



TasCOSS response to
Metro's Submission to the
Government Prices Oversight
Commission 2009 Review of Metro's
Pricing Policies

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The Tasmanian Council of Social Service welcomes the opportunity to comment on Metro's Submission to the Government Prices Oversight Commission *2009 Review of Metro's Pricing Policies*. TasCOSS is the peak body for the community services sector in Tasmania and the principal voice for low income and disadvantaged Tasmanians.

Affordable and accessible public transport is absolutely essential for people participate fully in their communities, particularly those on low incomes. Public transport enables people to be able to access quality healthcare and childcare, purchase healthy food, maintain friendships and participate in social, cultural and civic events. Part of ensuring higher literacy and numeracy standards in Tasmania is ensuring that students get to school easily. Public transport is an important means to economic participation so people can get to and from employment. Decreased reliance on private vehicles through increased public transport use will lead to lowered greenhouse emissions, which is essential for the sustainability our environment.

It is clear to TasCOSS that the public transport system in Tasmania needs to be better resourced and prioritised by the State Government. The difficulty of accessing transport was a consistent theme throughout TasCOSS' 2008 consultations with people living on low incomes. Almost a decade earlier, Anglicare named lack of access to transport as a major barrier to social inclusion in Tasmania in their *Hearing the Voices* report. With increases in the cost of living, an affordable and accessible public transport system is a basic necessity for people who are on low incomes or disadvantaged.

TasCOSS recognises the work Metro has been doing to improve public transport since the last GPOC report and the *Review of Core Passenger Transport Services* including compliance with the *Disability Discrimination Act* through the purchase of low floor accessible buses and through increased consultation and review of services with local government, services users and other key stakeholders. Many of these positive changes have been made during a period of financial instability for Metro, and in a climate of future economic uncertainty.

While TasCOSS understands the difficult financial position Metro is in, our key interests lie with the Tasmanians who are on low incomes, who are disadvantaged and who are excluded and isolated. High numbers of people who need public transport are on government benefits, benefits which often do not cover basic costs of living, a cost which has been increasing. When setting the policies and prices for Metro's fares for the next five years, TasCOSS would like GPOC to take the following into consideration:

1. the need for future increases in fares to be kept to a minimum;
2. the need of Metro Tasmania to be sustainable and viable; and
3. the need for State Government to substantially increase funding to public transport.

1. The need for future increases in fares to be kept to a minimum

Since the *Review of Core Passenger Transport Services* there have been a number of changes to passenger transport fares, particularly to student fares, as a way of improving consistency across fare structures. This has resulted in recent increases in some fares, the most recent of which was January 1, 2009. While TasCOSS understands the need to make fares more equitable and consistent, we do not support increases in fares as a way to recoup Metro's growing costs. People on low incomes are sensitive to even the smallest increases in price. It is TasCOSS' position that Government should better subsidise Metro in order to keep fares down. A number of the GPOC's Terms of Reference are concerned with how fare increases can contribute to cost recovery for Metro. We would like to address the following:

4) The Commission is to identify what changes would be necessary to the full adult fares structure to achieve full cost recovery.

We support Metro's call that Adult / Full Fares should **not** be set so as to achieve full cost recovery (Metro 2009: p85). As Metro point out in their submission, for their costs to be completely covered, fares would have to rise substantially, resulting in a decreased use of public transport and towards a much greater reliance on private vehicles (p86). In the case of people who cannot afford a private vehicle this can lead to social isolation and social exclusion.

While Tasmania has a higher percentage of people living on Government benefits (31.5% compared to 26.1% nationally), Tasmanian also has a high percentage of people who could be defined as living on a low income, that is people who may not be eligible for concessions but who are still struggling financially. Figures from the ABS demonstrate that a higher proportion of Tasmanians were living in household classed as having low economic resources in 2005-06 than other Australians (ABS 2007: p30). Metro rightly state that "the adoption of a cost recovery pricing objective for full adult fares would have a greater impact in Tasmania than in mainland States and Territories, particularly at a time of increased economic hardship and uncertainty about the future" (p86). TasCOSS agree with this statement and that full cost recovery should not be sought through the full adult fare.

6) The investigation is to develop principles for the determination of the appropriate indexation of each fare category, with particular reference to:

- (i) fuel costs/changes in the Metro index; and*
- (ii) relativities between the fare categories.*

In their submission, Metro support the indexation across all fare categories as a way to mitigate operational under-funding, the economic recession and fuel price volatility (p8). Metro propose that between major reviews of its fare structure the Metro Index (which measures movements in Metro's costs) be uniformly applied across all fare

categories in order for the established relativities between the categories to be maintained as much as possible and that major reviews by, for example, GPOC or DIER would determine the appropriate relativities to be carried forward by indexation (p90).

TasCOSS is concerned that the proposal could allow fares to be raised in order to keep pace with Metro costs between major reviews of fare structures. TasCOSS would like to emphasise Metro's point that the indexation across fares only gives Metro short term protection against increases in costs and that this is not a long term solution as passengers respond negatively to fare increases (p93). TasCOSS maintains that fare prices must be impacted on as little as possible, and it is the role of Government to find alternate ways to protect Metro against the short term effects from fuel price volatility and financial instability.

TasCOSS recommends that GPOC seriously give consideration to the fact that any rises in fares will adversely affect those who are most vulnerable and most need public transport services. With anticipated increases in the cost of living and the existing difficulty for many on low incomes to meet the costs of basic requirements (including fresh fruit and vegetables, housing, electricity) rises in transport costs will be an additional burden. Recent TasCOSS research found that people on low incomes already find it difficult to make ends meet. It is unfair to expect people on low incomes to manage further increases to bus fares when there is not an equal rise in benefits.

2. The need for Metro Tasmania to be sustainable and viable

Metro Tasmania is a critically important element in Tasmania's State transport system. Metro to be financially viable, sustainable and to be able to grow its business in the interests of providing quality public transport for the Tasmanian community.

Throughout their submission Metro point out the difficult financial position it has been in with projected losses in 2008-09 and in following years (p6). Metro attributes its current position as "a consequence of a long period of public transport being a low priority and suffering from public neglect" (p7). TasCOSS agree with this statement. TasCOSS has been calling for significant increases to public transport services through our budget priority statements for at least 5 years. Public transport is consistently named as a problem through our consultations with low income Tasmanians and community service providers.

As a result of recommendations to the *Review to Core Passenger Transport Services*, Metro has made a number of positive changes to its bus fleet and to its service delivery. Metro points out that as at 31 July 2008, 46 buses in the Metro fleet were in accordance with the *Disability Discrimination Act* and were "accessible" including wheelchair accessible and that a further 18 buses have been ordered with nine of these already received. These buses are also low emission diesel engines that respond to the need to

reduce carbon emissions. The extra cost over Metro's entire fleet is in excess of \$6 million (p61).

Metro is also committed to ongoing review of statewide services through community and stakeholder consultation and through establishing working relationships with local councils to establish community need. These continuing improvements through ongoing consultation, review and replacement of fleet come at a cost, a cost TasCOSS believe should not be at the detriment of Metro's financial position and a cost that the State Government should cover.

Metro identify the current negotiations for a new urban services contract as the key mechanism by which Metro's increasing costs can be covered. As a result of *Core Passenger Transport Review*, Government has established new urban fringe service contracts with private operators that represent long term sustainable and profitable financial arrangements. Metro argues that its own urban contract requires the application of the same policy. TasCOSS think it is reasonable that there is consistency across Government's urban contract arrangements, so long as these do not lead to increases in fares.

Metro propose that a way to address their funding issues is through changes to the Metro Index and the weightings of particular sub indices. The index is a weighted combination of 3 sub indices representing four cost components; labour, fuel, bus capital and other costs. Metro point out need to be able to 'reweight' the indices in a regular and timelier fashion and with reference to the most up to date information (p76). TasCOSS supports Metros call that GPOC give consideration to how this will be best managed in the periods of five yearly GPOC reviews (p77).

TasCOSS asks GPOC to take into account the need for Metro to be financially sustainable through more favourable negotiations with Government in their urban contracts and through realistic weightings of the sub indices in the Metro index so that contract payments can be adjusted to retain their real value.

3. The need for State Government to substantially increase funding to public transport

TasCOSS recognise that in this current global economic crisis, Government is looking to tighten their budgets wherever possible. That said, the Premier David Bartlett has indicated his intention to make public transport priority and improving public transport will be one of the key ways with to address the anticipated impacts that projected unemployment and lower incomes will have on social inclusion.

Projected labour shortages mean that it will be more important than ever that Tasmania has a mobile labour force. In the Demographic Change Council's paper *Who's Not Participating in Tasmania's Labour Force*, a higher number of people aged 45 to 65 in

Tasmania listed transport as a barrier to work participation than compared nationally. (2007: 47).

Projections of higher fuel and energy prices and the need to reduce greenhouse gas emissions means that more people need to start using public transport in Tasmania. In order for this to happen, public transport must be an accessible, affordable and attractive alternative to private vehicle use. TasCOSS acknowledge that this will be a challenge given Tasmania's regional population dispersion and heavy reliance on private vehicles.

With Government's commitment to a Social Inclusion Strategy it makes sense that the systems and infrastructure that make social inclusion possible are enhanced and prioritised. Metro point out that "Government's primary objective in funding contracted services is to mitigate the impact of transport and socioeconomic disadvantage" (p10). TasCOSS would like to emphasise that increasing fares does not mitigate the impact of transport and socioeconomic disadvantage but rather reinforces it. TasCOSS ask that GPOC keep this at the forefront of their policy making when setting the prices for metro pricing policies for the next 5 years.

References

ABS (2007) *Household Income and Distribution 2005-06* Table 16, Cat No. 6523.0, p 30.

Demographic Change Advisory Council (2007) *Who is Not Participating in Tasmania's Labour Force?* Tasmanian State Government

Metro (2009) *Metro's Submission to the Government Prices Oversight Commission 2009 Review of Metro's Pricing Policies*