



IPART Issues Paper – Review of Rural and Regional Bus Fares 2021-2025

BusNSW Submission

7 August 2020

Review of Rural and Regional Bus Fares 2021-2025
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Dear Tribunal Members,

Thank you for the opportunity to comment on the Issues Paper from the Independent Pricing and Regulatory Tribunal (IPART) on the **Review of Rural and Regional Bus Fares for 2021-2025**.

BusNSW is the peak body for the NSW private bus and coach industry. Our mission is to foster the efficient and sustainable growth of public transport in NSW and in doing so, to promote the benefits of bus and coach transport.

A significant portion of BusNSW's members operate regular passenger and school services in regional NSW under Transport for NSW (TfNSW) Rural and Regional Bus Service Contracts. These contracts include a schedule of services underpinned by an Annual Contract Price (established from efficient benchmark costs) and a performance regime to ensure that taxpayers receive value for money. The contracts include key performance indicators that require operators to meet targets relating to punctuality, customer service, bus maintenance and several other measures.

BusNSW members are also involved in providing on-demand transport via the TfNSW pilots and under bus contracts. Finally, BusNSW members are involved in the provision of regional coach services under NSW TrainLink contracts which operate along corridors where the railway line has been closed to passengers or as a supplement to rail services.

BusNSW's responses to the 18 questions identified for comment in the IPART Issues Paper are outlined below.

Objectives and Priorities

1. What has been your experience of the fare structure introduced in 2017? What are the positives and negatives of the current approach?

IPART's 2017 decision to simplify the rural and regional bus fare structure from 220 fare sections into just 10 fare bands has been broadly accepted by the travelling public and welcomed by bus operators. The new structure based on bands has made it easier for the public to understand how fares are calculated and has simplified the fare collection process for bus drivers.

Whilst the reduction in fares provided significant savings to the consumer, it has not translated into a significant increase in patronage. Some operators have experienced a small increase in boardings within the 1-2 section concession fare band, however this is believed to be a result of this fare being cheaper than the cost of the *Regional Excursion Daily* (RED) Ticket (\$2.30 in 2018 and \$2.40 in 2019 and 2020). The RED Ticket did not increase as a result of the last fare review and remains at \$2.50. The RED remains the preferred ticket for non-school concession passengers as this product is very much aligned to the passenger demographic in regional NSW.

A negative experience for the industry has been the inability for TfNSW and the affected operators to agree to an adjustment of their Annual Contract Price to reflect the impact of the change in annual fare revenue that resulted from the implementation of new fares in March 2018. Whilst the contract includes a clause to facilitate a price adjustment if TfNSW changes a fare (or fares) in the Fares and Ticketing Schedule as a result of a change in Government Fare policy, it does not include an explicit formula or mechanism to calculate the adjustment.

BusNSW considers the methodology proposed by TfNSW to calculate the adjustment, which includes a two staged approach using boardings and revenue, as not meeting the intent of the contract to compensate operators for a change to their fare revenue. As Rural and Regional Bus Service Contracts are "Net Cost", whereby an operator's farebox revenue makes up a proportion of their Annual Contract Price, BusNSW is hopeful that TfNSW will review its proposed methodology based on a fair and reasonable approach to compensating operators for their loss.

2. Have cross-border issues been adequately addressed?

BusNSW supports seamless access for passengers across state borders including whole of journey fares and fare products. The use of time and zone based fare structures in other states makes it difficult for operators providing regular passenger services across state borders.

There is a need for the respective State Governments to agree on a common fare structure to enable a consistent approach, which may require the establishment of a "border bubble". Rural and regional operators servicing border communities require a fare (ticketing) management solution that can facilitate consistent fares and fare products.

3. Have there been any challenges implementing the new fare structure given the current ticketing technology used by bus operators?

Rural and regional bus fares are currently measured in terms of the number of sections travelled by route, where a section is generally 1.6km in length. This is to be distinguished from metropolitan and outer-metropolitan bus fares which are calculated on the distance travelled (as the crow flies) as measured through the Opal system.

Implementing the new fare structure was not without its challenges due to the varying ticketing systems of operators, the age of many of these systems, and the need to reprogram the systems to implement the fare and product changes which commenced in March 2018. Operators incurred the costs of changing back end software for ticketing systems, which also required new reports to obtain data for TfNSW contract reporting.

Rural and regional public transport commuters have endured varying standards of ticketing for decades. Ticketing solutions in regional NSW vary from electronic systems that have the capability for contactless transport payments including debit/credit cards to manual paper-based systems.

A state-wide fare (ticketing) management solution could be introduced with existing and new third party suppliers meeting the requirements of an agreed TfNSW specification or via a TfNSW procurement process where a proponent is contracted to supply, install and maintain the equipment. The Rural and Regional Bus Service Contract allows TfNSW to introduce new systems and equipment on a contract bus, in a contract depot or in the operator's premises.

This measure could dramatically improve the customer's experience in regional NSW and provide rural customers travelling from rural and regional areas with a seamless integration to the Greater Sydney public transport network. The system should allow customers who have an American Express, Mastercard or Visa credit or debit card or a linked device (phone or watch), to pay for travel by tapping on and tapping off at a reader on the bus.

Contactless Transport Payments allow customers to pay a public transport fare on the Opal network by tapping on and off using a credit or debit card. Contactless payments are available on metro, train, light rail and ferry services, and during 2019 were rolled out to bus services in Sydney metropolitan and outer-metropolitan regions. The system allows for most credit and debit cards to be used in addition to an Opal card.

Two regional Contactless Transport Payment trials commenced in 2019 in Kiama and Ulladulla, which included a trial of Student Opal cards. The 2018-19 Transport for NSW Annual Report stated *"In March 2019, we trialled Account Based Ticketing technology with Kiama and Ulladulla bus services, enabling us to track regional buses in real time, determine occupancy levels, allow customers to pay with their debit/credit card, and provide school students with an Opal Student card"*. It is unclear whether TfNSW is intending to roll out Contactless Transport Payments across regional NSW and how this will intersect with the Transport Connected Bus (TCB) program.

The current roll-out of the TCB program by TfNSW will go some way to providing the technology necessary to implement a fare structure that is not based on sections by route. At this stage, the TCB program is focussed on vehicle tracking and passenger counting, however BusNSW understands that TCB has future integration capability for a digital interface protocol to provide trip context information to a fare (ticketing) management solution, for the accurate calculation of fares.

The procurement of TCB required future capability for the system to be interoperable/extendable with a fare (ticketing) management solution, which will allow school students and fare paying passengers to use an electronic token/card to register their boarding and alighting from the service based on ticketing rules; fare paying passengers to pay their fare using an electronic payment method i.e. EMV; and fare paying passengers to pay their fare using cash.

Following the phase 1 roll out of the TCB vehicle tracking and passenger counting system in Dubbo, Coffs Harbour and Bega, the program is being expanded to another 14 regional centres. Phase 2 includes Albury, Armidale, Bathurst, Bomaderry-Nowra, Grafton, Griffith, Lismore, Orange, Parkes, Port Macquarie, Queanbeyan, Tamworth, Tweed Heads, and Wagga Wagga.

The eventual roll out of TCB to the entire rural and regional contract fleet (approx. 3,000 buses) will provide an opportunity for integration with a fare (ticketing) management solution. BusNSW notes the significant expense of the TCB technology with the NSW Government eTendering website reporting a cost of \$4.3M for phase 1 (which equates to approximately \$15,000 per bus).

The NSW Government's policy position to allow regular passengers to use dedicated school bus services, and to advertise these services to the public via the transport.info Trip Planner and transport Apps, will need to be assessed when considering the possibility of a state-wide fare (ticketing) management solution. Given the likely cost if implemented, BusNSW recommends that only contract buses used for *regular passenger services* have equipment as part of a state-wide fare (ticketing) management solution. A different fare structure for regular passengers using dedicated school bus services may need to be considered.

4. How have recent events (drought, bushfires and the coronavirus pandemic) impacted rural and regional bus services, and what are the likely future implications? Are there any implications for the setting of maximum bus fares?

The drought, bushfires and the coronavirus pandemic have all had a significant impact upon patronage on rural and regional bus services and the quantum varies from region to region.

The drought has affected rural communities, with farming families moving away from drought-affected areas and farming employees being laid off. This has had a flow-on effect for bus operators with some experiencing a change to their school bus service (and payments) where students reside on farms that are at the end of a run or the end of a spur. BusNSW has sought

support from the NSW Government to maintain school bus services that are affected by the drought in order that services are available when farming families return.

BusNSW notes that in early 2020 the NSW Government introduced temporary bus services and additional stops for existing services to support locals affected by bushfires in southern NSW. The temporary bus services ensured the community could access the support and services available at their local recovery centres seven days a week.

The temporary bushfire recovery services were provided in locations such as Eden, Bega, Batemans Bay, Ulladulla and Lake Conjola up until late March 2020. Some locations did not have a regular passenger service prior to the bushfires and there is an opportunity to consider new village to town bus services to provide local communities with mobility options on a continuing basis.

As has been the case in metropolitan and outer-metropolitan areas, patronage numbers have decreased significantly in response to NSW Government Health Orders and guidance relating to gathering and movement during COVID-19. Patronage has been affected by NSW Government travel and transport advice which has included guidance for the public to only travel if essential i.e. *“Work from home if you can or travel in off peak times to provide priority for essential workers and school children”* and *“If you are not already using public transport in the peak, please do not start now”*.

The COVID-19 pandemic and government guidance has caused a significant reduction in the number of passengers using regular passenger services in NSW Country Towns. BusNSW has sought the NSW Government’s support for Rural and Regional Bus Service Contract holders to be compensated for financial losses resulting from the affects of the COVID-19 pandemic due to the contract funding model.

The rural and regional bus contracts are “net cost” where the operator provides both regular passenger services and school services (previously referred to as a “B” contract). The operator’s estimated annual fare revenue was deducted from the Annual Contract Price when the contracts commenced in 2016, and the operator keeps the fare revenue collected from passengers to make up the difference.

The rural and regional bus contract is different to the metropolitan and outer-metropolitan bus contracts which are “gross cost” and means the NSW Government has responsibility for any loss of revenue through the farebox, such as the loss resulting from a reduction in patronage across Greater Sydney due to COVID-19. Unfortunately, the rural and regional contract and funding model did not foresee COVID-19 or the impact of a pandemic on patronage and farebox revenue in regional NSW, so there is no explicit provision in the contract to deal with this.

A number of operators have incurred, and are continuing to incur, a significant loss of farebox revenue during 2020, due to the reduction in fare paying passengers as a result of COVID-19. This

is impacting their cashflow and means they are having to self-fund a proportion of the overall provision of rural and regional bus services on behalf of the NSW Government.

BusNSW is seeking for TfNSW to compensate operators for the farebox component of their Annual Contract Price that has been lost as a result of the COVID-19 pandemic. This is considered to be a suitable remedy to minimise the effects of this Force Majeure event.

The COVID-19 impact on patronage is particularly noticeable in well populated regional towns where there is a high proportion of commuter travel, including towns such as Tweed Heads and Queanbeyan. To avoid such issues in the future, BusNSW recommends that consideration be given to “gross cost” contracts when current contracts are renewed, which would also resolve potential disputes between TfNSW and operators resulting from a change in Government Fare policy.

BusNSW notes that recent changes to Opal fares included a discount for off-peak trips on buses aimed at reducing crowding during the busiest times of day to ensure everyone can physically distance and stay safe during COVID-19. This would be of benefit in some regional towns if it could be implemented efficiently via a state-wide fare (ticketing) management solution.

BusNSW also notes that to help protect the health of drivers in Greater Sydney (Opal network) during the COVID pandemic that customers can only use an Opal card, or contactless credit or debit card or device to pay for travel i.e. the NSW Government approved for all Greater Sydney bus services to be cashless. A state-wide fare (ticketing) management solution that has capability for contactless transport payments could facilitate for bus drivers in rural and regional areas to be provided with the same level of safety.

5. Do you agree with the criteria proposed to guide the review? Are there other criteria which should be considered?

BusNSW generally agrees with IPART’s proposed assessment criteria for the review (as outlined in section 3 of the Report). IPART’s assessment criteria is broadly consistent with BusNSW’s mission, i.e. to foster the efficient and sustainable growth of public transport in NSW and in doing so, to promote the benefits of bus and coach transport.

The assessment that guides IPART’s review, however, needs to recognise that rural and regional bus fares are inelastic; in other words, a reduction in bus fares is unlikely to generate increased patronage. This is due to the rural and regional operating environment where the convenience of the private motor vehicle and access to parking generally takes precedence.

6. How should IPART prioritise the different objectives for its review of maximum prices? Do you agree with the main purpose and priorities established in the 2017 review?

BusNSW considers that the most important objectives for IPART’s review of maximum fares should be to ensure fares are affordable and to maximise the benefits of public transport use to

the community. The purpose and priorities established in the 2017 review; namely *“to ensure that people with limited travel options – such as those who can’t drive or can’t afford a car or taxi services – have reasonable access to transport”* is an important sub-set of this objective.

There needs to be better incentives for customers to use bus services in rural and regional areas. In many regional towns, parking fees cost less than the current return bus fare. There is therefore little incentive in these localities for customers to use the local bus service (once the cost of parking and the convenience of using one’s own vehicle are considered).

Allowing bus operators to recover the efficient costs of providing rural and regional bus services is an important objective. As outlined above, fair and reasonable compensation is required where fare changes impact an operator’s total revenue.

The facilitation of innovation in the delivery of transport services is an important objective and this is further discussed in question 7 below. Whilst the opportunities to increase patronage and mode share for non-school services are somewhat limited, the encouragement of innovation for the delivery of services is a worthy objective.

Whilst the efficient delivery of transport services is important, IPART should be satisfied that the TfNSW procurement process used to establish operator payments, which included the benchmarking of efficient costs, ensured that the cost of providing services under current contracts is a fair market outcome. The provisions in the current contract which give the operator a first right to negotiate a new contract provide an opportunity to maintain stability for communities across regional NSW by contracting operators who have local knowledge and have made long-term investments that support local jobs and economic development.

There are academic studies and evidence from other jurisdictions around the world which demonstrate that governments can design and conduct a negotiated contract renewal process that maximises the opportunity for industry (representing incumbent operators) to respond in an innovative way. A negotiated process does not preclude the introduction of new types of services, new types of buses and the delivery of the NSW Government’s Future Transport 2056 strategy.

Innovation and Technology

7. How should regulation of rural and regional buses respond to developments in the transport sector, including emerging technologies and innovation in service provision? How can innovation be facilitated?

a) Emerging Technology

In terms of vehicle technology, rural and regional buses must be purchased via a Bus Procurement Panel administered by TfNSW. The latest version of this Panel (Procurement Panel #3) was opened earlier in 2020, however the four electric bus options on the panel are currently not available to operators with rural and regional bus service contracts.

Given the NSW Government's ambition to transition the entire contract bus fleet to zero emissions, there is a need for a rural and regional zero emission bus plan. While the current panel process is designed to ensure that vehicles available to contracted operators meet a certain standard, there is also a need for a process that enables potential trials of new bus technology in regional NSW.

Beyond the Procurement Panel, current administrative processes by the regulator can also stymie innovation. For example, suppliers/manufacturers are unable to trial "demonstrator" models of buses on services under rural and regional contracts because there is no capacity for such vehicles to be registered for *regular passenger services* whilst remaining as a "demonstrator" and not incurring stamp duty until such time that the vehicle is sold.

BusNSW acknowledges that the NSW Government has published an *Electric and Hybrid Vehicle Plan* to reflect the growing focus on electric vehicle technology and the benefits that this will bring for the community - it is important that Government standards and associated regulations keep pace with this change. To that effect, BusNSW recommends that the NSW Government undertakes a thorough review of both Passenger Transport and Road Transport legislation to determine the changes required to support the operation of electric buses in NSW, including rural and regional areas.

The NSW Government's plans to transition the diesel fleet to a zero emissions fleet will mean considerable change for bus operators during future contract terms. There is significant uncertainty regarding the cost impacts of operating electric buses over the medium to long term, and a limited understanding of how key performance indicators that are related to the operation and maintenance of the fleet will be affected.

The NSW Government uses a number of different procurement strategies to procure bus services which are designed to ensure there is a fair market outcome for taxpayers. Future rural and regional bus service contracts will need to have mechanisms that facilitate a fair allocation of risk in regard to the uncertainty around operating a fleet that has a growing proportion of electric buses during the contract term. As demand for electricity to charge electric bus fleets grows there is a risk of energy providers increasing prices, which could impact the efficient cost of operating contract services.

The installation of infrastructure for the charging of electric buses in depots will significantly impact on the hard stand area and on the leasing and redevelopment options for property owners. Consideration should therefore be afforded to the negotiation of long-term performance-based contracts to facilitate for operators to manage the ongoing ownership and availability of infrastructure to support a zero-emission bus fleet.

In NSW, buses purchased under government contract have an expected life of 25 years and 365 days (essentially 26 years) for larger vehicles. The lifespan of electric vehicles in the

Australian context is simply unknown. Trials have provided data on the cost of maintenance however no electric vehicle has operated for a period comparable to the 25 years expected of diesel equivalents. Another challenge is the as-yet unknown end-of-life costs, for example battery resale, battery recycling and remanufacturing, and disposal of the electric vehicle and batteries.

In the lead up to the March 2019 NSW State Election, BusNSW recommended that a plan should be developed to transition the contracted bus fleet in NSW to a lower maximum age (for example, 18 years) over several years and should include the phasing in of electric and semi-autonomous vehicles. The NSW Government has supported a review of the average and maximum age profiles as part of the next generation of bus service contracts.

b) Service Provision

Under previous rural and regional bus service contracts, the planning of regular passenger services and dedicated school services in towns with a population greater than 7,500 were the responsibility of the operator i.e. services provided under the previous “B” contract. Whilst being underpinned by minimum service levels, operators were responsible for route design, service frequency and coverage.

From June 2016, when the current contracts were implemented, service planning became the responsibility of TfNSW. Under the new contracts, operators can apply for service changes via a *Bus Service Alteration Request* (BSAR), though any request for a service variation from the operator is subject to TfNSW’s approval (which may be withheld at TfNSW’s absolute discretion).

Currently, a proportion of BSARs sent to TfNSW are declined. Some of these relate to growth associated with residential developments around regional centres, whilst others relate to requests from parents to improve safety or convenience for students walking to bus stops. BusNSW recommends a more transparent method of assessing BSARs to ensure that bus service changes are responsive to community needs and to growth in regional areas, including the consideration of non-monetary benefits.

The NSW Government’s 2019-20 budget included an additional \$68 million over four years to improve bus services across 16 regional towns. The NSW Government is rolling out the *16 Regional Cities Services Improvement Program* which is a commitment to improving public transport services throughout regional NSW. The program consists of two work streams.

Firstly the “Top Priorities” which introduce service changes to the bus network after identifying gaps. This has provided very little opportunity for operator input and innovation.

The second stream is a more “Holistic” bus network review to identify travel needs to help develop and deliver integrated transport service plans. This is to be delivered by late 2023 and

BusNSW is hopeful that this approach will provide operators with a greater opportunity to have new services considered based on proper consultation.

BusNSW believes that the local operator is best placed to make recommendations about service improvements within its contractual area of operation. Rural and Regional operators generally live and work in the community and therefore have a greater understanding of the needs of the local community.

BusNSW notes that the “Holistic” bus network review approach was used for the Tweed Heads and Wagga Wagga network reviews, which took considerable time and resources to complete. The review process means the Tweed will benefit from more than 450 new additional weekly services which commenced in December 2019. The new Wagga Wagga timetable has delivered more than 240 extra bus services a week from March 2020.

8. Do you support the suggestions aimed at improving the accessibility of public transport for those groups within society who find public transport unaffordable? For example, extending concession fares to a broader group, such as those who qualify for the healthcare card? What would be the impact on fare revenue and Government funding?

Yes. BusNSW supports IPART’s recommendations aimed at improving the accessibility of public transport for those groups within society who find public transport unaffordable.

BusNSW acknowledges that concession fares in NSW are largely available to people with access to the full rate of Centrelink benefits and that eligibility for concessions could be extended to target those people who are in the workforce but on low incomes, as these people can also be considered economically disadvantaged. Concessions applicable to rural and regional customers are facilitated through the Rural and Regional Bus Service Contract and any change would require a variation to the approved beneficiaries eligible for concession fares.

BusNSW understands that people on low incomes who may be working infrequent or few hours are often eligible for Commonwealth Health Care Cards, which includes students, carers and people who are not well enough to work full time. People who are underemployed can also access Health Care Cards and enabling access to transport for those who are underemployed can assist with their continued participation in the workforce.

BusNSW does not have access to the data necessary to determine the impact on fare revenue and Government funding, though operators would need to be compensated through an agreed process for any loss in fares that occurs as a result of the broadening of concession eligibility. As outlined in question 1, some bus operators are still awaiting fair and reasonable compensation for the loss of fare revenue that resulted from changes recommended by the 2017 IPART review of rural and regional bus fares.

9. What is your experience with the current maximum fares? Would you support further simplification, or additional frequent-use tickets?

The current maximum single fares have generally worked well for customers and operators. BusNSW would support a reduction of bands for fares above 25km subject to resolving any issues relating to a reduction in fare revenue and establishing a process to cover costs relating to back-end software changes.

Daily tickets introduced as a result of the last IPART review, have had very little uptake in terms of ticket sales. While BusNSW supports the simplification of ticketing, we would not recommend additional frequent use tickets at this time.

RED tickets sold and are predominantly used for single use or return journeys. In other words, the introduction of RED has not generated multi-use by passengers.

The rollout of a state-wide fare (ticketing) management solution would provide future opportunities to introduce a reward system for frequent use, as per Opal. Likewise, this could support the introduction of cheaper off-peak fares which would provide additional incentives for people to travel outside the peaks and provide opportunities to better utilise bus assets.

10. What are the technical challenges involved in changing the current fare structure or adopting particular types of fare structures? As an operator, to what extent is your ticketing technology a constraint on fare structures?

Operators currently use a number of third-party providers to supply and maintain electronic fare collection systems. However, it should also be noted that some small operators do not have electronic ticket machines and continue to provide manual paper-based ticketing.

For operators with electronic ticket machines, the more fare options introduced, the more complex the task of configuring back-end software and the more complex the bus driver's job becomes. Following the introduction of new fares and fare products in March 2018, operators were required to make changes to the back-end software of their electronic fare collection systems and reporting, which was done at their own expense.

BusNSW has been advised that a ticketing system used by a number of rural and regional operators is at end of life and the supplier has formally advised operators that it will be ceasing support. The system is not compatible with Windows operating systems past Windows 7, which has been deemed end of life. Furthermore, the applications and databases that underpin the ticketing system are also end of life. The respective software license and support agreements with operators will only be renewed up to 31 December 2020.

Operators with ticketing equipment that is approaching end of life need direction from TfNSW regarding any plans for a state-wide fare (ticketing) management solution before investing in a new company specific ticketing system. Further to this and depending on the government's position, operators need to understand how future contracts will allow them to amortise the substantial cost of a new ticketing system, should this be required.

Changing the current section-based fare structure is limited by ticketing technology, which currently varies between operators. For example, changing the fare structure from sections by route to actual distance travelled (as the crow flies) is generally not possible based on the current ticketing systems used for rural and regional bus services and the practices employed by operators.

As outlined in question 3, a fare (ticketing) management solution that facilitates Contactless Transport Payments would provide greater flexibility with fare structures and the possible alignment of distance-based fares to those that apply in Greater Sydney (Opal network). Should the NSW Government introduce an Opal based fare (ticketing) management solution for rural and regional services, it is important that the use of credit or debit cards qualify for the same fare and travel benefits of an Opal card.

11. What has been the experience with the use of single or daily tickets across operators? Has this been successful? What is your view on introducing return tickets that can transfer across operators, or tickets that can transfer between rural and regional buses and metropolitan transport?

BusNSW understands there has been minimal take-up of daily tickets since they were introduced in March 2018. The current RED ticket largely fulfils this need for eligible customers although, as outlined in question 9, the majority of RED tickets are used for single or return journeys within the same network.

The introduction of a return ticket at this time would result in additional fare products to be administered and further complexity for drivers. BusNSW would prefer to continue with single tickets based on current arrangements given the variation and capability of ticketing systems used by rural and regional operators.

BusNSW would support tickets that can be transferred across rural and regional operators and the Greater Sydney network if supported by a state-wide fare (ticketing) management solution. Regional passengers are often required to access essential services outside of their hometown and this would allow seamless access to other regional services and the Greater Sydney public transport network.

12. Do you think there would be any benefit in differentiating fare structures across different operators or in different locations?

No. Whilst there are varying socio economic and vulnerable groups across towns and locations in rural and regional NSW, a standardised and simple state-wide fare structure that recognises these groups is preferred to differentiating fares based on the location.

13. Do you think aspects of the fare structure in rural and regional areas are inequitable compared to Opal fares in metropolitan Sydney, or compared to coach services offered by Trainlink?

There are some minor inequities between the current rural and regional fares compared to Opal fares, though this was largely addressed by the 2017 review and is hindered by the technology available. Though, the vast majority of rural and regional journeys are short distances where fare inequity between Sydney and regional NSW is negligible.

BusNSW acknowledges that NSW TrainLink services, which are delivered by coaches, are a different product to regular passenger services. Though there is an argument that maximum fares for rural and regional bus services (regular passenger services) should be aligned with NSW TrainLink coach fares (which are lower) for distances greater than 25km.

On-Demand Transport

14. Do you agree with the framework outlined in section 6.1 for procuring new transport services, including on-demand services?

BusNSW largely agrees with the intent, however doubts whether the framework proposed by IPART in section 6.1 of the Issues Paper will produce any significant improvements in the value for money of public transport services in rural and regional areas of NSW. The framework assumes that there are “easy” opportunities to improve patronage and reduce cost per passenger journey by changing routes, timetables and bus sizes or by adding on-demand components.

It is not clear if the efficient cost per passenger journey for “routes” or “trips” considers the shared dead running costs associated with a network of services, including the trip linking and movement of vehicles from and to the depot. The impact of the COVID pandemic on passenger demand would make it difficult to identify legitimate “services” for improvement based on the proposed “per passenger journey” methodology.

As identified by IPART in 2.1 of the Issues Paper, the current users of rural and regional bus services (outside of school students) are largely from lower socio-economic and vulnerable groups. It would be inequitable to expect passengers from these groups to pay a higher fare for on-demand services (such as a \$5.00 surcharge) if a lower cost fixed route bus service is not available.

The general experience in on-demand trials is that the cost per passenger journey is much higher than fixed route bus services. Expecting people to book journeys, then pay a premium fare and in many cases change modes to complete their journey, is unlikely to benefit current or potential customers in most cases.

Bus Operators should be encouraged to provide innovative solutions as service requirements change through the contract term. Currently, there is little support or incentive for operators to recommend service variations because of concerns that improvements identified will be put to tender.

The Rural and Regional Bus Service Contract has provisions for service variations that facilitate for an operator to introduce changes including a new Bus Route, which is often supported by research and service development work. However, TfNSW has had a propensity to warn operators that service variations will go to tender, which has stifled innovation when it comes to the introduction and testing of new transport services.

15. How can different types of on-demand services, for example community transport and other on-demand services, be co-ordinated in the most effective and cost-efficient way?

The high cost of on demand services per passenger means they require a subsidy from government to operate. This provides an opportunity for TfNSW to essentially control the operation of on demand services at particular locations.

To date, the on-demand services operating as pilots in regional NSW are under a TfNSW contract, which provides the necessary funding. Existing rural and regional bus contracts provide an instrument for TfNSW to obtain efficiencies from utilising the existing fleet and to make variations to existing fixed route bus services to support on-demand services. Existing bus service contracts could be used to procure on demand transport including for:

- First and Last Mile transport to/from transport hubs and customers' homes (or close to home),
- End-to-end journeys that are currently provided in a sub-optimal manner (in terms of service frequency, travel time, multiple interchanges etc.),
- Local trips that are currently not well serviced (e.g. shorter journeys to attractors),
- Regions or routes where off-peak services are sub-optimal (e.g. late evening services).

To ensure the safety of the public, BusNSW supports for on-demand services to be provided by accredited operators with drivers holding a bus driver authority. This ensures that customers using on-demand services have the same level of safety provided on a TfNSW contracted fixed route bus service.

Where an on-demand service is providing transfers to a fixed route service, the coordination is most effective when the same operator is providing the services. A consistent state-wide approach to booking Apps and fare collection should also be considered for any on-demand services funded by government.

16. What has been the experience of on-demand services in the trials that have been conducted in rural and regional areas? How have they impacted scheduled bus services and other transport services (such as taxis)?

The people most likely to use on-demand services are those who do not have other transport options and do not reside in reasonable proximity to a fixed route bus service, as well as seniors and those with a disability that may prevent them from accessing a bus stop on a fixed route. In some areas, people may use on-demand services if they feel there is a greater level of safety from a service that can pick them up and set them down closer to home.

However, on-demand services in rural and regional areas have had mixed results. Where some trials have been successful, there does not appear to be a mechanism and or funding process that allows the trial to be converted to an ongoing service variation within the existing bus operator's contract.

The introduction of on-demand services has also impacted other transport services including taxis. The on-demand service introduced in Moree, for example, was viewed as a direct challenge to the viability of local taxi services in that town. This on-demand trial service was introduced by the local bus operator as a TfNSW pilot and included the suspension of some of that bus operator's fixed route bus services. The Moree on-demand service has subsequently been put out to tender.

17. How should IPART determine a maximum price for on-demand services?

BusNSW believes that the appropriate fare for on-demand services is somewhere between a fixed route bus service and a point-to-point service, depending on the size of the vehicle being used and how "personalised" the on-demand service is. People should be willing to pay more for an on-demand service than for a traditional fixed route bus service. This type of service is more aligned with point-to-point transport, such as ride share and taxis, which also require expensive Apps and/or control centres to coordinate bookings.

The exception here is when an on-demand service replaces a fixed route bus service and is the only option for public transport. In these cases, fares should be commensurate with fixed route bus services.

18. What options should be considered for improving on-demand services in rural and regional NSW?

The need for elderly passengers and those from lower socio-economic groups to pre-book travel via a smart phone App presents a further barrier. BusNSW understands that bookings via smart phone Apps have had very little take up among these groups in the rural and regional on-demand pilots. A coordinated customer travel training program and awareness campaign may assist by educating the community of how to use technology to book public transport services.

It is important that on-demand services operating in rural and regional NSW have convenient payment options which are consistent with other local transport services including fixed route bus services. BusNSW notes that OpalPay can be used for some on-demand public transport services in Greater Sydney, where customers can tap to pay with their Opal card to pay their fare. This type of convenience would improve on-demand services in rural and regional NSW and also provide an opportunity for “travel credits” such as the \$2 travel credit currently available via Opal Connect on four on-demand services in Greater Sydney.

Smaller buses can be more difficult and time-inefficient for passengers to board than the larger low-floor buses used in the urban areas of regional centres under current rural and regional bus service contracts. This is especially true for the elderly, frail, those with walking frames or wheelchairs, and young mothers with prams or young infants. When procuring buses for rural and regional contract services, consideration should be given to multi-use application i.e. school, regular passenger and on-demand services.

On-demand services should not be viewed in isolation, but as part of an integrated transport network. Experience has shown that on-demand services require a degree of trial and error to find the right level of service and integration with other transport services in each community.

Thank you for the opportunity to make a submission in response to the IPART review. Should you require further information on any part of our submission please do not hesitate to contact me on (02) 8839 9500.

Matt Threlkeld
Executive Director
BusNSW
mthrelkeld@busnsw.com.au