

Submission to the IPART Review of the external benefits of public transport



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**Council of Social Service of NSW (NCOSS)
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About NCOSS

NCOSS is a social justice advocacy organisation and is the peak body for the social and community services sector in New South Wales. We work with our membership, comprising a vast network of service delivery and consumer groups, on behalf of people and communities experiencing disadvantage in New South Wales.

Summary of recommendations

- 1. The cost of public transport should be considered in relation to the cost of car travel in order to set fares at a level that encourages people to make socially efficient decisions.*
- 2. IPART should not include the cost of the excess burden of funding the public transport system in its estimation of the external benefits of public transport unless the same approach is also applied to the cost of car travel.*
- 3. IPART should include an estimation of the benefits related to improved social inclusion and mobility in its approach to calculating the external benefits of public transport.*
- 4. IPART should consider widening the scope of its consideration of the health benefits linked to active transport in its assessment of the external benefits of public transport.*

1. Introduction

NCOSS welcomes this opportunity to provide comment on the interim report. NCOSS believes that the benefits of public transport have historically been undervalued, largely due to gaps in the availability of information that enables accurate accounting of these benefits. In recent years, however, growing attention has been paid to both the benefits attributed to public transport and to the costs associated with car travel. We trust that IPART will make every effort to adopt a best practice and comprehensive approach to calculating external benefits based on the most up-to-date research available.

Our submission to the second phase of this Review focuses on how IPART incorporates external benefits into its fare-setting processes and provides comment on a number of external benefits currently excluded from IPART's calculations. This submission is structured as follows. We begin with general comments about the importance of public transport, having regard to issues such as equity. We proceed to outline concerns surrounding the revised model outlined by IPART, including through the narrow scope of external benefits considered through the model adopted.

2. NCOSS' concerns with the revised model

2.1 General comments

NCOSS welcomes the elaboration of a comprehensive model to determine fares for public transport. However, we note with concern that IPART's approach to calculating the external benefits of public transport focuses only on those benefits associated with avoided car use; specifically avoided congestion, road-traffic fatalities and reduced air pollution. We believe that car use incurs additional costs that should also be taken into consideration. In addition, the benefits associated increased mobility and social inclusion should be considered.

2.2 The importance of comprehensive costings

Consistent with our earlier submissions, NCOSS maintains that the cost of public transport should be considered in relation to the cost of car travel. This is in order to set fares at a level that send an appropriate price signal, encouraging people to make socially efficient decisions.

Whilst the revised model rejects this more comprehensive approach, modelling that takes the external costs of private transport into account produces a more balanced picture of the cost structure of transport generally and provides a more robust evidence base upon which to make determinations.¹ For example, a study conducted in Auckland, New Zealand, focusing on the internal and external costs of public transport, found that the external costs of transport are high, and that public transport users in effect subsidize the choices of people using private transport, with forms of private transport generating 28% more external costs than public transport.²

Whilst noting the difficulties involved in determining road usage charges, NCOSS is concerned that IPART's proposal to include the cost of the excess burden of funding the public transport system will distort the relative cost of public transport unless the same approach is also applied to the cost of car travel. Insofar as equity is concerned, a fair pricing structure demands that the costs of different modes of transport are taken into account, as these costs are *distributed*, often unevenly, in reality.

Recommendation one: *The cost of public transport should be considered in relation to the cost of car travel in order to set fares at a level that encourages people to make socially efficient decisions.*

Recommendation two: *IPART should not include the cost of the excess burden of funding the public transport system in its estimation of the external benefits of public transport unless the same approach is also applied to the cost of car travel.*

2.3 The limitations of external benefits considered in the draft report

2.3.1 Social inclusion

NCOSS remains concerned that the revised approach does not consider the social inclusion benefits linked to public transport, beyond a narrow set of indicators, particularly for those people who do not have access to motor vehicles.

¹ Littman, T. (2015). *Evaluating Public Transit Benefits and Costs: Best Practices Guidebook*. Melbourne: Victoria Transport Policy Research Institute.

² Jakob, A., Craig, J.L., Fisher, G. (2006) 'Transport cost analysis: A case study of the total costs of private and public transport in Auckland', *Environmental Science and Policy* 9: 55-66.

There are significant benefits in terms of social inclusion that arise from public transport for the community as a whole, as well as specific population groups who may experience transport disadvantage, such as young mothers, sole parents, young people, people with a disability and Aboriginal and Torres Strait Islander peoples.³ The draft report itself notes that “[w]hile it may not be clearly articulated, ensuring social inclusion for groups that rely on public transport is likely to be a reason for Government choosing to provide these services,⁴” which indicates that there are indeed wider external benefits arising from the *provision* of public transport and its *use*; a fact recognized by government decision-makers.

Whilst IPART has maintained that these concerns around social inclusion are best addressed through the government’s transport concessions policy, such an approach is unlikely to achieve the desired outcomes.⁵ This is attributable to the narrow scope of concessions and the fact that they are not granted on the basis of being young or on the basis of ethnicity, for example, thus excluding a range of groups currently experiencing transport disadvantage, but who are nonetheless unable to access concessions under the current framework.

Recommendation three: *IPART should include an estimation of the benefits related to improved social inclusion and mobility in its approach to calculating the external benefits of public transport.*

2.3.2 Health benefits

We welcome IPART’s proposal to include a consideration of certain external benefits, including the health costs saved by society, in its determination. However, we note with concern that this approach is limited in scope. IPART’s circumscribed view, as expressed in the draft report, is that the “external benefit is only that related to the reduction in healthcare costs that are borne by society, which is only a small proportion of the total health benefit.”⁶

³ Rosier, K. & McDonald, M. (2011). The relationship between transport and disadvantage in Australia. Melbourne: Communities and Families Clearinghouse Australia.

⁴ Independent Pricing and Regulatory Tribunal (2014). *Review of external benefits of transport - draft report*. Sydney: IPART p. 84.

⁵ Council of Social Service of New South Wales (NCOSS) (2014). *Submission to IPART’s Issues Paper*. Sydney: NCOSS.

⁶ Independent Pricing and Regulatory Tribunal (2014). *Review of external benefits of transport - draft report*. Sydney: IPART p. 56.

We remain concerned that adopting a limited view of health sector costs associated with mortality alone as an indicator does not adequately capture or reflect the external costs associated with other types of transport, as well as the benefits that accrue from public transport usage. The extant literature highlights how health costs and benefits are intricately related to different modes of transport. For instance, time spent commuting, which is heavily affected by road congestion, is associated with lower reported life satisfaction⁷, well-being⁸ and physical inactivity.⁹

A failure to adequately account for the burden of morbidity associated with specific modes of transport in the draft report therefore effectively results in a less comprehensive costing of the health costs and *benefits* of public transport, not all of which are private in nature. As noted in our previous submission, the framework proposed by Mulley et al., which proposes a model capable of incorporating these factors into a comprehensive assessment of the external benefits linked to public transport in the NSW context, could be instructive here.¹⁰

Recommendation four: IPART should consider widening the scope of its consideration of the health benefits linked to active transport in its assessment of the external benefits of public transport.

3. Further contact

Thank you again for the opportunity to provide input into this review. If you would like any further information on the issues raised in this submission please contact John Mikelsons, Deputy CEO on (02) 9211 2599 or email john@ncoss.org.au

⁷ Stutzer, A. and Frey, B. S. (2008) 'Stress that Doesn't Pay: The Commuting Paradox!' *Scandinavian Journal of Economics*. 110 (2): 339–366.

⁸ Crabtree, S. (2010) *Wellbeing Lower Among Workers With Long Commutes Gallup*. Retrieved 30 April 2012, from <<http://www.gallup.com/poll/142142/wellbeing-lower-among-workerslong-commutes.aspx>>.

⁹ World Health Organisation (2000). *Transport, Environment and Health*. Copenhagen: WHO Regional Office for Europe.

¹⁰ Mulley, C., Tyson, R., McCue, P., Rissel, C., Munro, C (2013) 'Valuing Active Transport: Including the health benefits of sustainable transport in transportation appraisal frameworks', *Research in Transportation Business & Management*, 7: 27-34.