



Council of Social Service of New South Wales

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Dear Sir or Madam

Re: Review of fares for Sydney Ferries' services from January 2013

The Council of Social Service of NSW (NCOSS) welcomes this opportunity to comment on the Review of fares for Sydney Ferries' services from January 2013.

About NCOSS

The Council of Social Service of NSW (NCOSS) is the peak body for the non-government community services sector in New South Wales. Through its organisational membership, NCOSS represents a vast network of service delivery and consumer groups.

NCOSS has a vision of a society where there is social and economic equity, based on cooperation, participation, sustainability and respect.

NCOSS provides independent and informed policy development, advice and review and plays a key coordination and leadership role for the non-government community services sector in NSW. We work with our members, the NSW Government and other relevant agencies, towards achieving our vision in NSW.

Introduction: Setting Fares for Sydney Ferries

Public transport plays an important role in providing access to employment, education, services, and social networks. People and communities experiencing disadvantage, particularly people who are unable to drive because they are unwell, have limited mobility, or cannot afford a car, often rely heavily on public transport. NCOSS therefore has an interest in ensuring public transport is accessible and affordable for everyone.

IPART's *Issues Paper: Review of fares for Sydney Ferries' services from January 2013* presents a case for significant increases for ferry fares. This submission assesses this case from an equity perspective, focusing on the principles and data that will inform decisions around the sharing of efficient costs between passengers and taxpayers.

NCOSS also understands that decisions made during this fare review process relating to the introduction of an integrated electronic ticketing system may set a precedent for other modes of transport. We therefore provide comment on a number of these decisions including: setting fares across the Manly route; length of fare determination; and principles for fare determination.

1. Sharing efficient costs between passengers and taxpayers

Chapter 5 of IPART's *Issues Paper* considers how the efficient costs of providing ferry services should be split between passengers and taxpayers. In making this decision, there are a number of equity considerations.

The proposition that the level of subsidy should be linked to the external benefits associated with the service appears reasonable, provided the assessment of externalities is comprehensive and based on reliable data. NCOSS questions the findings that the net external benefit of Sydney Ferries' contracted services are negligible (\$700,000). We acknowledge that data on the externalities of ferry services is limited, but note that emerging research indicates that the costs associated with cars and roads have been traditionally under-estimated. This suggests that public transport services have therefore been under-valued. For example, the cost of community severance – the barrier effect created by transport infrastructure such as busy roads – is often over-looked and is not considered in this analysis. Yet research in Norway has estimated the cost of community severance as greater than the cost of noise pollution and almost equal to the cost of air pollution¹.

NCOSS also notes that recent analyses of the East River Ferry Service in New York City suggest that economies of scale and external benefits can justify subsidies on some routes².

We therefore recommend that where fare determinations are informed by an assessment of external costs and benefits associated with the provision of that service, that this assessment be updated regularly to incorporate new research findings.

Second, IPART's analysis does not attempt to quantify the social benefits associated with ferry travel, or to factor these benefits into their decision on the estimated value of the external benefits.

IPART's analysis suggests that ferries are less likely than other forms of public transport to provide access for low-income people. This is because ferry users tend

¹ Sælensminde, K (1992) *Environmental Costs Caused by Road Traffic in Urban Areas-Results from Previous Studies*, Institute for Transport Economics, Oslo (www.toi.no).

² See Vilain, P.B., Cox, J., & Mantero, V. (2012) *Public Policy Objectives and Urban Transit: The Case of Passenger Ferries in New York City Region* and Cranay, S., Zielinski, E., & Saranko, A. (2012) *East River Ferry: Expanding Passenger Ferry Service and Stimulating Economic Development in the New York Region*. Downloaded March 25, 2012 from <http://amonline.trb.org/sub@Subject=Marine%20Transportation@year=2012>

to have higher incomes than other public transport users³, and because a large share (approximately 50%) of ferry patronage is linked to tourism and leisure⁴.

That the high subsidies currently linked to ferry services primarily benefit high-income earners has been described as a form of upper class welfare. Matthew Bourke, Research Fellow at Griffith University writes that:

“The subsidies to keep certain Sydney ferries running on low-patronage routes to high-income suburbs like Rose Bay are a case in point. Such routes are, on a per-service or per-passenger basis, some of the most subsidised urban public transport routes in Australia.”⁵

Ferry subsidies are therefore an equity consideration to the extent that they may reduce the amount of funding available for other services more likely to benefit low-income earners. Should the level of ferry subsidy be decreased over time, NCOSS recommends that the funds be redirected to projects and services addressing transport disadvantage.

Regardless of the income characteristics of the majority of ferry users, ferries should remain an affordable form of transport for everyone. IPART considers that a well-targeted concession program is a more effective mechanism for improving access for low-income passengers than increasing government subsidy via the fares paid by all passengers. IPART has no power to determine concessions however, and until such time as the NSW Government develops a concession framework that provides guarantees around the affordability of transport services for low-income earners, any increases in fares should be minimised.

In the event of significant fare increases, gradual implementation is recommended, with research commissioned to assess the impact on low-income earners and inform policies, such as concessions, that will ensure access can be maintained.

2. Setting Fares Across the Manly Route

Given the direct competition for Manly Ferry Services, IPART has canvassed the option of price monitoring rather than setting a maximum fare.

NCOSS accepts that this approach may be more efficient, and supports adopting a price monitoring approach on the proviso that regulation should recommence immediately if competition is reduced. We note that on 20 March 2012, the *Sydney Morning Herald* reported that Manly Fast Ferry had offered to buy Sydney Fast Ferries.

³ IPART’s analysis of data from the Household Travel Survey 2009/10 indicates that a significant proportion of ferry passengers have higher annual incomes than the Sydney population as a whole

⁴ Sapere Research Group (2012) External benefits of Sydney Ferry Services – DRAFT report to IPART

⁵ Burke, Matthew (2012) “Kill the subways”: the US Republican revolt and the politics of public transport in Australia. Downloaded 25 March 2012, from <http://theconversation.edu.au/kill-the-subways-the-us-republican-revolt-and-the-politics-of-public-transport-in-australia-5618>

In addition, the price monitoring system should be transparent, and should incorporate a regular reporting mechanism.

3. Length of fare determination

Given that the forthcoming transition to an integrated e-ticketing system will present opportunities to reconsider fare structures across all modes of public transport, NCOSS supports IPART's proposal to set fares each year rather than to establish a medium-term price path.

4. Principles for determining fares

IPART has asked for comment on whether maximum fares should be set for only the single journey ticket, or for all services and journeys.

NCOSS recognises the need for greater flexibility for fares during the transition to electronic ticketing. During the transition period, however, care should be taken to ensure that low-income people and marginalised transport users are not disadvantaged. Strategies that promote the early adoption of smartcards by increasing prices for paper tickets, for example, may disproportionately impact some transport users unless appropriate support is provided. IPART's fare determination should therefore provide some limitations around the extent to which the fares for different services can be varied.

IPART also proposes a number of pricing principles that will assist in assessing fare options and in determining maximum fares for public transport. Of the six principles proposed, equity should be a primary consideration. When used in relation to transport policy, however, the word equity can mean different things to different people. Transport consultant Todd Litman identifies three categories of transportation equity:

1. **Horizontal Equity:** concerned with the distribution of impacts between individuals and groups considered equal in ability and need (ensuring that equal individuals and groups pay an equal share of costs and receive an equal share of benefits).
2. **Vertical Equity With Regard to Income and Social Class:** concerned with the distribution of impacts between individuals and groups that differ in abilities and needs (ensuring that transport policies favour individuals and groups experiencing social and economic disadvantage)
3. **Vertical Equity With Regard to Mobility Need and Ability:** concerned with the distribution of impacts between individuals and groups that differ in transportation ability and need (ensuring that groups with mobility limitations receive an equal share of benefits)

While all three categories are important, in some cases decisions related to one equity objective may require trade-offs against another. In relation to fare determinations, NCOSS considers that vertical equity with regard to income and social class should be prioritised.

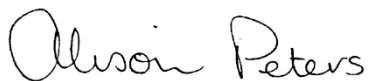
5. Conclusion

Public transport services should be accessible and affordable to all people, regardless of their income levels. NCOSS recommends that:

1. Where fare determinations are informed by an assessment of external costs and benefits associated with the provision of that service, that this assessment be updated regularly to incorporate new research findings.
2. Should the level of ferry subsidy be decreased over time, funds should be redirected to projects and services addressing transport disadvantage.
3. Until such time as the NSW Government develops a concession framework that provides guarantees around the affordability of transport services for low-income earners, any increases in fares should be minimised.
4. In the event of significant fare increases, gradual implementation is recommended, with research commissioned to assess the impact on low-income earners and inform policies, such as concessions, that will ensure access can be maintained.
5. If a price monitoring approach on the Manly route is implemented then regulation should recommence immediately if competition is reduced. The price monitoring system should be transparent, and should incorporate a regular reporting mechanism.
6. NCOSS supports IPART's proposal to set fares each year rather than to establish a medium-term price path.
7. Equity should be a primary consideration in fare determinations, particularly vertical equity with regard to income and social class.

If you have any questions about this submission please do not hesitate to contact Rhiannon Cook on (02) 9211 2599 ext 128 or email rhiannon@ncoss.org.au

Yours sincerely



Alison Peters
Director

2 April 2012