revenue raising instruments such as government debt, special purpose vehicles, State taxes, household rates, and user charges²⁵.

²³ Property Council of Australia's submission (prior to Interim Report) said the North Sydney rail station development levy adds 6 per cent to construction costs in North Sydney.

²⁴ The Allen Consulting Group, *Funding urban public infrastructure: Approaches compared*, Report for the Property Council of Australia, August 2003.

²⁵ However, modelling of development levies did not account for possible welfare improvements in other States due to capital inflow from NSW, and is

4.7 Existing models for development charges

Existing models for development charges include the following:

- in NSW, developers make Section 94 payments to local councils to pay for the facilities and services that their developments generate a demand for
- in Queensland, charges are payable under an infrastructure charges plan where infrastructure is separated into trunk items (charged for through the plan) and non-trunk items (provided by the developer)
- in Victoria, proposed changes to the development contributions system would see infrastructure costs apportioned according to projected share of beneficial usage, and the collection of an infrastructure charge to cover capital costs
- in the United Kingdom, developer payments are levied for improvements to local roads and accessibility, and it is common for developers to operate local bus services early in the development when a commercial service would be unprofitable.

Levies now used or being considered to raise money for public transport include:

- an existing interim development contribution of \$15 000 per lot on four new land releases in south-western Sydney
- existing development contributions for the North Sydney rail station, levied at \$88 per square metre on added floor space for all new development in North Sydney
- the existing density bonus scheme in the US, where voluntary contributions to public transport are made in exchange for increased density or floor space ratio
- development rights (such as floor space bonuses) for the payment of a public transport levy (being considered for the Green Square Town Centre development). A related approach is to sell development density rights to developers for use within value capture districts, with the funds raised dedicated to public transport investment.

Development levies should contribute to funding network extensions

The Inquiry acknowledges that all levies and taxes impose incentives and disincentives on behaviour and raise equity issues for different groups. Development charges are no exception. However, it believes that some kind of development charges are likely to be a necessary component of funding for longer term investments in public transport services and network augmentations where it is possible to identify that a particular development could or should generate demand for improved public transport.

The existing development levies may not provide sufficient funds up-front to fund network improvements or extensions;²⁶ however, this may be possible if future levy revenues could be securitised. This would involve issuing revenue bonds to provide up front funds through bond purchases, with dividends paid from confirmed forthcoming levy revenues.

based on assumptions that overstate the advantages of public debt and the disadvantages of producer levies.

²⁶ For instance, the Property Council of Australia submitted that the North Sydney rail station levy would not accumulate sufficient funds for the station redevelopment for 75 years.

Services for new developments could be funded through levies

The RTBU submitted that developer contributions could and should also be set to fund high-quality services such as sprinter buses into new developments, to provide a transition service that links these areas with the rest of the transport network until they are sufficiently developed for longer-term transport solutions.²⁷

4.3.2 Property based value capture

Improved accessibility to public transport frequently increases the value of land along transport corridors, often as a result of a change in permissible land use. The private benefits of access to new public transport can be significant. For example, extensions to the Jubilee Line of the London Underground, which cost the public A\$10 billion, generated over A\$30 billion for the private sector.²⁸ These private benefits are on top of the community wide benefits associated with public transport investments. Charges that aim to capture some of those private benefits can be used to fund public transport.

The Inquiry received several submissions that supported this type of charge,²⁹ and suggested the following approaches:

- amending Section 94 Contributions Plans to reflect existing and new local and regional contributions
- enacting separate value capture legislation
- developing a 'betterment tax' to capture part of improved private land values arising from land use changes and transport investment.

Property-based value capture models typically involve a one-off charge that is paid when land is sold within the vicinity of newly constructed (or to be constructed) public transport infrastructure. For instance, in the late 1980s, a one-off impact fee was applied to office development along a corridor in the city of San Francisco serviced by the Municipal Railway LRT Line to increase the transit system.³⁰ The sporadic nature of such charges makes them suitable for funding extensions to the existing transport network, to allow new transport corridors to be connected to the

²⁷ RTBU submission, 2003, p. 6.

²⁸ Hazel and McGregor, *Using Land Value Gains to Finance Transport Infrastructure: Cast Study—The E-Rail Consortium and the Plan to Re-Open the Edinburgh South Suburban Railway*, 2002.

²⁹ Such as from the Western Sydney Community Forum, Planning Institute of Australia (NSW Division) Rail, Tram & Bus Union (NSW Branch).

³⁰ Berry and Sims, *North American Examples of Innovative Funding for Public Transport*, 1999.

established network. This would include new rail extensions and transit ways, but could also include new rolling stock purchases, stations upgrades or new signalling systems.

Property-based value capture charges are likely to be most suitable for funding improvements to public transport accessibility in areas that are undeveloped or underdeveloped in a strong property market. For example, this kind of charge may be appropriate for funding a possible future rail link between Glenfield and Bringelly.

4.4 Private funding

The Inquiry identified three main options for using private investment to help fund public transport in NSW—these include public private partnerships to build and/or operate new transport infrastructure; private tendering for contracts to operate parts of the existing public transport infrastructure; and the commercialisation of development opportunities in and around public transport hubs. The potential for the first two options will increase if public operators cannot demonstrate that they can deliver quality, cost-effective services. The extent to which they can provide a significant alternative funding source depends on the extent to which operational responsibilities can be transferred to the private sector.

4.4.1 Public private partnerships

Private funding can be used to help provide new public transport services through joint ventures between the public and private sectors—known as public private partnerships (PPPs). This might involve public provision of land for development and access to air space, with private investment to fund transport infrastructure and residential and commercial development. In principle, the benefits of a PPP structure include improved efficiency and commercial focus in the delivery of infrastructure as well as sharing investment risks. The Australian Council for Infrastructure Development (AusCID) submitted that:

There are many benefits the private sector can bring in this area, including access to broader funding and benefits in the areas of risk allocation, earlier project delivery, enhanced efficiency, better customer focus, access to latest technology, and economically sound decision making.³¹

³¹ AusCID, *Private Financing of Infrastructure and Certain Government Services in NSW*, Australian Council for Infrastructure Development, February 2000, p. 10.

However, these benefits can be difficult to realise. To be successful, the risk must be allocated between the partners so that the private investor bears an appropriate share. This has proved difficult in rail projects.³² In addition, if user charges are to form part of the private investor's commercial revenue stream, the expected patronage of the new infrastructure must be viable.

Sustainable private revenues are hard to secure with regulated fares

Even if patronage is high, it can be difficult to achieve sustainable revenue streams from fares that recover both infrastructure and operating costs. In a regulated fare environment, ticket prices are set in the context of broader community and public transport policy objectives, not simply to recover costs. If fares were set to allow full cost recovery, the price may be prohibitively high, especially if no other measures were taken to change the perceived cost of alternative transport, particularly cars.³³

Payment for access fees rather than reliance on fares is attractive

PPP structures that do not rely on ticket revenue as the sole income source can be more attractive, for administrative reasons as well as risk management. With these structures, the NSW Government would pay an ongoing fee to the private partner for access to the new infrastructure, removing the need for up-front funding and spreading the cost over the life of the project. This would put any new extensions on the same footing as services on the existing network, and may help risk management issues by effectively creating a joint venture. It may also overcome the resistance to higher fare surcharges from existing and potential users of the extension. The government could recoup some of the fees paid to the private partner through the usual regulated fare determination process. This approach is similar in principle to one used by Sydney Water for its three privately funded and operated water treatment plants.

Several submissions suggested a related approach known as 'shadow tolling'. With this approach, the private sector might provide a small proportion of infrastructure funding—to 'top-up' public funds—in return for an agreed proportion of the fares. This proportion can be based on agreed fixed returns on patronage, or fixed percentages of the average ticket price for using the new infrastructure.

Overall, this Inquiry has concluded that the use of PPPs needs to be evaluated on a case-by-case basis, to determine if the in-principle benefits can be realised. If this approach is used, the Inquiry believes that, as is recommended for public operators, private operators should be given a

³² Evidenced by the problems surrounding the Brisbane and Sydney airport links and the decision not to proceed with the Bondi Junction rail extension.

³³ The UK Department of Transport is using a PPP to provide infrastructure and rollingstock for the London Underground, however, cost recovery for operational costs already exceeds 90 per cent (AusCID submission p. 12).

five year period to demonstrate their effectiveness in providing services at a reasonable cost.

4.4.2 Private franchise

Private funding could be used to operate public transport services, particularly rail, if the public transport authorities could segregate the current network into franchises, and seek tenders from private companies to maintain, upgrade and/or operate each franchise. For example, the authorities could maintain responsibility for owning and operating trains and buy access to the franchised parts of the network, or they could franchise both.³⁴

The Interim Report highlighted some issues that affect the net benefits of franchising, including the need to provide strong leadership to franchisees on transports' future agenda, the need for appropriate key performance indicators, and to ensure that integration with other forms of public transport is maximised. Ultimately the success of a franchise depends on contract specifications (including the contract period), the tendering system, and the procedures for monitoring contracts.

Overall, the Inquiry believes that franchising opportunities in NSW should be evaluated on a case-by-case basis. Again, any use of franchising should be subject to a five year period within which to demonstrate cost effective service delivery.

4.4.3 Private investment opportunities

There is some potential to attract additional private investment in public transport by better capturing commercialisation opportunities in and around public transport facilities. For example, the sale of property and airspace in and around stations, bus depots, wharves, ports and vacant land, and interchanges on a tranche or case-by-case basis could create another revenue stream for public transport. Commercial opportunities could also attract beneficiaries pay levies, which could be applied to link property value increases with sale of air space and commercial activity at stations and interchanges.

For a variety of reasons (development costs, alternative supply of land), the sum of money that could be realised from these opportunities is likely to be

³⁴ Franchising was used in Victoria to split the urban heavy and light rail network into four franchises. One has since withdrawn for financial reasons.

modest. However, it is not unimportant, and the Inquiry believes efforts should be made to pursue these opportunities to help finance infrastructure upgrades.

4.5 Additional levies

If efficiency gains, fair increases, beneficiaries pay levies and private investment cannot generate sufficient funds to close the funding gap—or finance improvements to existing services—the Government may be able to raise further funds by collecting additional levies and hypothecating (or dedicating) the revenue raised to public transport investment. For example, it might be able to apply a broad-based road usage charge, similar to the tolls used to fund new roads, which could free up or provide money for public transport investment. However, the viability of road charging as a source of public transport funding depends on the public transport alternatives to roads, and the extent to which a general move towards road tolling is adopted.

The Inquiry also considered two other broad-based taxes—a CBD employee tax and a transport levy, which would provide incentives consistent with the Governments' long-term strategic urban plan—and the possibility of issuing public debt.

4.5.1 CBD employee tax

The net benefits from a CBD employee tax in the case of the Greater Sydney Area do not appear to be attractive compared with other options. Because most transport routes are designed to service employment centres, the aim of an employee tax is to charge those who put pressure on the transport system. The tax could provide an incentive to shift peak-load public and private travel if rebates were offered for staff working non-peak hours. However, such a tax could also encourage businesses to move away from employment centres and into areas that are not well serviced by public transport—resulting in a shift away from public transport to motor vehicle usage.

4.5.2 Transport levy

There may be merit in placing a modest transport levy on motor vehicles or households across NSW and specifically using the money raised for public transport funding. Several submissions advocated the use of this kind of levy, which could take the form of:

- a metropolitan special ‘transport improvement’ rate levied on a per property or ad valorem basis³⁵, or on a combination of both
- an additional levy on vehicle registration applied to vehicles registered in Sydney.

The Local Government Act allows councils to levy a special rate for services and facilities provided (or to be provided) by the council on the basis of benefit from, or contributing need for, services. Rates can also be levied on a flat or ad valorem basis. Some combination of these approaches could provide the basis for a special transport improvement levy. However, administrative issues related to the channelling of these funds from local councils to the state government for public transport investment would need to be resolved. A number of similarly based rates already exist, including Melbourne’s Special Underground Railway Rate, Victoria’s Parks and Reserves Trust Funding, and South Australia’s Emergency Services Levy.

Rate based levies cannot raise enough funds for existing transport needs

The amount of funding this kind of rate-based levy could generate depends on the willingness of the community to accept higher rates for the purpose of public transport investment. However, based on the number of households in NSW and the median residential rate paid across the state, a 4 per cent increase in median residential rates (equivalent to the average rate increase over the past three years) would raise \$54 million per year.³⁶ This is well shy of the current annual funding gap of \$402 million, and less than half the estimated additional annual cost of implementing the CityRail rail clearways plan (see Chapter 3).

An additional charge on vehicle registration could also be levied. This charge could be based on a range of variations including vehicle type, usage, weight, engine capacity, fuel type, kilometres travelled or age. The rate could be struck by calculating target revenue and percentages to be drawn from various categories.

This kind of charge offers the potential to not only raise funds for public transport investment but also to support the government’s environmental policies through, for example, reductions in vehicle kilometres travelled, and moves to more environmentally friendly vehicle types. A similar levy already exists for some vehicles through the weight tax, which charges heavy vehicles for road damage. The appropriateness of such a levy depends on the extent of existing and potential charging for road use through tolls or some other method.

³⁵ Ad valorem refers to ‘according to value’.

³⁶ Minus the administrative costs of collecting and then transferring the additional revenue to the state government.

Registration based levies also cannot equitably raise enough funds

While the basis of any registration charge could be tailored to meet broader planning objectives, it could not be used to raise a significant proportion of the funds required to close the funding gap without being inequitable and unaffordable. For instance, given there were over 4.5 million vehicles registered in NSW at the end of June 2002, it would require an average levy of around \$90 per vehicle to close the existing funding gap, without any network extensions. A charge of \$5 per vehicle would raise \$22.5 million.

Overall, the Inquiry believes there is merit in examining a future modest transport improvement rate with funds hypothecated to network upgrades and extensions. The rate could be levied at households or vehicle owners. However, a more comprehensive study would be required which evaluates the appropriate basis for any rate in terms of urban planning objectives and in the context of all levies and charges. Broad-based levies are unlikely to generate sufficient revenue to be relied upon as a major funding instrument.

4.5.3 Public debt

The final option the Inquiry considered for sourcing funds to close or reduce the \$400 million per annum funding gap is issuing new public debt. The amount of debt issued would need to correspond to additional benefits that accrue to the community at large (who would fund this allocation) to avoid adverse incentive effects for transport operators and/or avoid the further build up of unsustainable debt. Using public debt to fund inefficient projects or projects that do not deliver community wide gains is not supported. For several reasons, the Inquiry believes issuing public debt is not a preferred option. At current debt levels, the NSW Government could increase its debt in response to a severe economic downturn without damaging its credit rating or requiring cuts in services or higher taxes. However, if it took on higher levels of debt to fund public transport it could lose this flexibility.

Debt instruments theoretically have the potential to provide the additional revenue at little additional cost if the funds are used to generate a return that can eventually pay down the loan. However, this has not been the experience of public transport authorities. Debt-funded transport has typically not generated revenues sufficient to service let alone re-pay the debt.

The Property Council of Australia argued that the NSW Government could use its current AAA credit rating to obtain competitive funding, making

the issue of public debt another funding option.³⁷ However, the public sector must use the private cost of capital for assets of the same risk characteristics, because using the Government's relatively risk-free rate to fund a risky project means other sectors of the community incur costs through possible higher rates charged on future borrowing.³⁸ Moreover, the inherent risk associated with any infrastructure project remains the same, whether it is funded by public or private debt.

Government debt also faces constraints from financial markets. Although long-term infrastructure projects have a 25 to 30 year project risk, most fund managers cannot invest in fixed income over 10 years, with the possible exception of superannuation funds.

Public debt issue is further limited by the excessive debt levels of some public transport authorities which limits their ability to borrow for infrastructure projects.

Overall, the Inquiry has concluded that any public debt would only be warranted for public transport projects that were efficiently and effectively delivered and operated and where additional benefits were generated for the community as a whole. Even then, public debt should be considered only after other more desirable funding options have been fully explored.

Recommendations

Require public transport operators to pursue efficiency gains and to demonstrate their success as part of the five year performance assessment (recommended in Chapter 2).

Use fare increases to fund improvements in services of direct benefit to particular modal passenger groups, and adopt a CPI plus 'x' approach to fare regulation to make the relationship between fare increases and service improvements transparent (for example, rail clearways).

Use well-targeted beneficiary pays funding sources to partly fund network augmentations where beneficiaries can be identified. The appropriateness of applying property-based value capture charges should be examined prior to the release of land for development. Development charges should be considered, particularly for funding feeder services from new areas to the existing network.

³⁷ Property Council of Australia submission, 2003, p. 15.

³⁸ NSW Government Green Paper, *Working with Government: Private financing of infrastructure and certain government services in NSW*, NSW Government, November 2000, p. 28.

Evaluate the use of public private partnerships (PPPs) to build and operate public transport infrastructure, and franchising opportunities on a case-by-case basis.

Pursue commercial development opportunities at and around public transport hubs to help finance infrastructure upgrades.

Consider implementing a modest transport improvement rate with funds hypothecated to existing network upgrades and/or extensions. Undertake a comprehensive study to evaluate the appropriate basis for such a rate in terms of urban planning objectives and considering existing charges and levies.

Only consider public debt as a funding source when other more desirable funding options have been fully explored, and only for efficient and effective projects that would generate additional community benefits.

5

Refocusing CountryLink

COUNTRYLINK CURRENTLY OPERATES a number of train services that move relatively small numbers of passengers between metropolitan and rural and regional centres. Because of the high cost of maintaining a state-wide rail network that meets all the safety and reliability standards of passenger services, this makes these services very expensive. In addition, because CountryLink's rolling stock is ageing and likely to need replacing within the next ten years, they are expected to become even more expensive in the future.

Over time, many of the rural rail services previously provided on low-density rail routes and branch lines have been replaced by bus services. This is much more cost-effective, and also reduces travel times in many cases. The Interim Report of this Inquiry outlined an option to replace further CountryLink train services with buses, and direct any resulting cost savings to providing more flexible community transport services in rural and regional areas (such as taxi services to transport frail and aged people to hospitals, and bus services for young and older people to travel between towns or to services and facilities within their communities) that will deliver more value for money.

Although the Interim Report did not specify which services could be replaced, responses to this report indicate that many community members oppose replacing train services with buses. The Inquiry recognises that there are many reasons why passengers might prefer train services to buses. However, to achieve a sustainable public transport network, priority must be given to the most appropriate and cost-effective services that meet community needs. This means that alternatives to the current train services do need to be explored. The Inquiry believes CountryLink's cost position should be examined more closely, so the costs and benefits of these services can be properly evaluated. In addition, alternative options for improving long distance passenger services in rural and regional NSW within the constraints of available resources should be closely considered. This should include community consultation, and a case-by-case assessment of the service levels that communities need.

5.1 Community concerns about changes to CountryLink services

Many members of the community are opposed to replacing CountryLink trains with buses

There was strong community opposition in some areas to the option outlined in the Interim Report to replace some trains with buses. One reason that many stakeholders raised is that train travel is more comfortable and practical, particularly for the frail aged and those with disabilities or special health needs. Others were concerned that bus travel poses a higher risk of accidents, that country roads may not have the capacity to cope with additional bus traffic, and that rail services provide higher overall social, environmental and economic benefits to local communities.

For example, the NSW Transport Authorities Retired Employees Association (Orange Branch) commented that:

The XPT train provides such amenities as drop down tables, rotating seats, wheel chair ramps, asthma equipment, changing tables and privacy for nursing mothers, telephone access, meals, excellent toilet facilities and the choice to move around the train.³⁹

The Association of Independent Retirees noted that:

Many people use the train from Armidale to attend medical appointments and for hospitalisation in Sydney and would suffer a great deal of discomfort sitting in cramped conditions on buses eg, following surgery and other medical procedures.⁴⁰

The University of New England argued that it would be:

... greatly disadvantaged if rail services were cut. We would expect that there would be an impact on our ability to recruit staff to such an isolated location, and our ability to attract students here would be severely handicapped.⁴¹

Walcha Council claimed that:

As far as possible [Walcha needs] to be accessible from other places by rail. Rail provides the only direct link to and from the state capital by public transport. The removal of the CountryLink service would reduce our tourist numbers, as there is no direct air or bus link to Walcha.⁴²

Despite these concerns, some stakeholders did acknowledge that changes could be made to increase revenue from existing services. For example, the Friends of the Northern Railway commented:

³⁹ New South Wales Transport Authorities Retired Employees Association Orange Branch submission, 2003, p. 2.

⁴⁰ Association of Independent Retirees (A.I.R) Limited submission, 2003, p. 1.

⁴¹ University of New England submission, 2003, p. 1.

⁴² Walcha Council submission, 2003, p. 1.

A review of the CountryLink fare structure is required. This should address the availability of APEX-type fares,⁴³ the pensioner concessions, and Seniors concessions. CountryLink appears to operate an APEX-style fare system which differs from the more typical approach adopted by the airlines. The airlines assign a limited number of seats on each flight to the discounted fare. Once those seats have been taken the fare is no longer available, no matter how far out from the day of travel. On CountryLink the discount seems to be applicable to every seat, provided it is booked by a certain time. This probably leads to excessive fare discounting.⁴⁴

The ACT Government also raised concerns about the prospect of replacing train services with buses between Sydney and the ACT. It argued that Canberra and the ACT benefit significantly from these services and many ACT residents support retaining them:

The ACT Government considers that it would be unfortunate if Canberra, the Nation's Capital, and Sydney, Australia's pre-eminent city were not to be connected by all transport modes including rail. The ACT considers that this is important to ensure accessibility to the nation's capital by all Australians and international visitors.⁴⁵

5.2 Costs of CountryLink services

Any decisions made about CountryLink services must be based on a sound understanding of the costs and benefits of these services to the community. As a first step, a more accurate picture of its current and future costs is required.

SRA data indicates that in 2002-03, the government subsidy for CountryLink services was \$106 million. Despite this subsidy, CountryLink incurred an additional funding shortfall of \$43 million. This amount is ultimately borne by government so that the cost to taxpayers of providing the services in 2002-03 is estimated at close to \$150 million.

Table 5.1 provides a breakdown of CountryLink's revenue and expenses.

⁴³ Apex-style fares means the availability of large discounts on tickets purchased at set minimum periods in advance of travel.

⁴⁴ The Friends of the Northern Railway Inc submission, 2003, p. 6.

⁴⁵ Australian Capital Territory Government submission, 2003, p. 7.

5.1 CountryLink Income and Expenditure, 2002-03

	2002-03
Revenue	
Farebox	43.5
Other rail organisations	2.0
Catering revenue	6.9
Other income	16.5
Total revenue	68.9
Expenses	
Catering costs	6.0
Crewing	25.1
Access	13.6
Fuel	6.5
Road coach hire	9.0
Maintenance	38.2
Rollingstock depreciation	12.5
Station costs	11.1
Running costs	122.0
Travel centre/booking offices	9.4
Sales	1.4
External commission	2.3
CityRail commission	0.5
Advertising	1.9
Reservation costs	14.4
Selling/Advertising	29.9
Operational Divisional Overhead	20.6
Total operating costs	172.5
Intersystem recoveries	-2.5
Support costs	13.2
Non operating costs	34.1
Total expenses	217.3

Data Source: State Rail Authority, 2003.

5.2.1 Appropriateness of SRA's cost allocations to Countrylink and improving efficiency

CountryLink's costs include an amount allocated by SRA to cover a portion of its overhead costs, plus support costs and non-operating costs. It is not clear how these expenses—which amount to \$65 million or 30 per cent of CountryLink's total costs in 2002-03—benefit passengers. The costs also appear high compared with the costs of actually operating and delivering the services, and some of these may be avoidable. The Inquiry believes SRA should closely examine these allocations to ensure that CountryLink's financial position is reasonably portrayed.

In addition, about \$30 million is spent on costs associated with advertising and booking and selling tickets. This is more than two thirds of the revenue

received from passengers and is excessive. Efficiency improvements should be pursued in this area.

5.2.2 Increased future costs

SRA was unable to provide forecasts of CountryLink's future funding position. However, it anticipates that operating costs will increase in the short-to-medium term, largely due to the increasing maintenance requirements of the ageing XPT fleet. In addition, a large capital investment is needed to replace the existing fleet of XPT, Xplorer and Endeavour cars.

Fleet replacement will cost \$855 million within 10 years

The full cost of fleet replacement is estimated at \$855 million. Total fleet replacement is anticipated to be required within 10 years though about \$250 million is required to begin replacement of the XPT fleet in the short term.⁴⁶ This will result in significantly increased costs to provide CountryLink services. This increase will only be partially offset by any cost reductions that result from the recommended review of SRA's allocations to CountryLink and the reduced maintenance costs of a younger fleet.

5.2.3 Determining an appropriate level of subsidy

In 2002-03, CountryLink recovered about 20 per cent of costs directly from passenger fares. It recovered an additional 20 per cent from government funding of targeted subsidies for concessions and free travel. Excluding this targeted subsidy for concession passengers, the remaining general subsidy for all passengers is estimated at some \$0.14 per passenger kilometre. This compares to approximately \$0.20 for CityRail trains and \$0.07 for Sydney Buses.

Whether this level of subsidy is justified depends on the value of avoided external costs, other than social costs that are met by targeted concessions. These avoided external costs are likely to be lower for CountryLink services than for CityRail services, as the latter result in much higher levels of avoided road congestion (see Chapter 6 for further discussion of subsidies). In any case, any increase in subsidies to meet the anticipated increases in costs would need to be justified on the basis that the existing level is insufficient to compensate for avoided external costs.

5.2.4 Negotiating contributions to costs from the ACT government

CountryLink operates long distance passenger services throughout NSW and interstate to Canberra, Melbourne and Brisbane. CountryLink is the

⁴⁶ Information supplied by SRA, 2003.

only provider of east coast capital-to-capital long distance passenger services. These services benefit not just NSW residents but ACT, Queensland and Victorian residents.

The interstate services to Brisbane, Melbourne and Canberra all operate at significant losses. For example, the net losses of the CountryLink service to Canberra in 2002-03 was \$15.3 million, excluding track maintenance costs (which, for the next few years, are expected to be in the order of \$3.3 million per annum for Joppa Junction to Canberra alone).

This gap between revenue and running costs meant an effective subsidy of between around \$75 and \$90 per passenger in 2002-03. Further support of \$3.1 million was provided for concessions travel.

NSW does not receive any funding from the ACT Government for operating losses or for the cost of concessions for ACT residents. In addition, NSW currently maintains the track from the NSW border to Canberra with no funding support from the ACT Government.

While the Queensland and Victorian governments do contribute to the cost of the Sydney-Melbourne and Sydney-Brisbane services, both Governments have sought to limit their contributions to these interstate services.

In short, it is not appropriate that the NSW government should be using its funds to provide public transport subsidies to the ACT. If this service is to be retained or, as argued in the ACT Government's submission, upgraded, there should be an appropriate contribution from both the ACT and the NSW Governments that reflects the benefits each receives.

5.3 Finding solutions

Access to transport services is a significant community concern in rural and regional NSW. Considering the potential for changes to the way CountryLink services are delivered is a means of exploring if there are better ways to use available resources. Achieving efficiencies can allow the government to maximise the services it can provide to meet the whole community's needs. Experience in NSW and across the world demonstrates that the cost of providing train services is high relative to other modes of transport, and investment in these services needs to be carefully assessed to determine whether this is the best use of available funds.

The Inquiry believes a flexible and case-by-case approach is needed when considering alternatives. Many stakeholders highlighted the limitations of coach services. Although coaches cannot replicate trains in every aspect, there is some potential for them to be modified to better meet passenger

needs. However, even this option may be too narrowly focused. For example, there is also potential to provide specific services for those with special health and mobility needs. This could involve the use of specially modified vehicles with all amenities that provide door-to-door service. Trains could not match the convenience of such a service yet are probably the more expensive option.

The Minister recently announced that an Armidale CountryLink Solutions Team will be formed. This team is expected to evaluate patronage figures and relative costs for the Armidale to Tamworth train service, as well as fares, changes in work practices and CountryLink booking arrangements. Similar teams or other consultation mechanisms may be needed in other areas if changes to services are being considered.

In addition, the Interim Report of the Unsworth review of bus services proposes a new approach to delivering transport in country NSW. The proposal is underpinned by the development of Integrated Regional Transport Plans that facilitate the best use of all available vehicle and funding resources to provide services that meet communities' needs. It is important that CountryLink services are incorporated in these plans, so that timetables and services can be coordinated, duplication avoided and CountryLink services can be planned to maximise their benefits to local communities. This should involve a review of the frequency and levels of CountryLink services required by communities.⁴⁷

A review of fare structures also has merit, however, due consideration would have to be given to the impact any fare rises would have on patronage. Though some passengers place a higher value on train travel than coach services, it is likely that at least a proportion of passengers would choose coach travel if it was substantially cheaper or plane travel if the margin between the cost of plane and rail tickets was reduced. The factors affecting demand for long distance passenger services are not directly comparable to those for mass urban transport systems.

Although a number of communities have strong historical, emotional and service-based attachments to rail, it is hard to see how the current arrangements can be sustainable in the long term. CountryLink, regional communities and the Government have to be prepared to face significant changes in all aspects of CountryLink's operations if it is going to provide a significant transport role in the future.

⁴⁷ B Unsworth, *Review of Bus Services in New South Wales—Interim Report*, 2003, pp. 69-75.

Recommendations

Review SRA's allocation of costs to CountryLink to assess whether it is accurate and appropriate, so that the costs and benefits of CountryLink services can be properly evaluated.

Pursue opportunities for improving efficiency to deliver cost savings particularly in relation to costs associated with booking and selling tickets.

Ensure that the level of subsidies to CountryLink services can be justified on the basis of compensating for external benefits.

Negotiate an appropriate contribution from the ACT Government to the costs of providing CountryLink services between Sydney and Canberra.

Explore all options for improving long distance passenger services that provide access to rural and regional NSW within the constraints of available resources. Consider the costs and benefits of alternative transport modes and include a case-by-case assessment of the service levels, including service frequency, that communities need.

Include CountryLink services in the development of Integrated Regional Transport Plans recommended in the Interim Report of the Unsworth review.

Apply the 'Solutions Team' approach to other areas of CountryLink's operations. Any changes that are implemented as a result of the Solution Team's work should be reviewed after 12 months operation.

Review CountryLink's fare structures and the appropriateness of the extent of discounts on tickets purchased in advance.

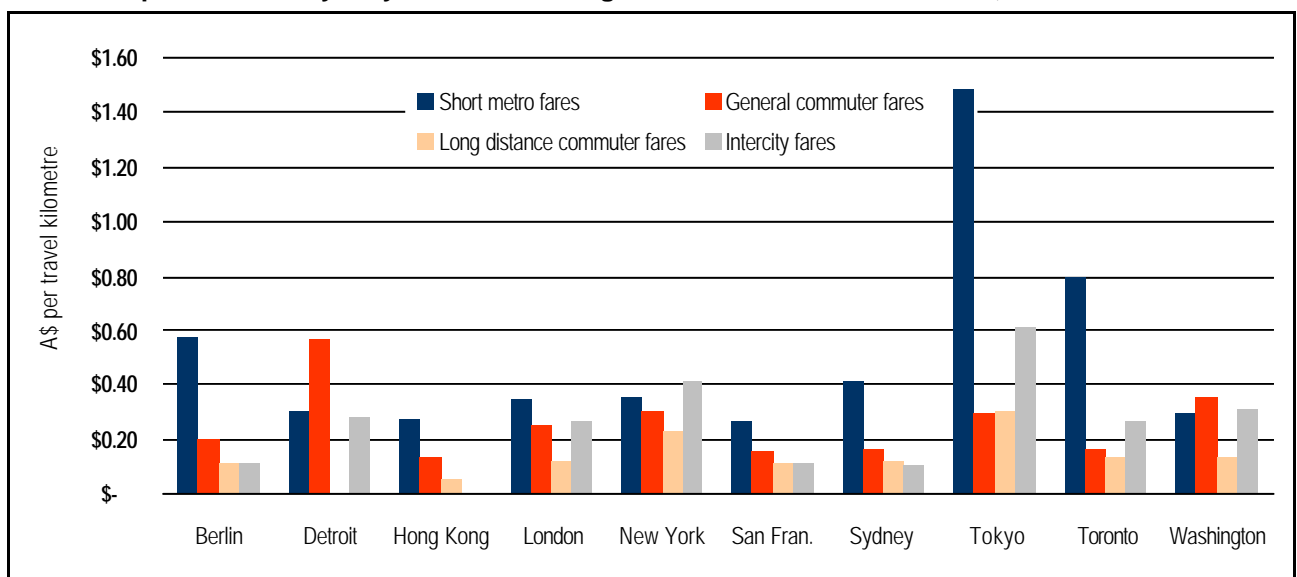
6

Fair fares and efficient subsidies

FOR PUBLIC TRANSPORT FARES to be ‘fair’ for both NSW taxpayers and users of public transport, they must be based on the costs of services that are provided efficiently and effectively. As Chapter 4 discussed, there is currently considerable scope for the efficiency of services to be improved, and this should occur before either taxpayers or users are asked to increase the real level of funding of these services. But users can reasonably be expected to share in funding new investments in improved service quality.

The fares paid by public transport users in the Greater Sydney Area are cheap by international standards (chart 6.1). These fares are heavily subsidised by taxpayers. Some fares reflect targeted subsidies, in the form of concessions for specific groups in the community—such as pensioners and students. These subsidies can be justified on equity and access grounds, although the method through which they are delivered needs to be improved to better meet community needs (see Chapter 7). All fares contain a general subsidy from taxpayers to users.

6.1 Transport fares in Sydney benchmarked against other international cities, 2002



Data source: ARUP report prepared for RIC, 2002.

The Inquiry examined the current size of this general subsidy and considered whether there is justification for increasing it. It found that at its current level, the subsidy can be justified because its value is broadly equivalent to the social and environmental benefits public transport generates. However, no clear evidence has been presented which suggests that any increase in the general level of subsidy is warranted.

The Inquiry also examined the current structure of public transport fares, and assessed their efficiency and equity. It found that distance-based fare structures are justified for train, bus and ferry services. However, the current structure of CityRail's fare discounts provides disproportionate benefits to long distance travellers. Ideally, these inefficient discounts would be reduced over time. However, the changes required to do this for the longest trips would result in very high fare increases and have unacceptably adverse impacts on the affected communities. The Inquiry therefore recommends that unwinding excessively discounted fares, over the medium term, should be based on moving to a constant per kilometre rate for journeys of up to 50 to 60 kilometres.

6.1 The existing level of subsidies

There is some evidence to suggest that the current level of general subsidies for fares are broadly in line with the net social and environmental benefits that come from access to and use of public transport services. However, it is difficult to justify any increases in this level of general subsidy. The Inquiry believes that train fares in particular will need to increase in real terms to ensure that planned additional expenditure to improve CityRail services does not result in unsupportable and unsustainable increases in general taxpayer subsidies.

6.1.1 How large are the 'general' subsidies for train and bus fares?

The general subsidy for rail is around 20 cents per passenger kilometre

To get an idea of the size of the general subsidy component of CityRail and STA bus fares, we calculated a per passenger kilometre subsidy. This subsidy is worth approximately \$0.20 per passenger kilometre on CityRail trains. This is equal to around \$5 on a single trip from Parramatta to Central or \$39 on a return trip from Wyong to Central. For STA buses, it is worth approximately \$0.07 per passenger kilometre.

Both CityRail and STA also receive targeted subsidies for concessions and free travel (such as SSTS) additional to this general subsidy. If passengers travelling on concession or free fares are excluded from the calculation of the general subsidy, it would be higher for all other passenger journeys.

6.1.2 How do these subsidies compare with the net social benefits of public transport?

To justify continuing the current level of the general subsidy for train fares in particular, we need to accept the following propositions:

- At current fare and subsidy levels, the benefits to the whole community of the public transport system exceed total costs—and any reduction in the use of the public transport system would increase private transport journeys, and thereby reduce these benefits.
- Any reduction in general subsidies—through increased real fares, without an improvement in service quality—will result in price signals that favour private road use, encouraging a shift away from public transport.
- Road users are not charged for the true social costs they impose through additional private road travel.
- Charging road users for the true social costs they impose is currently impractical.

Even if all of these propositions are true, it is still not clear whether *increasing* the level of general subsidy for public transport delivers better value to the community than, for example, investing the same money in other public services (such as health or education) or leaving it in the hands of the taxpayer.

There is some evidence to suggest that the first proposition—that the benefit the community is getting for its ‘general subsidy dollar’ is larger than the value of the subsidy itself—is broadly true. All forms of motorised transport generate unwanted costs to the community—air pollution, noise, accidents, congestion etc. However, private road use generates higher social costs than rail and bus use in urban areas (see Appendix A). To the extent that public transport subsidies contribute to lower levels of private road use,⁴⁸ they generate a social benefit—a net reduction in these external costs.

However, this does not necessarily mean that general subsidies at these levels or greater are an appropriate and effective means of capturing these social benefits into the future. While significant general motoring charges apply in NSW, there are few specific road use charges (see Chapter 8). By pricing the true social costs of the decision to make a particular journey by car rather than by public transport, road use charges may be a more effective means of dealing with externalities.

⁴⁸ The ability of subsidies to generate switching away from cars is thought to be limited. See discussion below.

6.1.3 Are higher general subsidies or fares justified?

As discussed in Chapter 3, forecast increases in the costs of maintaining existing CityRail and STA services over the next six years will create a funding gap of some \$400 million per annum, if fares and the general subsidy remain at their current levels. If decisions are made to improve the quality of these services or extend the reach of the current networks, the funding gap will be even larger.

Increasing the general subsidy to close the funding gap or improve services is not justified

One option for closing the funding gap is to increase the level of general subsidies.⁴⁹ However, given that the existing general subsidy levels are likely to be broadly in line with the social and environmental benefits they generate, the Inquiry believes that any increase is difficult to justify. This is especially so when there is clearly scope to reduce the funding gap by improved transport operator efficiency and effectiveness.

Rather than increases in the general level of subsidy, modest increases in fares in real terms to fund service improvements are appropriate. Large real fare increases *could* have an adverse impact on patronage of public transport services. However, the actual impact of any real fare increases will depend on whether or not they are accompanied by the introduction of road user charges and/or improved service levels.

Real fare increases to help pay for improvements can only be modest until service quality improves

Planned improvements to the CityRail network (see Chapter 2) are not expected to produce noticeable improvements in service levels until 2008. Any real increases in fares prior to significant improvements flowing to service quality would need to be carefully managed in order to minimise the incentive to switch to road use.

If general taxpayer funded subsidies *are* increased to contribute to these or other service improvements, these should be transitional. As service quality improves, increased real user charges are justified in recognition of the increased benefit to passengers.

6.2 Fare structures, equity and efficiency

In addition to the level of the general subsidy, the Inquiry examined other aspects of public transport fares in terms of equity and efficiency. It believes that the current distance-based structure of fares, and existing 'volume' and periodical discounts need to be adjusted, to reduce the extent

⁴⁹ If no other funding options (such as efficiency gains and fare increases) were pursued, a significant increase would be required. For example, closing CityRail's funding gap would require a 27 per cent increase in its existing level general subsidy.

to which some longer distance fares are subsidised. However, reducing the discounts on the longest journeys would result in steep rises in fares that are likely to adversely impact certain passengers and communities. Historical fare levels and past urban planning decisions have contributed to the existing situation and it is not appropriate to impose the very large increases that would be needed to align the longest distance fares to a constant per kilometre charge.

6.2.1 Charging for distance

Sydney's train, bus and ferry fares are currently structured so that they rise with the distance travelled. Application of basic user-pays principles suggests that this is justified.

CityRail's combination of fare structures and weekly discounts favour longer distance travellers

However, CityRail fares are currently structured so that, overall, long distance journeys are cheaper per kilometre. Effectively, passengers are charged a flat access fee for the first few kilometres, regardless of how far they travel. For longer journeys, they are charged a declining fee per kilometre. In addition, the size of the discount for passengers who buy weekly tickets (the most popular discounted ticket product) increases substantially with distance.

The Interim Report concluded that there is not much evidence to suggest that CityRail's costs per passenger kilometre fall with increasing trip distance. Therefore this fare structure means that longer distance regular travellers (essentially commuters) receive a larger per kilometre subsidy than those who take short metro trips.

The Inquiry believes there is little justification for these larger subsidies on the basis of higher avoided costs. For example, there is no evidence to suggest that the avoided costs of private car travel are greater per kilometre for longer public transport trips.

Alternatively, if it could be shown that longer distance travellers have less ability to pay than short distance travellers, there may be some justification for larger discounts on equity grounds. There are a number of factors to consider. In general, people who decide to live longer distances from their work trade off cheaper housing costs against higher travel costs. Life style choices also play a part. However, historically low public transport fares may have also contributed to their location decisions.

In its submission, the Roads and Traffic Authority argued that the larger subsidies for long distance tickets should not be reduced because this could encourage public transport users to switch to private road travel:

Given the current decreasing rate per kilometre as trip distance increases any move towards more equitable cost recovery will adversely affect the mode choice of some people travelling long distances. These travellers should not be encouraged back to their cars.⁵⁰

Overall, the Inquiry concluded that consistent distance-based fares are justified for train, bus and ferry services in the metropolitan area, say for journeys up to 50 to 60 kilometres. The fare increases required to achieve a constant per kilometre rate for these distances will be relatively modest if they are introduced over the medium term.

Although some fare increases may be justified for distances outside this band, the potential adverse social impacts of the large increases that would be required to achieve a constant per kilometre rate are unacceptable in terms of their impacts. Historical fare levels and urban planning decisions have influenced existing travel patterns in these areas and need to be taken into account when considering changes to fare structures.

6.2.2 Discounts for frequent travel

The current fare structures for bus, train and ferry travel includes a range of discounted fares, including 'volume' and periodical tickets—such as TravelTen and weekly tickets. These fares account for a substantial proportion of ticket sales. For example, CityRail derives 37 per cent of its farebox revenue from weekly tickets, many of which are heavily discounted.

The Inquiry accepts that there is some justification for discounting volume and periodical tickets against the single trip, 'cash' fare. In its response to the Interim Report, the Local Government and Shires Association (LGSA) argued that discounts for periodical tickets:

... reflect the accepted market principle of quantity (bulk) discounts. The discount reflects the benefits that accrue to the transport operator from such purchases. These include lowering ticketing costs, reduced ticket office congestion, interest earnings, revenue certainty and payment for untaken journeys.⁵¹

It also noted that the 'commitment effect' of periodical tickets tends to increase patronage and reduce car usage. Having paid for a weekly or monthly ticket, the traveller may be less likely to take trips by car while the periodical ticket is still valid.

⁵⁰ RTA submission, 2003, p. 6.

⁵¹ Local Government and Shires Association submission.

The size of existing periodic discounts is questionable

However, the Inquiry believes the current *level* of discounting may be too high. Discounts on weeklies in the Sydney metropolitan area (up to say 50 kilometres) range from 26 to 35 per cent against the standard single fare.⁵² Beyond this distance, the discounts are as high as 62 per cent. Discounts rise sharply with distance.

The most compelling reasons for continuing to provide higher discounts on volume and periodical tickets for longer journeys relate to the benefits from these tickets noted above, particularly the interest earnings for the operator and the commitment effect. Both these benefits are larger for longer distance tickets, because purchasers pay larger sums of money for these tickets than for short distance tickets. A further reason is that significant increases in the real cost of these tickets might reduce their affordability for those who already live in satellite areas.

However, the extent to which the discount currently *increases* with distance is of concern, as it sends perverse signals in encouraging urban sprawl. In addition, the current discounts may actually be higher than the avoided road travel costs for some existing travel. It would not be desirable for this fare distortion to become entrenched in fares available to those moving to new development areas in Sydney's South West and North West sectors.

Unjustifiably high discounts for long distance frequent travel discourage urban consolidation and regionalisation of employment

The Bureau of Transport and Regional Economics (BTRE) pointed to a relevant feature for greater Sydney:

Rising incomes and falling car prices have made possible a much greater geographical separation of home, work and shopping. This suburbanisation of both living and working locations has led to decentralised travel markets that are not well served by conventional forms of public transport.⁵³

And the Institute of Transport Engineers noted that:

Much of Western Sydney does not have the densities to support high quality commercially viable public transport services at attractive service frequencies.

There is a limit to what cheap fares can accomplish in reallocating travel from car to public transport, especially in the face of entrenched behaviour and the absence of proper road use pricing. New residents and those choosing to relocate to the planned new developments in the South West and North West sectors need cost efficient public transport in place prior to occupancy. But they should not be faced with false signals about the costs of travel through excessively discounted long journey fares.

⁵² Based on information supplied by CityRail.

⁵³ Bureau of Transport and Regional Economics, Greenhouse Gas Policy Options for Transport, Report 105, http://www.btre.gov.au/docs/r105/gpot_ch2.htm, 2002, Accessed 21 November 2003.

The Inquiry recommends that there should be a gradual shift towards uniform discounting of volume and periodical tickets for journeys up to 50 to 60 kilometres. The very high discounts on longer distance products could also be reduced over time but these discounts will not be able to be reduced to the same extent because of the adverse social impacts this may have on people who travel long distances.

6.2.3 Discounted bus fares

Bus fares are roughly distance based, increasing with the number of sections travelled (1 section equals 1600 metres—approximately one mile). However, as table 6.2 shows, the increase is not consistent and as with rail long distance travellers pay less per section than short distance travellers. The discount available for those who purchase TravelTen tickets (the most popular volume-based bus ticket product) is also inconsistent.

The Inquiry believes that this fare structure should be simplified, based on a common per kilometre charge. This restructuring should be easier to achieve for bus fares than for train fares, because very little bus travel involves journeys of more than 20 kilometres. (The average bus trip is 6.8 kilometres, while that for rail is 18.7.)

6.2 STA buses: illustrative effects of TravelTen discounts

<i>Sections</i>	<i>Single</i>	<i>TravelTen</i>	<i>Current discount</i>	<i>2002-03 patronage</i>
	\$	\$	%	no.
1 to 2	1.60	11.80	26	15 367 510
3 to 5	2.70	19.70	27	12 643 200
6 to 9	3.50	24.50	30	5 694 854
10 to 15	4.00	33.20	17	1 573 526
16 plus	4.80	41.80	13	326 444

Source: STA.

The Interim Report of the Unsworth review of bus services proposed aligning private and STA fares for the same journey length. If this is implemented, this Inquiry believes a simple fare structure with a constant per kilometre fare should form the basis for common STA and private bus fares.

6.3 Ticket product reform

Any future reform of ticket products needs to be consistent with the recommendations of this Inquiry, particularly the need for more consistent distance-based fares and more standardised discounts for periodicals or multi-trip purchases. It should also recognise that the collection of cash

fares imposes additional costs that will be avoidable under a smart card ticket option. And it needs to accommodate the alignment of STA and private bus fares if the Government endorses that proposal.

The Inquiry's specific suggestions for simplifying STA bus fares pending any alignment of public and private bus fares and the introduction of smart card ticketing are outlined below.

6.3.1 Bus ticketing products

There is scope for simpler ticket products with fare alignment and smart card ticketing

The Inquiry believes STA needs to develop a simpler bus ticketing regime, and one that is better attuned to the prospect of 'smart cards'. As discussed in section 6.2.3, the amount charged per kilometre for standard fares decreases for longer journeys, and the level of discount provided in TravelTen tickets is inconsistent for different journey lengths. A common per kilometre rate and rationalised TravelTen discount is desirable.

If implemented, the proposal to align public and private bus fares under a reformed and more competitive bus contract regime will provide a good opportunity to pilot the introduction of smart card usage on private buses. This pilot would enable information on student travel on private bus services to be collected, so that appropriate Community Service Obligation payments to operators of these services can be determined (see Chapter 7). The same pilot scheme could be used to introduce a standard smart card fare. The equivalent of a standardised volume discount for STA TravelTens could be introduced through the smart card.

6.3.2 Rail ticket products

The application of smart card technology within CityRail may need to follow a more gradual timetable than in the bus sector. However, existing gate equipment is due for replacement in the medium term, and this will provide the opportunity to embed smart card equipment in its replacement. The timing for the introduction of smart cards on CityRail is complicated by the sequence in which ticketing technology and equipment is upgraded. Nevertheless, smart card ticketing may have had the opportunity of thorough trialing in the bus sector through the SSTS prior to its introduction to CityRail's network.

Recommendations

CityRail fares should increase modestly in real terms to help fund better services and to adjust the base fare for journeys up to 50 to 60 kilometres towards a constant per kilometre price. Some increases in fares for longer

distances may also be justified, but need to be carefully balanced against the potential adverse impacts of substantially reducing the existing very large discounts. IPART should set CityRail fares having regard to these recommendations.

Pending decisions on the arrangements for bus franchises and smart card ticketing, continue to provide the following STA ticket products:

- ***a standard single journey cash ticket whose price increases with distance***
- ***a magnetic stripe TravelTen ticket with a constant percentage discount to the single journey cash fare.***

If STA and private bus fares are standardised, use a simple fare structure with a constant per kilometre fare.

7

Concessions and community transport

\$825 million was spent in 2002-03 on concessions and community transport

THE NSW GOVERNMENT spends more than \$800 million each year on concessions and community transport. It is important that this money is used to deliver the services that are most needed and that expenditure reflects the government's social welfare objectives.

The largest amounts of money are currently spent on the School Student Transport Scheme (SSTS) and on subsidising Pensioner Excursion Tickets. The beneficiaries of these programs are school students, pensioners and seniors' concession card holders. Smaller amounts are spent on other concessions including concessions for those on unemployment benefits and tertiary students.

Substantial funds are also provided for 'community transport', though the amount spent on community transport services is relatively small compared with the amount spent on concessions. Most of this money is spent on providing services for the frail aged and on non-emergency health-related transport. Smaller amounts are spent on services for other groups who are disadvantaged in terms of access to transport, including young people and those on low incomes. The Interim Report presented evidence that suggests that existing resources for community transport were insufficient to adequately provide for the needs of those who did not have access to private transport and for whom public transport was not available or appropriate, including those in rural and non-urban areas where there are fewer public transport services.

This Inquiry believes a range of actions is required to ensure the significant funds the government spends on concessions and community transport provides services that better meet the needs of communities in NSW. It found that funding arrangements for school student transport should be reformed, to reduce the cost to taxpayers without significantly reducing the benefits to students and their families. In relation to pensioner excursion tickets, it found that pensioner excursion fares should be increased, and the availability of these fares be reduced. In relation to other concessions, it found that the same concessions should be available to private and public

bus service users, and that all concessions should be reviewed to ensure they are targeted at those who need them most. Finally, it found that more should be done to ensure community transport services are coordinated and cost-effective, and that people in wheelchairs have access to reliable taxi services.

7.1 Changing the school student transport scheme

The SSTS provides free travel to eligible school students to and from school. The scheme has been widely criticised because payments to transport operators are not based on actual student travel and because of the growing costs of the scheme.

There is widespread support for reforming funding for school student transport

Submissions in response to the Interim Report indicated widespread support for changes. For example, the NSW Council of Social Services (NCOSS) commented that it:

... supports the funding of the School Student Transport Subsidy Scheme on the basis of actual services used with further consideration to be given to capping eligible distances travelled to and from schools.⁵⁴

Rockdale City Council argued that:

No [SSTS] pass should be free, to deter its provision to those with alternative travel means such as walking or cycling. The cost should not be so high as to deter use of public transport or encourage private vehicles use for the journey.⁵⁵

The Chartered Institute of Logistics and Transport put the view that:

The SSTS is in need of a complete review. The system has the purpose of compensating the operator for the concessional fares of school students carried on their services. However, the compensation does not take account of the actual number of students travelling on the services. Hence, the operator is in a position to claim a subsidy for students not carried.⁵⁶

Other organisations were not opposed to making changes to the SSTS but were cautious about the impact of particular proposals. For example, Shoalhaven City Council noted that:

⁵⁴ NCOSS submission, 2003, p. 2.

⁵⁵ Rockdale City Council submission, 2003, p. 5.

⁵⁶ The Chartered Institute of Logistics & Transport submission, 2003, p. 4.

The full social and economic impact of introducing an annual fee or levy on parents for the use of the school bus system by their children needs to be fully assessed.⁵⁷

And STA commented that:

While it is appropriate to challenge the basis on which the SSTS scheme is funded, State Transit shares a concern with other public transport operators that this option may interfere with the existing reliance of the program upon a guarantee of transport capacity (eg bus seats) to cater for all circumstances.⁵⁸

7.1.1 Making payments based on actual travel

Most school student travel is provided by private bus operators. A practical hurdle to implementing payments based on actual travel in the past has been the absence of facilities on private buses to record the number of students travelling. The proposed introduction of 'smart card' technology across all transport modes will overcome this problem in the medium term. However, the Inquiry believes the new technology should be piloted and rolled out on school student bus services prior to its wider application. This will allow the appropriate technology to be installed on these services relatively quickly. Advice provided to the Inquiry suggests this can start to occur in 2004. This will allow the implementation of a restructured SSTS based on payments to operators for actual student travel. If pilots are successful in 2004, full implementation of this strategy could occur for the 2005 school year.

Payments for school student travel should be based on actual travel

One concern is that SSTS funding currently subsidises other services private buses are required to provide. Changing the funding mechanism may reduce an operator's capacity to provide these services. However, the purpose of the SSTS is to provide transport for school students to and from school and that is what it should fund. If a subsidy is necessary to ensure the viability of other bus services, it should be transparent and be separate from payments for school student transport. This is consistent with preliminary recommendations from the Unsworth review of bus services.

7.1.2 Capping subsidies or introducing an application fee

The Interim Report presented options for capping the costs of the SSTS. These included capping the levels of subsidy for each student or capping the total amount the government spends on the SSTS. It also proposed introducing an annual application fee of \$30 per student. Some

⁵⁷ Shoalhaven City Council submission, 2003, p. 3.

⁵⁸ State Transit Authority submission, 2003, p. 11.

stakeholders proposed that, as an alternative, the SSTS should only fund travel to the nearest government or appropriate independent or religious school.⁵⁹

The Inquiry considered all these options. The current government's policies for education allow and promote choice of school for students and their parents. Introducing changes to the SSTS that are inconsistent with this could have adverse impacts on the government's education policy. It therefore considers imposing limits on the SSTS based on distance travelled or capping the subsidy per student to be inappropriate.

An annual administrative fee should be introduced for school student travel passes

However, it believes introducing an annual \$30 application fee is an appropriate way to manage the costs of the SSTS without significantly reducing its benefits. This fee would contribute to the costs of administering the scheme. Exemptions should be made for students from low-income households. The proposed fee amounts to less than 5 per cent of the average cost per student for school student transport.

7.2 Changes to Pensioner Excursion Tickets

Pensioner Excursion Tickets (PETs) provide heavily discounted travel to pensioners and seniors card holders. In the Sydney metropolitan area, they allow unlimited daily travel on government operated public transport services for \$1.10. In comparison, the full fare for a ticket allowing similar travel (the 'Daytripper' ticket) is \$15. Higher PET fares apply (\$2.20 and \$3.30) for the outer metropolitan area and the furthest reaches of the CityRail network. A \$1.10 fare is available for unlimited travel in Newcastle and a \$2.20 fare is available on CountryLink services for single or return trips. PET fares have not been increased, apart from adjustments for the introduction of the GST, since 1988.

While these fares are very low, PETs are also not available on private bus services. This disadvantages those who live in areas not serviced by trains or STA buses, including large parts of western Sydney.

The Interim Report outlined options to extend the availability of PET fares to private bus services, to increase the cost of the fares and to restrict travel during the morning peak hour. It also proposed that only pensioners and not seniors card holders remain eligible for the fares. Responses to these proposals were mixed. NCOSS endorsed:

⁵⁹ For example Southern Sydney Regional Organisation of Councils submission, 2003, p. 12.

... proposals to expand the pensioner excursion ticket across all providers in NSW and to other full Centrelink payment recipients such as the unemployed, sole parents and people with disabilities. We believe that this concession should be means tested, and therefore not generally be made available to non pensioner seniors cardholders in the future (however, we also recognise that some self funded retirees would be significantly disadvantaged by this change and that appropriate measures in relation to this group will have to be developed).⁶⁰

The Ministerial Advisory Committee on Ageing submitted that:

Committee members do not support the withdrawal of seniors' eligibility for a flat rate pensioner excursion ticket but recognise that there would continue to be value in the Seniors Card if, as is proposed, it were replaced with an entitlement to a half fare concession.⁶¹

The Association of Independent Retirees (AIR) said that it:

... would support a fare change recommendation in the final report of \$2.50, \$4.00 and \$5.00 for each of the present concession zones...Additionally, AIR would not have any serious objection to the Pensioner and Senior's concession fares being means tested, by having them restricted to holders of the Commonwealth Seniors Health Card. Such a proposal would fit neatly into other negotiations currently underway between the Federal and State Governments.⁶²

However, the Council of Retired Union Members submitted that its members:

... object to any increases to Pensioners' concession fares, and demand we can get our ticket before 9:00am, as we get at present. Our members have to keep early hospital and other health appointments, and we do a lot of community work at our own expense. We consider the concession ticket should be extended to private bus commuters as a matter of urgency.⁶³

The Chartered Institute of Logistics & Transport argued that a \$5 pensioner excursion ticket:

... should be available on government-owned and private services with no subsidy on the condition that the PET is only available after 9:30am on Mondays to Friday and at any time on weekends and public holidays...the PET should be available only to persons entitled to full welfare.⁶⁴

⁶⁰ NCOSS submission, 2003, p. 2.

⁶¹ Ministerial Advisory Committee on Ageing submission, 2003, p. 4.

⁶² Association of Independent Retirees Limited (NSW Division) submission, 2003, p. 4.

⁶³ Council of Retired Union Members Associations of NSW submission, 2003, p. 1.

⁶⁴ The Chartered Institute of Logistics & Transport submission, 2003, p. 4.

7.2.1 *Extending availability of PETs to private buses and increasing fares*

Pensioner excursion fares should be increased The Inquiry believes—and most stakeholders recognise—that extending the availability of PETs to private bus services is appropriate and overdue. And an increase in PET fares is reasonable after a long period of no increases. Extending the scheme to private bus services without an increased fare would increase the total costs to the taxpayer significantly.

7.2.2 *Excluding seniors from eligibility for Pensioner Excursion Tickets*

The Inquiry believes excluding seniors card holders from eligibility for pensioner excursion tickets is justified, as it will prevent unsustainable increases in the costs associated with PETs as our population ages. Stakeholders expressed mixed views on this option. Many believe that half-fare concessions are adequate for this group though there was recognition that some seniors are on relatively low fixed incomes. For this reason, some stakeholders proposed that means testing should be introduced instead. Means testing could introduce significant complexities and additional administrative costs to the scheme. The Inquiry therefore proposes a simpler option of making the tickets available to seniors who also hold health care cards. This was suggested in some submissions.

7.2.3 *Restricting the PETs to times outside the morning peak*

The Inquiry believes restrictions on the pensioner excursion ticket for morning peak hour travel should be introduced, but that pensioners should remain eligible for half-fare concessions during this period. PET fares could be purchased earlier in outlying areas in the same way that off-peak tickets can be purchased earlier in these locations.

The capacity constraints on transport networks during the morning peak mean that very large discounts on travel that attract additional passengers at this time are not warranted. School and business starting times are concentrated within a relatively short time span creating a peak in demand. Catering for this drives expensive investment in infrastructure that cannot be used efficiently outside the peak when demand for services is much lower. Constraints are not as severe during the evening peak, which is spread over a wider time span because of the variation between school and business finishing times. For this reason, restricting the use of PETs during the evening peak is not warranted.

Volunteers should be reimbursed for extra costs of peak hour travel

Volunteers, in particular, were concerned that they would incur increased costs which may reduce their capacity to continue volunteer work if they were required to pay higher fares during the morning peak. The Inquiry recognises the importance of volunteers and their contribution to the community, and its recommended changes are not intended to create impediments to their work. It therefore recommends that volunteers who are required to travel on public transport during the morning peak to work for registered charities be reimbursed for their additional public transport travel costs. Potentially this proposal could be associated with an excessive administrative burden. To minimise this, registered charities could record and reimburse the public transport costs paid by their volunteers over and above the pensioner excursion fare and claim a rebate for these from the Ministry of Transport periodically, for example every six months.

7.3 Fairer funding of other concessions

The Inquiry believes that concessions should apply consistently across transport modes. Private bus users are currently disadvantaged by existing funding of concessions and changes are required so the same concessions are available on private and public buses.

In addition, the Inquiry believes the concessions policy should be reviewed to ensure it is fair and reflects social welfare priorities. It is not clear that concessions are always targeted at those who need them most. In particular, the Community Development Employment Program (CDEP) aims to provide Aboriginal participants with training and skills development, improving their ability to gain mainstream employment. CDEP participants receive equivalent payments to Centrelink payments yet are not eligible for the transport concession cards that those on Centrelink payments receive.

7.4 Providing better community transport services

The Inquiry believes that community transport services need to be coordinated to better meet the needs of communities across NSW. The Interim Report highlighted the benefits of improved coordination of these services. Government funding is provided to 130 community transport organisations through a number of different programs. The evaluation of a number of trials and pilot programs to improve coordination has demonstrated that this improves their effectiveness.

There is also substantial unmet need for community transport services across NSW, particularly in rural and regional areas. Many services rely on

volunteers to operate them, and providers are concerned that this is not sustainable as the population ages. Increased funding would allow more needs to be met.

The Interim Report outlined several options for improving coordination and directing additional funds to community transport, which were generally supported by stakeholders. For example, the Greater Taree City Council commented that:

Community Transport services provide good, but minimal, services in country areas. They have the potential to provide better services if they are properly resourced but there has been no growth funding for years.⁶⁵

AIR commented that:

Particularly in Regional and Rural NSW, there needs to be better provision and coordination of transport services in general and Private bus services in particular...By bringing together all interested parties, including CountryLink, it should be possible to not only establish better and co-ordinated services using existing resources, but also minimise the current diversity of administrative and funding resources, with subsequent reduction in overall operating costs.⁶⁶

Shoalhaven City Council argued that:

The State Government needs to establish a long-term commitment to existing Public Transport Development Officers positions and to support the establishment of a network of these positions across NSW.⁶⁷

NCOSS said that it:

- ... supports proposals to:
- provide more funding for and negotiate better outcomes with community transport providers
 - negotiate effective private bus contracts, using some of the savings in a reformed SSTS as incentives
 - better coordinate community transport ... on a local and regional basis through transport development officers who broker 'whole of location' transport arrangements
 - fully assess the merits of pooling transport funding streams to assist with successfully implementing 'whole of location' transport arrangements
 - ensure that appropriate levels of health related transport provision for consumers who are unwell be included in enhancements to community transport provision.⁶⁸

⁶⁵ Greater Taree City Council submission, 2003, p. 4.

⁶⁶ Association of Independent Retirees Limited submission, 2003, p. 6.

⁶⁷ Shoalhaven City Council submission, 2003, p. 4.

⁶⁸ NCOSS submission, 2003, p. 3.

Regional transport development officers can facilitate better coordination of services

There is strong support from stakeholders for employing regional transport development officers across NSW. These positions could have responsibility for facilitating better coordination and for bringing providers together to plan services, broker better funding and streamline administrative arrangements. A dedicated position would provide impetus to the process. Most community transport organisations, though willing to participate, do not have the resources to drive these changes without this additional resource. This is consistent with the recommendation in the Labor Council's *Our Public Transport* report that:

[The Government employ] more Transport Development Workers (funded by Government but placed in non-government organisations) to coordinate transport at a regional level, on the basis of location and not constrained by departmental responsibilities.⁶⁹

The Interim Report of the Unsworth review of bus services also recommended the establishment of these positions. In addition, it proposed that legislation and bus contracts be modified to allow flexible service provision using a range of vehicles that best meet the needs of local communities.

7.5 Improving wheelchair accessible taxi services

The Inquiry believes existing mechanisms for improving taxi services for wheelchair users should be reviewed, including the level of rebates provided under the Taxi Transport Subsidy. Despite these mechanisms, evidence suggests, that people in wheelchairs receive less reliable taxi services than others. The Interim Report outlined two options to improve wheelchair accessible taxi services, including:

- providing incentive payments for drivers of wheelchair access taxis (WATs) who meet performance standards for response times
- dedicating wheelchair accessible vehicles and salaried employees of taxi networks to providing disabled and non-emergency health transport services. These vehicles would not be available for general hire.

There was limited feedback in submissions on these options, but comments included:

The [Engineers Australia Transport] Panel strongly questions the wisdom of the option of a fleet of special purpose Wheelchair Accessible Taxis, not available for general hire. We would much prefer to see a long-term solution

⁶⁹ Labor Council of NSW 2003, *Our Public Transport*, p. 58.

whereby all taxis in use eventually meet requirements for wheelchair users (as in London).⁷⁰

NCOSS would support incentive payments for Wheelchair Accessible Taxi Drivers, within the context of a general move towards improving the awareness and skills of drivers of WATs so as to minimise waiting times and hence limit charges to passengers. Given the high transport costs faced by wheelchair users who utilise taxi transport, NCOSS would propose that the incentive payment be met by the NSW Government or taxi operators.⁷¹

The Inquiry believes further community consultation is required before changes are made to wheelchair accessible taxi services. Services need to be improved, but all stakeholders need to consider the best way to achieve these improvements.

Further consultation on improving wheelchair accessible taxi services is needed

In addition, subsidies provided under the Taxi Transport Subsidy Scheme should be reviewed, to ensure the scheme is adequately meeting the needs of users. These subsidies have not been increased since 1999, whereas taxi fares have increased by more than 20 per cent.

Recommendations

- ***Provide payments to transport operators for actual school student travel.***
- ***Pilot the use of 'smart card' technology in private buses in 2004 and roll-out the technology across the private bus fleet in 2005 to enable actual travel based payments.***
- ***Introduce an annual application fee for school student travel passes of \$30 per student, indexed at the rate of inflation with exemptions available for low income households.***
- ***Make pensioner excursion tickets available to pensioners and seniors with health cards using the CityRail, STA and metropolitan private bus networks.***
- ***Replace the existing metropolitan pensioner excursion ticket fares scales with \$2.50, \$4.00 and \$5.00 fares.***
- ***Increase the CountryLink pensioner excursion fare from \$2.20 to \$3.00.***
- ***Index pensioner excursion tickets and increase the fares in 20 or 50 cent increments.***

⁷⁰ Engineers Australia Transport Panel submission, 2003, p. 15.

⁷¹ NCOSS submission, 2003, p. 3.

- ***Make seniors card holders eligible for half-fare concessions rather than pensioner excursion tickets (seniors who hold health cards should still be eligible for pensioner excursion tickets).***
- ***Limit travel on pensioner excursion tickets to outside the morning peak period.***
- ***Provide for the reimbursement of additional travel costs of pensioners who need to travel during the peak morning period to undertake volunteer work for registered charities.***
- ***Provide private bus service users with the same concessions as STA bus service users.***
- ***Review the government's concessions policy to ensure that it is fair and reflects social welfare priorities.***
- ***Bring local providers and users of community transport services together to develop plans for better services and promote coordination of available resources.***
- ***Broker streamlined funding and administrative arrangements for community transport services that meets local needs—including funding from Home and Community Care, the Community Transport Program and funding from other agencies including NSW Health.***
- ***Redirect underutilised assets from proposed changes to the SSTS and pensioner excursion tickets to increasing community transport services.***
- ***Establish a network of regional community transport development workers across the state that are funded and coordinated by the Ministry of Transport.***
- ***Review mechanisms for improving taxi services for wheelchair users.***
- ***Review the level of rebates provided under the Taxi Transport Subsidy Scheme.***

8

Charging for road use

THE GREATER USE OF SPECIFIC CHARGES for using roads for private travel can potentially play an important role in achieving sustainable transport solutions in the medium to long term in the Greater Sydney Area. Submissions to this Inquiry indicate that there is support for some form of road use pricing to address traffic congestion and localised air pollution, achieve efficient use of road infrastructure, and raise revenue that can be directed to funding public transport services.

The thinking underlying the support for road use pricing is that road access is currently ‘too cheap’ (as distinct from the general cost of motor vehicle use), as motorists are not *directly* bearing *all of the costs* associated with their decision to make a journey. For example, driving a vehicle is associated with costs such as congestion, road wear and tear, pollution and accidents. Motorists typically do not directly bear these costs. As noted in the Interim Report (Appendix D), these avoided costs are substantial. DEC have cited estimates of Australia’s annual road deficit (that is, the extent to which costs associated with road use exceed road revenues) of \$19–21 billion per annum.⁷² If such estimates are correct, then private transport is being heavily subsidised by the NSW community.

This subsidisation adversely affects public transport. Motorists do not get the same price signals from road pricing that public transport users get from fares for a parallel journey. In the absence of transparent relative price signals public transport will always be at a disadvantage compared with private car use, which contributes to greater use of private vehicles and under use of public transport.

However, the success of road use pricing in contributing to better transport solutions is not straightforward—there are many social, economic and technical issues to be resolved. This Inquiry examined three major options for road use pricing—cordon pricing, electronic road pricing, and parking levies. It sought stakeholder views on each option, and assessed the suitability of each for use in the Greater Sydney Area. It found that electronic

⁷² Department of Environment and Conservation submission, 2003, p. 4.

pricing offers the best opportunity to realise a more efficient use of road infrastructure and better transport solutions in this area, but effective implementation may only be possible in 5-10 years. In the interim, steps can and should be taken to facilitate its introduction.

8.1 What do we mean by road use payments?

An important distinction needs to be drawn between general motoring payments and specific road use payments. As noted in the Interim Report, NSW motorists already pay substantial amounts of money for using motor vehicles. In 2003-04 it is estimated that the various general government charges, duties and taxes (including the fuel excise) incurred by NSW motorists will total \$8.9 billion. (This figure excludes the private costs—petrol, maintenance, insurance etc—associated with running a vehicle.) In contrast to the general charges, pricing of specific road use is confined to only a small number of tolled roads.

Hence NSW motorists are making payments towards their motor vehicle use, but due to the absence of specific road use pricing, motorists are not being signalled with the full social cost associated with their decision to make a *particular* journey. And in the absence of transparent price signals, motorists are not in a position to be able to identify the most efficient transport mode.

This Inquiry identified three major options for making greater use of road use pricing. They include:

- cordon pricing—involves levying motorists with a fixed or variable charge (dependent on time of day) when they enter a particular geographic area
- electronic road pricing—involves electronically charging motorists a fixed or variable charge whenever they drive on particular roads
- parking levies—involves annual levies applied to parking spaces in particular areas.

8.1.1 Evaluating options for road use pricing

Price signalling objective

In evaluating the suitability of these options, the Inquiry took the view that the purpose of these payments is not to raise revenue (although that may be an outcome). Rather, the primary objective of road use pricing is to signal the true costs of using private transport, so community members can make informed decisions about the most efficient mode of transport to use for a particular journey. Increasing the cost of private transport relative to

public transport will likely see some shift away from private to public transport, provided, of course, a viable public transport alternative exists.

Can road use pricing be used today?

The Interim Report noted that prior to implementation of road use pricing, convenient, reliable and affordable public transport alternatives to driving must be in place. The need for a viable public transport alternative to private transport and the need to rationalise general motoring payments limits where road use pricing measures can be used today.

Most stakeholders agree with this position. While they believe that revenues raised through road use pricing should be directed to public transport, there is a strong view that unless viable public transport alternatives are already in place, road use pricing will be ‘just another tax’.

Road use pricing cannot therefore be seen, at least in the short to medium term, as a source of funding for public transport (assuming any revenue raised is hypothecated to public transport).

8.1.2 Policy changes are required elsewhere

General motoring payments should be rationalised if road use pricing is introduced

If road use pricing is introduced to address the external costs arising from road use, then the current taxation of motorists will need to be rationalised, including addressing the well-documented problems and inefficiencies of the current fuel excise arrangements. This is likely to result in some portion of the general motoring payments being replaced with road use pricing. Whether such a move is revenue neutral from the motorists’ perspective will depend on which of the external costs associated with motor vehicle use—namely congestion, road wear and tear, pollution and accidents—is addressed by the road use pricing.

Policies that encourage private transport use also need to be reviewed

Currently, public transport is disadvantaged compared with private transport by a range of taxation (for example, the fringe benefits tax), expenditure and other policies that encourage private transport use. As a separate issue, and irrespective of the decision made regarding road use pricing, those policies that distort decision making in favour of private transport should be reviewed to ensure that public transport is not disadvantaged.

8.2 Cordon pricing

To be effective as a means of reducing road congestion, cordon pricing would need to be implemented across the whole Greater Sydney Area. However, given that currently, in many parts of this area, there are no viable public transport alternatives to driving, the introduction of cordon

pricing cannot realistically be expected to change commuters' choice of transport mode.

Time-variable cordon pricing could be used to encourage travel outside peak congestion periods, and thus more efficient use of road infrastructure. However, cordon pricing cannot address other problems associated with road use—pollution, road wear and tear, and accidents. Given these short-falls, the Inquiry considers that it would not be appropriate to implement cordon pricing in the Greater Sydney Area.

8.2.1 Cordon pricing and congestion

A range of stakeholders suggested to the Inquiry that areas where road congestion is particularly bad—such as the Sydney and North Sydney CBDs, major commercial centres (like Chatswood and Parramatta) and Kingsford Smith Airport—are potential candidates for cordon pricing.

However, others pointed out that congestion does not just occur in these areas. It also occurs (and perhaps is worse) on the approaches to these areas. Ordinarily, this would not pose a problem to the implementation of cordon pricing. The traffic on the arterials is going somewhere, and if that destination can be included in the cordon then the cordon charge can send the appropriate price signal to motorists.

Employment is not centred in any one area...

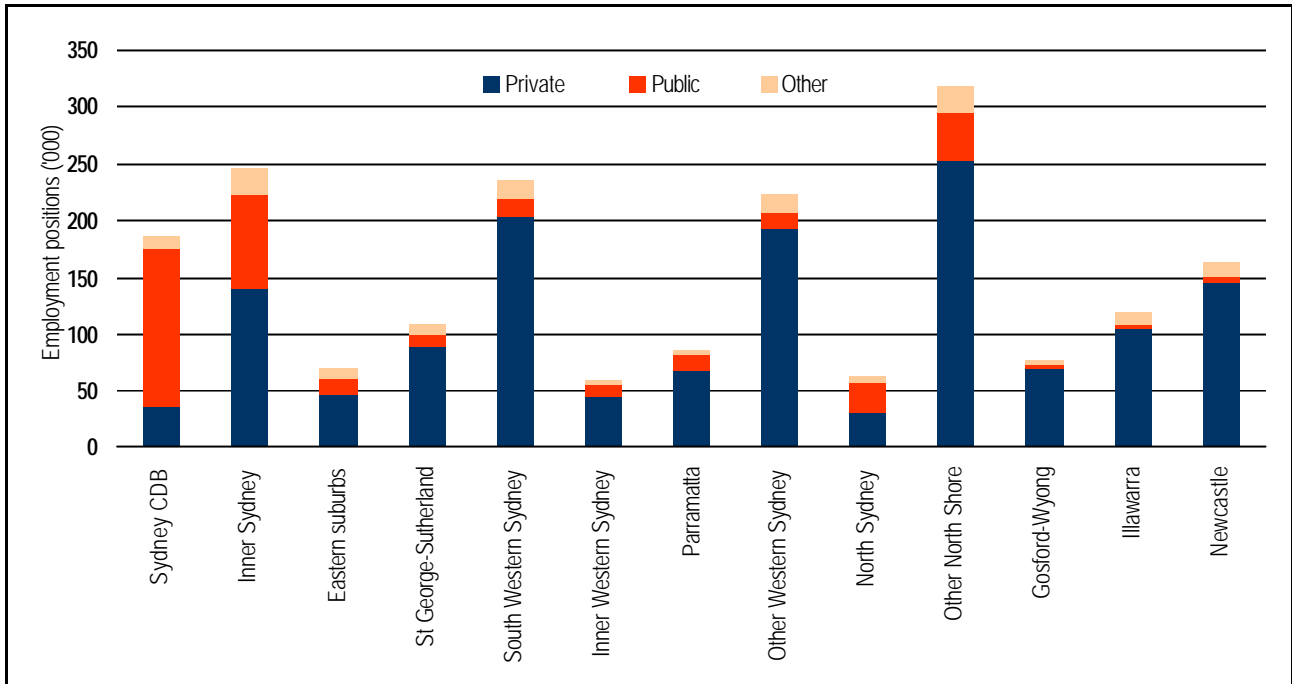
However, the available data suggests that the traffic on currently congested arterials is likely to be going to a multitude of destinations, and not just to one or two locations (such as Sydney's CBD). Chart 8.1 shows the location of employment in the greater metropolitan region and how workers travel to their place of employment. As can be seen, employment is not centred in any one geographical area.

...hence multiple cordons are likely to be needed

This suggests that subjecting only one area—such as Sydney's CBD—to cordon pricing is not likely to be effective in reducing traffic congestion on arterial approaches, as only a small proportion of that traffic will be charged (those going to/through the CBD).

Some stakeholders suggested that to overcome this problem, a 'system-wide' approach to cordon pricing needs to be adopted.⁷³ This would see cordon pricing implemented around the major employment centres. It was also noted that failure to adopt a systemwide approach might result in perverse outcomes. For example, cordon pricing limited to the CBD may, over time, see the relocation of offices to other locations, which due to the radial nature of Sydney's public transport system, are not as well served by

⁷³ Hensher submission, 2003, p. 5.

8.1 Daily journeys to workplace by transport mode^a

^a Private transport includes journeys as car driver, car passenger and by motorbike. Public transport includes journeys made by rail, bus and ferry. Other transport includes journeys made by taxi, truck, bicycle, walking or other mode(s).

Data sources: TDC 2001 Journey to Work Summary Tables (reports 2003-02 and 2003-03) and CIE calculations.

public transport. This in turn will encourage growth in car use, leading to greater congestion.⁷⁴

But there is a lack of public transport alternatives...

However, there are also problems with a system wide approach to cordon pricing—principally a viable public transport alternative to private transport. As chart 8.1 shows, the Sydney CBD, Inner Sydney and North Sydney areas are well serviced by public transport (reflected by the share of journeys to work accounted for by public transport). However, these areas only account for 25 per cent of employment positions in the greater metropolitan region.

From chart 8.1 it can also be seen that the radial nature of Sydney's public transport network(s) results in greater reliance on private transport for getting to and from work the further out from the inner city. Unless commuters are on the transport corridor, a viable alternative to private transport is unlikely to be available today. This viewpoint was endorsed in submissions to the Interim Report. For example, it was noted that:

... the new employment growth centres are poorly serviced by public transport (particularly [by] our radial rail system), for example, Macquarie Park, Norwest and Huntingwood. There has been a marked decentralisation of employment away from inner city areas well serviced by public transport to

⁷⁴ Hensher submission, 2003, p. 5.

out of centre commercial/industrial estates. The increase in private motor vehicle journeys is at least partly a consequence of the lack of practical and convenient public transport alternatives for journeys to work.⁷⁵

The Inquiry agrees with such comments.

...and this limits the ability of cordon pricing to reduce congestion

If implemented in the major employment areas, what will cordon pricing achieve? Given the absence of circumferential and viable alternative public transport, cordon pricing is unlikely, at least in the short to medium term, to see a marked reduction in private transport. A charge for entering a cordon would therefore be unlikely to change commuter behaviour with respect to travel mode, and therefore, equate to a tax or revenue raising exercise. As noted above, the Inquiry believes that the objective of the road use pricing measures is to signal the true cost of a transport mode, and in so doing allow consumers to make an informed decision with respect to which transport mode represents the better value. If commuters cannot realistically change their mode of transport and in so doing minimise the costs of congestion, then there would be little justification for implementing the measure.

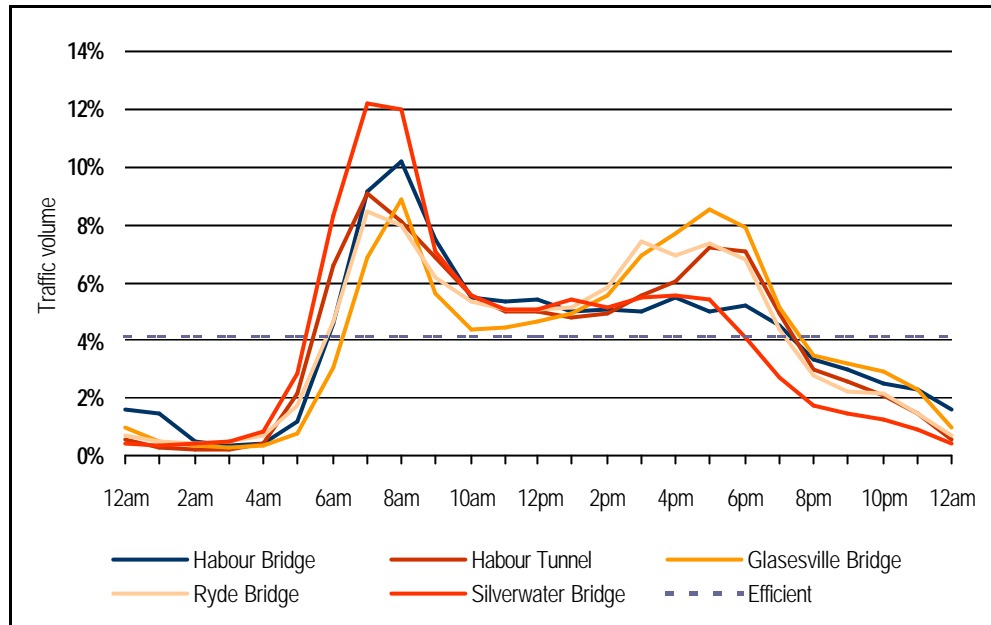
Cordon pricing of the type introduced in London (a fixed entry fee of £5 between 7am and 6.30pm Monday to Friday) is a second best approach to addressing Sydney's congestion problem. Sydney's congestion is concentrated in the morning and evening peak periods. Chart 8.2 shows hourly average weekday traffic volumes for southbound movements for selected sites around Sydney. Also shown is 'efficient' usage if traffic flows were equal for every hour of the day. As can be seen, demand for road use is greatest in the morning and evening peak periods. What is also apparent is that outside of the peak periods, there appears to be a large amount of capacity in the road system. By encouraging motorists to travel in the shoulder/off peak periods, use of the road infrastructure can be optimised.

Efficient road use requires variable cordon pricing

To shift the load distribution, variable (by time of day) cordon pricing would be needed. Electronic tolling would best facilitate variable cordon pricing, and given Sydney's expertise in electronic tolling, Sydney is well placed to capitalise here. However, if variable cordon pricing based on electronic tolling is going to be implemented (especially if on a Sydney wide basis), then the obvious question is why not implement full electronic road pricing? Electronic road pricing offers an advantage over cordon pricing in that it can address all of the externalities associated with driving (see below).

⁷⁵ Local Government Association of NSW and Shires Association of NSW submission, 2003, pp. 1-2.

8.2 Hourly weekday traffic volumes, 1999



Data source: Frank Milthorpe, Transport Data centre, personal communication.

8.2.2 Cordon pricing, pollution, accidents and road damage

Cordon pricing cannot address the full range of external road costs

Cordon pricing sees a charge being levied on entry into a particular area. But this charging base (area entry) typically has no bearing on the costs associated with pollution, road wear and tear, and accidents. For example, road wear and tear will be a function of the technical characteristics of the road, axle configuration of vehicles and load per axle as well as distance travelled. Pollution arising from vehicle emissions will vary according to engine size and efficiency, pollution abatement technology the type and cleanliness of fuel. Uniform cordon charges cannot reflect these factors, and hence cordon pricing cannot be used to inform motorists of the road infrastructure damage and environmental pollution their driving causes.

8.3 Electronic road pricing

ERP offers the best solution to road use pricing

The best solution to road use pricing will see motorists being charged directly for the costs arising from their road use. The Inquiry believes that electronic road pricing (ERP) provides the best means of doing this, and represents an opportunity to realise a more efficient use of road infrastructure and better transport solutions for the Greater Sydney Area.

ERP is an effective way to directly charge motorists for the external costs of their road use

By directly charging motorists for the external costs they impose, road users will be informed about the full cost of their decision to use private transport. Taking congestion as an example, ERP could enable a pricing system that is capable of levying a variable congestion charge, with the charge dependent on time of day; location or trip route; number of other vehicles on the road at the time; and vehicle type/size.

However, while the technology exists and has been used elsewhere, ERP for arterial roads is some way off yet. The RTA has suggested that a critical mass of (perhaps) one million e-tag holders is required before it is realistic to consider the option of all tollways becoming electronic (and hence open to ERP).⁷⁶ With around 350 000 e-tags currently in use, it will likely take several years before the required critical mass is reached.

Given this, and the absence of viable alternatives to private transport in many areas, the Inquiry believes the NSW Government should consider implementing ERP within the next 5-10 years—after consulting with the community and stakeholders—as a means of addressing the external costs associated with road use. In the intervening period, it should take the following consecutive steps to facilitate the introduction of ERP:

- introduction of two way tolling on existing tolled arterials
- harmonisation of tolls across currently tolled arterials and future/new toll roads) and consideration of a move towards distance based tolls as the simplest form of toll harmonisation
- introduction of time of day tolling (to reflect congestion costs) on those arterials where there is a viable public transport alternative to private transport
- introduction of ERP on tolled arterials
- expansion of ERP to incorporate currently non-tolled arterials (where feasible).

Existing toll contracts would need to be renegotiated

Implementation of these steps would require existing toll contracts to be reopened. For example, each toll road is currently operated separately and tolls are set by operators for their roads within the constraints of the contracts they have with the NSW Government. If harmonised and distance based two-way tolling is to be implemented, then the existing contracts would need to be reopened and new conditions negotiated so that tolls are consistent and apply both ways on all toll roads.

⁷⁶ Road and Traffic Authority submission, 2003, p. 8.

8.3.1 ERP technology

ERP technology already exists and will be used on Sydney's M7 in 2006

The technology needed to implement distance based ERP on Sydney's tolled arterials already exists. For example, Sydney's 40km Westlink M7, due for completion in late 2006, will use a system of distance based electronic pricing (\$0.25 per kilometre, capped at \$5.00 per trip; with prices adjusted for inflation).⁷⁷ Transurban, who are responsible for the tolling and underlying technology, will identify each vehicle via its electronic tag or number plate as it passes under the entry/exit gantries. The technology is sufficiently sophisticated to work out actual travel routes and hence distances travelled by vehicles. Full electronic tolling and the absence of toll booths means that motorway traffic will not have to stop or slow down in order to pay tolls, and hence will avoid the congestion and associated time delays that are often experienced at tolling points on other toll roads.

Moving to harmonised distance based tolling will necessitate the building of gantries at all entry/exit points along the tolled arterials in order to record distances travelled by vehicles on those arterials. One option for facilitating the introduction of distance based ERP is to have a single operator responsible for managing toll collection (and the underlying technology) across the entire tolled arterial network.

It was noted above that the final step in moving towards an ERP system would be to incorporate currently non-tolled arterials in the ERP network. However, the need to have gantries (or some variation thereof) at all entry/exit points along the arterial to be tolled, limits the arterials that can be incorporated in the ERP network. For example, extending ERP to arterials such as the Pacific Highway is likely to be problematic due to the vast number of entry/exit points. An alternative approach is to disperse gantries intermittently along such roads (say every five kilometres), but this option then runs the risk of motorists diverting onto backstreets in order to circumnavigate the gantries and in so doing avoid the road use charge. As this is an undesirable outcome, ERP is likely to be limited in terms of which arterials it can be used on until this problem can be overcome.

8.4 Parking levies

In their submission to the Interim Report, the RTA noted that:

⁷⁷ Westlink M7 fact sheet—Full Electronic Tolling.

There is a tendency to associate parking space levies with congestion at the centres being levied. This loses sight of the true benefits, which is reducing traffic on all arterial roads servicing those centres.⁷⁸

Like cordon pricing, a parking space levy (PSL) raises the cost of travelling to a destination by private transport. Hence a PSL could be anticipated to reduce congestion in the centre being levied and on the approaches to the centre (assuming public transport alternatives exist). Currently, certain places, such as retail shopping centres, are exempt from the levy, so removing these exemptions could be expected to reduce congestion in and around the major retail centres.

People are unlikely to switch from private to public transport for shopping trips...

However, the Inquiry believes this option is not likely to be effective in minimising congestion and discouraging car use in the Greater Sydney Area. Even if a shopping centre was well-serviced by public transport, it is unlikely that many shoppers would choose to use public transport rather than their own car, because it is so much easier to transport shopping items home in a car. As the Property Council of Australia noted:

Australians typically do a weekly household shop which involves carrying a substantial quantity of perishable goods home. For mothers with children, elderly and disabled people using a car is essential to their shopping activity. Public transport would simply not suffice. Nor is public transport designed to facilitate commuting with large quantities of shopping bags, lacking appropriate carrying/storage areas.⁷⁹

The RTA expressed similar concerns, noting that:

Trips to purchase groceries and other bulk items are not readily transferable to public transport, so the levy becomes a tax not a pricing signal.⁸⁰

...so extending the PSL would act as a tax rather than as a price signalling device

With demand for retail car spaces unresponsive to price (within reason), the PSL will act as a tax rather than a price signalling device. The limited substitutability between private and public transport for retail commuting handicaps the PSL in terms of its ability to minimise congestion/discourage car use.

The PSL also cannot deal with the other road use externalities of pollution, road wear and tear, and accidents.

Recommendations

Any implementation of road use pricing must be accompanied by rationalisation of the current taxation of motorists.

⁷⁸ Road and Traffic Authority submission, 2003, p. 9.

⁷⁹ Property Council of Australia submission, 2003, p. 34.

⁸⁰ Road and Traffic Authority submission, 2003, p. 9.

As a separate issue, undertake a joint review with the Federal Government of taxation, expenditure and other policies that are detrimental to public transport compared with private transport.

Following consultation with the community and stakeholders, consider implementing electronic road pricing (ERP) within the next 5-10 years as a means of effectively signalling to the community the external costs of road use—congestion, pollution, road wear and tear and accidents.

In the intervening period, take steps to facilitate the introduction of ERP, such as introducing two-way tolling and harmonising tolls across existing and new tolled arterials.

9

Decision criteria for transport projects

TO MAKE EFFICIENT AND EFFECTIVE choices about what transport projects to fund, a robust and transparent decision framework is required. Projects should be ranked consistently on their ability to contribute to the economic, social and environmental welfare of the people of NSW. Individual projects must also be able to be assessed in a comparable way.

The application of such a framework has not always been apparent in previous decisions to fund transport projects. This is evident in the inadequate analysis that has resulted in costly developments such as the Sydney Airport rail link and other projects that were examined in the Interim Report.

This Inquiry has identified the basic elements needed to establish a sound decision framework for future choices of transport projects. These include a multi-modal transport plan for Sydney that is integrated with an urban development and infrastructure plan. The Department of Infrastructure, Planning and Natural Resources (DIPNR) now has the resources and the mandate to develop both these plans.

The Government currently faces a number of choices about transport projects, and needs to make decisions now or in the near future. The Inquiry recommends that it applies some of the lessons of the past and the proposed decision framework when making these decisions, to maximise the social, environmental and economic benefits that such projects have the potential to deliver.

9.2 Elements of a sound decision framework

Well defined government objectives for public transport and an urban plan should be the starting point

To achieve a sustainable urban transport system consistent with sustainable urban development, transport policy development and planning needs to occur in the context of an urban plan and a multi-modal transport plan.

The urban plan should, among other things, set out well-defined social objectives and desired outcomes for urban development. The transport plan should be integrated with the urban plan, and set out a strategic, multi-modal approach to transport investments for meeting those objectives and addresses:

- where the demands are now
- where the growth is likely to be
- what the transport constraints to that growth are
- what the benefits and costs are associated with removing the constraints
- which transport mode best meets demands in the most effective way.

The basic ingredients for a strategic, integrated, multi-modal approach to transport planning for the Greater Sydney Area appear to be available. DIPNR has overall urban planning responsibility, and a complement of transport planning staff. It also includes a Transport and Population Data Centre that has significant multi-modal transport modelling capabilities. The RTA has a long-term track record in forward planning of the acquisition of land and implementation of strategic road investment. The SRA has identified what it sees as critical investment projects for making existing CityRail services sustainable. The challenge now is to bring these elements together. This will require strong inter-agency cooperation to meet government policy objectives. That cooperation will need to be underpinned by consistent, transparent application of methods for screening individual project proposals.

9.2.2 Prerequisites for good project choices

Implementing transport policy involves prioritising and choosing among investment projects, and choosing among alternative versions of the selected projects. This requires a consistent, transparent process for comparing projects.

This process requires:

- establishing an agreed set of needs, or transport demands— competing and interdependent—that require resources to meet them and possible solutions across modes

- making a menu of projects available to the private sector for possible proposals to get an indication of what level of private sector funding or operating interest is present and to which projects it applies
- recognising the full social costs and benefits of accommodating additional transport use under any option
- undertaking full benefit–cost appraisal of developed options in advance of the environmental impact statement (EIS) process—not during or after it—avoiding the risk that the cost–benefit appraisal will be reshaped as part of the EIS process rather than being allowed to stand on its own merits
- determining in advance the pricing regime that will apply to any competing options. Only in this way can reasonable patronage estimates and utilisation rates of infrastructure be projected.

The Inquiry believes that the most appropriate approach for evaluating competing projects is cost–benefit analysis, which was outlined in the Interim Report. In response to this report, some stakeholders argued that this approach is too narrow. For example, the NSW Labor Council said ‘... sustainable transport goes beyond cost–benefits’.⁸¹

The evaluation of competing solutions to transport problems should always involve considering more than just the *direct economic* benefits and costs of each option. The community needs to know, for instance, whether a decision to adopt a particular transport solution was made, on balance, on social grounds. It needs to know, if that solution would be rejected on ‘narrow’ cost–benefit grounds, the extent of the social benefits that tipped the balance in its favour.

This is not inconsistent with a cost–benefit analysis approach. It simply broadens the approach to bring in wider social and environmental benefits in a way that makes their weight in investment choices transparent.

To get the most value from any cost–benefit appraisal, an informed set of options for solving the given transport task should be developed before that appraisal begins. For example, if a Busway alternative to the second stage of the Parramatta rail link, or alternative end points for the proposed rail link had been included in the original cost–benefit analysis, the original decision might have been different.

⁸¹ NSW Labor Council, *Out Public Transport*, 2003, p. ix.

9.3 Lessons for the near future

Recent experience with transport projects, such as the M5 east extension and the new southern railway, provides some useful lessons that can be applied to improve outcomes from projects planned for the near future. For example, under the orbital road network program, a motorway to link the privately tolled M2 Motorway with the Gore Hill Freeway will be built. One of the issues that will need to be addressed is the likely effect of this motorway on patronage of the Epping to Chatswood rail link already under construction, which runs close to the tunnel corridor. There is a danger that an un-tolled or inappropriately priced road link could undermine patronage on the rail link and simultaneously contribute to further road congestion at the end points of the road link (the CBD, North Sydney and Chatswood).

Getting patronage modelling wrong is an acknowledged risk for all transport infrastructure cost-benefit analysis. There are particular problems in relying on survey results when the new public transport service being considered is unfamiliar and its characteristics are difficult to envisage by those being surveyed. Furthermore, it takes time to grow patronage for services like bus transitways, and cost-benefit analyses need to avoid being overly optimistic about patronage levels in early years.

Some transport projects need supportive changes elsewhere...

In addition, for bus transitways, there can be advantages in making supporting bus route changes before construction and even before project appraisal. Transitways should be part of a fully developed *network* of strategic cross-regional bus routes. At present, this is really only the case in Sydney's densely serviced eastern suburbs. Such cross-regional networks give the best opportunity for exploiting synergies to maximise patronage of the network as a whole, with one service linking with and feeding off others.

Existing private bus contract arrangements currently affect the feasibility of network development and the chances of getting the right balance between density and frequency of service in a network. The Unsworth review of bus services has examined and made recommendations on these issues. Future transitways may need to consider the benefits of allowing more than one operator to offer an integrated service along the trunk route and beyond, to overcome interconnection disincentives.

...But all new projects must pass rigorous cost benefit tests

Any proposed extension of heavy rail links to support the South West Sector or North West Sector development areas of Sydney should be subject to rigorous cost-benefit analysis. This analysis must fully take into account the implications for patronage of any future road use charging that could be in place by the time the services start operating. It should also take into account any upgrading of arterial roads that would have to occur

regardless of the planned new suburb developments. The outcomes—economic, environmental and social—should all be appraised against feasible (non-heavy rail) alternatives. Similarly, proposals for dedicated bus transitways must demonstrate their superiority over alternative bus solutions, including bus priority lanes.

There is widespread acknowledgment of the need to have public transport options ‘up and running’ as new suburban developments come on line. However, it is essential that any options being developed for servicing these areas be properly costed—both internally and in their links with the rest of the Greater Sydney Area. This means incorporating anticipated operating costs and patronage modelling in the costings, not just the *capital* costs of the planned option(s).

The proposed elements of SRA’s sectorisation investment are not all independent. Information from the SRA suggests that there are 19 separate ‘clearway’ projects, of which 10 have undergone some preliminary assessment. Given the likely cost of the full suite of projects it will be critical to know:

- Which are truly ‘stand alone’ projects that could be put into effect without the support of others
- The benefits and costs of each of these stand alone projects
- How the net benefits of each changes as the other projects are added.
- How the overall costs and benefits are affected by the sequence of these projects.

Recommendations

Undertake strategic, multi-modal transport planning that is integrated with urban planning. The Department of Infrastructure, Planning and Natural Resources should lead this project, utilising the expertise available in other agencies, including the Roads and Traffic Authority, State Rail Authority and the Transport Data Centre.

The multi-modal transport plan should be the basis for generating a suitable menu of infrastructure projects deemed capable of meeting government’s announced transport objectives for the Greater Sydney Area.

All transport infrastructure projects must be compared and evaluated using rigorous cost benefit analysis which takes full account of economic, social and environmental costs and benefits.

A

Evidence on the net social benefits of rail and bus travel

THE EVIDENCE on the relative social costs of trains, buses and cars is not straightforward. The Inquiry's own calculations show that on average CityRail trains and Sydney Buses emit just under half the greenhouse emissions per passenger kilometre of an urban car.⁸²

But when *other* external costs, such as noise and accidents, are added in, the social benefits of rail are more significant. For example the DEC submission also points out:

In Europe, it has been shown that even after excluding congestion, a cost that is primarily generated by private car travel, the average external cost of the car (on a per passenger basis) is more than twice that of bus and more than four times that of rail.⁸³

The European figures referred to above need to be used cautiously when drawing conclusions about the costs of the different travel modes in Sydney.⁸⁴ However, when converted to current Australian values, they suggest that before considering congestion effects, every passenger kilometre travelled by rail or bus instead of private car would yield savings in avoided external costs of 10.8 cents and 8 cents respectively.

⁸² The Inquiry estimates that CityRail trains emit 90 g of carbon dioxide equivalents and that Sydney Buses emit 100 g of carbon dioxide equivalents per passenger kilometre based on data on total fuel used and total passenger kilometres provided by SRA and STA. This compares to 220 g of carbon dioxide equivalents emitted by an average passenger car carrying 1.5 passengers (estimated by the Bureau of Transport and Regional Economics, Report 107, p. 27).

⁸³ DEC citing INFRAS/IWW, a summary of the study's methodology and results is available at www.unece.org/doc/poja/poja.uic.2.e.pdf, 2000.

⁸⁴ Transferring the estimated benefits of European (and US) studies to NSW is problematic, given the likely differences in load factors on trains, accident rates and congestion levels. However, calculations using Australian data, albeit on a national metropolitan basis, do offer broad support for the avoided cost calculations based on international data.

When we add in the costs of road congestion, these savings are even higher. Based on US studies, congestion costs appear to be similar in magnitude to the social costs of accidents.⁸⁵ These costs make up about 30 per cent of the external costs of road travel calculated in the European study.⁸⁶ So if we allow a similar amount for avoided congestion, the total avoided costs provided by rail travel is approximately 14 cents per passenger kilometre, while those for bus travel are something less than this. (Buses contribute to congestion while rail does not.)

Calculations for this Inquiry, based on Austroads and Australasian Rail Association figures for the estimated relative costs of congestion and accidents per *vehicle* kilometres in all metropolitan areas of Australia,⁸⁷ suggest that congestion costs exceed accident costs by a factor of about 1.2 to 1. If we make an adjustment to reflect this, then the avoided costs from rail use might be nearer 15 cents.

If we make a further adjustment to reflect the fact that avoided congestion costs in Sydney are higher than other metropolitan centres, the benefit of avoided congestion costs through rail use would be higher again. Avoided costs in the range 15 to 20 cents per kilometre for rail would seem realistic. An estimate for buses is more difficult as the net effect on congestion of car travel avoided through bus travel is required. Further research is needed and could be a useful part of future analysis of the benefits of more widespread priority bus lanes.

If we accept this estimate, the existing 'general' subsidy for metropolitan rail travel of around 20 cents per passenger kilometre is broadly in line with the social benefits (or avoided social costs) this travel generates if it replaces car travel.

⁸⁵ Estimates provided for the UK by Ramella (2001) on the other hand suggest that congestion costs are at least twice as high as accident costs.

⁸⁶ Avoided accidents are estimated to be the major avoided cost from substituting public transport for car travel in the European study.

⁸⁷ Review team calculations based on Austroads, *Road Facts 2000: An overview of the Australian and New Zealand Road systems*, Sydney, 2000 and Australasian Railway Association Fact Sheet no. 10 (revised) March, 2002.

B

List of submissions received on the Interim Report

B.1 Submissions received from organisations and individuals up to 10 October 2003

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
1. Action for Public Transport (NSW)	23. Bovis Lend Lease
2. Ajilon Professional Staffing	24. Bus & Coach Association NSW
3. Aldavilla Primary School	25. Camden Haven Travel
4. Angus Australia	26. Campbelltown City Council
5. Armidale ALP Branch	27. Canberra Pensioners Club
6. Armidale Branch New England Railway Inc	28. Central Coast Community Environment Network
7. Armidale Dumaresq Council	29. Central Commuters Association
8. Arthritis Foundation NSW	30. Central Sydney Area Health
9. Association of Independent Retirees Ltd	31. Centre for Peace Studies
10. Association of Independent Retirees, Armidale	32. Cessnock Transport Development Project
11. AusCID Ltd	33. Charles Sturt University
12. Australian Labor party – Kempsey Branch	34. Charter Vessel Association of NSW
13. Aust Manufacturing Workers Union Retired Members Assoc	35. Clarence Community Transport
14. Australian Council for Infrastructure Development Ltd	36. Coffs Harbour City Council
15. Australian Patriot Movement	37. Combined Pensioners & Superannuants Assoc
16. Australian Rail Track Corporation Ltd	38. Communication Employees Retired Members Assoc
17. Bathurst City Council	39. Coolah School Bus Advisory Group
18. Bellingen Shire Council	40. Cootamundra Shire Council
19. Belt Up for Safety Action Group	41. Copmanhurst Shire Council
20. Bishop Austrans Pty Ltd	42. Copmanhurst Shire Council
21. Bogan Shire Council	43. Council of Catholic School Parents
22. Bourke Shire Council	44. Council of Retired Union Members Assoc of NSW

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

B.1 Submissions received from organisations and individuals up to 10 October 2003 (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
45. Country Women's Association of NSW	74. Kempsey Shire Council
46. Darkinjung Local Aboriginal Land Council	75. Kilsby Australia Pty Ltd
47. Day Services Challenge Armidale Ltd	76. Kogarah Council
48. Department of Environment & Conservation	77. Lachlan Shire Council
49. Department of Infrastructure, Planning & Natural Resources	78. Ladies Probus Club of Wallsend
50. Dubbo City Council	79. Leichhardt Community Transport
51. Duval College & Drummond & Smith College	80. Leichhardt Council
52. Earle College	81. Lismore City Council
53. Easthamsted Transport Pty Ltd	82. Lismore City Council Public Transport Advisory Panel
54. Education Action Group of the University of New England	83. Local Govt & Shires Assoc of NSW
55. Students' Association	84. Lower Hunter Public Transport Liaison Group
56. ERG Group	85. Lower North Shore Community Transport
57. Fairfield City Council	86. Macarthur Greens
58. Glen Innes & Severn Shire Development Board	87. Macquarie Bank Ltd
59. Gosford City Council	88. Manilla Shire Council
60. Goulburn City Council	89. Manly Greens
61. Grafton City Council	90. Marcus Evans
62. Greater Taree City Council	91. Medical Consumers Association
63. Grey Power Association	92. Member for Bligh
64. Griffith City Council	93. Member for Burrinjuck
65. Gunnedah Shire Council	94. Member for Clarence
66. Halcrow	95. Member for Coogee
67. Hunter Environment Lobby	96. Member for Drummoyne
68. Hunter U3A Incorporated	97. Member for Heffron
69. Hurstville City Council	98. Member for Manly
70. Isolated Children's Parents' Association NSW	99. Member for Northern Tablelands
71. Institute of Transportation Engineers	100. Member for Penrith
72. Inverell Books & Bric-a-brac	101. Member for Strathfield
73. Isolated Children's Parents' Association of NSW	102. Member for Tweed
	103. Metro Transport Sydney
	104. Motorcycle Council of NSW

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

B.1 Submissions received from organisations and individuals up to 10 October 2003 (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
105. Motorcycle Council of NSW	134. NSW Taxi Council
106. Mudgee Shire Council	135. NSW Transport Authorities Retired Employees Assoc
107. Mulwaree Shire Council	136. Ocean Shores Community Association Inc
108. Murrarundi Council	137. Office of Rural Affairs
109. Murrumbidgee Shire Council	138. Orange City Council
110. Muswellbrook Shire Council	139. Oxley Community Transport Service Inc
111. Nambucca Shire Council	140. Palm Beach Ferry Service
112. National Seniors Association	141. Peninsula Public Transport Coalition
113. NCOSS of NSW	142. Penrith City Council
114. Neeworra Guyra Pastoral Co	143. Philips Retired Persons Association
115. New England B & B/Farmstays Assoc	144. PLC Armidale
116. New England Conservatorium of Music	145. Public Service Association of NSW
117. New England Editing	146. Queanbeyan City Council
118. Newcastle City Council	147. Recreation Access Project
119. Newcastle City Day Branch, ALP	148. Returned & Services League of Australia – Tamworth Branch
120. Newport Progress Association	149. Richmond Valley Council
121. Northern Rivers Regional Organisation of Councils	150. Riverina Regional Organisation of Councils
122. North Coast Environment Council Inc	151. Rockdale City Council
123. North Sydney Council	152. RSL Retirement Village
124. North West Branch of Bus & Coach Association	153. Roads and Traffic Authority NSW
125. North West Infrastructure Task Force	154. Scone Shire Council
126. Northern Rivers Dermatology	155. Shoalhaven City Council
127. Northern Rivers Regional Development Board	156. South East Sydney Bus Action Group
128. Northern Rivers Trains for the Future	157. Spinal Cord Injuries Australia
129. NRMA Motoring & Services	158. Southern Sydney Regional Organisation of Councils
130. NSW Commission for Children & Young People	159. State Chamber of Commerce
131. NSW Country Young Labor	160. State Transit Authority of NSW
132. NSW Ministerial Advisory Council on Ageing	161. State Rail Authority
133. NSW Parents Council	162. Sutherland Shire Council
	163. Sydney U3A

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
164. Tamworth City Council	195. Western Sydney Regional Organisation of Councils
165. Tablelands Community Transport	196. ADAM R
166. Technical Services	197. ALDRICH T
167. The Chartered Institute of Logistics & Transport	198. ALLMAN J T
168. The Council of Camden	199. ALMOS R
169. The Council of the Shire of Bourke	200. ALSOP M
170. The Council of the Shire of Brewarrina	201. ANDERSON I
171. The Environment Centre, Armidale	202. ANDREWS D
172. The Friends of the Northern Railway Inc	203. APPS T J
173. The Hon Mike Gallacher MLC	204. ARMSTRONG E
174. The Summerland Greens	205. ARNOLD J J
175. The Warren Centre for Advanced Engineering	206. ASCH P
176. The University of New England	207. ASHLEY P
177. The Vacluse Progress Association	208. ASHMONT M
178. Total Environment Centre	209. ASHWORTH D
179. Transit Planners	210. ASHWORTH T
180. University of Sydney	211. ATKINSON M
181. Uphill & Schaefer Real Estate	212. ATKINSON B J
182. Uralla Senior Citizens & Pensioner Association Inc	213. AUSTIN P
183. Uralla Shire Council	214. AUSTIN K
184. UWS Hawkesbury Students Assoc, Richmond	215. AYRE R
185. Wagga Wagga City Council	216. BAAS G
186. Walcha Business & Tourist Association	217. BACKHOUSE R
187. Walcha Council	218. BADHAM B
188. War Widows' Guild of Australia, NSW	219. BAHR E
189. Waterfall Way Tours	220. BAILEY R
190. Waterways Authority	221. BAKER C
191. Wellington Council	222. BALE C
192. Western Sydney Alliance	223. BANKS D
193. Willoughby City Council	224. BANNON P A
194. Wingecarribee Shire Council	225. BARDEN E
	226. BARKLAY A B M
	227. BARNES J

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
228. BARRETT D	261. BRADBURY R
229. BARROW M	262. BRADY B
230. BATEY R	263. BRADY V
231. BATTERSBY N	264. BRADY I
232. BAXTER J	265. BRAIN P & C
233. BAYES P	266. BRANDIS J
234. BEATON L	267. BRANSDON-PARKES R
235. BEATTIE K	268. BRAZEL E
236. BEENEY A J	269. BRAZEL P
237. BEER B	270. BRIEN J & D
238. BELFIELD E	271. BRODERICK J
239. BELL J	272. BROOKS W
240. BEVIS K	273. BROOME W
241. BIGG A	274. BROWN E
242. BIRKETT C	275. BROWN N
243. BISBY N J	276. BROWN G F
244. BLACKER M	277. BROWN G
245. BLACKMAN J	278. BROWNING M
246. BLAKE H	279. BRYAN C
247. BLOFELD A	280. BURNET R
248. BLOOMFIELD L	281. BURROWS M
249. BLUMS P	282. BURROWS H
250. BLUNDELL K G	283. BURTON A
251. BONES E	284. BURTON N
252. BONGERS J M	285. CALEY V H J
253. BOOLE K	286. CALEY I M
254. BOURKE O M	287. CAMERON L
255. BOWDEN R D	288. CAMERON J
256. BOWER R	289. CAMPBELL B
257. BOWIE I G	290. CAMPBELL J
258. BOWLEY R D & G H	291. CARLE N
259. BOYD R & A	292. CARLTON P
260. BOYD-LAW Z	293. CARROLL P

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
294. CAVANAGH B	327. CROSS R
295. CHAPMAN L J	328. CROSS E
296. CHAPMAN P	329. CROXSON P K
297. CHARNAS K	330. CURREY J
298. CHARTER F	331. CURREY I
299. CHIDGEY G	332. CURREY G J
300. CHIN D	333. CURTIS M
301. CHISHOLM C	334. CUTMORE N
302. CHOWN K	335. DANLOWSKI M
303. CHOWNE J	336. DAVIES L
304. CHUBB R & V	337. DAVIS T
305. CHUNG L	338. DAVIS D
306. CLARK K	339. DENNY J M
307. CLARK R	340. DEVINE M
308. CLAYTON K E & J A	341. DEXTER K
309. CLEARY J	342. DI LUZIO S
310. CLEGHORN S	343. DIMECH C
311. COFFEY L	344. DOIG C
312. COFFEY R & J	345. DONALD R L
313. COGGAN H	346. DONALDSON D
314. COLLISTER R	347. DOOLEY A
315. CONNAH D	348. DORAN L
316. CONNOR B H	349. DRAYKIN B & P
317. COOPER D	350. DREYER M
318. COOPER G & C	351. DUNN S
319. COOPER-SOUTHAM A	352. DUNN S
320. CORPUZ A	353. DUNN T
321. COUPLAND P	354. DURNAN D
322. COUPLAND R	355. DUTTON E
323. CREAMER H	356. DWYER M
324. CREW N	357. EAST J
325. CROCKER L	358. EBURN J
326. CROOK F C	359. ECKFORD J

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
360. EDMONDS B J	394. FORBES P
361. EDWARDS B	395. FOWLER M
362. EDWARDS A	396. FOX G
363. EGGINS N	397. FRANCIS F
364. ELLIOT E	398. FRANCIS E
365. ELLIS E	399. FRANKLIN M
366. ELPHICK T	400. FRASER J
367. ENDEAN R P	401. FREDRICKSONJ
368. EVANS L	402. FULTHORPE W C
369. EYLES R	403. FURNANCE T
370. FAIRLEY G	404. GARSTANG D
371. FAIRBAIRN P	405. GARTLY E
372. FAIRBAIRN A	406. GIBSON B J
373. FAITHFULL J P	407. GILHAM P
374. FAITHFULL M	408. GILL J
375. FAMILY L	409. GILL J & E
376. FARRANT B	410. GLAZEBROOK G
377. FARRELL R & K	411. GLOVER S
378. FEDERER D	412. GOGGINS B
379. FEITZ A	413. GONDOLF N & J
380. FERGUSON L T	414. GOODALL
381. FIELD D	415. GOODWIN K
382. FINCH B	416. GORDON S D S
383. FISCHER	417. GORNALL B
384. FISH J	418. GOSLING F
385. FISH R W	419. GOW J
386. FISHER N	420. GREEN M A
387. FITZPATRICK I	421. GREEN L
388. FITZROY C & B	422. GREENWOOD D
389. FITZSIMMONS C	423. GRIEVE J
390. FIVEASH K	424. GRIFFIN B
391. FLORANCE N	425. GRIFFIN M
392. FLOYD T	426. GRIFFITHS J
393. FORBES M	427. GRIFFITHS V & B

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
428. GRZIC W	463. HERD R
429. GUEST E	464. HETHERINGTON T W
430. GUNNS K	465. HEWITTSON M
431. GUY P	466. HIBBERD F
432. HAGIN G	467. HIBBERD F
433. HALEY R	468. HICKEY S
434. HALL B	469. HIGGINS D
435. HAMBLION R	470. HOARE L
436. HAMILTON H	471. HODGKISS W
437. HANNA P	472. HODGSON J
438. HANSEN T	473. HOLLEY D V
439. HANSEN G	474. HONAN A
440. HANSON C	475. HONE A
441. HARDAKER B	476. HONSON H & J
442. HARDAKER T	477. HOOKER R G & G M
443. HARDEY M	478. HOOPER J
444. HARDIMAN B	479. HORSLEY G H R
445. HARRAGON J	480. HOSKIN G
446. HARRIS J N	481. HOSSAIN
447. HARRIS R	482. HOURIGAN S
448. HARRIS E & J	483. HOUSTON M
449. HARRISON K	484. HOWDEN C
450. HASTINGS P	485. HOWDEN S
451. HATCH R & S	486. HOWE C
452. HAWKINS V	487. HUMPHREY B & M
453. HAWKINS M	488. ICETON N
454. HAWKINS K	489. INTYRE H
455. HAYNES M	490. JAMES D
456. HEAL R	491. JAMES S
457. HEAP M	492. JI Y
458. HELLIER A	493. JIANG Y
459. HENNESSY E P	494. JOHANSON C
460. HENRY E	495. JOHNSON W D
461. HENSKENS M	496. JOHNSTON C
462. HERBERT K	497. JOHNSTON S

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
498. JOHNSTONE P	533. LEA B
499. JONES R	534. LEACH R
500. JONES A	535. LEECH G & W
501. JONES M	536. LEEFLANG R
502. JONES G & K	537. LEGGE B
503. JOYCE K	538. LINDGREN N
504. JUDD P	539. LINDSAY J & C
505. KAULKERS T	540. LOGAN C
506. KELS M	541. LONG M
507. KENNEDY M	542. LONG S
508. KENNEDY P	543. LONGTON J
509. KENNEDY M	544. LORD J
510. KELLY D	545. LUBKE M
511. KEOGH M	546. LUKE K
512. KILEY H	547. LUMBY C
513. KING G	548. MACALPINE H
514. KINGMA A	549. MACDONALD I
515. KITCHER M	550. MACGREGOR I & R
516. KITSON D	551. MACGREGOR I & L
517. KNIRSCH A	552. MACLEOD Y
518. KOKOTAS C	553. MACNEILL I
519. KOLBE K	554. MADDEN D
520. KORFF L	555. MADDEN H
521. KOWALCZUK K	556. MAHER G A
522. LA FONTAINE K	557. MALES J & M
523. LAIRD R	558. MALVERN P
524. LANCASTER J	559. MANNING M
525. LANGDON M	560. MARGERISON S
526. LANGFORD-BROWN R	561. MARQUARDT J
527. LARCOMBE B & A	562. MARSHALL J
528. LAURIE C	563. MARSHALL K & J
529. LAURIE R	564. MARTIN J T
530. LAW M L	565. MAUGHAN J
531. LAWERENCE J	566. MAURER C
532. LE MESSURIER J	567. MAY G J

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>		<i>Name of organisation/individual</i>	
568. MAYR	P	603. MILLER	G
569. MAYR	E	604. MILLS	G
570. MAYR	J	605. MILLS	P
571. MCCAFFERY	M	606. MILLS	J
572. MCCARTHY	R	607. MITCHELL	E
573. MCCARTHY	T	608. MITCHELL	L
574. MCCARTHY	J	609. MITROVIC	D
575. MCCAWLEY	L	610. MOLLEMA	H
576. MCDONALD	M & K	611. MONIE	J
577. MCDONNELL	J	612. MOORE	V
578. MCEVOY	M B P	613. MOORE	P
579. MCFARLANE		614. MOORE	B
580. MCFARLING	B	615. MORRICE	G A
581. MCHALE	F	616. MORRIS	F
582. MCINTYRE	K	617. MORRISON	I
583. MCINTYRE	M	618. MORRISON	M
584. MCKERN	A	619. MOSS	P
585. MCKNIGHT	V & P	620. MOXHAM	N
586. MCLAREN	M	621. MULDOON	R
587. MCLEAN	R	622. MULDOON	M J
588. MCLENNAN	J	623. MULLIGAN	N
589. MCLENNAN	G & J	624. MURPHY	D
590. MCLENNAN	H	625. MUSHALIK	M
591. MCLENNAN	A	626. MUTTON	L
592. MCLEOD	R J	627. NAYLOR	C
593. MCMAHON	D	628. NEILSON	C
594. MCMANUS	J	629. NELSON	P
595. MCPHILLIPS	M	630. NEWIN	V
596. MEALY	C	631. NEWLING	F
597. MEALY	C	632. NICHOLS	R
598. MENZIES	R	633. NICHOLSON	M B
599. MEREDITH	S	634. NOAD	B
600. MEYER	E	635. NOBLE FOX	Z
601. MILLER	M	636. NORDSTROM	L
602. MILLER	F	637. NORTHFIELD	B

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>		<i>Name of organisation/individual</i>	
638. NORTON	D	673. POST	F
639. NUNNEY	N	674. POWYS	J
640. O'DONNELL	J	675. PRASAD	T S
641. O'DONNELL	N	676. PRESTON	M
642. OGDEN	H	677. PRINDABLE	I
643. OLDFIELD	L	678. PROBERT	L
644. OLIVE	M	679. PRYOR	T T
645. OLIVER	M	680. PRYOSUSILO	M
646. OLMOS	M	681. PULLEN	C
647. ORCHARD	P	682. PURVIS	N
648. O'REILLY	M	683. QUILTY	M
649. O'SULLIVAN	K	684. QUINLISK	M
650. OWEN	J G	685. RADFORD	D
651. PAGE	D	686. RADFORD	D & J
652. PAIN	S	687. RAMSAY	D
653. PANTER	R	688. RAMSEY	J & M
654. PARISH	B	689. READ	K
655. PARMITER	N H	690. READON	V
656. PARRY	G	691. REED	D
657. PARRY	E	692. REESON	J
658. PASCOE		693. RESECK	J
659. PATON	P N	694. RICH	N
660. PAULL	D	695. RICHARDS	J
661. PEARSON	M	696. RICHARDS	W D
662. PERRING	M	697. RIZOS	C
663. PETER	C	698. ROBERTS	W
664. PETROV	L	699. ROBERTSON-CUNINGHAME	F
665. PHILLIPS	W	700. ROBERTSON-CUNINGHAME	P & R
666. PHILP	A	701. ROBERTSON	J
667. PHILPOTT	J	702. ROBINSON	P
668. PINK	J	703. ROBINSON	R
669. PITGRIM	J	704. ROBINSON	M
670. PLUNKETT	S	705. ROBINSON	M
671. PORTER	F	706. ROBINSON	R
672. PORTER	N E	707. ROBINSON-DICKES	M

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
708. RODGERS K	743. SHAW L
709. RODRICK J	744. SHEEHY C
710. ROOBOL B	745. SHEPHERD A & J
711. ROSE D	746. SIMPSON M
712. ROSS C E J	747. SIMS M A
713. ROSS B	748. SINCLAIR W R
714. ROSSKELLY B M	749. SINDEL B
715. RUDD J & C	750. SINGH K
716. RUDD C & j	751. SINGLE R & P
717. RUMMERY P	752. SINGLETON L
718. RUMMERY A	753. SIRIWARDANA A
719. RUMMERY J	754. SKINNER D & R
720. RUMMERY M	755. SLAATS H
721. RYAN J	756. SLADE J
722. SAMUT W	757. SLATYER R
723. SANDERS A	758. SMITH P
724. SAUL E	759. SMITH R & H
725. SAUNDERS H P	760. SMITH E
726. SAVILLE E	761. SMITH H
727. SAYER W R	762. SMITH FP & PK
728. SCARR D	763. SMITH M
729. SCHAEFER C	764. SMITH C
730. SCHLINK K	765. SMITH K
731. SCHMITZER C	766. SMITH C
732. SCOTNEY H R	767. SMITH R G
733. SCOTT J	768. SMYTH P
734. SEDELAAR L & B	769. SOLOMON G
735. SELIGMANN V & F	770. SONNTAG J
736. SEMPLE K	771. SPENCE M
737. SEVIL S	772. SPOKES N
738. SHALHOUB J	773. SPRAGG R
739. SHARPE J	774. STALLARD H
740. SHARPE P	775. STANDEN G
741. SHARPE M	776. STARR E
742. SHARPLES R	777. STEELE B

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
778. STEKHOVEN L	813. TULLY R
779. STENNER B & N	814. TURIER W E
780. STEPHENSON N C N	815. TURNER B
781. STEVENS P	816. TURNER N
782. STEVENSON R	817. TWIGG W
783. STEWART R	818. VANDENBERG M
784. STOCK D	819. VANSELOW B
785. STOCK B J	820. VAYNE M
786. STODDART G M	821. VERRENT M
787. STOKES R H	822. VICKERY E
788. STONE M C	823. VICKERY R
789. STONE A M	824. VINCE-MOIN J
790. STOREY W	825. VNUK J
791. SULLIVAN D	826. WAGLAND R
792. SUND J O	827. WALKER D
793. SUNDSTROM B	828. WALKER A
794. SUTOR A	829. WALKER R
795. SWAN R	830. WALLBRIDGE K
796. SYPKENS S	831. WALTERS I
797. TANNER M	832. WARDEN J
798. TAYLOR P	833. WARDROP A J
799. TAYLOR B	834. WARNE S
800. THOMAS G	835. WARNOCK J
801. THOMAS R	836. WARREN P
802. THOMAS J	837. WARRICK E
803. THORNTON-SMITH A	838. WARWICK M
804. THORSBY	839. WATSON J
805. TIERNEY M	840. WATSON J
806. TIERNEY M	841. WATSON M
807. TINDAL N	842. WATSON M
808. TONKIN P	843. WAUGH O
809. TRIGGS R	844. WEBB N & J
810. TUCKER S	845. WECKERT R & C
811. TUCKER N	846. WELLS M
812. TUDOR R	847. WENBAN D

(Continued on next page)

 B LIST OF SUBMISSIONS RECEIVED ON THE INTERIM REPORT

**B.1 Submissions received from organisations and individuals up to 10
October 2003** (continued)

<i>Name of organisation/individual</i>	<i>Name of organisation/individual</i>
848. WENBAN D	882. WOTTON R
849. WEST B & R	883. WRIGHT F
850. WESTMAN S	884. YEE K
851. WHATSON J R	
852. WHEATON V	
853. WHEELER P	
854. WHITE D	
855. WHITE J	
856. WHITE J	
857. WHITE W B	
858. WHITE M	
859. WHITE M	
860. WHITEHEAD N	
861. WICKS V	
862. WILKINSON D	
863. WILLAMS M	
864. WILLIAMS D & M	
865. WILLIAMS V J	
866. WILLIAMSON D S	
867. WILLIAMSON D S	
868. WILSON S	
869. WILSON K	
870. WILSON P	
871. WILSON M	
872. WILSON I	
873. WILSON D	
874. WINTERTON P	
875. WITHERIDGE H	
876. WOLFENDEN A	
877. WOOD K	
878. WOODLEY C J	
879. WOODS M A	
880. WORTH J	
881. WORTHING P R	

C

Glossary

ARTC	Australian Rail and Track Corporation
AusCID	Australian Council for Infrastructure Development
BTRE	Bureau of Transport and Regional Economics
CBD	Central business district
CDEP	Community Development Employment Program
CEO	Chief executive officer
CPI	Consumer price index
CSO	Community service obligation
DEC	Department of Environment and Conservation
DIPNR	Department of Infrastructure, Planning and Natural Resources
EIS	Environmental impact statement
EPA	Environment Protection Authority
ERP	Electronic road pricing
GST	Goods and services tax
IPART	Independent Pricing and Regulatory Tribunal
KPI	Key performance indicator
LGSA	Local Government and Shires Association
MSL	Minimum service level
NCOSS	NSW Council of Social Services
OECD	Organisation for Economic Cooperation and Development

OTR	On time running
PET	Pensioner excursion ticket
PPP	Private–public partnership
PSL	Parking space levy
RIC	Rail Infrastructure Corporation
RTA	Road and Traffic Authority
RTBU	Rail Tram and Bus Union
SRA	State Rail Authority
SSTS	School Student Transport Scheme
STA	State Transit Authority
TTSS	Taxi Transport Subsidy Scheme
WAT	Wheelchair Accessible Taxi
WSROC	Western Sydney Regional Organisation of Councils
Beneficiary pays	Those who benefit either directly or indirectly from a market transaction contribute to the purchase or construction of the good or service in part or up to the value added from their benefit.
Community service obligations	Services provided to the community by a business that are not necessarily compatible with commercial objectives and for which financial reimbursement is paid by the government.
Commercial contract (bus operators)	A contract between the Ministry of Transport and a bus operator where operator remuneration is derived from revenue generated by passengers' fares and reimbursement for concessions and school student transport. The contracts set out minimum services levels to be provided by the operator.
Community transport	Transport services provided to a broad range of people who experience transport disadvantage. Transport disadvantage is defined by a number of factors including mobility, isolation and age.

Cordon pricing	Motorists pay a toll to enter (or exit) a geographic area. Cordon tolls may be fixed or vary with time of day and day of the week.
Cost–benefit analysis	The method of evaluating a policy/project by comparing the economic, environmental and social cost and benefits in common units associated with the policy/project. The common units are usually monetary.
Development charges	A tax, duty, or fee collected from developers and appropriated to either mitigate negative impacts from the development or provide required increased due to the development.
Electronic road pricing	Automated tolling (via smart cards and transponders) of motorists accessing/using the road network. Current technology allows tolls to vary with time of day or volume of traffic.
Externality	A cost or benefit arising from an activity that does not accrue to the person or firm carrying out the activity.
Greater Sydney Area	Includes Sydney, Wollongong, Newcastle, Blue Mountains, Central Coast and parts of the Hunter, Southern Highlands and Shoalhaven.
Indirect beneficiaries	Those who benefit from a market transaction but are neither the buyer nor the seller and are therefore external to the transaction.
Integrated fares	The same fare structure applied across rail, bus and ferry transport modes thereby allowing multi-modal travel using one ticket.
Integrated ticketing	The use of a single stored value card to purchase travel (referred to as the ‘smart card’).
Intergenerational equity	Meeting the needs of the current generation while leaving equal opportunities for those generations to follow.
Marginal cost pricing	Setting the price of a good/service equal to the marginal social cost of producing that good/service. It can be argued that marginal cost pricing is economically optimal as it equates marginal benefit to marginal cost.
Marginal social cost	The total cost of an activity. Includes not only private costs falling on the person/firm conducting the activity, but also external costs falling on other people who are not able to extract any compensation for the cost imposed.
Minimum service levels	Minimum service levels bus operators are required to meet which are specified in commercial service contracts and determined by the Ministry of Transport.

Ministry of Transport	With effect from 1 July 2003, the name of the former Department of Transport (which had previously been renamed Transport Co-ordination Authority) changed to the Ministry of Transport.
Net present value	The present day value of a project, found by discounting the future costs and benefits associated with a project by an appropriate rate, usually the long term bond rate plus a risk premium. The present value costs are then subtracted from the present value benefits to arrive at a net position.
Non-commercial contract	A contract between the Ministry of Transport and a bus operator where operator remuneration is fixed at an agreed rate based on the gross costs of the service to be provided. These contracts primarily cater for school student travel.
Peak load pricing	Increasing peak hour fares as a strategy to address peak hour congestion on rail, bus and ferry transport.
Pensioner excursion ticket	Discounted tickets available to pensioners and seniors card holders. They allow unlimited travel on the metropolitan government operated transport networks and a flat discounted fare for travel between country locations on the day of purchase.
Private franchise	A system by which independent private firms are authorised to use a common business system. The holders of the franchises are subject to supervision of their operations in order to maintain the reputation of the franchised product.
Public-private partnerships	Partnership between public and private sectors to provide infrastructure and allocate risk effectively. There are many different types of PPPs, with the most popular in New South Wales being the build-own-operate-transfer project.
Rail Infrastructure Corporation	Organisation responsible for below rail operations such as track infrastructure maintenance throughout NSW. The metropolitan operations of RIC are to be merged with SRA from 1 January 2004.
School student transport scheme	Provides free travel for eligible school students on government rail, government and private bus and ferry services and long distance coaches between home and school. Students are eligible if they are residents of NSW, enrolled at school and live more than a specified distance from their school.
Sectorisation	The division of the rail network into increasingly independent sectors which reduces the movement of trains from one sector of the network to

another.

State Rail Authority	Organisation responsible for operating passenger rail services in the Greater Sydney Area (CityRail) and throughout NSW (CountryLink) including the operation of trains and stations. SRA is to be merged with the metropolitan operations of RIC from 1 January 2004.
State Transit Authority	Organisation responsible for government operated bus and ferry services in NSW including services provided by Sydney Buses, Sydney Ferries and Newcastle Buses and Ferries.
Transitway	A combination of roads only for buses and priority bus lanes on existing roads designed to deliver fast and high-frequency bus services.
Transport Safety and Reliability Regulator	A new regulator to be established by 1 January 2004. It will have authority to investigate transport accidents, set safety standards, conduct safety and performance audits and provide advice to government on the performance of the transport services industry.
Value capture	Monetary gains received within a market transaction from those who benefit indirectly.