

The Commissioner
IPART
30 October 2008

Subject: Proposed rail fare increases

I would like to make a number of brief points about the proposal to increase rail fares substantially.

Marginal vs average costs

The concept of per kilometre charge is inconsistent with the reality that the cost of additional distance travelled must be a marginal cost. Put simply, the infrastructure is there regardless of the distance travelled.

Affordability

The high average earnings assumed for rail users seems very different to the reality of what I see every day. Certainly, there will be high income earners using rail, but many users are clearly not rich.

Those hardest hit by the increases proposed are going to be from the outer suburbs and inter-city areas. Those that travel the furthest are not likely to be near as rich as those travelling short distances. It is hard to therefore to logically put forward *affordability* and *distance* as a basis for fare setting. Average income is less than useful. It must be stratified.

Social cohesion

Have a look at the incomes of outer suburb people. A lot of people travel large distance to work because there are no local jobs. If petrol keeps going up, people won't be able to travel either by car or by train to get to work. They can't afford it. The end result could be unemployment ghettos in the outer suburbs.

Environment

For people travelling long distances, an option is to travel by car in groups. I'd suggest rail travel is quite price sensitive, because of the significant amount *they already pay* let alone the significant increases that you propose. Does IPART want more cars on the road? There is no logic to forcing people into cars - it will only accelerate global environmental degradation.

Transfer of costs to roads

If car travel increases, the demand for roads will increase. The logic of promoting this is hard to follow.

Service levels

I note the analysis is based on the cost of running an 'efficient' railway. It does not seem to consider 'effectiveness'. This is critical to any assessment of value for money. I acknowledge an on-time-running improvement, but this was accompanied by a change in timetable so less trains are running, there is more crowding, and longer journey times. People just do want to pay more for the current so-so performance. Perhaps if the Tuggerah to city time were slashed to something closer to an hour than two, people would be willing to pay more.

Political reality

Here is no way the government can go along with the proposal. It must shy away from it, lest it will be completely wiped out at the next election. This says something important about how far the simplistic economic analysis strays from the real world. It also raises the risk IPART will be seen as a government pawn ie giving government the opportunity to grandstand about rejecting nasty IPART's 'ludicrous' proposed increases.

Summary

You simply cannot take a simplistic, narrow view of rail fares. It is part of the entire social/economic/environmental system. And there is no way people in the outer suburbs can afford big fare hikes. The risk to social cohesion and the environment must be considered. Regardless, even the narrow economic analysis undertaken for IPART's review is flawed.

Rod Longford