



Council of Social Service of New South Wales

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30 September 2014

Independent Pricing and Regulatory Tribunal
Review of External Benefits of Public Transport
ipart@ipart.nsw.gov.au

Dear Sir or Madam

RE: Review of External Benefits of Public Transport

The Council of Social Service of NSW (NCOSS) appreciates this opportunity to provide input into IPART's review of the external benefits of public transport.

Public transport has enormous potential to shape a fairer and more inclusive society. As such is an area of policy in which we have a keen interest. Transport disadvantage affects many of the people we represent, and we believe that the design and delivery of public transport infrastructure and services can play an important role in alleviating this disadvantage.

We therefore welcome IPART's decision to review its approach to considering the value of the external benefits of public transport, which will in turn inform IPART's fare determination processes.

Our submission, which is attached to this letter, provides recommendations aimed at ensuring public transport's role in providing a social service is given due consideration in this review. We also provide comment on the health and social costs and benefits linked to public transport and car travel.

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

Yours sincerely

Tracy Howe

Chief Executive Officer

NCOSS Submission to IPART's Review of the External Benefits of Public Transport



September 29, 2014

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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 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. We support IPART's proposal to assess the external benefits of the public transport network as a whole in addition to a mode-by mode analysis.*
- 4. We do not support IPART's proposal to separately estimate the external benefits of public transport in peak and off-peak periods.*
- 5. IPART should consider incorporating the social and health costs associated with car travel into its approach to calculating the benefits linked to avoided car travel.*
- 6. 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.*
- 7. IPART should consider including the health benefits linked to active transport in its assessment of the external benefits of public transport.*

Introduction

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 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. We begin with some general comments related to IPART's approach to setting fares, particularly in relation to how this approach relates to broader policy goals.

1 Our concerns with IPART's current approach

IPART's approach to determining maximum fares has been to set the Government subsidy broadly in line with the estimated value of the external benefits, and set fares to generate the difference between the Government subsidy and the estimated efficient costs of providing a public transport service.

In previous submissions to IPART's fare-setting processes, NCOSS has acknowledged that this approach appears reasonable, with a number of caveats.

First, we believe that 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. IPART's Issues Paper acknowledges that this could be achieved via a system of road use pricing that incorporates both the internal and external costs of car travel, but that in the absence of such a system, lowering public transport prices can achieve the same outcome.

Given that at this stage there is no systematic approach to road use pricing, it is imperative that IPART's consideration of the external costs of car travel is comprehensive, yet many costs have been over-looked. We provide more detail on these costs below. Furthermore it is important public transport and road use pricing are treated consistently. We are 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.

Second, an approach to fare-setting that relies on the calculation of external benefits is sound only if the assessment of those benefits is comprehensive. We are concerned that the current approach does not adequately consider the social and health benefits linked to public transport and we provide more detail on this point below.

Recommendation 1: *The cost of public transport should be considered in relation to the cost of car travel in order to set fares a level that encourages people to make socially efficient decisions.*

Recommendation 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.*

2 How external benefits are considered

We support considering the external benefits of the public transport network as a whole in addition to a mode-by-mode analysis. Public transport should be considered as a cohesive system, and NCOSS has advocated for integrated ticketing and integrated fares.

We do not support separately estimating external benefits in peak and off-peak periods and believe that such an approach would be at odds with a holistic view of the public transport system. Investment in public transport infrastructure and services has for the most part occurred in response to the needs of commuters rather than people who use public transport for other purposes. IPART's proposed approach would further disadvantage other public transport users and would be in direct conflict with fare-setting policies that aim to make the best use of existing infrastructure.

Recommendation 3: We support IPART's proposal to assess the external benefits of the public transport network as a whole in addition to a mode-by mode analysis.

Recommendation 4: We do not support IPART's proposal to separately estimate the external benefits of public transport in peak and off-peak periods.

3 Which external benefits are considered

IPART's current approach to calculating the external benefits of public transport focuses only on those benefits associated with avoided car use; specifically avoided congestion 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.

The cost of congestion is currently calculated based only on time, with the value of time linked to the average wage rate. There is an emerging body of evidence, however, showing that time spent commuting also exacts social and health costs: it has been linked to lower reported life satisfaction¹ and well-being², physical inactivity³, fewer social connections⁴, and less time with family⁵. These are costs that not only impact individuals, but also affect society as a whole. We recommend that IPART consider incorporating costs such as these into its approach to calculating the benefits of avoided car travel.

Recommendation 5: IPART should consider incorporating the social and health costs associated with car travel into its approach to calculating the benefits linked to avoided car travel.

NCOSS also submits that IPART should consider the social and health *benefits* linked to public transport in its approach to calculating the external benefits of public transport.

As we have previously argued, public transport provides a valuable social service to people who are unable to drive. IPART suggests that this benefit is largely restricted to particular

¹ Stutzer, A. and Frey, B. S. (2008) 'Stress that Doesn't Pay: The Commuting Paradox!' *Scandinavian Journal of Economics*. 110 (2): 339–366.

² 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>>.

³ World Health Organisation (2000) *Transport, Environment and Health*. Regional Office for Europe, Copenhagen.

⁴ Putnam, R. (1995) 'Bowling Alone: The Collapse and Revival of American Community Robert D. Putnam; New York: Simon', *Journal of Democracy*, January 19: 65-78.

⁵ Flood, M.& Barbato, C. (2005) *Off to work: Commuting in Australia*. The Australia Institute, April 2005.

and identifiable groups within society, such as people with disability, pensioners and the unemployed. We disagree with this assessment, as most people at some time in their lives, for a range of different reasons, will be unable to drive and will benefit from the availability of public transport as a social service. Furthermore, a system that ensures *all* people are able to remain connected to our community benefits not only those individuals who would otherwise be excluded but also benefits our society more broadly. As such, we do not agree with IPART's proposition that these benefits are best addressed through the Government's targeted concession policy, and recommended that they be included in IPART's assessment of the external benefits of public transport.

Recommendation 6: *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.*

Access to public transport also frequently involves some form of active transport such as walking or cycling. Active transport offers positive health, environmental and economic outcomes that accrue to individuals as well as to society as a whole. Mulley et al have proposed a framework for calculating these benefits within the Australian context that could provide the basis for incorporating these outcomes into an assessment of the external benefits linked to public transport.⁶

Recommendation 6: *IPART should consider including the health benefits linked to active transport in its assessment of the external benefits of public transport.*

Conclusion

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

⁶ 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