



Council of Social Service of New South Wales

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Independent Pricing and Regulatory Tribunal
Review of Rural and Regional Bus Fares 2012
ipart@ipart.nsw.gov.au

Dear Sir or Madam,

The Council of Social Service of NSW (NCOSS) would like to thank you for the opportunity to comment on the IPART 2012 Review of Rural and Regional Bus Services.

About NCOSS

As the peak body for the community services sector in NSW, NCOSS works with our members, the sector, the NSW Government and other relevant agencies on current and emerging social, systemic and operational issues.

Our vision is for a society where there is social and economic equity, based on co-operation, participation, sustainability and respect.

We provide independent and informed policy development, advice and review and play a key coordination and leadership role for the community services sector.

Rural and Regional Bus Fares

The availability and accessibility of transport can have a significant impact on a person's quality of life – on their ability to take up opportunities for education and employment, to access health care and other services, to maintain social networks and to participate in community activities.

For people who are unable to drive – including people who are unable to afford a car, people with disability, older people and young people – the lack of transport alternatives to the private vehicle can severely limit their ability to participate in society. The effects are far-reaching: they not only have a direct impact on non-drivers, but also affect family members and carers, as well as the broader community.

In rural and regional areas the problems associated with a lack of transport are often more acute. While this is largely due to low service levels, community organisations also report growing concern about the affordability of public transport in rural and regional areas.

In this context NCOSS has provided general comments on the process used to determine rural and regional bus fares, followed by specific responses to a number of the questions raised in IPART's discussion paper.

Factors considered when making a determination

In determining maximum fares for rural and regional bus services, IPART is required under section 28J of the Passenger Transport Act 1990 to take a number of matters into consideration. These include the social impact of the determination, and the need to maintain ecologically sustainable development. As NCOSS has previously noted, it is not clear how these factors are currently taken

into consideration in IPART's process for determining rural and regional bus fares, which is primarily linked to the cost of providing a service.

Our view is that fares should be set at such a level so as to:

- Maximise patronage by encouraging people to switch to public transport.
- Ensure fares are affordable for all people, including the most disadvantaged.

These objectives align with many of the goals in the NSW Government's State Plan including those related to participation (Goals 14 and 24), economic growth (Goal 3) and liveability (Goal 20), in addition to transport-specific goals (Goal 8).

While fare policy remains the responsibility of the NSW Government, IPART is well-placed to provide advice on how maximum fares might affect the Government's ability to achieve these objectives, each of which is discussed in more detail below.

Maximising Patronage: Public transport services provide many social and environmental benefits. Generally, the more people who choose to travel by public transport rather than by private vehicle, the greater these benefits. It is therefore desirable that fares be set at a level so as to maximise patronage. While an approach that aims to maximise patronage would differ from an approach that aims to maximise income, setting fares at a level so as to increase the number of bus users is likely to be profitable in the longer term. Given that the farebox currently accounts for only a small proportion of income for regional bus service providers, any short-term losses are likely to be minimal, with any costs to Government likely to be offset by social and environmental benefits. In fulfilling its mandate to consider both social and environmental impacts of its fare determinations, IPART could therefore provide an analysis of fare elasticities for bus transport in rural and regional Australia to ensure fares are set at such a level so as to maximise patronage.

Recommendation: In fulfilling its mandate to consider both the social and environmental impacts in determining fares, IPART should analyse fare elasticities for bus transport in rural and regional Australia to ensure fares are set at such a level so as to maximise patronage.

Affordability: To a certain extent, affordability should be taken into consideration in efforts to maximise patronage. However, it is also important to ensure that vulnerable and disadvantaged groups – whose ability to pay may sit well below the average – can continue to afford transport services. Ideally, a strong and equitable framework for concessions should provide a guarantee of affordability for these groups, yet no such framework exists in NSW.

Concession fares for bus travel in rural and regional NSW are typically set at 50% of the full fare. This formula does not take people's ability to pay into consideration. An adult on the Newstart allowance, for example, receives an income of \$35 a day. In regional areas it is not unusual for return bus travel from a small town to a larger regional centre (such as from Coraki or Casino to Lismore) to cost upwards of \$9 a day. This is clearly prohibitive, and acts as a barrier to attending Centrelink appointments, job interviews or fulfilling other participation requirements.

While we recognise that IPART does not review the discounts applied to concession fares, the current system means that IPART determinations do impact the price of concession travel. We therefore ask that IPART recommends a review of concession fares in light of any proposed increases in bus fares, with the view to ensuring affordable travel for low-income earners.

Recommendation: IPART should ask the NSW Government to review concession fares in light of any proposed increases in bus fares, with a view to ensuring affordable travel for low-income earners.

Responses to the specific questions raised in IPART's discussion paper

1. Length of determination

NCOSS does not object to a longer fare determination period, and to aligning fare determinations with the length of the bus contracts. IPART's discussion paper notes that a cost pass-through mechanism has the potential to introduce bias into regulatory decisions. Given the potential for bias, our preference is that IPART should play a role in monitoring the operating environment. If any major unforeseen or exogenous events likely to impact the cost of providing services occur, IPART should begin a new determination process.

Recommendation: IPART should play a role in monitoring the operating environment, and should begin a new determination process in the case of any major unforeseen or exogenous events.

2. Maximum fare schedule

NCOSS believes a simpler fare structure is more marketable and easier to understand, and therefore supports moving to a determination based on a smaller set of distanced-based maximum fares. A simpler regulated fare structure is also likely to lead to greater consistency between bus operators. Given our concerns over the affordability of rural and regional bus services, we support the option to group sections and set fares at the minimum level for each band.

Recommendation: IPART should simplify the current fare structure, with distance-based sections groups and fares set at the minimum level for each band.

Conclusion

Buses provide an essential social service, and should facilitate the participation of people who are unable to drive, or unable to afford a car, in our society. Ensuring bus fares are affordable is important not only for non-drivers themselves, but also for their families, carers, and the broader community. We ask that any changes made to IPART's determination process reflect an understanding of the importance of bus transport from both a social and environmental perspective.

If you have any questions please do not hesitate to contact Rhiannon Cook, Senior Policy Officer, on (02) 9211 2599 ext 127 or email rhiannon@ncoss.org.au

Yours sincerely



Alison Peters
Director