



## IPART

# Review of Rural and Regional Bus Fares from January 2018

### Submission by BusNSW

29 June 2017

Independent Pricing and Regulatory Tribunal  
PO Box K35  
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NSW 1240

BusNSW is the peak body for the NSW private bus and coach industry whose members provide essential services to, and a key interface with the travelling public. BusNSW's mission is to foster the efficient and sustainable growth of public transport, and to promote the benefits of bus and coach travel in NSW.

A significant portion of BusNSW's members operate regular passenger and school bus services under Transport for NSW Rural and Regional Bus Service Contracts (R&R Contracts). BusNSW's response to each of the issues that IPART seeks comment on, is set out below.

#### **1. Do you agree with our proposed assessment criteria for the review? Which ones do you think are most important and why?**

BusNSW agrees with IPART's proposed assessment criteria for the review (as outlined in section 3.1 of the Report). IPART's assessment criteria is broadly consistent with BusNSW's mission.

BusNSW considers that the most important criteria for fares should be that they are designed to *promote the efficient delivery and use of public transport* and to *maximise benefits for customers*. There needs to be better incentives for customers to use bus services in rural and regional areas. In many regional towns, parking fees cost substantially less than the current return bus fare. There is therefore little incentive in these localities for customers to use the local bus service (once the cost of parking and the convenience of using one's own vehicle are considered).

**2. Do you agree we should determine fares for a five-year period? If not, what is the appropriate length of the fare determination?**

BusNSW considers that five years is an appropriate length of time for a fare determination. As noted in IPART's report this period broadly aligns with the initial 5-year term of R&R Contracts, though the contract term will be extended for an additional three-year period (Extension Period) automatically, provided that TfNSW, in its absolute discretion, has determined that the Operator has not materially breached certain Key Performance Indicators during the Initial Term. BusNSW agrees that the longer period of five years makes fares more predictable and stable, which will assist to encourage the use of public transport.

**3. Are there benefits of aligning the fare determination with the term of bus contracts?**

BusNSW considers that there are also benefits in aligning the fare determination with the term of bus contracts. As noted in IPART's Report, there is provision under the R&R contracts for TfNSW to adjust contract payments to reflect the impact of changes in fare revenue.

If TfNSW changes a fare (or fares) in the contract fares and ticketing schedule as a result of a change in government fare policy, and the change results in a material change in the fare revenue received by the operator, the parties need to agree an adjustment to the Annual Contract Price to reflect the impact of the change in the annual fare revenue. The agreement would need to be based on a fair and equitable mechanism to ensure that payments are adjusted to reflect any material change in revenue from cash fares.

By aligning the fare determination period with the term of a contract (including the extension period), any adjustment to the Annual Contract Price for revenue from cash fares could be included in a new contract. This would most likely be easier to facilitate than a mid-contract term adjustment.

BusNSW notes that the majority of current R&R Contracts (previous Contract "B") which include regular passenger services will complete the contract term (initial and extension) on 31 May 2024, which does not align with IPART's proposed period expiring December 2022.

**4. Do you agree with our proposed approach for estimating the total efficient costs of providing rural and regional bus services? Are there other approaches or issues we should consider?**

Under the new rural and regional bus service contracts administered by TfNSW, operators receive contract payments based on services provided (using efficient

industry benchmark costs). This differs from the old rural and regional Contract B model where payments were based on passengers (regular passengers and eligible school students under the School Student Transport Scheme).

Under R&R Contracts operators keep the cash fares, as the estimated annual cash fare revenue was deducted from the Annual Contract Price when new R&R Contracts commenced. Therefore, changes to fares and patronage can impact on an operator's actual annual contract revenue.

Actual costs vary between operators depending on the fleet size, the category (size) of bus/es used, the type of buses used (school v low floor), the relative distances travelled, the terrain covered by the services (which impacts average speed), and the day types that services operate (weekday v weekend).

IPART should ensure actual costs are based on the operation of contracted services in NSW and are commensurate with the performance requirements of R&R Contracts and the regulatory requirements imposed by the Roads and Maritime Services via the Bus Operator Accreditation Scheme (BOAS). In addition, the determination of labour costs should consider industry rates required to attract drivers, and minimum engagements, penalties and allowances that apply under relevant industrial instruments, including the Passenger Vehicle Transportation Award and Enterprise Agreements. Time associated with pre-departure and post-shift vehicle checks should also be considered.

When determining the allowance for a return on assets, IPART should consider that under R&R Contracts, buses are purchased via the TfNSW Bus Procurement Panel where values are agreed between TfNSW and the bus supplier (prime contractor). IPART will also need to consider the different values of real estate associated with depots and office space across the state.

**5. Do you agree with our proposed approach for estimating the efficient marginal costs of providing rural and regional bus services? Are there other approaches or issues we should consider?**

The issues that arise in relation to the "total efficient costs" also arise in relation to the "efficient marginal costs" of providing rural and regional bus services. BusNSW broadly agrees with the approach though determining the change to incremental costs associated with a change in demand would vary based on specific circumstances. BusNSW understands the "average" incremental cost approach is required to determine stable and understandable fares.

**6. What types of external benefits do you consider relevant in setting rural and regional bus fares?**

In setting rural and regional bus fares there are a range of relevant benefits delivered by bus services which bring both individual user and quadruple bottom line (social, economic, environmental and governance) benefits. BusNSW believes a range of social inclusion and opportunity factors related to public transport (bus services), which produce both direct and indirect benefits should also be taken into account when identifying externalities and therefore in setting fares.

IPART should also consider benefits accrued to non-users of public transport that come from the operation of public transport systems in determining fares. While these benefits fit generally into the classification of external benefits, special consideration should be given to including factors such as decreased travel time for car users, decreased travel costs for car users, and increased social inclusion.

We agree with IPART's assessment that "Social Inclusion" should be incorporated as an external benefit. Any other external benefit that provides rural people with an incentive to get out of private vehicles and into public transport should also be included.

**7. Do you agree that the fare structure should be simplified? If so, how many sections do you think are appropriate and why?**

BusNSW broadly agrees that the regional and rural fare structure should be simplified, and that the current metropolitan and outer-metropolitan fare bands could be utilised. The reporting of passenger boardings for R&R Contracts is based on 1-2 sections, 3-5 sections and 6+ sections.

A change to the fare structure that involved the introduction of bands would need to be considered in conjunction with the maximum fare level to be applied for each band. As noted above, if there is a material change in fares, TfNSW and bus operators can agree to an adjustment to the annual contract price to reflect the impact of the change in fare revenue. The effect on passenger boardings and other performance KPIs in the contract would need to be considered.

BusNSW notes that some long-distance bus services provided by Murrays Australia and Premier Motor Service are provided under special funding agreements with TfNSW. These arrangements will need to continue under current contracts and therefore the existing fare structure should remain in place for these long-distance services (with consideration of the maximum fare per section).

**8. Do you think there should be a different fare structure (or number of sections) for country town and regional routes between towns and cities?**

BusNSW believes that a customer travelling the same distance within a town, from town to town or from village to town, should have the same maximum fare applied. There is merit in having a maximum fare per band across the state.

A smaller number of fare bands, such as the number utilised by Sydney metropolitan and outer-metropolitan buses, could benefit customers. Applying a cap based on 6+ sections for both country town services and longer village to town type services would essentially mean a flat fare is applied to the longer services (assuming all customers travel 6+ sections) irrespective of the distance travelled.

This is largely a cost recovery issue for government and the maximum fare levels need to be considered along with impacts on cash fare revenue, the elasticity of demand, and external benefits. As noted above, the R&R Contract has a clause that can facilitate an adjustment to an operator's Annual Contract Price where there is a material change to cash fare revenue.

**9. Do you think there should be daily or weekly caps for travel on rural and regional bus services? Should IPART determine these caps or are operators better placed to understand where these may encourage more efficient use of bus services?**

This depends on the level of the cap and as outlined above, an assessment of cost recovery impact verse changes to demand for services and external benefits.

Fares for Opal services currently include a daily cap of \$15 and weekly cap of \$60. There is an argument that a customer using bus services in country towns and from village to town, in NSW, should have the same caps (maximum) applied.

The new rural and regional bus service contracts have a mechanism to adjust the annual contract price and facilitate standard maximum fares across NSW. The practical application of a daily and weekly cap in the absence of an electronic smart card ticketing system needs to be given consideration. A "day" or "weekly" ticket could apply, but may require payment up front.

**10. Should fares be more equitable between Sydney metropolitan area and rural and regional areas of NSW**

BusNSW considers that fares should generally be comparable between the Sydney metropolitan area and rural and regional areas of NSW. Customers should have the same access to bus services across NSW and not be disadvantaged by price because of the location in which they are using the service.

A comparison of full fares below shows that people using bus services in rural and regional areas are paying more than people who have access to Opal fares in the Sydney metropolitan and outer-metropolitan area.

	<b>Metropolitan and Outer-metropolitan (Opal)</b>	<b>Rural and Regional Maximum Fares</b>
<b>1-2 Section (0-3km)</b>	\$2.10	1 Sections = \$2.30 2 Sections = \$3.40
<b>3-5 Sections (3km-8km)</b>	\$3.50	3 Sections = \$4.30 4 Sections = \$5.00 5 Sections = \$5.70
<b>6+ Sections (&gt;8km)</b>	\$4.50	6 Sections = \$6.30 to 220 Sections = \$60.00

As noted in the discussion paper, the rural and regional bus fares are materially higher for longer trips. Despite the costs of rural and regional bus services being different to Sydney metropolitan bus services, there is a strong argument for fare equity.

**11. Do you consider that eligibility for RED ticket targets the people with the greatest need for concession fares?**

BusNSW considers that the current eligibility for the RED ticket targets the people with the greatest need for the Regional Excursion Daily. Pensioners, Seniors and War Widow/ers should have access to unlimited travel for a day using a RED ticket.

Customers who are eligible for the Gold Senior/Pensioner Opal card in Opal area should also have access to a \$2.50 cap in rural and regional areas of NSW.

The \$2.50 cap for regional areas that have Opal for train services needs to be addressed. Before the full implementation of the Opal Card system, seniors in Lithgow for example, were able to travel to and from Sydney for \$2.50 on local Lithgow bus services and trains. Because Lithgow buses are excluded from the Opal network, it has doubled costs of bus and train travel for seniors, as it now costs \$2.50 to catch the bus to the station and another \$2.50 on Opal for the train.

**12. Should the price of the daily cap for the RED ticket change in line with the general change in adult fares?**

Yes, BusNSW considers that the RED ticket price should be updated and increased in line with other fare products, to ensure that cost recovery is not eroded over time.

**13. What do you consider are the biggest barriers to seamless bus travel in cross-border areas? To what extent do differences in fare structure between NSW and other states prevent travel across borders?**

Fares seem to be the biggest barrier to seamless bus travel in cross-border travel. Fares and fare products can vary considerably between NSW and neighbouring states. The problem is particularly acute in the cross-border areas between NSW and Queensland, and NSW and the ACT.

In cross border areas, there needs to be special consideration of the fare structure and fares for bus networks. There should be competitive neutrality where customers have access to services provided by operators from different states.

The technology and data exists to distinguish boarding and destination points for the purposes of inter-state funding reimbursement. The real challenge would appear to be achieving agreement between the state transport agencies.

The different ticketing systems and fare structure can also be a barrier. For example, the South-East Queensland zone based fare structure and “Go Card” do not apply for customers travelling into NSW.

**14. Should there be a mutual recognition of some or all concession cards across state borders for those living in cross-border areas?**

Yes, there should be mutual recognition of concession cards across all state borders. This already exists in some jurisdictions; for example, the bus operator in Queanbeyan currently accepts concession cards from the ACT. Again, the greatest barrier would seem to be getting agreement between the jurisdictions on mutual recognition.

A single concession card able to be used in all neighbouring jurisdictions would greatly solve the cross-border issue for concession holders. Consideration should be given to accepting the Digital Wallet, a new electronic feature on Centrelink Express Plus mobile apps, which allows customers to use their smart device as an alternative to traditional physical concession cards.

**15. Do you agree that social inclusion should be considered in the context of service provision and service coverage when planning for public transport services in regional areas?**

Yes, social inclusion should be considered in service provision and service coverage in regional areas. Giving people who do not have access to other forms of transport an opportunity to leave their home is an important consideration when planning services. This is also identified above as part of the external costs/benefits of public transport provision.

Social inclusion is both an outcome and process aimed at improving the terms on which people take part in society. The provision of bus services should address the barriers to inclusion for individuals, groups and communities which are marginalised. Public transport networks that allow people to leave their home support stronger and more resilient communities in which people feel a sense of belonging and social connection. Social inclusion is a powerful determinant of mental health and wellbeing.

Social inclusion in regional areas could be improved by enhancing bus service frequency, geographic coverage, and hours of operation. Travel training is also important where individuals need to learn skills required to use public transport services. The use of public transport to connect with community activities can provide a sense of achievement, help to boost self-esteem and social capital, and create more resilient communities.

**16. In your regional area, which groups of people are most likely to use on-demand services, and how could this change over time?**

Depending on cost, the people most likely to use on-demand services are those who do not have other transport options and do not reside in reasonable proximity to a fixed route, as well as seniors and those with a disability that may prevent them from accessing a bus stop on a fixed route. In some areas people may use on demand services if they feel there is a greater level of safety from having access to a service that can pick up and set down closer to their home.

Qcity Transit in Queanbeyan currently operates timetabled on-demand bus services (“LocalLink”). This service departs Queanbeyan and Bungendore and picks up customers from their home address within a defined area. The homeward journey departs Queanbeyan/Bungendore and delivers customers back to their home address. The most prominent group of people using this service are the seniors who are not capable of walking long distances to bus stops. Most of these customers would not leave home if not for this service.

There are opportunities to enhance on-demand services such as this service provided by Qcity Transit. For example, on-demand services in Queanbeyan and Bungendore could be extended to evening peak services. This would allow primary routes to connect with on-demand services, reducing the need for several buses to travel on set routes.

With an ageing population, there could be an increasing need for on-demand services in some regional areas over time. There may also be changes as people transition to the National Disability Insurance Scheme (NDIS), as people with disabilities may require different options for transport from their home to daytime activities, place of study or workplace.

**17. Which factors do you consider are most important when assessing the need for on-demand services in your regional area?**

As outlined above, on-demand services can provide transport for the transport disadvantaged who are unable to make use of traditional fixed route services. There is a need to assess the current utilisation of “on-demand” type services in the area, including community transport services.

In addition to a cost/benefit analysis and consideration of social factors, there is a need to assess the need for on-demand services based on the local population and the number of people who don't have access to other forms of transport. Consideration should also be given to the proportion of people who don't reside in reasonable proximity to a fixed bus route, as well as seniors and those with a disability that may prevent them from accessing a bus stop on a fixed route.

The impact on people who are satisfied with existing fixed route services also needs to be considered. Some people within the community like the habitual nature of bus services that operate on fixed routes at scheduled times.

BusNSW has the view that affordable on-demand services work best in low density areas and where an existing fixed route service is poorly patronised. Modifying poorly patronised services to make them partly on-demand can make the service more convenient and provide access to a larger portion of the community. Analysing the needs of towns and villages in rural and regional NSW should be done on a case by case basis.

There is also a case for reallocation of resources from poorly used fixed route services to increase the frequency of well patronised fixed route services, with on-demand used to fill gaps and act as a feeder to fixed route services.

Other important factors include local road/street infrastructure and topography, where poor pedestrian access or road/street design may prevent people from using fixed route services. An assessment should also consider opportunities for on-demand services to connect with fixed route services.

**18. What types of delivery models for on-demand services could be used to meet the needs in your regional areas and who could provide them?**

Rural and regional bus operators are well placed to utilise existing buses to provide alternative transport solutions for their communities, including on-demand services. In the case of rural school bus operators, buses are often idle between the am and pm school runs. Similarly, other rural buses are under-utilised between the morning and evening peaks. These existing assets could be better utilised to provide on-demand

and other flexible transport options, based on appropriate funding to cover the associated costs.

In terms of the potential delivery models, the contracted rural and regional bus operators would be best placed to deliver the following on-demand services:

- Standard route services with the capacity to divert within designated areas on request; and
- Services operating on a fixed route from, for example, a town centre to a designated point, after which they provide a flexible 'roaming' service across a designated zone.
- Services operating at set times to and from a designated point, but to a variable, non-fixed route that depends on pre-bookings and is determined by the driver.

A review of small buses (Category 1 and 2) currently available to R&R Contract operators via the NSW Government prequalification scheme (and approved by TfNSW) is required. BusNSW supports the future procurement of multi-purpose vehicles that could be utilised for on-demand services, in addition to school services and regular passenger services. The Disability Standards for Accessible Public Transport also need to be considered when planning on-demand services.

**19. In the context of the recent point-to-point transport reforms, who could provide more on-demand services in your regional area?**

As outlined above, contracted rural and regional bus operators are well placed to provide on-demand services. They have access to a fleet of vehicles, authorised bus drivers and the local knowledge required to provide on-demand services outside the peak.

The recent *NSW Government Response - Legislative Assembly Committee on Community Services Inquiry into access to transport for seniors and disadvantaged people in rural and regional NSW* acknowledged that rural and regional bus service contracts allow for the provision of more flexible and customer focussed transport services.

**20. What incentives could be developed to facilitate the provision of more on-demand services?**

Adaptation of the current bus contract model to incorporate on-demand services would provide a suitable incentive for bus operators. Some existing services could be varied to facilitate more flexible bus services within the existing contract payment model.

There are opportunities to add on-demand services to existing rural and regional bus service contracts which are underpinned by performance requirements including service reliability and managing customer feedback. For example, where buses are operating to and from their depot, there could be an opportunity to utilise the bus asset for an on-demand service with a mechanism to recover any additional cost.

Some forms of on-demand services will require a trip allocation and booking system to support efficient and coordinated transport services. TfNSW could make software available to contracted rural and regional bus operators.

**21. Are there any constraints that could prevent the development of on-demand services in regional areas?**

The cost of providing on-demand services is generally well in excess of what a user can pay, subject to the level of fare set. The NSW Government will need to consider the budget impact of implementing and operating any on-demand services in regional areas.

BusNSW has the view that customers who may be required to use on-demand services should pay the same fare as a customer travelling the same distance on a fixed route service. In this context, the NSW Government will need to consider the subsidy required to cover the shortfall between the amount paid by the users and the efficient cost of providing the on-demand service (with consideration of accreditation and contract performance requirements).

Other constraints may include street networks, and infrastructure including bus stops and transport interchanges. In determining whether access can be provided to such assets, the safety and operational impacts on other services should be considered.

In regional areas, there are both “technology & payment enabled” customers as well as customers who don’t have access to technology or non-cash payment options. There is a need to identify challenges of customer adoption and how these will be addressed.

If you would like to discuss these comments in more detail please contact Darryl Mellish or Matt Threlkeld on (02) 8839 9500.