

Our ref: R90/0912.rc Out-9502

14 October 2003

Ministerial Inquiry into Public Passenger Transport
C/- Ministry of Transport
GPO Box 1620
SYDNEY NSW 2000

Dear Sir

**Ministerial Inquiry into sustainable transport in NSW –
Interim Report Supplementary Submission**

We refer to the recently released Interim Report into the Ministerial Inquiry into sustainable transport in New South Wales, and our original submission to the Inquiry.

Please find attached a supplementary submission from the Local Government Association of NSW and the Shires Association of NSW, addressing the findings of your Interim Report

Please note that in this supplementary submission, the Associations will provide comments only on those sections of the report with particular relevance to local government and local communities in general.

We thank you for the opportunity to provide further comments on behalf of local government addressing the findings outlined in your Report. We would be happy to discuss the points made throughout this submission further and look forward to the further participation of local government in the inquiry process.

Yours sincerely

Cr Dr Sara Murray
President
Local Government Association of NSW

Cr Phyllis Miller
President
Shires Association of NSW

GENERAL COMMENTS

The Local Government Association of NSW and the Shires Association of NSW (the Associations) are the peak bodies representing Local Government in NSW to other spheres of government and the wider community. As stated in our original submission, we acknowledge the urgent need for discussions on the issue of public transport and welcome the opportunity to contribute our views to the inquiry.

Local government recognises the importance of public transport as a vital component of the overall transport task in all areas of the state. The provision of public transport contributes not only to the long-term sustainability of our communities, but also provides vital access to those people in remote locations or in disadvantaged groups. Many aspects of the Interim Report are of vital concern to local communities in both urban and regional areas of NSW.

It is therefore essential that the state government commits to consultation with local government and local communities on these important issues. Decisions relating to transport service provision and infrastructure investment represent key opportunities to promote regional and whole-of-state development. This will benefit individuals and communities across NSW and enhance the viability of rural and regional areas of the state. Public transport should not be considered simply a Sydney-specific issue but is of equal importance to all of NSW.

The Associations reject those sections of the Parry Report that relate to country rail services, and are particularly alarmed about plans to scrap or scale back many country rail services. We are concerned that the possible cancellation of Countrylink rail services flagged in the Interim Report could have a devastating impact on regional and rural areas of the state.

More generally, we repeat our earlier comments that our Associations support measures that would make the car less attractive for many trips. The government should be looking at ways to encourage greater use of public transport and alternative forms of transport such as cycling and walking for many trips, rather than discouraging its use through higher fare levels.

Consistent with this, we therefore reject the notion that increases to public transport fares should not be considered without concomitant improvements to the quality, frequency and reliability of services and active disincentives for car use.

It is unreasonable to expect that the NSW public transport system could ever be self funding. The externalities (social, economic and environmental) justify a significant degree of government subsidisation. The Interim Report of the Ministerial Inquiry pays scant attention to the issue of externalities. Market mechanisms tend to fail in dealing with externalities, with which only governments can adequately deal.

The report points out that the majority of trips are made in private motor vehicles and that private motor vehicle transport is growing much more rapidly than public transport patronage. However, the report acknowledges that public transport represents a high proportion of trips to the employment corridor from Redfern through the CBD to Chatswood and to other key centres such as Parramatta. What the report fails to observe is that many of the new employment growth

centres are poorly serviced by public transport (particularly our radial rail system), for example, Macquarie Park, Norwest and Huntingwood. There has been a marked decentralisation of employment away from inner city areas well serviced by public transport to out of centre commercial/ industrial estates. The increase in private motor vehicle journeys is at least partly a consequence of the lack of practical and convenient public transport alternatives for journeys to work. While the Epping to Chatswood rail link should help alleviate the deficiency for Macquarie Park, we would be better served if the government honoured its commitment to complete the link to Parramatta.

RAIL SECTOR

(a) CountryLink Services

The Associations reject those sections of the Parry Report that relate to country rail services, and are particularly alarmed about plans to scrap or scale back many country rail services. We are concerned that the possible cancellation of Countrylink rail services flagged in the Interim Report could have a devastating impact on regional and rural areas of the state.

The Associations called an urgent meeting of councillors from across the state on 1 October 2003 to discuss the implications of the report, especially relating to the planned reductions to CountryLink services outlined in the report.

Country councils and communities are working hard to keep their areas viable. The loss of any rail services would be a huge blow. Victoria and Queensland have had big boosts to rail funding, and NSW is being left behind. This has impacts on everything from health and education to economic development and tourism in country areas. Local communities across NSW need proper transport options and the cancellation of passenger train services in rural centres would be extremely damaging in those areas.

We are calling upon the Government to embark upon a visionary strategy for investment in these vital services, rather than the existing piecemeal investment pattern that has characterised rural and regional rail for so many years. For example, we are alarmed that the capital investment in CountryLink has reduced from over \$10m in 2000/01 to less than \$1m in 2002/03. The state government has steadily reduced the level of investment in both rail infrastructure and passenger services for country NSW for many years. These communities are now being punished for years of government neglect by the plans outlined in the report to reduce or replace these services completely.

There is an urgent need for increased levels of investment by the state government to arrest decline and to provide people, especially those living in rural and regional areas of the state, with a clear choice in transport mode. Disadvantaged groups such as the young and the elderly are particularly affected by these proposals. The cancellation of country rail services would be another blow to small communities which would have adverse impacts on local economies.

For your information, some of the key aspects covered in the abovementioned 1 October meeting are outlined below:

i. The Report

Many statements contained in the Interim Report contain information taken directly from the State Rail and other submissions, with little or no independent analysis of the statements made. We would hope that a more detailed study taking into account all relevant social and economic impacts of the report findings would be undertaken prior to the government implementing any recommendations.

ii Economic argument

The report's findings regarding CountryLink appear to be based on providing additional funding for the relatively poorer performing CityRail operations, despite CountryLink's improved financial performance in recent years. Cuts to CountryLink would allow only an additional \$149m to be made available to CityRail, a small proportion of the existing CityRail subsidy of \$1300m per year. However these cuts would have a disproportionately large affect on our rural and regional communities. While there is no argument that measures enhancing the efficient operation of CityRail services are merited, these should not come at the expense of rural and regional rail services.

People are prepared to pay a reasonable amount for a reasonable rail service, and access to decent public transport is a basic necessity in country towns. This issue is of enormous importance to our member councils and their communities.

iii Community Service

The provision of public transport services should be seen as a clear responsibility for government whether it be in city or regional areas of the state. Disadvantaged groups are particularly vulnerable to the loss of public transport as they often have no alternative transport options available.

The report states that replacing trains with buses should not be interpreted as downgrading services. However many of our regional constituency have expressed alarm that this does represent a service downgrade. They see bus travel as unattractive, stressful and in many cases unmanageable. There are real fears that losses to rail services will result in a decrease in discretionary 'visiting friends and relatives' type trips which may increase the level of isolation and loss of 'connectedness' that regional parts of the state feel towards the city. Loss of rail-sourced tourism will adversely affect many regional economies. There is also a fear that poorly patronised replacement coach services will provide the government with an 'excuse' for a further rationalisation of country public transport.

(b) CityRail Services

Local Government supports measures to improve the efficiency of existing CityRail services including sectorisation, simplified stopping patterns, reform of crew rosters etc. There are

however some concerns that this may limit the opportunities for cross-regional travel by confirming the radial/ city bias of the network .

We also support the tying of management employment contracts to identified quality and service improvements over a fixed time period, however we would emphasise that these measures should not be undertaken at the expense of country rail passenger services.

BUS SECTOR

The Associations have provided separate comments on bus services to the Unsworth Review of NSW Bus Services, subsequent to our original submission to the Parry Inquiry. A summary of the key points in our submission to the Bus Review are outlined below:

Strategic issues aimed at developing appropriate transport strategies to address the ongoing development of Sydney and rural and regional areas of the state.

Equity issues related to the provision of choice in transport modes, consistent fare subsidies and discounts, and appropriateness of existing fare levels and fare increases.

Accessibility issues including the availability of appropriate public transport services and frequencies especially related to weekends, evenings, and for outlying or remote centres, as well as physical access to bus services, bus stop design, location of street-side furniture etc.

Bus Priority measures such as transitways, bus lanes etc, especially where these measures impact upon local government precincts.

Integration issues both at the overarching agency/ policy level and at the operational service level, as well as the transport and landuse planning aspects.

Service level issues, which cover policies and activities, which actively seek to attract users away from cars and into public transport by addressing the key factors, which influence modal choice, including frequencies, fares, comfort, safety, ticketing, information, infrastructure investment to allow for bus priority, improved rural and regional services etc.

Financial issues, especially the idea that external benefits of public transport should form a major component of the financial analysis eg through reductions in congestion and environmental costs, improvements to property values along transport corridors, reductions in traffic accidents etc.

Regulatory issues, especially the exploration of a more flexible scheduled and school bus contracting regime to encourage or provide incentives for innovation of services.

Community Transport issues addressing the funding requirements especially related to accessing health and medical services, and accessibility for remote aboriginal communities.

While the Associations support the notion of performance based contracts for bus operators, we would not see this as justification for mass privatisation of service provision. Bus contracts must maintain a significant level of government regulation, including guarantees relating to service provision, irrespective of the operator involved.

FERRY SECTOR

The Associations recognise the importance of ferry operations in Sydney both from a commuter and tourism point of view. We have actively supported and encouraged the development of a closer relationship with the state government to facilitate the provision and maintenance of ferry

wharves in Sydney Harbour and on the Parramatta River, and we would therefore be extremely disappointed if these actions were undermined by a diminished ferry service.

We question the value of separating the present ferry operations from State Transit, particularly from the community perspective, and whether this would result in any improvement in service.

Overall we are concerned that the changes outlined in the Interim Report may discourage the use of ferries for commuter purposes, with the resulting detrimental affect on traffic congestion during peak hours. We repeat our policy position that public transport should be seen and encouraged as an alternative to the car for employment related trips.

LIGHT RAIL SECTOR

Local Government supports the development of light rail as another sustainable transport option through appropriate planning measures involving local councils. Fare structures, frequencies, timetabling and physical interchanges should be integrated with other transport modes to encourage passenger use and network interoperability.

FARES AND TICKETING

The Associations support the proposal to have IPART set fare increases for all transport services over a longer term price path. This would provide a greater degree of certainty and assist with longer term planning of public transport infrastructure and services. If these were to be 'real' increases it is imperative that they be accompanied by tangible increases in service quality.

The Associations also maintain that it is essential that the government increase its 'real' financial commitment to public transport. It is widely acknowledged that successive governments have failed to adequately invest in public transport infrastructure. Infrastructure failures and decrepit rolling stock evidence the failure. Nothing will be gained if increased fares are used to reduce the government's commitment to public transport.

The Associations are concerned about the proposal to use the higher peak-period single-trip fare as the basic ticket product and the removal of periodical discounts. There are several reasons for this.

The proposal is based on exploiting the inelasticity of demand for peak hour travel; this is akin to monopolistic behaviour. The majority of workers have little discretion about the timing of their journeys.

While the concept of penalty pricing to modify demand (peak load pricing) is acknowledged, there is the counter view that unit operating costs or cost per passenger are actually much lower in peak periods.

Given the inelasticity of peak hour demand aggressive peak load pricing will not achieve the objective of spreading demand over a longer time frame.

The discounts applying to weekly and longer term periodical tickets reflect the accepted market principle of quantity (bulk) discounts. The discount reflects the benefits that accrue to the transport operator from such purchases. These include lower ticketing costs, reduced ticket office congestion, interest earnings, revenue certainty and payment for untaken journeys (for example sick days, rostered days off, public holidays etc).

The purchase of periodical tickets also tends to commit people to the use of public transport. For example, if a person has the option of travelling by train or car, they are more likely to opt for the train if they have already have paid for the ticket.

Removing periodical discounts will result in dramatic fare increases for regular commuters. Increases of up to 50% are unacceptable and present a major disincentive to public transport use.

While the price elasticity of demand may be low in response to modest fare increases it has not been tested in response to dramatic fare increases.

The 'smart card' ticketing proposal appears to be somewhat of a furphy. While it is acknowledged that electronic payments mechanisms provide a degree of convenience, there appears to be little advantage to consumers over existing periodical ticket options.

- The objective of integrated intermodal ticketing can easily be addressed with existing ticketing mechanisms. Zonal intermodal tickets are already available. Improving integration is not so much a matter of technology as it is willingness on the part of transport operators and the government.

- Periodical tickets already minimise ticketing or transaction costs and provide a high degree of convenience

- 'Smart card' ticketing would reduce the transparency of public transport fares. This may be advantageous to the government and transport operators in terms of flexibility and administration costs but it may be detrimental to consumers. With current ticketing arrangements consumers are highly aware of the fares they pay and fare increases are very noticeable. 'Smart cards' would tend to obscure fares and increases, and they would also provide the opportunity to load additional fees and charges (for example, administration or transaction fees, premiums for special events or levies).

OTHER REVENUE OPTIONS

The Associations agree that the Federal Government should also be making a greater financial contribution to major public transport infrastructure. This view has been raised with the Federal Government in the context of its AusLink national land transport plan.

Development charges and levies are extremely complicated and a full scale investigation of the complexity, administration, impacts on the built environment and the community, any real funding increase and the on the ground impact of these proposals would need to be carried out prior to any implementation. Consultation with local government would be a necessary component of these investigations.

Specific comments are listed below:

(a) Developer bonus

It is unclear how this would work exactly, with the report not providing sufficient details. This is an incredibly complex area and more investigation would need to be carried out before any implementation.

Local government would have grave concerns with the use of such a scheme which would essentially override councils' existing planning controls for an area. Local council's planning controls are generally determined after extensive public consultation and careful consideration of council areas as a whole. Allowing a developer to achieve a much greater development potential for their land would completely contravene these plans. This would allow for overdevelopment which is carried out in an ad hoc manner.

Local communities want certainty. This scheme would essentially remove any certainty and replace it with a scheme that would be privately negotiated between the government and the developer. There is no mention within the proposal of any further consultation with the public which local government would see as imperative.

As this scheme is proposed to be taken up in a voluntary manner it is more than likely that such development would be out of context with the surrounding areas.

This scheme is only proposed for one issue, that is, the short term funding of public transport. It needs to be established as to whether this issue has priority over other public issues that are in need of funding. Conversely there are also concerns that the implementation of this scheme would potentially set a precedent for a varying of council planning controls for other revenue raising.

This funding would also be in addition to council section 94 plans, which have been methodically devised. Council section 94 plans are implemented after a thorough public consultation process and in conjunction with councils' existing planning controls.

With regard to the administration of the scheme and its complexity it is apparent that local government would in many cases be expected to manage the procedure and therefore negotiate funding from developers for state government projects. This would put councils in a position of managing a state government scheme and dealing with developers for state government funding which is considered to be completely inappropriate. Councils do not have the resources to take on such an issue within the development application process.

Local government is finding that it is constantly being requested to collect money for the state government especially within the development application system. Councils must be compensated for any administrative and remission work that is carried out with such a system.

It is unclear as to how much funding would actually be raised from such a scheme and it is understood that it would be a one off payment. Clear investigation would need to be carried out to establish the use of such monies and whether the amount received would justify the potential overdevelopment of an area.

(b) Developer Density Rights

Again, this would be a most complicated approach with potential overriding of councils' powers for the zoning of land and determination of land use through planning controls. Betterment is an incredibly complex factor to determine and also raises the issue of property that has suffered a decrease in value from the operations of the planning system.

Many further details are required prior to implementation.

As the report also indicates this approach would work best for green fields sites which may not provide too many real opportunities for NSW.

It would need to be considered as to whether one off payments are too short sighted and whether enough monies would be received overall to make the scheme worthwhile.

Any scheme should be carried out with appropriate levels of consultation and in conjunction with the local council.

Again a number of the above issues under development bonuses may relate to this proposal, such as lack of certainty for the community, costs to councils, development being carried out in an inappropriate ad hoc manner, setting a precedent for other revenue raising and questions around usage of the monies collected.

(c) Section 94 Contribution Plans

Section 94 plans are council documents with funding and monies that are generally held by the council for specific projects. It is not really the domain of these plans to carry out collecting for state government projects.

These plans are also implemented after extensive community consultation. Any proposed state government changes should have to go through this same process.

Again councils hold the funds raised from section 94 and would be reluctant to be a collector for state government.

It is questionable whether Section 94 contributions are a suitable mechanism for funding public transport services and infrastructure.

The report already acknowledges the deficiency that developers cannot be used to fund (or maintain) existing infrastructure.

Equity is questionable as the contributions are only made by purchasers of new developments whereas improved public transport infrastructure benefits the broader community.

There are already major infrastructure demands on Section 94 contributions and there are limits to the extent that this mechanism can be utilised. Section 94 contributions are already coming under pressure from the housing industry and consumers.

There would not be a direct linkage between the contribution and public transport benefits, particularly at the individual level.

As Section 94 contributions are designed to fund local infrastructure, it is not an appropriate mechanism for funding state infrastructure. It is more appropriate to use state government funding mechanisms to fund state infrastructure.

(d) CBD Employer Tax

This could be considered a perverse tax in many respects. It penalises employers who locate in areas that are well serviced by public transport. It may encourage employers to relocate to locations that are not well serviced by public transport and therefore lead to increased motor vehicle usage. It would be contradictory to the current CBD parking levies that are ostensibly designed to act as a disincentive to private motor vehicle use and as a funding source for public transport infrastructure. At a more fundamental level, it would also be a further tax on employment.

(e) Transport Levy

There are concerns about the progressive shift away from general taxation measures to hypothecated levies. It is questionable whether this trend represents good public policy. A levy is just a tax by another name. It could also be argued that for all intents and purposes, a number of 'transport levies' are already in place. The report recognises fuel excise, but motor vehicle registration could also be considered a levy and all transport users pay GST, which is ultimately returned to the state government (albeit subject to Grants Commission adjustments).

(f) Property-based Transport Improvement Levy.

There are already significant demands on local government's rating base (including state government land tax) and there are limits to the extent that this revenue base can be exploited. Local government would have objections to becoming a revenue collector for the state government.

Any such levy should not be collected as part of the general rate. It would need to be explicitly identified as a state government levy, determined and imposed by the state government.

The report already acknowledges that such a levy may be perceived as double dipping in that the state government already collects stamp duty on property sales and this is proportionate to property value.

The relationship between land value and public transport access is ambiguous. For instance, proximity to the ocean is a more significant determinant of land value than proximity to public transport.

SUMMARY

It is essential that the state government commits to consultation with local government and local communities.

The Associations reject those sections of the Parry Report that relate to country rail services, and are particularly alarmed about plans to scrap or scale back many country rail services.

Possible cancellation of Countrylink rail services could have a devastating impact on regional and rural areas of the state.

The Associations support measures that would make the car less attractive for many trips. The government should be looking at ways to encourage greater use of public transport and alternative forms of transport such as cycling and walking for many trips, rather than discouraging its use through higher fare levels.

Increases to public transport fares should be considered consistent with improvements to the quality, frequency and reliability of services.

It is unreasonable to expect that the NSW public transport system could be self funding.

The report fails to observe that many of the new employment growth centres are poorly serviced by public transport.

The Associations call on the Government to embark upon a visionary strategy for investment in CountryLink to arrest decline and to provide those living in rural and regional areas with a clear choice in transport.

Mode cancellation of country rail services would be another blow to small communities which would have adverse impacts on local economies.

The Interim Report contains information taken directly from the State Rail and other submissions, with little or no independent analysis of the statements made.

Findings regarding CountryLink appear to be based on providing additional funding for the relatively poorer performing CityRail operations.

Provision of public transport services should be seen as a clear responsibility for government whether it be in city or regional areas of the state. Disadvantaged groups are particularly vulnerable to the loss of public transport as they often have no alternative transport options available.

Local Government supports measures to improve the efficiency of existing CityRail services including sectorisation, simplified stopping patterns, reform of crew rosters etc. There are some concerns that this may limit the opportunities for cross-regional travel by confirming the radial/city bias of the network.

Local Government supports the tying of management employment contracts to identified quality service improvements over a fixed time period, but not at the expense of country rail passenger services.

The Associations recognise the importance of ferry operations in Sydney both from a commuter and tourism point of view, but question the value of separating the present ferry operations from State Transit.

Local Government supports the development of light rail as another sustainable transport option through appropriate planning measures involving local councils.

The Associations support the proposal to have IPART set fare increases for all transport services over a longer term price path.

It is essential that the government increase its 'real' financial commitment to public transport.

The Associations are concerned about the proposal to use the higher peak-period single-trip fare as the basic ticket product and the removal of periodical discounts.

The Associations agree that the Federal Government should be making a greater financial contribution to major public transport infrastructure.

Local government has grave concerns with the use of a developer bonus scheme which could result in overdevelopment by ad hoc disregard to the public consultation and planning controls.

The Associations oppose Developer Density Rights, as this would override councils' powers for the zoning of land and determination of land use through planning controls.

Section 94 contributions are not a suitable mechanism for funding public transport services and infrastructure.

CBD Employer Tax may encourage employers to relocate to locations that are not well serviced by public transport and lead to increased motor vehicle usage.

The Associations oppose a transport levy as being contrary to good public policy.

Local government would have objections to becoming a revenue collector for the state government and a property based Transport Improvement Levy should not be collected as part of the general rate.