



**Submission to the Independent Pricing and Regulatory
Tribunal of NSW**

CityRail Fare Review

August 2007.

Contents

1. Executive Summary	3
2. Background	5
2.1 Rail Services and Social Disadvantage	5
2.2 Trends in Urban Public Transport Pricing	6
2.3 Cumulative Effect of Price Changes across IPART Regulated Services	7
2.4 Policy Directions for Rail Fare Setting in NSW	8
2.5 Concession Fares and IPART	9
2.6 TCard and Fares Integration	9
3. RailCorp Submission	10
3.1 Quantifying the Proposed Fare Increase	10
3.2 Rationale for RailCorp proposal	11
<i>3.2.1 Expenditure on Capital Improvements</i>	12
<i>3.2.2 Declining Levels of Cost Recovery</i>	12
<i>3.2.3 Costs increasing at a rate greater than inflation, reflecting market conditions</i>	13
<i>3.2.4 Improvements in safety, reliability, passenger security, service quality and operational efficiency.</i>	14
3.3 Social Impact of Rail Corp Proposal	15
4. Conclusion	16
Appendix A	
Appendix B	

1. Executive Summary

The Council of Social Service of NSW (NCOSS) is the peak body for the social and community services sector in New South Wales. NCOSS works with its members on behalf of disadvantaged people and communities towards achieving social justice in NSW.

NCOSS provides an independent voice on welfare policy issues and social and economic reforms and is the major co-ordinator for non-government social and community services in NSW.

NCOSS believes the goals for public transport should be to:

- Maximise the community's access to transport with high quality, convenient services; and
- Provide mobility at a price that is affordable to individuals from all socio-economic groups in the community.

The pricing and regulation of passenger transport has a major impact on the lives of low income and disadvantaged people and in this regard NCOSS maintains an ongoing policy interest in ensuring that access to services is enhanced and extended.

NCOSS expresses significant disappointment in relation to IPART's 2006 determination of CityRail fares, in particular the decision to restructure discount levels for off peak return fares. The fact that RailCorp does not report on the effect of the increases to off peak return fares on its 2007 operating costs determination is a reminder of the potential for short sighted decision making in this area, with unmeasured long term effects for patronage, long term viability and social impact for users a real possibility. Sydney faces significant challenges to its long term social and environmental sustainability. Rail pricing will not only have short term effects on patronage, but will impact upon the decisions consumers are able to make in the long term. Although NCOSS is supportive of IPART's recent decision to review the regulatory framework for CityRail fare determinations, it is disappointing that this review did not occur prior to the 2006 determination.

In 2007 RailCorp have requested significant fare adjustments across all ticket types, with some proposed increases over 10% (or more than four times CPI). Further, some passengers, for example those who travel 5km, 45km, 85km, will also face strong increases. Although RailCorp does not provide an estimate of the average value of the increase, NCOSS estimates in this submission that rail users on average will face an increase of between 5.56% and 6.25%. As in its 2006 submission, RailCorp does not provide a clear rationale for the increases: in particular why they have been targeted to have a stronger effect on some distances and not others, how the proposed increases are expected to contribute to meeting operating costs; how patronage might be affected by the changes; and the social (or environmental) impact of the proposal.

NCOSS does not believe that given historical pricing trends or the potential cumulative impacts across other essential service areas, there is a strong case for an increase in prices in rail services. Further, the need to adequately assess the issues that will be raised in the 2007/08 regulatory framework review, suggests that it would be premature for the regulator to support a significant adjustment in fares. **NCOSS recommends that there be no real increase for any CityRail ticket type in the 2007 determination.**

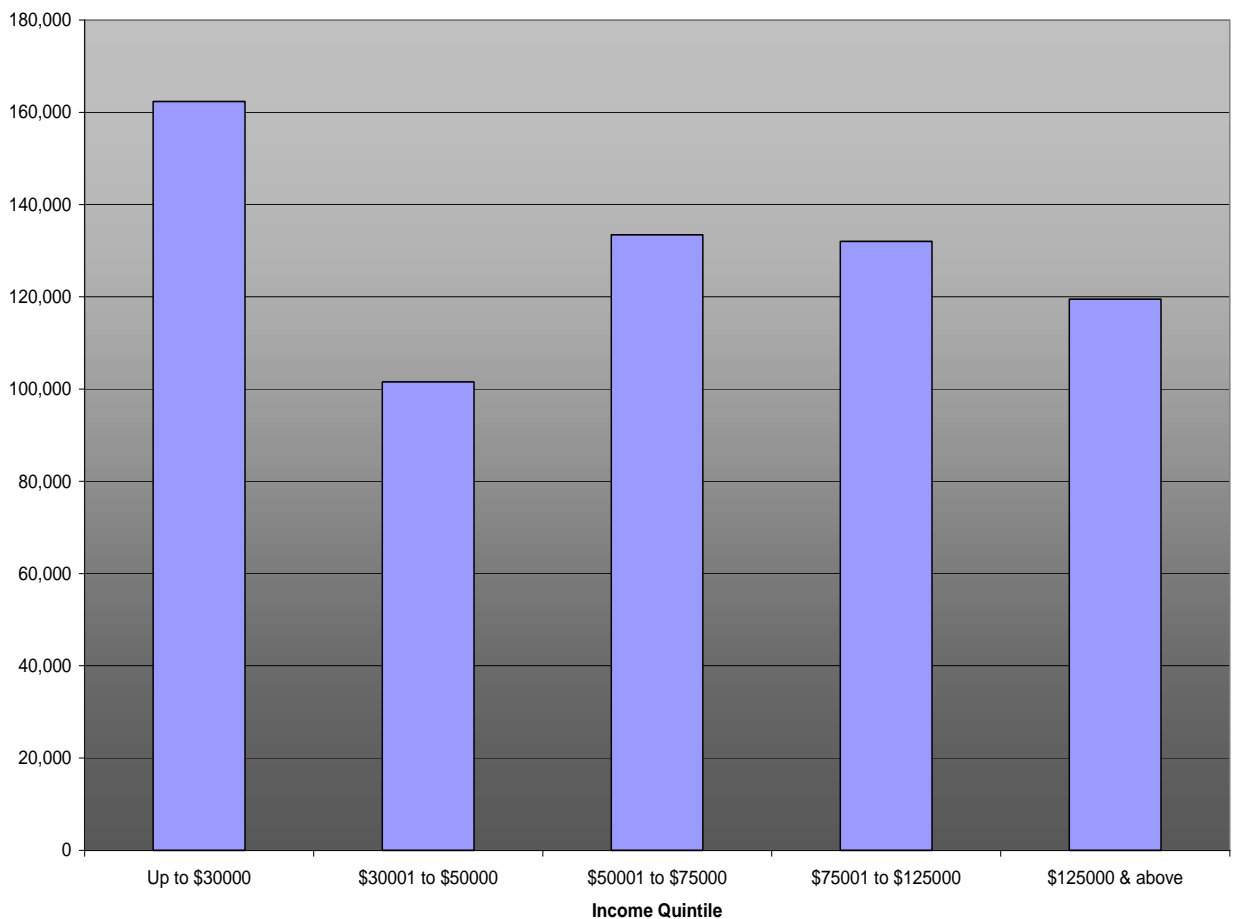
NCOSS believe there is now a real opportunity to improve the process for future fare determinations. Annual rail fare determinations are usually marked by confrontation between the disgruntled customers - who are reluctant to bear increased cost for a service that does not meet their expectations – and an operator that has been granted significant additional revenue from both users and taxpayers, despite its resistance to service and cultural change. Developing a fares policy, with clearly articulated service quality and patronage goals, would assist to reconcile the longstanding differences between CityRail and its passengers, and contribute to a more collaborative approach in fare setting, where the operator, customers and the government work towards common goals. Arguably the long term social and environmental pressures on NSW suggest that a partnership approach would be most prudent.

2. Background

2.1 Rail Services and Social Disadvantage

Rail services can offer an affordable alternative to private motor vehicle use, meeting the broad objectives of reducing the social and environmental costs¹ associated with roads and motor vehicle dependency. Ticket pricing structures that take into account large geographic distances travelled and low urban densities can also assist to promote affordable and sustainable connectivity to jobs, services and education. For low income users, an affordable, frequent, safe and reliable rail system provides a financially viable alternative to private motor vehicle transport.

Chart 1: Daily Rail Passenger Trips by Income for Greater Metropolitan Sydney



Source: Transport Population Data Centre, Household Travel Survey 2003.

¹ Centre for International Economics, Sydney's Transport Infrastructure: the Real Economics, commissioned by The Sydney Morning Herald, September 2005. CIE estimate that the annual social cost of road transport in 2005 is approximately \$18 billion.

Low income users account for a large proportion of rail users across Sydney. Information from the Transport Population Data Centre indicates that approximately 25% of rail users in Greater Metropolitan Sydney come from households in the lowest quintile of income. These users are by far the largest grouping of CityRail passengers (see Chart 1). The 2006 NCOSS Discussion Paper “Who Uses Public Transport: Quantifying Low Income Public Transport Use in Greater Metropolitan Sydney” is attached at Appendix A.

Affordability considerations will impact upon the ability of low income households to access rail services. Public transport expenses can also be high for low income people who are not entitled to a concession fare. A number of gaps in the provision of concession fares exist in NSW, including, for example, the lack of transport concession for low income working households and for Aboriginal people who participate in Community Development Employment Projects (CDEP). The NSW Government has failed to publicly report on the two reviews of transport concession policy it has initiated over the last 7 years.

Transport expenses can also increase where poor urban transport fare integration imposes multiple flagfalls on passengers changing transit modes. Fare integration is discussed below in section 2.6.

2.2 Trends in Urban Public Transport Pricing

Chart 2: Trends in Public Transport Prices in NSW from 1992/3



Source: IPART Annual Report 2005- 6, p73.

The national trend for public transport pricing over the last 15 years is for real increases in price: between 1990 and 2005, “the cost of urban transport fares has increased at 2.17

times or 117% above the inflation rate. During the same period the cost of private motoring increased at a rate of 5.78% below the underlying CPI.”²

The underlying national trend towards significant above CPI increases in public transport pricing corresponds to changes in public transport fares within NSW. Although these price increases have been experienced by passengers across all modes of public transport, rail prices have increased more dramatically within NSW: IPART acknowledges that “train passengers pay on average 19% more now than in 1992/93, while bus and ferry commuters pay on average 15% more in real terms (including GST).”

2.3 Cumulative Effect of Price Changes across IPART Regulated Services

There is growing evidence that the cost of essential goods and services is growing above the inflation rate. Low income households have arguably carried a disproportionate social financial cost for these price increases. This tendency has been noted in a recent submission by Australian state governments to the Australian Fair Pay Commission:

Together, food and housing comprise of 35 per cent of average expenditure per week for first quintile households. There have been relatively large increases in costs of these items, along with other items featuring significantly in the budgets of low income households (e.g. education and health). In addition, recent increases have occurred in prices of necessity items relative to prices of luxury items. For example, over the period June quarter 2005 to December quarter 2006, the price of necessity items increased 8.4 per cent compared to 2.3 per cent for luxury items. These results indicate a higher than average increase in the cost of living for low income households.³

Substantial above CPI increases in user pricing across transport, energy and water suggest the need to assess the cumulative effect of these price changes on household expenditure. This is of particular importance for low income households, who typically experience higher levels of financial hardship, possessing lower levels of disposable income and a reduced capacity to accommodate significant price changes for essential services. Inability to pay gas or electricity bills or inability to heat one’s home as a result of a shortage of money are now included as indicators of hardship by the Australian Bureau of Statistics (ABS).⁴

Given IPART’s role as regulator of gas, electricity, water and public transport pricing in NSW, and given the responsibility of the regulator to take into account the social impact of its determinations (as per Section 15 (1) (k) of the *Independent Pricing and Regulatory*

² Gavin Dufty, *Winners and Losers: The Story of Costs*, Social Policy Issues Paper 2. St Vincent De Paul Society National Policy Council, December 2005, p7.

³ Victoria, South Australia, Western Australia, Tasmania, Australian Capital Territory and the Northern Territory Governments, *Joint Labor Governments’ for Victoria, South Australia, Western Australia, Tasmania, Australian Capital Territory and the Northern Territory in response to Australian Fair Pay Commission*, 30 March 2007.

⁴ See Peter Saunders, “Towards a Credible Framework: From Income Poverty to Deprivation,” Social Policy Research Centre, Discussion Paper 131, 2004, p14-5.

Tribunal Act 1992), there is a strong case for IPART to develop a framework that is able to accurately represent the cumulative impacts of its determinations for different households in NSW. Following advice from NCOSS, IPART have recently agreed to include information on the cumulative impacts of price increases in its annual reports from 2006/7 onwards. NCOSS urges IPART to consider the results of this information when making annual price determinations for essential services.

2.4 Policy Directions for Rail Fare Setting in NSW

In 2006 NCOSS observed in its submission to the IPART Review of CityRail Fares that fare setting for rail services did not occur within the context of broader government social policy objectives. Further, NCOSS observed that although the NSW Government has accepted the recommendations of the Ministerial Inquiry into Sustainable Transport (Parry Report), that there were potential problems with the “CPI + ‘x’” framework proposed in the final report of the inquiry:

It is important to note that the Parry Report focused overwhelmingly on issues of financial sustainability, rather than the long term aims of public transport services. The report looked for strategies to mitigate future government expenditure on public transport: *service quality* (as opposed to other factors such as affordability) was determined to be the main policy lever for shifting the responsibility for public transport funding from government to users. The Parry recommendations did not contain any long term goals or benchmarks for changing modal use, and did not contain any thorough investigation of affordability issues or long term social sustainability....It should also be added that the CPI + ‘x’ formula does not necessarily guarantee a financially sustainable framework for fare growth, particularly where operators are repeatedly not able to meet planned service quality improvements.”⁵

NCOSS also notes that existing data demonstrates a strong tendency towards an increase in the utilisation of private motor vehicle travel in Sydney, and an increased demand for journeys other than to employment related destinations. This highlights the need for public transport services to improve their attractiveness and appropriateness over both peak and off peak travel in order to achieve social sustainability goals.

Since mid 2006, there have been significant developments from the NSW Government in relation to providing a long term policy framework for rail services, through the release of the *A New Direction for NSW: The NSW State Plan*, and the *Urban Transport Statement: Responding to the Challenges of Travel and Transport Within and Across Sydney*. These two policy documents provide a long term framework for developing transport in NSW, and long term pricing policies. In particular the State Plan provides a core priority (S6) to “increase the share of peak hour journeys on a safe and reliable public transport system.” The NSW State Plan, further acknowledges that “this priority ... [S6] ...has a direct relationship to the priority E7: Improve the efficiency of the road

⁵ Council of Social Service of NSW, “Submission to the Independent Pricing and Regulatory Tribunal review of CityRail Fares,” March 2006.

network, priority E5: Jobs closer to home, priority E3: Cleaner air and progress on greenhouse gas reductions and priority P2: Maintain and invest in infrastructure.”

Any price setting for public transport must occur within the context of these priority goals, and proposals for fare adjustment should include adequate assessment of the potential for pricing policy to progress towards meeting State Plan targets. NCOSS acknowledges that IPART have indicated an intention to review the process for setting City Rail Fares over the next year, in part with the aim of aligning fare setting to long range government policy objectives. As discussed below, NCOSS believes there is no strong case for price increases for CityRail services - across any ticket type – before IPART have completed this review process, and updated research on price elasticities for rail services.

2.5 Concession Fares and IPART

IPART have in the past taken a very strong position that they do not have a charter to regulate concession fares, stating:

The Tribunal does not set the State Government’s social benefit policy. Therefore, concessions granted to pensioners, children and students are a matter for the Government.⁶

NCOSS has in the past raised issue with this stance, arguing that in order for the Tribunal to meet the requirements of Section 15 (1) (k) of the *Independent Pricing and Regulatory Tribunal Act 1992* (which provides for IPART to consider the social impact of fare determinations), IPART must consider the effectiveness of the concession system in promoting affordability for low income public transport users.

2.6 TCard and Fares Integration

The NSW Government has not made significant progress towards implementing integrated ticketing, which continues to compromise the effectiveness of reforms in other areas.

It is important to note that the Government’s integrated ticketing project will *not* lead to fare product reform, in particular *fares integration*. NCOSS contends that the failure to work towards integrated fares (as opposed to ticket products) will continue to exacerbate the affordability issues faced by people who need to use a number of different operators across a single journey. In 2006 NCOSS made a proposal to the NSW Government for an Integrated Day Fare aimed at removing multiple flagfalls across the single journey that act as a disincentive to use of public transport in NSW. The discussion paper, “SmartMove: An Integrated Day Fare for Public Transport in NSW” is attached in Appendix B.

⁶ Independent Pricing and Regulatory Tribunal, “Report on the Determination of NSW Public Transport Fares,” 2003, p5.

3. RailCorp Submission

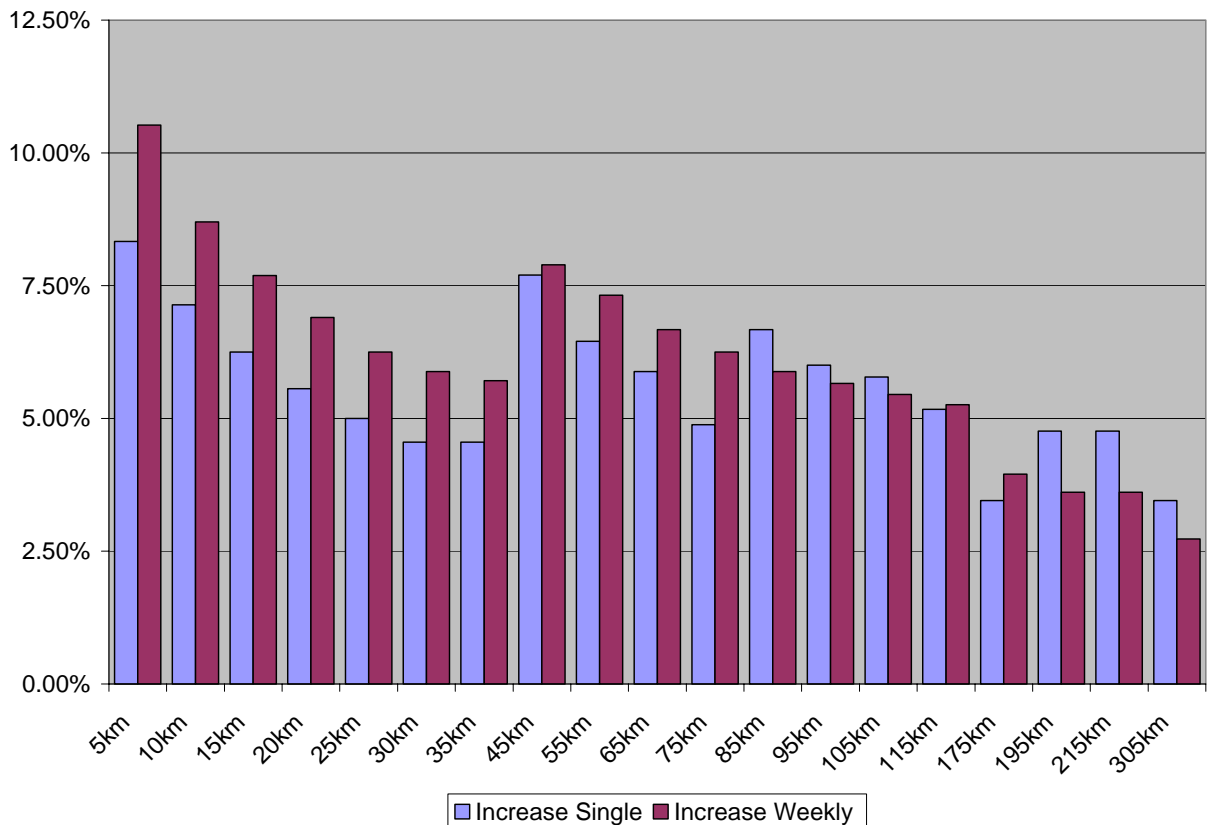
3.1 Quantifying the Proposed Fare Increase

RailCorp have proposed the following fare increases for CityRail tickets:

- A single base fare increase of 20 cents for journeys up to 35km – then by 40 cents up to 75km, 60 cents up to 175km and by \$1.00 after that.
- An increase of \$2.00 or \$3.00 for Adult 7 Day Rail Pass tickets.
- An increase of \$2.00 in all combined rail, bus and ferry TravelPass weekly fares.
- An increase of up to 4% in child off-peak and DayTripper fares.

RailCorp does not provide a full proposed fare scale in their submission, or an indication of the value of the average increase across all scales. Chart 3 below provides a breakdown of the proposed increases for full fare peak single and equivalent weekly tickets.

Chart 3: Proposed City Rail Full Fare Peak Increases by Distance and Ticket Type



Based on the above breakdown, NCOSS notes the following characteristics of the RailCorp proposal:

- a) *There is a likely average proposed increase of more than double CPI.* All increases proposed by CityRail are more than CPI. As stated above, RailCorp has not provided an estimate of the average increase sought in this determination. But based on available data on average distances travelled in the system,⁷ it is likely that the average increase sought by CityRail for single fare peak tickets is between 5.56% and 6.25%. NCOSS notes that this large scale proposed increase comes after the 2006 IPART decision to readjust fares, including across the board increases for peak fares (2.9%), and large increases in off peak ticket pricing (the discount was reduced from 39 to 30%).⁸
- b) *There are large above CPI price spikes at some distances.* In the current proposal there are very strong proposed price increases for some ticket types. Because of the way in which the proposed fare increases are structured, there are price spikes at different points in the scale, particularly at 5km, 45km, 85km: for example the proposed increase for the single peak 5km journey is 8.33% or approximately *three and half times CPI*. RailCorp provides no rationale in their proposal for why the increases are structured in this way and how the restructuring of scales achieves short term or long term financial objectives.
- c) *There is a reduction in the discount level for weekly tickets 175km and below.* There are strong increases proposed for weekly tickets, higher relative to their comparable single fare, up to and including fares covering 175km of travel. Some distances are strongly affected: for example the proposed increase for a weekly 5km ticket is 10.52% or *more than four times CPI*. If implemented, the proposed increases would reduce the discount level for these weekly tickets. No rationale has been provided as to why the discount levels for these tickets should be reduced.
- d) *There are above CPI increases for other ticket types.* Proposed TravelPass increases range from 6.06% for Red TravelPass to 3.64% for Purple TravelPass. Increases to off peak child return fares range up to 4%, while Day Tripper tickets are proposed to increase by 3.89%.

3.2 Rationale for RailCorp proposal

RailCorp provides some explanation for the context of the 2007 proposal. The main arguments offered for the increase are as follows:

⁷ RailCorp do not provide data on the average ticket cost increase for consumers. The NSW Transport Population Data centre estimated in 2001 that the average distance of Sydney train trips was 18.4 km. This lies between the 15km and 20km scales for peak CityRail fares.

⁸ RailCorp do not provide an data on the effect of the restructuring of off peak fares on the current financial situation.

- expenditure on capital improvements
- declining levels of cost recovery
- costs increasing at a rate greater than inflation, reflecting market conditions improvements in safety, reliability, passenger security, service quality and operational efficiency.

NCOSS raises the following concerns in relation to these arguments:

3.2.1 Expenditure on Capital Improvements

RailCorp cites capital expenditure increases in the 2006/07 period as a rationale for fare increases in the same period.

For most businesses, increased capital expenditure to improve services is not subsidised directly by price increases at the point of investment, but is reimbursed over time through gradual increases in price based upon commensurate improvements in service quality. Note further that some investment costs will never be passed on to consumers in the form of a higher price, since some investments aim over time to increase the efficiency of the business, or improve the desirability of the service (for example infrastructure upgrades that increase patronage or service capacity might have long term revenue growth implications that offset the initial costs). While NCOSS acknowledges that RailCorp does not operate along the lines of a conventional business, it is nevertheless concerning that RailCorp should seek a strong adjustment in retail pricing to offset concurrent infrastructure investment costs aimed at future service quality improvement, particularly where this investment might be “one off” in nature.

Further, long term investment to improve services must be clearly differentiated from maintenance and investment that aims to merely preserve service quality levels within the context of a modern effective rail service: these would otherwise be considered the routine ‘costs of doing business.’

NCOSS further notes that measuring the benefit to consumers of infrastructure investment in rail, either directly by RailCorp or by the NSW Government, must be weighed by the indirect benefits delivered to all community members as a result of an effective rail system. IPART have identified an effective process for allocating these benefits in the proposed 2007/08 regulatory framework review, by seeking to determine “an appropriate range for the allocation of costs between government and users, taking into consideration the environmental, economic and social benefits for the community generated by CityRail’s services.”

3.2.2 Declining Levels of Cost Recovery

RailCorp claims declining levels of cost recovery from the farebox. This is despite claimed growth in patronage for services (p11) and a steady increase in farebox revenue per service kilometre (p20). NCOSS further notes that there was a substantial

restructuring of off peak return ticket prices in the 2006 IPART determination, that may have contributed to farebox recovery (RailCorp does not report on the effect of this). In other words, although the farebox contribution is steadily increasing, this growth has not matched the growth in expenditure.

As stated above, it is unusual for the cost of potentially one off infrastructure investment to be offset directly through a large price adjustment in the same period. Arguably consumers might be reasonably expected to meet 'long run marginal costs' for rail services, but these must be clearly demonstrated, with benefits to consumers also demonstrated, and appropriate social and environmental impacts of proposed increases assessed. RailCorp does not, for example, provide data on future investment in rail and how this might apply upwards (or downwards) pressure on the total costs of providing services in the future. Nor do RailCorp demonstrate how patronage growth or infrastructure improvements (and related efficiencies) might positively contribute to meeting operating costs over time.

Cost recovery questions are ideally addressed by understanding the long term investment decisions of government and the operator, and agreeing on the long term contribution of government and rail users to meeting operating costs. As stated above, IPART has identified an effective process for allocating these benefits in the proposed 2007/08 regulatory framework review, by seeking to determine "an appropriate range for the allocation of costs between government and users, taking into consideration the environmental, economic and social benefits for the community generated by CityRail's services."

3.2.3 Costs increasing at a rate greater than inflation, reflecting market conditions

RailCorp cites above CPI cost increases and notes the relatively low level of fare increases from 2003 to 2006. NCOSS notes the following:

- a) The low level of increases from 2003-2006 reflects the fare freeze imposed by the NSW Government on the operator as a result of poor service quality. It is unreasonable for consumers to pay an additional fare increase in 2007/08 for what was a policy decision of government over this period. Presumably, government and the operator have a responsibility to meet any costs that were outstanding as a result of declining farebox growth over this period.
- b) CityRail incorrectly argue that CityRail fares only increased by the 2.9% granted by IPART in 2006. Fares have also increased as a result of the dramatic restructuring of off peak return fares in the same 2006 determination.
- c) The long term trend for CityRail fares – since 1993 – has been for substantial above CPI growth (see Chart 2 above). This means despite the 2003 to 2006 fare freeze, at 2005/06 rail fares were 19% higher in real terms than in 1993.

- d) Given a), b) and c) above, the attribution by RailCorp of a cost for “the dislocation of fares with the pre 2003 price path” (p18) does not appear to have sufficient justification. NCOSS further notes there has never been a price path established for rail – this has arguably contributed to unjustified long term above CPI growth for these services, and a mismatch between price increases and environmental, social and economic priorities.

3.2.4 Improvements in safety, reliability, passenger security, service quality and operational efficiency.

NCOSS has previously raised with the Tribunal concerns around the poorly defined framework for measuring service quality improvements and their relationship to fares growth.

Although RailCorp claims that the Parry Report identified a case for real increases in fares as a result of better services, the process for this to occur was largely undefined. The 2003 Parry Report provided an analysis of financial sustainability for public transport in NSW, and provided a set of principles for maintaining improving financial sustainability, reducing government spending and increasing user contributions. The Parry Report outlined a CPI + ‘x’ formula for future fare increases in public transport. This formula for fare determinations was clarified further in the NSW Premier’s letter to IPART in 2004. The CPI + ‘x’ formula states that fare increases up to CPI should be subject to *efficiency gains*, while above CPI increases are justified subject to *service quality improvements*. If we accept this formula the following principles hold:

- operating cost changes are in themselves not direct grounds for fare increases;
- increased importance is placed on weighing CPI based increases against possible cost efficiencies;
- there is emphasis placed on evidence for service quality improvements.

It is important to note that the Parry Report focused overwhelmingly on issues of financial sustainability, rather than the long term aims of public transport services. The report looked for strategies to mitigate future government expenditure on public transport: *service quality* (as opposed to other factors such as affordability) was determined to be the main policy lever for shifting the responsibility for public transport funding from government to users. The Parry recommendations did not contain any long term goals or benchmarks for changing modal use, and did not contain any thorough investigation of affordability issues or long term social sustainability.

NCOSS does not support the use of fare pricing as a tool to improve industry performance. Robust monitoring and regulation of the industry is necessary, but granting increased fares for performance gains is a potentially inconsistent method for improving the performance of services, and can have the effect of pricing some passengers out of public transport, increase car usage and in turn lower patronage on public transport services.

IPART has proposed as part of the 2007/08 review of the regulatory framework for CityRail fares to examine “how service standards can be incorporated into the regulatory approach and fare determinations.” Certainly at present, there is no clear framework within which to evaluate how possible service quality improvements relate to RailCorp’s proposal for a fare increase. It would make sense to only consider the case for fare increases tied to service quality improvements after the regulatory framework review is complete.

NCOSS remains unconvinced of the value of applying efficiency dividends to transport operators. Nevertheless it is important to emphasise that under the CPI + ‘x’ framework, fare increases are not a ‘reward’ for efficiency gains. Rather fare increases are only granted where it can be demonstrated that potential efficiency gains are not possible in any given year in order to moderate a proposed fare increase. RailCorp has provided Key Performance Indicators that reflect potential efficiency gains for the operator in their 2007 submission. In particular RailCorp points to increasing farebox revenue per kilometre, declining rolling stock maintenance cost per kilometre, a progressive reduction in lost injury time and improvements in corporate efficiency. At least in theory, cost savings in these areas should reduce pressure on the farebox to recover costs.

3.3 Social Impact of Rail Corp Proposal

If the RailCorp proposal were implemented, it is likely generate some adverse social impacts, particularly for low income rail users. Around 25% of rail trips in Greater Metropolitan Sydney are taken by a person from a low income household, earning less than \$400 per week. Low income rail users are arguably in a vulnerable position in relation to large price increases, as a result of limited disposable income to meet escalating costs.

RailCorp has proposed that fare increases for all ticket types will rise by an above CPI figure. As stated above, the average increase across all tickets is likely to be more than double CPI. It can be expected that some low income consumers will face hardship accommodating these increases, which will alter travel characteristics for some passengers.

Further, there are very strong increases for some ticket types, for example short to medium range tickets, tickets at the 5km, 45km, 85km distance points and weekly tickets under 175km. These increases, which range up to four times CPI – will likely prove unaffordable for some passengers, and it can be expected that this will create a disincentive to using rail services for those who already manage tight budgets.

NCOSS notes the following issues affecting low income users:

- a) Many low income consumers have a limited capacity to meet increased costs, and rising transport costs will reduce the ability of these rail users to meet other important expenses.

- b) Rail services will be indispensable to households that do not have access to a private motor vehicle. Many low income households without a car rely on public transport services for essential connectivity to employment, education and services. It can be expected that the demand elasticities for these households would be different from other users, as households would continue to meet price increases as long as possible, even if they are not affordable, in order to maintain essential connection to jobs and services.
- c) Low income Sydney residents have faced substantial pressure on prices in the 2004-07 period for fuel and utilities costs. As a result of the recent IPART determination on retail prices for electricity, households in NSW are likely to face increases in their electricity bills of over 20% by the end of three years. It is further anticipated that there will be strong pressure on water prices in coming years.
- d) Poor fares integration continues to increase transport costs for many low income users. Some CityRail passengers who use bus services to access a train service have experienced above CPI fare increases over the last two years in their connections to rail (eg STA users). Although 'fare harmonisation' reduced some fares for privately operated bus services in 2005, the absence of integrated fares (such as TravelPass) across the whole network makes public transportation expensive for some users, particularly where there are multiple transfers across different modes.

4. Conclusion

Despite RailCorp's statements to the contrary in their submission to IPART, the long term trend in public transport pricing has been towards significant above inflation price growth, with rail users in Sydney experiencing a higher proportion of growth in prices than that experienced by other modes (including private motor vehicle transport). It is also important to note that in the 2005-07 period some low income public transport users are likely to have experienced financial pressure from other quarters, as a result to above CPI fare adjustments to other IPART regulated prices across bus, ferry, energy and water services.

NCOSS congratulates IPART on its decision to engage in a review of the regulatory framework for future CityRail price determinations. The impending general review suggests the need to exercise caution in making significant adjustments to price for rail services without the benefit of a clear understanding of how consumer charges fit into the long term picture for the financial, social and environmental sustainability of rail services, research on short and long term price elasticities for rail, government objectives for public transport, the capacity to pay for users and the agreed mix of user and government contributions.

In relation to the 2007 fare proposal, NCOSS does not believe that, given historical pricing trends or the potential cumulative impacts across other essential service areas, RailCorp have provided a strong case for an increase in prices in rail services. Further, the need to adequately assess the issues that will be raised in the 2007/08 regulatory framework review, suggests that it would be premature for the regulator to support a significant adjustment in fares. **NCOSS recommends that there be no real increase for any CityRail ticket type in the 2007 determination.**