



# Western Sydney Regional Organisation of Councils Ltd

IPART

Determination of Fares for Taxis, Private  
Buses and Private Ferries

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## **WSROC SUBMISSION TO IPART REVIEW OF FARES FOR TAXIS, PRIVATE BUSES AND PRIVATE FERRIES IN NSW**

### **1. INTRODUCTION**

Western Sydney Regional Organisation of Councils (WSROC) Ltd represents 11 local councils in Western Sydney including Auburn, Bankstown, Baulkham Hills, Blacktown, Blue Mountains, Fairfield, Hawkesbury, Holroyd, Liverpool, Parramatta and Penrith Councils.

WSROC appreciates the opportunity to comment on fares for private transport providers in Western Sydney and supports the concept of the Independent Pricing and Regulatory Tribunal assisting the Minister for Transport in setting fares for the private transport industry, particularly in regard to private buses in Western Sydney that are a major public transport provider for residents in the region.

The NSW Government should consider the issues that are raised in this submission, either through advice directly from the tribunal or separately as appropriate. As such a copy has also been forwarded to the Director general of Transport NSW for information.

In general, WSROC does not support the increase proposed by the BCA of private bus fares (of 6.03%) in the metropolitan area based on a cost index approach. WSROC would have to review its position following the development of a fare level under an alternate model that should be developed by IPART as part of this process. This model must look at issues of equity, revenue and potential modifications in the NSW Government social program of subsidies and subsidy regimes.

WSROC does not support the increase in fares for Western Sydney bus passengers without a rectification of existing inequalities between private and Sydney Buses in the metropolitan area. It is important the residents in Western Sydney have high quality and fairly priced public bus transport and that concessions are offered in line with what is offered to residents in other metropolitan areas.

The fact that private buses service the vast majority of Western Sydney should not mean that either poorer quality services or generally higher and less flexible fares applies.

This submission deals primarily with issues regarding the private bus industry and suggests that these comments are relevant to bus operators in metropolitan areas, with differences being acknowledged for operators in other regions. For this hearing WSROC has not developed a detailed position on either the taxi or private ferry operators.

## 2. CONTEXT FOR PRIVATE BUS FARES DETERMINATION

IPART has been requested to provide advice to the Minister for Transport to assist in his consideration of fares under the Passenger Transport Act 1990. This is a separate process to the consideration of the rail, bus and ferry fares for STA and SRA under section 11(1) of the Independent Pricing and Regulatory Tribunal Act 1992.

The fares assessment deals with ferries, buses and taxis, however, this submission will deal primarily with the private bus industry.

In Sydney the private bus industry operates services in western, north-western and south western districts within the WSROC region and is a major public transport provider for Western Sydney residents. In Sydney there are 42 existing private bus companies ranging from those with greater than 50 buses to small operators. This patchwork and the complexity of this industry are a concern.

Under the Passenger Transport Act 1990 bus operators are given exclusive operating rights for 5 years and ongoing renewal if the terms and conditions of the contract are met (these include minimum service levels and maximum designated fares).

Contracts are in two categories:

- commercial contract where revenue is generated by fare paying passengers; and
- non-commercial contracts where the DoT enters into contract to provide service (i.e. school students).

The review of the fares in the private bus industry has used a cost-index approach for commercial contracts that identifies major cost elements such as capital costs and people/labour costs. Disadvantages of this approach are that it does not promote or recognise efficiency improvements by the bus operators or even consider the revenue/return side of the operation. This approach will always lead to fare increases that may not be appropriate when revenue is considered – and potential fare decreases may be warranted.

In general, private bus operators' fares are consistent for short trips with Sydney Buses for single purchase fares. However, they have considerably higher fares for longer trips and do not offer the discount for multiple trips and multi-mode travel that Sydney Buses provides. In general, this equates to residents in Western Sydney paying higher fares and having less flexibility to use multi-modal public transport journeys without considerable cost (i.e. combined bus and train journey).

As 39% of private bus users catch trains after their bus trip the lack of common multi-modal tickets is a major concern and means that Western Sydney residents are paying high costs for public transport.

It should be noted that some private bus operators, particularly in metropolitan areas, do not charge the maximum fares available under contracts but it is unclear to what extent this applies.

### 3. OVERVIEW OF PROPOSAL BY BUS AND COACH ASSOCIATION

The submission by the Bus and Coach Association on behalf of the private bus industry proposes a 4.18% base and 1.85% ANTS adjustment with a total fare increase of 6.03% to the maximum fares for the private bus industry.

The bus industry operates under the Passenger Transport Act 1990 that requires a service contract to be negotiated between bus operators and the NSW Transport Department. This was amended in 1996 to include a performance assessment regime as a contestable benchmark. It is understood that the PAR has not been implemented to date.

Main issues raised in the submission included:

- Identified inequalities in subsidies and services between bus passengers in Western Sydney and in STA serviced areas;
- That the PAR has not be implemented and NSW Transport have not met commitments to data collection and auditing of the private bus industry;
- In general major costs for the private bus operators are staff related costs (over 50% of total costs) and capital costs (nearly 15%);
- Increased costs are being incurred due to road congestion, toll roads and legislative compliance requirements but these have not been quantified;
- The submission identifies that it is difficult to represent individual costs of operators with limited existing information;
- Funding regimes for public and private bus sectors are issues that means that inequalities in fares (particularly some concession fares) arise in service areas; and
- It is suggested by the BCA that State and Federal Government have not sufficiently introduced measures to encourage modal shift, which is adversely affecting private bus operators.

### 4. DETAILED COMMENTS ON FARE REVIEW

The following comments apply to private bus fares and operations in Western Sydney.

#### ***Fare Determination***

WSROC does not support the proposed increase of private bus fares (of 6.03%) in the metropolitan area based on a cost index approach.

WSROC reserves the right to review its position following the development of a fare level under an alternate model that should be developed by IPART as part of this process. This model must look at issues of equity, revenue for operators and potential modifications in the NSW Government social program of subsidies and subsidy regimes.

In addition, WSROC does not support the increase in fares for Western Sydney bus passengers without a rectification of the existing inequalities between private and Sydney Buses in the metropolitan area. It is important the residents in Western Sydney have high quality and fairly priced public bus transport and that concessions are offered in line with those offered to residents in other metropolitan areas.

### ***Approach to Fare Determination***

WSROC would support IPART in the development of an alternate approach to fare determination for private buses as opposed to a reliance on the cost index approach. It is essential that, particularly for operations in metropolitan areas, assessments of revenue as well as costs are included in fare determination assessment. In addition, assessment of equity for bus passengers across metropolitan areas also needs to be considered in the development of this new approach.

It is unclear at this stage whether appropriate information is available to allow this to occur. Preparation and assessment of appropriate information on the complex private bus industry may be identified as a requirement for future fare determinations.

In addition, it is unclear why a performance assessment regime (PAR) has not been implemented for the private bus operators so that the outcomes of auditing of the industry standard and performance can be managed. Management of service quality and minimum service levels are essential components of ensuring that private bus passengers get appropriate public transport service.

### ***Regulation of Private Buses***

WSROC strongly supports continued regulation of the maximum fares and minimum service standards within commercial contracts for the private bus industry. The private bus services in Western Sydney are an essential public service or public good. These services provide the only public transport and access to services and facilities for many low-income residents of Western Sydney. The low density urban environment of many areas and the lower concentration of population may mean that an unregulated environment would lead to a reduction in the “unattractive” services to outer metropolitan areas and “cherry picking” of routes leading to less access to bus services for residents in the region.

However, WSROC would support an assessment being completed of the benefits and costs associated with changes to the subsidy regime for private bus operators in Western Sydney.

This could investigate issues such as: the costs to government and benefits to passengers of applying either the funding regime that applies to Sydney Buses to the private bus operators in Western Sydney; and/or consideration of the potential for state government buses to take over the provision of bus services in the region. This is an important question that cannot be ignored in the Tribunal’s assessment of the costs of regulation for the private bus industry.

Amongst other benefits this change in subsidy regime may lead to access for Western Sydney residents to the full range of government concessional subsidies that are available in areas which have state operated bus services.

### ***Fare Levels and Structure***

WSROC would like to see greater consistency between the fares for private buses and Sydney Buses, which may involve greater subsidy by the NSW Government

under its social policy program for private buses to promote greater equity, particularly in metropolitan areas.

Of particular importance would be the flexibility under the commercial contracts for wider application of concession fare options and greater integration of private bus tickets with rail tickets to reduce costs for multi-modal trips. These would allow for greater equity for private bus passengers and allow for development of products that attract greater patronage to private buses in metropolitan areas such as Western Sydney.

Western Sydney residents should be able to access the full range of concession and flexible fares and there should be greater integration in services and product between private and state transport services (ie integrated tickets).

This style of government subsidy would then be able to be considered as a potential benefit for users, influencing the revenue side of private bus operators and therefore to be assessed in fare level determinations.

### ***Service Quality***

Information is not available to WSROC on service levels in Western Sydney. It is unclear whether adequate information collection and monitoring systems are in place and whether the recommendations of the Tribunal should include a requirement for these to be better developed by the BCA and Transport NSW.

The Tribunal should note that there has been considerable population and urban expansion in Western Sydney, which is continuing to grow rapidly. This raises a number of issues for service levels.

The first is that the “nett patronage potential” in service areas needs to ensure that rapid population growth is acknowledged and contract information maintained up-to-date. For example, the population of western Sydney has increased by approximately 320 000 people from 1986 to 1998 (ABS derived) and the population growth per year across the Sydney metropolitan area is 50 000 – 60 000 people (DUAP 2000).

The second is that there is a major issue in timing of bus service provision to newly developing greenfields land releases in Western Sydney. The question of early provision of services is essential for these areas, however, it is unclear how the service contracts are modified to provide for minimum service levels in these areas and whether greater subsidy regimes could be developed in “start-up” phases of these developments.

### ***Other***

Finally, WSROC is concerned regarding inequality within the metropolitan areas between bus services available in Western Sydney (by private bus operators) and in areas that have Sydney Buses. Any fare review should also include measures to ensure greater equity in service levels, quality and fares where possible.

## **5. CONCLUSION**

In summary, WSROC is concerned about the justification for the fare increase for the private bus industry under the cost index approach, particularly after the rise in maximum fares last year, and would like to see a more complete assessment of the industry, subsidy regimes, concession fares and equity of service provision across the Sydney metropolitan area.