

REVIEW OF BUS SERVICES IN NEW SOUTH WALES

Submission from the Transport Panel of the Sydney Division of Engineers Australia (formerly the Institution of Engineers Australia)

December 2003

1. Introduction

The Transport Panel of the Sydney Division of Engineers Australia is a committee of practicing transport engineers who serve the body of professional transport engineers in Sydney by, among other things:

- promoting excellence in transport systems, analysis techniques in education;
- providing expert guidance on transport issues to Institution members and others; and
- encouraging informed debate on transport issues.

The Committee members are not employed by Engineers Australia and this submission represents the view of the Transport Panel Committee, not that of Engineers Australia.

2. Overview

The Panel welcomes this review of bus services of NSW. We recognise the complementary nature of the Parry Inquiry, to which we have also made a submission.

In general the Panel is very supportive of many of the initiatives recommended by the Interim Report of the Review. In particular we would endorse:

- amalgamation of metropolitan contract areas to eliminate petty parochial restrictions;
- regularisation of concessions across eastern and western Sydney;
- integrated regional transport planning; and
- separation of asset ownership from service operations

However the Panel is of the view that such a fundamental review would have been even more valuable with a more holistic approach, in particular recognising the:

- relationship between land use and transport;
- relationships between public and private transport; and the
- complementary nature of the metropolitan bus and rail systems

The main failing of the Review, in our eyes, is the failure to articulate exactly what public transport is for – and hence, by extension, what the bus system is for.

We also query – in a constructive way – some of the recommendations, which do seem to have some implicit assumptions built in to them. We make those implicit assumptions explicit, and ask what grounds there are for adopting them. In particular:

- Why should the Government be any better at service planning than bus operators?
- Why will it be easier to implement cross-regional bus services after contract areas are amalgamated?
- Why will competitive bids for contracts be generated when individual ownership of bus depots confers critical advantages?
- Why wouldn't the system of strategic bus routes founder on Sydney's amorphous urban form?
- Why should the transport portfolio be responsible for recommending changes to concessions (including SSTS) resulting from social policy?
- What evidence is there that eliminating the peak availability of pensioner excursion tickets would save money?
- Why should the future availability of the excursion tickets be restricted only to pensioners and not to all senior residents (Senior Card holders) as currently practised ?
- Why are bus and rail pricing levels and structures not comparable?
- Why would reducing the discount on multi-ticket travel be a positive step, when the pricing of the main alternative (car) remains unchanged?
- What makes for a successful cross-regional service compared to one that is little used?

We would recommend to the Inquiry, in finalising its proposals, that it address these questions, principally by:

- **stating explicitly what role(s) public transport is destined for**

but also in particular by:

- addressing the skilling needs of a more centralised service planning unit;
- clarifying how cross-regional services would be procured under the proposed new contract areas;
- seeking to eliminate depot possession as a source of competitive advantage when bidding for contracts;
- finding a way to integrating the development of strategic bus corridors with land use and complementary arrangements for other modes;
- identifying (together with social policy portfolios) the objectives behind the School Student Transport Scheme – this was the first recommendation of the 1993 Public Accounts Committee Inquiry into SSTS;

- investigating travel behaviour of older people in metropolitan areas in more detail before intervening in their travel choices;
- leaving social policy decisions affecting older people to the social policy portfolio;
- seeking greater comparability between bus and rail fare levels and structures, including differential peak/off-peak pricing;
- taking a view of transport pricing that extends beyond buses alone; and
- recognising that the success of a corridor service for buses rests on being able to serve multiple short trips between termini, rather than trips all the way to the terminus.

Elaboration of each of these points now follows. After raising these general issues, we offer a number of specific comments on the Interim Review.

3. Objectives

(This comment was also submitted to the Parry Inquiry).

Public transport could be considered as a:

- service providing accessibility to those without access to private transport, especially the young, the old and those with disabilities – needed 24 hours a day, seven days a week – the main issue is *accessibility (geographical, physical and financial)*; and/or
- service to ensure children can access educational opportunities, needed at peak periods during school terms – the main issue is *efficiency* of the school bus sector; and/or
- service to ensure workers can access work opportunities in relatively dense centres where private transport cannot be employed, needed at peak periods on weekdays – the main issue is *efficiency of commuter transport multi-modally*; and/or
- service to provide a feasible alternative to private transport at some times (at least) for some people (at least), needed in some areas (at least) – the main issue is the *competitiveness of public transport relative to the car*.

As the activity level in the area it serves increases, more of these functions become applicable to public transport. Failure to distinguish which of these apply in particular areas may lead to inappropriate decisions – leading, for instance, to the lack of community services in rural areas because of the dominance of school transport, or the universal underpricing of public transport in order to compete with the car in central areas of a city.

The Panel would welcome a clear statement of what the Review has found bus services are for, and how to identify the relative importance of each task in different types of area. This would help to determine the relative importance of economic, environmental and social objectives.

4. Positive Steps

In general the Transport Panel is very supportive of the findings of the Review, which propose many long-overdue reforms. In particular we support:

- *The implementation of a competitive tendering regime.* If contracts are to be on a five-yearly basis, we feel that the idea of separating asset ownership from service operations will be inescapable, because bus operators will be unwilling to make large-scale investment in their own assets (ie buses and especially depots) whose use cannot be guaranteed beyond the five-year contract period.
- *The regularisation of pensioner excursion arrangements across eastern and western Sydney.* Favourable concessions for users of government bus (and rail) services have always been an obviously unfair arrangement. The proposal to balance extended geographic validity within the metropolitan area with a higher price seems eminently sensible. The issue of difference between metropolitan and non-metropolitan areas would remain.
- *The concept of integrated regional transport planning outside the metropolitan area.* In regional areas bus services do not have the same role as in metropolitan areas, and it makes sense to maximise the effectiveness of all available alternatives to private transport. The Ageing and Disability Department conducted successful demonstration projects on these lines in 1999. (We would however also advocate integrated metropolitan transport planning, in particular with combining the potential of the bus and train systems. The Bus Service Review gives the impression that the two are competitive rather than complementary).

5. Implicit assumptions

The comments that follow are mainly second-order issues compared to the basic findings of the Bus Service Review, and the fundamental point about needing clarity in objectives. The Transport Panel feels that if more attention is given to making the detail of the proposals as realistic and practical as possible, then the overall success of the proposals becomes more likely.

Most of the comments below stem from an implicit assumption in the Bus Service Review that there is *little interaction between the bus sector and other policy sectors*, and this is simply not so. There are strong relationships between buses and trains, between public and private transport and between transport and land use.

6. Skilling

- Why should the Government be any better at service planning than bus operators?

We believe that bus services should be planned to meet travel needs, and that this requires a detailed knowledge of the local travel market. While the low patronage of many bus routes in Western Sydney may be testimony to the skills of private sector planners in this regard, we do not believe that transferring the responsibility for network planning to the public sector will *ipso facto* lead to a great improvement. The failed Red Arrow network of 25 years ago bears similar testimony to the skills of public sector planners. *The quality of the planning is the critical factor, whether it be done by an operator or by a government department.* We suggest that some attention should be given to the development of appropriate skills through training, as there is simply not a pool of experienced bus planners in Australia as a basis for recruitment.

7. Contract Areas

- Why will it be easier to implement cross-regional bus services after contract areas are amalgamated?

As mentioned previously we support the Review in seeking to undertake a significant overhaul to the contracting mechanism used to grant bus operators exclusive rights to provide services in a region. The Panel is of the view that urban bus services are natural monopolies and as such a single operator should provide services within a region.

The Review recommends that there should be 14 contract regions in the Greater Metropolitan Region (GMR). Section 2.2 of the Interim Report states that 4,430 (1,930 government and 2,500 private) bus are required to provide the existing services in the GMR. This implies an average of 316 buses per contract region, although obviously there will be considerable variation between some of the regions. We acknowledge that there are economies of scale as the size of operations (often measured by number of buses) increases to a certain level. Beyond this level we believe there are few economies of scale. It is unclear to us what size of operations (and hence contract regions) the Review believes is optimal. Even if all 14 contract regions were awarded to different operators this would be a tremendous change to the bus industry in the GMR. It is most likely that some operators will be awarded multiple contract regions with the potential for reduced competition between operators in any future tendering arrangements.

One of the reasons put forward in the Review for the changes to the contract system is the inability to run effective cross-regional services. Even with the proposed reduced number of contract regions a number of the strategic corridors operate across multiple contract regions, for example:

- Bondi Junction to Hurstville
- Mona Vale to Macquarie
- Macquarie to Burwood
- Bankstown to Wetherill Park.

Consequently there will still need to be arrangements implemented to facilitate the operation of cross-regional services that traverse multiple contract

regions. The Review makes no mention of how this will be achieved. We would ask the Review to consider whether it would be possible to implement these arrangements in the existing contract environment.

As an additional point on contract arrangements, the Panel feel that many of the differences between the State Transit Authority and private operator provided services are a result of the operating environments (including pricing) rather than ownership related. The Interim Report does not discuss the differences between that arise from providing Sydney CBD services compared with services to other destinations. Rather than comparing the mode-share for public and private operators in the Newcastle area (who again operate in different environments) we believe that a comparison between Newcastle and Wollongong would be more valid and possibly offer greater insights.

8. Depot facilities

- Why will competitive bids for contracts be generated when individual ownership of bus depots confers critical advantages?

One of the key aspects to the effective operation of urban bus services is the location of depot(s) at strategic locations within the operating area. For the majority of the established areas within Sydney the only way in which bus operators can submit cost-effective bid to operate services within a contract region is if they all have access to the same depots. This would appear to suggest government ownership (or at leasing) of these facilities. We would encourage the Review to examine this issue very closely.

9. Planning Aspects of Corridors

- Why wouldn't the system of strategic bus routes founder on Sydney's amorphous urban form ?

Bus patrons walk to a bus stop, they wait for a bus, they ride on the bus, they might have to change onto another bus (or a train) and repeat the process, and they walk to their destination. The perceived journey time is a combination of all these elements, and *generalised cost analysis over about forty years has consistently shown that the perceptual weightings applied to the walk and wait components of a public transport trip are at least double that of the ride time*. Therefore accessibility (how you catch the bus) is much more important than mobility (the speed of the bus once you are on it).

We believe that the concept of strategic bus corridors with high frequency limited stop services can only work with complementary land use development along those corridors – as is done for some rail corridors. For much of Sydney's existing urban form, operating a limited-stop bus service will only reduce its potential catchment because there is little to distinguish one stop from another. (This is believed to be one of the factors behind the demise of the Red Arrow services introduced around 1980).

10. SSTS

- Why should the transport portfolio be responsible for recommending changes to concessions (including SSTS) resulting from social policy?

The Review refers to a recommendation of the 2002 Public Accounts Committee that transport budgeting be made a school responsibility (as it was prior to 1986, when the Department of School Education had this role). We recall the first recommendation of the 1993 Public Accounts Committee inquiry into SSTS, which was that *“The government should determine and clearly state the objectives and intended outcomes of the School Student Transport Scheme...”* To the best of our knowledge this has never been done.

We dispute the description of SSTS payments as bus subsidy – or at least, if they are to be regarded as bus subsidy, this should be clearly stated. We were under the impression that they were a subsidy to the families of schoolchildren, which for convenience were paid in bulk to the bus operator rather than to individual families.

We would expect that any change to this scheme, provided that its social objectives can be articulated, should come from the social policy sector. The transport portfolio can of course advise on the cost implications of alternatives but should not be the ultimate arbiter.

We do not understand why SSTS payments should be based on concession fares, when school students represent the core market for many bus operators. The effect is surely to charge full fare travellers (if any) twice as much as really necessary.

11. Older people’s travel behaviour

- What evidence is there that eliminating the peak availability of pensioner excursion tickets would save money?

(This comment was also submitted to the Parry Inquiry).

The assertion from STA [to the Parry Inquiry] that pensioners make up 11 percent of travel at peak times seems an inadequate basis for proposing to withdraw this concession at such times. Pensioner travel would only limit the capacity of service providers to carry full-fare-paying passengers at peak times if it took place in the peak direction on parts of the network operating at full capacity. No evidence is offered to demonstrate this. In the absence of data, our observation suggests that this is not the case. It is just as likely that much peak-period pensioner travel takes place in outer parts of the network, in the contra-peak direction, because many older members of the community are pressed into service as family baby-sitters during the day and free adult wage-earners to travel to work. Making it more difficult for pensioners to travel at such times would have a social effect beyond the immediate and possibly unnecessary relief of bus capacity. The fact that this issue was raised [in a

submission to the Parry Inquiry] by STA and not SRA tends to support this view.

In any case, the Panel believes that few pensioners would choose to travel in peak times if they had any choice in the matter, and such peak travel as does occur is mainly occasioned by factors outside the pensioner's control (such as the timing of medical appointments, or responsibilities as a family carer). The future of this concession is therefore more a matter for determination by the Ageing and Disability portfolio rather than that of Transport Services.

12. Availability of Pensioner Excursion Ticket

- Why should the future availability of the excursion tickets be targeted only to pensioners and not to all senior residents (Senior Card holders) as currently practised ?

Currently, the pensioner's ticket is available to all senior card holders regardless whether they are pensioners or self funded retirees over 60 years of age. By restricting the availability to only pensioners and war widow/ers, not only does the government create the problem of inequity in its social policy but also the change will have the following adverse effects:

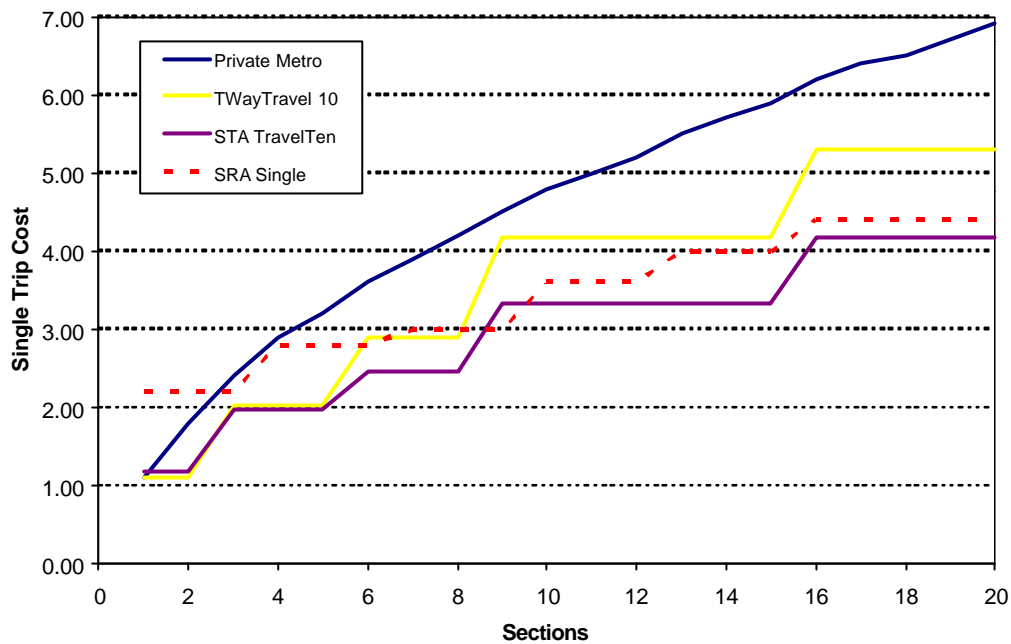
- It would have the opposite effect of Government's recent policy of encouraging tourism and opportunities of a wider senior population to travel
- The affordability of travel for self-funded retirees would be being determined by the transport supply sector rather than the social policy sector where we believe it belongs.
- We believe that most senior card holders using the existing public transport system do so in off-peak hours, when marginal operating costs are low. As noted previously, we believe assumptions about the savings achievable by excluding some older people from some access to concessionary travel are not based on any evidence.

13. Parity of Pricing Between Public Transport Modes

- Why are bus and rail pricing levels and structures not comparable?

The Panel believes that the analysis of the various bus fares in Section 6.1 of the Interim Report has made a major omission by not incorporating rail fares. Figure 1 shows the fares for SRA single tickets¹, STA TravelTen, Transitway 10 and Private Bus metropolitan fares by section for a single journey (trip).

¹ The CityRail fares bands are measured in kilometres. Whilst our conversion process of one bus section equals 1.62 kilometres is an approximation, we believe it is appropriate for the purpose of comparing fare scales between modes.

Figure 1 Comparison of Off-Board Fares

The Review indicates that 5% of submissions suggested discouraging cash fares as a means to improve travel times and reliability. The Panel supports the active encouragement for bus passengers to purchase tickets off-board to improve boarding times and service reliability. To encourage this behaviour it is necessary to provide an incentive to passengers to purchase tickets off-board.

The usual mechanism for this incentive is for off-board tickets to be cheaper than on-board tickets. The Review has commented on the level of discounts provided for tickets purchased off-board tickets especially those offered by State Transit. The Panel believes that off-board tickets should represent the benchmark fare with passengers paying a premium for the inconvenience that they cause other passengers by purchasing tickets on-board. We believe that a premium of approximately 25% should be sufficient to encourage the majority of passengers to purchase tickets off-board. We note that a number of private bus operators offer a discount to passengers who pay fares through smart cards.

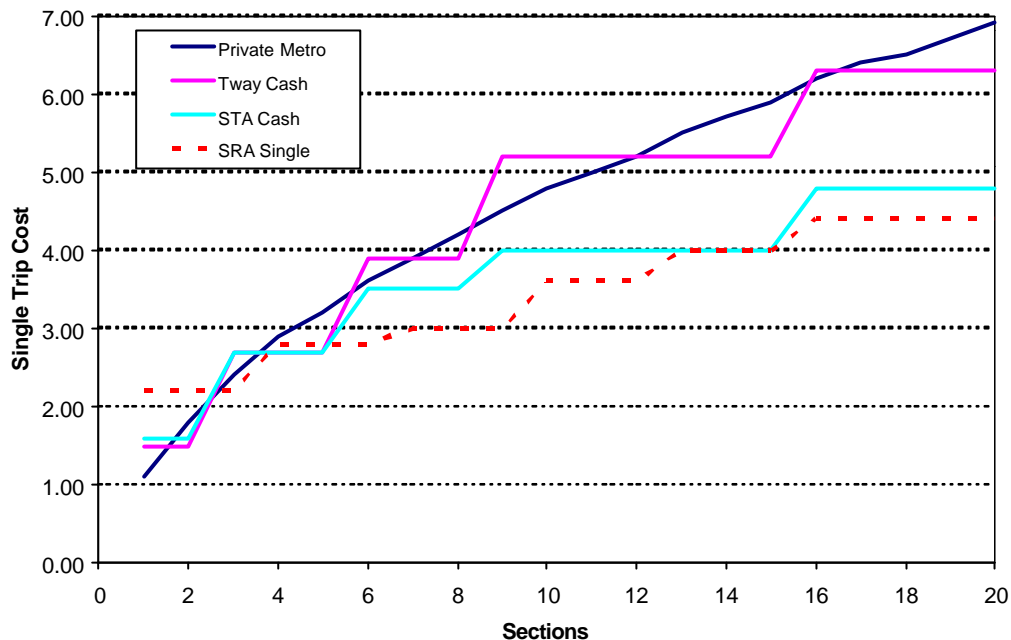
For the rural and country town fares where passenger boarding times are less of an issue it would be possible for on-board ticket purchase premiums not to apply.

We believe that there should be comparability between train and bus fares. We believe that the Ministry of Transport principles listed in Section 6.1 of the Interim Report should be expanded to include at least the rail and bus components of the public transport system (we acknowledge that there are some unique aspects to ferry operations).

From Figure 1 it can be seen that SRA single cash-fare is generally comparable to the STA TravelTen and Transitway Travel 10 fares. Figure 2

shows similar information to Figure 1 except that the on-board fares for STA and Transitway are used rather than the off-board ten ride tickets. Figure 2 shows that rail fares in most situations are cheaper than the bus fares except for relatively short journeys.

Figure 2 Comparison of On-Board Fares



We note that there are very significant discounts offered by CityRail for off-peak return tickets. We would invite the Review to comment on whether they support the introduction of a similar ticket for the bus system.

14. Multi-mode pricing

- Why would reducing the discount on multi-ticket travel be a positive step, when the pricing of the main alternative (car) remains unchanged?

In the absence of clear objectives for the bus sector, it is difficult to assess pricing and charging options. The implicit objective is that the bus sector should remain financially viable in its own right. The Panel challenges this, as neither the rail sector nor – especially - the private transport sector operate in this way. *There are significant cross-sectoral benefits to be gained by greater use of buses.* The multi-user discount is a significant marketing discount in achieving greater bus travel and hence those benefits. We agree with the argument that spatially-based anomalies should be reduced, and also that the discounts do not reflect the cost structures of providing high capacity peak services, but reducing discounts for frequent bus use does not encourage efficient behaviour within the transport sector when the price of private transport use is not affected in a complementary way.

We would also like to see multi-user discounts for casual use extended to all public transport trips, not just bus trips, and in particular trips that require use of both bus and train should not bear “flagfalls” for each mode separately.

15. Cross-regional services

- What makes for a successful cross-regional service compared to one that is little used?

The most successful long-distance non-CBD bus services appear to be those that achieve multiple seat turnover between termini. For instance the 400 Bondi to Burwood is probably functionally two routes – Bondi to Airport and Airport to Burwood. The 545 Chatswood to Parramatta is probably three – Chatswood to Macquarie Centre, Macquarie Centre to Eastwood, Eastwood to Parramatta. The presence of intermediate trip attractors within a route appears to be critical. A route without intermediate attractors will start empty and gradually fill up as it approaches the terminus, hence spending much of its time relatively empty. At peak times, if there are no intermediate or counter-peak movements, a bus that arrives full at its terminus will be on average a quarter full during the peak. The encouragement of intermediate trip attractors within a corridor is a matter for the integration of transport planning and land use planning – it cannot be done by bus planners alone.

16. Summary and Recommendations

The Transport Panel believes that the Review should be applauded for its exposure of basic issues, and while some of its recommendations will undoubtedly be controversial they should be supported. However there are also other major issues that the Review has not yet adequately addressed, and as a consequence some of its proposals are limited and possibly counter-productive. We hope that these issues will be addressed in the final report.

Specifically, as stated in the Overview, we would like to see the general role of bus services and public transport in general in the land use/transport system better articulated. We also consider transport pricing reform and the integration of bus corridors with land use development of prime importance.

In summary the Panel would like to see the following issues addressed in greater depth:

- skilling needs for effective service planning
- method of procurement of cross-regional services after the reform of the contract areas
- extent to which operator ownership of depots inhibits competition
- integration of the strategic bus corridors with land use development and complementary arrangements for other modes
- identification (together with social policy portfolios) of the objectives behind the School Student Transport Scheme
- investigation of the travel behaviour of older people in metropolitan areas in more detail before intervening in their travel choices

- distinction between issues of transport delivery and issues of social policy when considering changes affecting the travel of older people
- comparability between bus and rail fare levels and structures
- transport pricing reform that extends beyond buses alone.
- characteristics required for the success of a corridor service for buses

We would be happy to discuss making our professional expertise available to the Inquiry on some basis. If you are interested in further involvement, please contact either the Panel Chairman, Frank Milthorpe (02 9762 8488), or the Panel Vice-Chairman, David Kilsby (02 9415 4544). David also represents NSW on the National Committee for Transport (and is the current Chair of that Committee) of Engineers Australia.